



10 DOWNING STREET

Prime Minister (2)

It will be important to ensure that this is presented as Inland Revenue's decision having looked at all the facts of the case and having reached a judgement that it was unlikely to secure more than £1/4 million.

AT 8/5

mt

CONFIDENTIAL

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DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

Andrew Turnbull Esq
Private Secretary
10 Downing Street
LONDON SW1

7th. May 1985

Dear Andrew,

LAKER: ATTEMPTED SETTLEMENT

My Secretary of State minuted the Prime Minister on 3 May about the British Airways' proposals for a settlement of the liquidator's case: the Prime Minister and other members of MISC 112 have agreed to BA proceeding as proposed.

The Foreign Secretary refers in his response to the Inland Revenue claim on the liquidator. We understand that a basis has now been found between the Inland Revenue, the negotiators and the liquidator which will enable the liquidator to settle on the basis which has been proposed. This is welcome since it clears the way for a formal offer to be made with a view to getting the settlement under way.

We have heard this morning that the increased contributions of the European airlines are not finally in place, but any shortfall on the \$18 million from them is likely to be small.

Copies of this letter go to Peter Ricketts (Foreign & Commonwealth Office), Margaret O'Mara (Chancellor of the Exchequer's office), Andrew Lansley (Trade and Industry), Henry Steel (Law Officers' Department), Vivienne Life (Financial Secretary's office and Richard Hatfield (Cabinet Office).

Yours,

Richard.

R A ALLAN
Private Secretary

CONFIDENTIAL

Future of BA: AEROSPACE LAB.



28 MAY 1985

COMMUNICATIONS

1985

NBA
AT 8/5

Treasury Chambers, Parliament Street, SW1P 3AG

A Turnbull Esq
10 Downing Street
LONDON

7 May 1985

Dear Andrew

LAKER: ATTEMPTED SETTLEMENT

The Financial Secretary has seen the Secretary of State for Transport's minute of 3 May to the Prime Minister. This is to confirm, as I mentioned to Richard Allan on the telephone today, that he sees no objection to BA proceeding with a settlement on the lines set out in that minute.

I understand that Richard Allan intends to write separately on the question of Inland Revenue's claim.

I am sending a copy of this letter to R A Allan (Department of Transport), Len Appleyard (Foreign and Commonwealth Office), Rachel Lomax (HM Treasury), John Mogg (Department of Trade and Industry), Henry Steel (Attorney General's Office) and Richard Hatfield (Cabinet Office).

Yours sincerely
Vivien Life

VIVIEN LIFE

Aerospace : Future of BA R3

James C. ...

MAY 1985

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5 6 7 8 9

CONFIDENTIAL



10 DOWNING STREET

From the Private Secretary

7 May 1985

LAKER:ATTEMPTED SETTLEMENT

The Prime Minister has seen your Secretary of State's minute of 3 May. She is content that British Airways should make an offer on the lines suggested. She hopes that a satisfactory settlement can soon be reached with Inland Revenue.

I am sending a copy of this letter to Len Appleyard (Foreign and Commonwealth Office), Rachel Lomax (HM Treasury), John Mogg (Department of Trade and Industry), Vivienne Life (Financial Secretary's Office), Henry Steel (Attorney General's Office) and Richard Hatfield (Cabinet Office).

(Andrew Turnbull)

R A Allan Esq
Department of Transport

FILE

29 (41)
cc: J. Whybray

EU



PM/85/41

PRIME MINISTER

Laker: Attempted Settlement

1. I have seen Nicholas Ridley's minute of ^{with AT?} 3 May. I agree that the settlement BA have secured with Laker's creditors is broadly satisfactory and that BA should put the offer in writing to the Laker liquidator on Tuesday, 7 May. As I understand it, this is still only an offer and we are not yet out of the wood. Nonetheless to have reached this stage is a considerable achievement on the part of BA and their lawyers. I also understand there is an outstanding difficulty with the Inland Revenue. In view of the understanding shown by other creditors, I hope that aspect of the matter can quickly be resolved.

2. Copies of this minute go to the Secretary of State for Transport, the Chancellor of the Exchequer, the Secretary of State for Trade and Industry, the Financial Secretary and Sir Robert Armstrong.

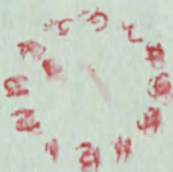
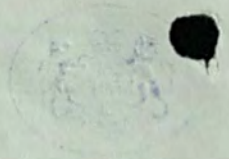
GEOFFREY HOWE

Foreign and Commonwealth Office

7 May, 1985

AEROSTATUS : CAA Review

Pt 3



17 MAY 1985



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Yes mt

PRIME MINISTER ^① Agree subject to colleagues?
(Negotiations are still going on to stop Inland Revenue weighing in and rocking the boat) - see attached letter.

LAKER: ATTEMPTED SETTLEMENT AT 3/5

British Airways' negotiations with the Laker creditors and the other defendants in the liquidator's case have reached the point where they believe that a settlement is in prospect. Pressure on the other defendants finally produced yesterday offers of contributions which seem acceptable and are in any case most unlikely to be increased. BA are required to report progress to the US judge on 8 May. They are advised that it is essential that they make written offers to the liquidator and others before then, if they are to be granted a further extension of the date by which they have to respond to the liquidator's motion to compel discovery of documents. BA have asked therefore whether I see any objection to their proceeding with a settlement on the terms set out below.

2. BA estimate the total cost of the settlement at \$65m-70m. The eventual total could turn out somewhat less as claims come forward. This includes conditional offers which they propose to make next week of \$8m to Sir Freddie Laker and \$8m to the liquidator's US lawyer. The total is less than they had feared at the time of the negotiations with the US Eximbank, because they have been able to persuade the other major creditors of the case for exceptional treatment for Exim alone.

3. As to contributions, BA have secured offers totalling \$18m from the European defendants and BCal; and a further \$18m from the US defendants (Pan Am and TWA). BA's share would therefore be in the range \$29-34m. Of this, payments worth \$12m would take the form of increased



interest payments on loans to Exim, and would therefore be spread over a period. If the total cost of the settlement turns out to be less than \$65-70m, BA would get most of the benefit. \$5m of Pan Am's contribution would also be paid over a period, because of their immediate cash problems.

4. Though I had hoped that BA would have had to bear a smaller share of the total, I am satisfied that they have extracted the most that could be got from the other defendants. The cost to BA is much less than the \$60m which we contemplated when MISC 112 last discussed the settlement on 6 March.

5. Subject to your agreement, and that of my other colleagues concerned, I propose to inform BA that I see no objection to their proceeding with a settlement on these lines. As BA have to make the offers on Tuesday 7 May, I should be grateful to know by noon that day if you see any difficulty.

6. Copies of this minute go to the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Secretary of State for Trade and Industry, the Financial Secretary, the Attorney-General and to Sir Robert Armstrong.

R. A. Aslam.
(Private Secretary)

for NICHOLAS RIDLEY
3 MAY 1985

(approved by the Secretary of State
and signed in his absence).



AEROSPACE

Pt 3 future of
BA

ES MAY 1985

