



DEPARTMENT OF TRANSPORT  
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

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Tim Flesher Esq  
Private Secretary  
10 Downing Street  
LONDON  
SW1

CEVO  
21 August 1985

Dear Tim,

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Pine Mark

BRITISH AIRWAYS: LAKER LITIGATION

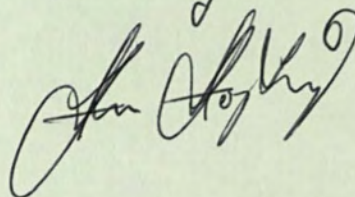
The Secretary of State has asked me to let you know that last night, when the offer to him was due to expire, Sir Freddie Laker agreed to abandon further legal claims against British Airways and the other defendants in the Laker Airways liquidator's suit, in return for payment of the \$8m which the defendants had offered. As well as dropping his own claims Sir Freddie is procuring releases from Lonrho against further legal action on their part. As part of the agreement BA has agreed to provide, and to seek to procure from the other defendants, a letter of comfort, undertaking not to discriminate against any airline in which Sir Freddie may have a shareholding of at least 10%. This will cover matters such as baggage handling and interlining.

As a result, Sir Freddie Laker will now withdraw the appeal he had lodged against the English High Court's approval of the out of court settlement of the liquidation, and he and the liquidator will return to the Jersey court to request that their consideration of the proposed settlement be completed. Once the approval of the English and Jersey courts has been obtained, the parties will then return to the American courts to obtain Judge Greene's approval of the settlement and dismissal of the treble damages suit. These remaining procedural steps may take another three or four weeks, but with the withdrawal of Sir Freddie Laker's and Lonrho's objections, BA do not expect any further serious obstacles to a settlement of this law suit.

This will dispose of one of the major legal problems which have been delaying privatisation and is likely to re-awaken interest in when a fresh target date for flotation can be set. The Secretary of State has asked me to say that the class action, in which BA are joint defendants with Pan Am and TWA, is also a major cause of uncertainty which needs to be resolved. Negotiations on an out of court settlement of this case are at a very early stage. The response to any questions should therefore be that although settlement of the Laker liquidator's suit disposes of one problem, there are major issues arising out of US Anti-Trust law still to be resolved before a fresh timetable can be set.

I am copying this to the Private Secretaries to the Foreign Office, Chancellor of the Exchequer, Secretary of State for Trade and Industry, Attorney General and Sir Robert Armstrong.

Yours sincerely,



HUW HOPKINS  
Private Secretary

P.S. I attach a copy of a press release  
just issued by BA.

## SETTLEMENT AGREED WITH SIR FREDDIE LAKER

British Airways today announced that an agreement had been reached with Sir Freddie Laker by which he and Lonrho Plc have released any claims asserted by Sir Freddie Laker personally, and/or Lonrho Plc against the 12 defendants involved in the anti-trust litigation brought by the Laker liquidator and certain others, in return for a payment of \$8 million to Sir Freddie: (Full list of defendants attached). The release includes claims asserted in relation to events after Laker Airways went into liquidation.

The terms of the agreement with Sir Freddie are in accordance with the terms set out in the offer made on July 11, 1985 and made public by British Airways on July 12, 1985 in the announcement of the agreement reached with the Laker liquidator involving payments to the Laker creditors. The release of the claims was agreed by Sir Freddie with the authority of Lonrho Plc. The agreement was reached within the deadline of 20 August 1985 as stated in the offer to Sir Freddie Laker made on July 11, 1985.

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Colin Marshall, Chief Executive of British Airways, commenting on the agreement said "The necessary approvals by the English, Jersey and American courts for the agreement reached with the Laker liquidator on July 12 involving payments to the Laker creditors are proceeding satisfactorily. As we have consistently stated, it is a wish of the defendants to see an end to all litigation arising from the collapse of Laker Airways and the agreement now reached with Sir Freddie is another important step forward in achieving that conclusion.

"As with our settlement with the liquidator, our agreement with Sir Freddie bears no admission of guilt on behalf of British Airways or the other defendants to drive Laker out of business or to breach US anti-trust laws. The advantages to British Airways and the other defendants of ridding ourselves of all aspects of the Laker litigation for a very small fraction of the total amount claimed has encouraged all parties to the litigation to reach a satisfactory out of court settlement."

Mr Marshall concluded "Our settlement with Sir Freddie, combined with the steady progress in gaining court approval for our agreement with the Laker liquidator, now only leaves a settlement of the outstanding class actions. British Airways is making progress in its endeavours to reach a settlement in respect of the class actions."

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Defendants involved in the Laker litigation are:

British Airways  
Pan American Airways  
Sabena  
UTA  
TWA  
KLM  
SAS  
British Caledonian  
Swissair  
Lufthansa

and McDonnell Douglas Corp.  
McDonnell Douglas Finance Corp.

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21 August 1985

