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Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

12 March 1986

David Norgrove Esq
10 Downing Street
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BA

~~Dear David~~

PRIVATISATION PROCEEDS 1986-87

I attach a very short line to take, on the lines I gave you over the phone this morning, in case the announcement today of the postponement of the BA sale gives rise to suggestions that the 1986-87 privatisation proceeds target will not be reached.

I am copying this to Richard Allan (Department of Transport).

Yours ever,

Tony

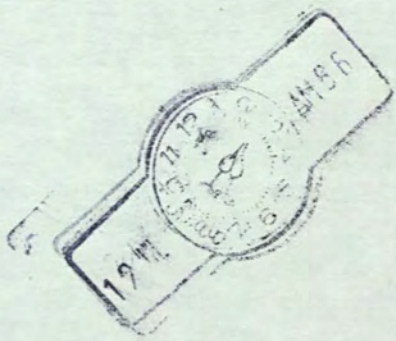
A W KUCZYS
Private Secretary

1987/23

PRIVATISATION PROCEEDS 1986-87

Factual 1986-87 target for privatisation proceeds is £4¾ billion. £1.2 billion already guaranteed from third instalment of 1984 BT sale (due 9 April).

Line to take The fact that BA will not be sold this summer does not jeopardize 1986-87 proceeds targets. Other sales expected during the lifetime of this Parliament include British Gas, Royal Ordnance, Rolls Royce, British Airports Authority, and parts of the water industry. There is no fear that overall proceeds will not live up to the Government's expectations.



C O N F I D E N T I A L



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12 March 1986

Dear David,

BRITISH AIRWAYS PRIVATISATION

I circulated on 10 March the draft of a written PQ and Answer about this subject. Ministers agreed the Answer in MISC 112 yesterday, subject to certain minor amendments: and agreed that my Secretary of State should convey the Government's decision to the Chairman of British Airways.

My Secretary of State saw Lord King yesterday afternoon. Lord King argued strongly that the Answer should make no specific reference to the two new legal suits which have recently been filed against BA in the United States. My Secretary of State agrees that it is most important to give the plaintiffs no encouragement to pursue these cases. The fourth paragraph of the proposed Answer has therefore been revised to meet BA's concerns. It also takes account of advice from the Embassy in Washington received this morning that the Answer should refer to the existence of a serious dispute with the US over Bermuda 2. The revised draft attached has been discussed with FCO and DTI at official level.

A PQ is now on the Order Paper in the name of Mr Gary Waller, and my Secretary of State proposes to give the attached Answer at 3.30 pm today. I should be grateful if any comments on the draft could reach this office by 1.00 pm today: otherwise my Secretary of State will assume that colleagues are content for him to give this Answer.

I am copying this letter to the Private Secretaries to the Lord President, the Foreign Secretary, the Chancellor of the Exchequer, the Lord Privy Seal, the Chancellor of the Duchy, the Secretary of State for Trade and Industry, the Attorney General, the Chief Whip and the Financial Secretary: and to Michael Stark and John Wiggins at the Cabinet Office.

*Yours,
Richard.*

R A ALLAN
Private Secretary

C O N F I D E N T I A L

QUESTION

To ask the Secretary of State if he will make a further statement about the privatisation of British Airways.

DRAFT ANSWER

The Government's aim remains to privatise British Airways as soon as possible.

The Government is currently engaged in important negotiations with the US Government about UK/US air services and the competition law that applies to them.

The North Atlantic market is of great importance to all the British airlines which serve it, accounting, for example, for about 23% of British Airways' total revenue and about 36% of British Caledonian's total revenue. It is most important for all British airlines, not least British Airways, that we secure an agreement with the US Government which either enables them to compete on fair and equal terms for all the traffic between our two countries or, failing that, safeguards our vital interests. Without such an agreement the ability of our airlines to maintain or improve their competitive position would be severely undermined. I made our position perfectly clear during my recent visit to the United States. I am hopeful that it will be possible to negotiate acceptable arrangements before the present ones expire this summer. But before we proceed with the privatisation of British Airways we must clarify with the United States Government the air services arrangements which govern a large part of the company's business.

During my visit to the USA, I also set out our continuing concern to resolve the serious dispute between our two Governments with regard to the application of US anti-trust laws to international civil aviation. My officials are in discussion with the US Departments concerned, but no solution of the problems has yet been found. Until such time as the US authorities rectify the situation, it is for British Airways and other British airlines

to decide how best to deal with the implications of US anti-trust laws, subject only to such restrictions as Her Majesty's Government may consider it necessary to impose to protect the trading interests of the UK. The seriousness of the Government's concern is amply demonstrated by the fact that four years after the collapse of Laker Airways, anti-trust litigation arising from it has not yet been concluded. The company has consistently denied any liability in this litigation, which in the view of HMG should not have been brought.

In view of these factors I have decided, with great reluctance, that I can still not set a firm timetable for privatisation for the time being. I shall watch the situation closely, and proceed as soon as I judge the situation to be sufficiently clarified.

AEROSPACE

BA

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COMMUNICATIONS