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PRIME MINISTER

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BRITISH AIRWAYS PRIVATISATION

You and colleagues will wish to know that I plan to announce on 21 October important details of the offer for sale for British Airways. I shall give an arranged Parliamentary answer, and shall be holding a press conference at 3.30 pm. This, combined with a flight for journalists on Concorde beforehand, should ensure good coverage. I attach for information a copy of the proposed Parliamentary answer.

I should also like to take this opportunity to remind colleagues that now that the marketing campaign for the sale of British Airways has started, and will, I believe, generate considerable public interest, many of us are likely to be asked questions about the company or the flotation. Unguarded or inaccurate comments, or answers to any questions, could have very serious consequences for the flotation and in some circumstances could make it necessary for there to be a delay in the flotation itself. I therefore hope that wherever possible my colleagues will try to sidestep such questions. My Department will, of course, provide briefing where this is requested, and it will be most important in those circumstances to keep carefully to the wording of the brief.

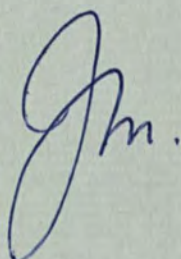
It may not always be possible to avoid all comment, and if such instances arise, it is most important that we all observe the following guidelines:

- i) anything said about the share offer, BA itself or BA's trading environment must be factual, accurate and fair;

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- ii) no opinion should be expressed, and no predictions made, about the prospects for the shares or for BA's business or about BA's competitors or the aviation industry generally (beyond, of course, whatever forecasts are set out in the prospectus and even these statements must be set in context);
- iii) enquirers should be urged to obtain their own copies of the prospectus, once this has been published, and to make up their own minds after reading it. No statements should be made which could be interpreted as an inducement or recommendation to buy BA shares.

I am copying this minute and attachment to all members of the Cabinet, and to the Chief Whip: I should be grateful if they would circulate this guidance to junior Ministers in their Departments. A copy also goes to Sir Robert Armstrong.



JOHN MOORE

20 October 1986

Question

To ask the Secretary of State for Transport whether he will announce details of the offer for sale of British Airways.

Draft Answer

As I announced on 11 September the Government has decided to sell its shareholding in British Airways in the early weeks of 1987. The offer will be payable in two instalments. I am delighted that it will now prove possible to free the company from the constraints of Government control and to enable the employees, customers and members of the public to take a real stake in its future.

The flotation will provide a further major opportunity to strengthen the basis of individual share ownership in this country. I therefore intend to build on the success of previous privatisations by publicising details of the offer for sale and of how to apply for shares widely in the press and on television. A Share Opportunity Office has been established to register enquiries and despatch information about the company and the offer for sale. British Airways' senior management will be touring the country extensively to promote the issue, and to assist in this process I have selected regional co-ordinators for the whole of the United Kingdom. To foster the commitment of the new generation of shareholders, a small portion of the equity will be retained to enable a loyalty bonus to be paid to those initial purchasers who retain their holdings continuously for three years. One free share will be offered for ten, up to a maximum value of £5,000 of shares initially purchased.

I recognise and want to pay tribute to the management and staff of British Airways whose efforts have made it possible to look forward to a successful flotation. It is right that they should have a special opportunity to take a stake in the company's future. I have accordingly decided that they should have the opportunity to acquire free, matching and discounted shares on broadly the same terms as British Gas employees.

Finally, British Airways is an international business and it will benefit both its commercial interests, and the Government's as vendor in maximising demand if a limited portion of the equity is allocated to overseas markets. The Government already has an adviser on the US market. I have decided in addition to appoint advisers on the European, Japanese and Canadian markets. Final decisions on which, if any, of these markets to use and the size of any overseas allocation will not be taken until close to the start of the offer period. I would not, however, envisage that the allocation to overseas markets will exceed 20%.

I am placing details of my announcement on 11 September, the regional co-ordinators selected, the terms of the preferential share offer to employees, and the advisers to overseas markets in the Library.

