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BRITISH AIRWAYS

The Secretary of State saw Sir John King this morning to tell him the outcome of the Prime Minister's meeting to discuss British Airways. The Secretary was also present.

The Secretary of State told Sir John King that it had been decided that legislation to provide for the restructuring of BA's finances could not be introduced before a General Election. A capital reconstruction could not therefore go ahead in the timetable we had originally envisaged. The Secretary of State regretted this but there was nothing to be done.

Sir John King said that it was important to keep up the momentum. As far as he was concerned, British Airways "remained on course". The Secretary of State agreed that the momentum should be sustained. In response to enquiries we should say that we had no immediate plans for legislation. It remained our intention to privatise BA when practicable. The essential framework had already been established in the 1980 Act. Whether further legislation were needed, and if so what it might contain, we were not now in a position to say. British Airways had got themselves into profit, but had yet to establish a track record. We could only take decisions on privatisation and a capital reconstruction on the basis of a more acceptable level of profit. When the figures came through, we would look at the question of a reconstruction. If pressed on how long a track record would be required before we would look at the issue again we should have to say that this depended on market conditions and views of our financial advisers in the circumstances then applying. Sir John King agreed that this was the line to take.

The Secretary of State took the opportunity to raise one or two other matters with Sir John King. On the question of a Chief Executive Sir John said Mr Basil Collins had been "looking into" Mr Marshall. Both Mr Dibbs and Sir John thought Mr Marshall would do very well; though Mr Henderson thought that Mr Marshall might not be tough enough. Notwithstanding this, Sir John hoped to ask Mr Marshall shortly if he would be prepared to take the job of Chief Operations Officer on, were it offered him. He hoped for a favourable response and that it might be possible to get Mr Marshall installed by the beginning of January or February 1983. The Secretary of State said that it was essential to appoint someone with drive to the job.

Sir John also mentioned that British Airways had completed one half of the audit of £100m worth of tickets which had been undertaken to establish the extent of losses through discounting. The audit showed a revenue short-fall of £5m, not as bad as he had feared.

Finally the Secretary of State asked Sir John whether he planned any further pruning of BA's route network. Sir John said 60 odd routes and 64 aircraft had gone already and he had no further specific plans at this stage. He alluded

briefly to BA's discussions about routes with B.Cal and emphasised that any deal would have to show advantages for both parties. It was not clear at the moment what Mr Thomson could offer BA.

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