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From the Minister of State
for Industry and Information Technology

GEOFFREY PATTIE MP

Helen Goodman
Private Secretary to the
Financial Secretary
HM Treasury
LONDON
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Prime Minister

DTI and BAe are now on board
for a full flotation of 48%
holding.

AT 14/12

14 December 1984

Dear Helen,

MS

BRITISH AEROSPACE FLOTATION

Mr Pattie saw Sir Austin Pearce, Sir Raymond Lygo and Mr Bernard Friend of British Aerospace yesterday evening to tell them that the Government now wished to dispose of its 48% shareholding in British Aerospace by March 1985.

British Aerospace were generally positive in their initial response to this proposal, although they were worried at the short time available to work out the large number of both detailed and general policy matters necessary to be resolved before March. A particular area which needed early consideration in their view was how to combine the sale of the Government's shareholding with BAe's wish to undertake a rights issue. They proposed that both exercises might be carried out together, though Sir Austin recognised that this might not prove to be feasible.

In discussing the broad issues which would need to be covered in the prospectus, there would be a need, Sir Austin Pearce felt, for the MOD's decision on the RAF basic trainer to have been resolved before the prospectus was issued, and for the document to include a clear statement of the Government's relationship with British Aerospace in respect to its obligations in the Airbus Industrie partnership.

It was agreed that British Aerospace would begin discussions immediately with their merchant bank advisers, Kleinwort Benson and set up a working party within the company to carry through the flotation. This Department, with our advisers Lazards would also set up a similar working group, in which of course, Treasury officials' involvement would be very welcome. Officials here are now working up a critical path of action necessary before March. A further meeting with the company is being arranged for early next week and Treasury officials will be

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