



cc BGL

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon John Moore MP
Secretary of State for Transport
Department of Transport
2 Marsham Street
LONDON
SW1P 3EB

NBPM

27 March 1987

Dear Secretary of State,

TIMING OF BAA PRIVATISATION AND EUROTUNNEL EQUITY 3

Thank you for your letter of 23 March.

It is most inconvenient that Eurotunnel's advisers have been so slow to realise that the end-July date we had in mind for Equity 3 would be impossible. As a result we are faced with two options for the timing of the BAA sale both of which are unattractive. Indeed the terms of County's advice on the June option which you propose are so far from reassuring that we must think very carefully indeed before taking that step.

I understand that County attach great importance to the BAA sale taking place before Equity 3 rather than immediately after. But for that, the option of a BAA sale in mid-July would have quite a number of attractions (as I argued last year), not least the opportunity to have a longer marketing campaign after the Rolls Royce sale. It would also give more time in which to appoint a Chief Executive which is a matter of urgency.

Nevertheless I would be willing to agree to the June date for BAA which you propose, but subject to two important points. First, it must be made absolutely clear to Eurotunnel that the impact day we are agreeing to is 1 July, and not some date in the previous week. I understand that the 1 July date might cause problems with the offer. It must be established as a matter of urgency that the 1 July date is feasible. We do not want to be faced, in a week or two's time, with a demand from Eurotunnel for an earlier date.

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My second proviso relates to the problem of the Rolls Royce Renounceable Letters of Allocation about which I am writing to Geoffrey Pattie in parallel with this letter to you. Unless he agrees to an instalment agreement for the Rolls Royce sale, a June sale of BAA risks throwing an intolerable burden on stockbrokers to the detriment of both the BAA and Rolls Royce sales, and to the privatisation programme generally.

I am sending a copy of this letter to the recipients of yours.

Yours sincerely,
Geoffrey

|| **NORMAN LAMONT**

[Approved by the
Financial Secretary
and signed in his
absence]



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PTG