

PRIME MINISTER

BRITISH CALEDONIAN

Lord King and Sir Adam Thomson saw Mr. Channon this afternoon. Mr. Channon explained that the question of a reference is a matter for the Secretary of State for Trade and Industry, and that Sir Gordon Borrie could give confidential guidance about the prospects for a reference if he wished to do so. Sir Adam Thomson is accordingly seeing Sir Gordon Borrie tomorrow.

Officials at the DTI and the DTp all agree that there is no question but that a merger would be referable. (This is, as you said, being described as a merger, but it is in fact a take-over.)

A paper by DTp officials will be circulated tomorrow.

*DK*

D. R. N.

9 July 1987