

D. Holmes

Copy No. // of 12

4

SECRET

SECRETARY OF STATE

cc:

Mr Spicer
Mr Bailey
Mr Clarke
Mr Stevens
Mr Yass
Miss Caines
Mr Fortnam
Mr Oates
Mr Rhodes

BA PRIVATISATION

I attach a first draft of a statement which you might make, in a Written Parliamentary Answer, if MISC 112 agrees to the proposals which you have put to them. It is fairly long, but I think that we need to set out properly the issues in the US negotiations, while keeping in something about the current anti-trust cases.

2. I expect that your colleagues will be anxious to know how you propose to handle the decision publicly, in view of the interest among MPs and in the Press which BA continues to stimulate for a summer flotation. You might like to consider circulating a draft statement to MISC 112 in advance of the meeting. That would enable us to get on quickly with arranging for you to see Lord King and Mr Marshall; you could give them, say, 24 hours to consider the draft statement, and make it perhaps on Thursday of next week.

DH

D HOLMES
6 March 1986

SECRET

SECRET

DRAFT WRITTEN PARLIAMENTARY ANSWER

To ask the Secretary of State if he will make a statement about the privatisation of British Airways [in the light of his recent visit to the USA]

DRAFT ANSWER

The Government's aim remains to privatise British Airways as soon as possible.

30
My Department is currently engaged in important negotiations with the US Government about UK/US air services and competition. This market is of great importance to all the British airlines which serve it, accounting, for example, for about 25% of British Airways' total revenue and [&] of British Caledonian's total revenue. It is most important in the interests of all British airlines, not least British Airways, that we secure an agreement with the US Government which enables our airlines either to compete on fair and equal terms for all the traffic between our two countries or failing that which safeguards our vital interests. Without such an agreement the ability of our airlines to maintain or improve their competitive position would be severely undermined. I made our position perfectly clear during my recent visit to the United States, and whilst I am hopeful that as a result of my visit it will be possible to negotiate acceptable arrangements over the coming weeks, it would be irresponsible to proceed with privatisation of BA while there is uncertainty about the air services agreements with the US on which such a large part of the business depends.

I also took the opportunity of my visit to the USA to explain our concern about the unilateral application of anti-trust laws to international civil aviation. Until such time as

SECRET

SECRET

the US authorities rectify the situation, it is for British Airways and other defendants to decide how best to deal with cases brought against them. While British Airways hope that the American court will shortly give its final agreement to the provisionally approved settlement of the class action brought on behalf of North Atlantic travellers who claim to have been disadvantaged as a result of the collapse of Laker Airways, two further anti-trust actions relating to the collapse of Laker Airways have now been filed in the US against British Airways and other defendants. The company admitted no liability in the earlier litigation and have strongly denied the claims in these two suits. I understand they will defend these cases vigorously but a successful result may take some time.

Taking all these factors into account I have decided, with great reluctance, not to set a firm timetable for privatisation for the time being. I shall keep the matter under review, and take the first opportunity to proceed when I judge the situation has been sufficiently clarified.

SECRET

-2F-