

CONFIDENTIAL

Ref. A09901

PRIME MINISTER

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Financing of British Airways - Share Issue

(E(DL)(79) 4)

BACKGROUND

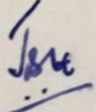
This paper was in preparation before the present meeting was arranged. It has been put on this agenda because the Secretary of State for Trade suggested to you that disposal of part of British Airways would be an acceptable alternative to the sale of BP shares. This proposition proves doubtful on examination. As my main brief explains, there is little chance of legislation in the present Session, at least in time to effect a sale in 1979-80. If this is confirmed the proposals in the paper need not be pursued at the present meeting. There is also a question mark over the treatment of the figures: the particular solution recommended by Mr. Nott might not actually reduce the borrowing requirement (though it would help to finance it). You need not get drawn into this technical argument if there is no prospect of legislation in time.

HANDLING

2. I suggest you start the discussion yourself on these lines, and then ask the Secretary of State for Trade to introduce his paper, as briefly as possible. The Chancellor of the Exchequer may wish to reply. You might aim to steer the Sub-Committee away from any more substantive discussion, remitting detailed study of these proposals to a further meeting of E(DL) under the Chancellor of the Exchequer later.

CONCLUSIONS

3. You might leave these to the end of the meeting: but they will probably be that this proposal cannot score in the present year, and that the detailed suggestions should be examined more closely by the Sub-Committee before decisions are taken.

  
JOHN HUNT

4th July, 1979

