

CONFIDENTIAL

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PRIME MINISTER

*We will await the further information*

LAKER

Prime Minister

*Mr. Biffen's subsequent minute does not completely abandon hope of a solution. He will keep you informed.*

*N.P.C. Mitchell*

*Duty Clerk  
12/12/81*

Mr. Biffen is sending you a minute on the latest developments, which will be attached to this note.

At the time of writing, I had not seen Mr. Biffen's minute. The news we had earlier in the day through the Bank was very gloomy. I understand that Laker's traffic in November fell to disastrous levels, and that the first week's figures for December continued the trend. In the Bank's view, these latest figures make it apparent that Laker has lost the traffic battle. In the face of this news, the private sector solution which had been sought ceases to be viable. Originally, financing in the range £3½-5 million was being sought. The figure now seems to have doubled, and would not be raised. The only way out would be a massive new injection of equity: the Department of Trade do not dispute that this would mean something in the £50 million area.

In the face of these difficulties, the public sector options do not look practical. Mr. Biffen had earlier said that these could only be seen as a last resort. If the Government were to offer public sector support now, of the level required, it would fly in the face of the Government's general stance.

I understand from Michael Scholar that, in the light of what he was able to tell you, you no longer wish to insist that a way must be found to salvage Laker. The Bank thought that it was possible that the Laker board would decide over the weekend that they could no longer legally trade. The Department of Trade believe that they will at least hold on until their scheduled meeting with the CAA and the banks on Monday. But the Department do not dissent from the deep gloom of the reports we have had from the Bank during the day.

Assuming that Mr. Biffen's minute does not contradict this mood, do you accept that there is no scope for further Government action to see Laker through its difficulties?

M.A.P.

11 December 1981