

Prime Minister



Agree the Chancellor's
proposal?

(F.C. are
content)

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

Yes sir

R

28/9

PRIME MINISTERSUEZ FINANCE COMPANY

As you know, one of the items on our list of assets to be disposed of in the current financial year is the Suez Finance Company. The Bank of England believe that they may be able to find a buyer who is prepared to pay a satisfactory price.

2. The Suez Finance Company has its origins in the former Suez Canal Company in which the British Government acquired a 45 per cent stake in 1867. The assets received as compensation after the canal was nationalised were used to create a holding company with a portfolio of stock market and direct investment, particularly in property and banking. The Government owns just under 8 per cent of the company's total equity. The other leading shareholders are the St Gobain Pont-à-Mousson Group and the Victoire Insurance Group, both leading French companies. It is clearly inappropriate that we should retain this investment.

3. The Bank of England have taken soundings from a number of merchant banks about the possibility of a satisfactory sale. It has been necessary to keep these enquiries confidential because, if they became public knowledge, the share price would drop and thus also the price that we would obtain for our holding of stock. A further reason is that the company is particularly sensitive about the way in which the shares are disposed of and the French Government also takes a close interest in its affairs.

/ 4. It



4. It now appears possible that a French Company (or group of companies) would pay us a small premium over the share price for our stock. This is an attractive offer. All the UK offers we have received would require us to accept a discount below the share price. This difference is not surprising because ownership of the shares of this company is likely to be particularly attractive to French buyers.

5. At present market prices and exchange rates the Government's holding is worth about £20 million but the amount which we would receive would of course depend on the precise terms of the sale and movements in the exchange rate and market prices in the meantime.

6. The French Government have been informed of our intention to sell our holding and have raised no objections.

7. If this attractive prospect is confirmed and the buyer proves to be acceptable to the company, we should like to go ahead and clinch the sale. I should therefore be glad if you would confirm that you have no objection to our doing so.

8. I am sending copies of this minute to the Foreign and Commonwealth Secretary, the Governor of the Bank of England and Sir John Hunt.

A handwritten signature in black ink, appearing to be 'G.H.'.

(G.H.)

24 September 1979



24 SEP 1979

CONDUCTOR

4:

CONFIDENTIAL



Re vs
Econ
PL

10 DOWNING STREET

From the Private Secretary

1 October 1979

Suez Finance Company

The Prime Minister has considered the Chancellor of the Exchequer's minute of 24 September, and agrees with his proposals for selling off the Government's equity holding in the Suez Finance Company.

I am sending copies of this letter to the Private Secretaries to the Foreign and Commonwealth Secretary, the Governor of the Bank of England and Sir John Hunt.

T. P. LANKESTER

PL

M.A. Hall, Esq.,
H.M. Treasury.

CONFIDENTIAL