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DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB



via the highway

Ann Shute to

The Rt Hon Sir Keith Joseph Bt MP
Secretary of State for Industry
Department of Industry
Ashdown House
123 Victoria Street
LONDON
SW1

*This follows the
decision taken in
E(DL) earlier this week.*

Contract with the

11 July 1980

abandoned draft

statement?

*(The Chairman of the Board
is advising on whether
it should be over-
ruled)*

Agreed and

Dear Secretary of State,

BRITISH RAILWAY BOARD SUBSIDIARIES

I wrote to you on 8 July attaching a draft statement on our policy about introducing private capital into BRB subsidiaries. Nigel Lawson and Adam Butler both sent me some comments on the draft.

In the light of these comments, I have agreed a revised draft statement with the Chairman, which I attach. You will see that the Treasury points have been substantially met. I have not included a reference to employee shareholding schemes, for two reasons. First, my aim is to keep the statement to the broad policy objective. Second, the opportunities for employee shareholdings will vary. Such a scheme would form an obvious part of the flotation of Sealink, but it is less easy to see at this stage exactly what might be involved in the case of a property development company or companies. I propose to say, in answer to questions, that the Government is keen to encourage employee shareholdings where appropriate, and that both the Board and the Minister will want to examine how they can be introduced into the subsidiary companies. I hope this will meet Adam Butler's points.

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|| E(DL) asked me to discuss with the Leader of the House whether the statement should be made orally or in written form. I am still in touch with him about this, but would, in any case, want to make the statement early next week.

I am copying this letter to the Prime Minister, other members of E(DL), Norman St John Stevas, Angus Maude and Sir Robert Armstrong.

Yours Sincerely

Anthony

Mayer

NORMAN FOWLER

(Approved by the Minister
and signed in his absence)

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INTRODUCTION OF PRIVATE CAPITAL INTO BRB SUBSIDIARIES
PROPOSED STATEMENT TO PARLIAMENT

I told the House on 17 March that I intended to find ways to involve private risk capital in the major British Railways subsidiaries and that I would make a further statement in the light of a joint examination of the prospects with the Chairman. The Government and the Chairman have now completed a preliminary examination of the opportunities for involving private risk capital to a significant extent in financing these subsidiaries. The businesses involved are Sealink UK Ltd, British Transport Hotels, British Rail Hovercraft Ltd and property holdings. We believe that it will be to the advantage of British Rail, as a significant element in the economy, its workforce and the public using its services, to take advantage of these opportunities.

The Government and the Board recognise that these subsidiary enterprises will not secure essential commercial freedom unless private capital is attracted in sufficient volume and the private investors are assured of sufficient control through their shareholdings to ensure that the enterprises will be able to operate on equal terms with competitors in their respective markets. They are satisfied that the important existing trading relationships between British Railways and the subsidiary enterprises can be sustained by commercial contracts. These arrangements cannot but work to the advantage of British Railways and the subsidiary enterprises. They are also convinced that it is only by maximising the opportunities for profitable service to the public that the workforce at every level in these enterprises can look forward confidently to sharing in improving returns from this whole section of the economy.

I intend therefore to seek the approval of Parliament at the first opportunity for the changes necessary in British Railways present powers in order to secure the potential advantages to the fullest extent and from the earliest moment.

The Board will propose the steps which will be necessary to achieve the purpose as quickly as possible and will agree them with the Government. The Government will introduce the necessary legislation to ensure that any foreseeable obstacles are overcome.

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