

Ref A02358

PRIME MINISTERFerranti - Supply Day Debate

(To be raised orally; minute from Secretary of State for Industry dated 16 June, minute from Secretary of State for Scotland to Secretary of State for Industry, dated 12 June, and E(DL)(80) 8 are relevant).

BACKGROUND

1. This item has been placed on the agenda to allow a short discussion on the way that the Secretary of State for Industry should respond in the Supply Day debate on Wednesday 18 June, about the proposals for the disposal of NEB shares in Ferranti. The substantive issues about how the sale should be handled are due to be considered, on the basis of paper E(DL)(80) 8, in the E(DL) Sub-Committee on 24 June.
2. You have recently answered two questions in the House (copy attached) suggesting that shares should be disposed of to the highest bidder. The bids would probably be at a premium of up to 20 per cent above the current market value of £60 million. The Secretary of State for Scotland, and many MPs, following a substantial campaign by the existing Ferranti Board, are afraid that this criterion might result in a purchase by GEC, who would "rationalise" their activities, and run down the Scottish end of the enterprise. The Secretary of State for Industry believes that, if disposal takes place at all, there is no defensible way of preventing a take-over by GEC, if that is what they want. The sale of shares to institutions would produce a much lower return to the taxpayer - they would probably be at a discount of 10 per cent - but would still not be proof against a take-over offer.
3. The paper E(DL)(80) 8 mentions the need for approval for the NEB to take up a Ferranti rights issue this week. It would be necessary to do this to maintain the NEB's present position as majority shareholder, and the NEB can do it within their PES 1980/81 provision. We expect that this will have been approved in correspondence, by the time the E meeting takes place.



HANDLING

4. You will wish to emphasise that at this short notice the Committee is concerned only with the question of presentation in the debate, and not with the substantive issues of the case. You will then wish to call the Chief Whip, to hear about the strength of Party feeling, and then hear from the Secretary of State for Industry about his proposed tactics. The Secretaries of State for Scotland and for Defence both have a strong interest and other colleagues may wish to offer suggestions. They will probably wish to argue that the Secretary of State for Industry should not close off any of the options for sale in the debate and in advance of the substantive discussion in EDL.

CONCLUSIONS

5. You will wish to record that

- i. The Committee note that the substantive issue of the disposal of NEB shares will be considered in E(DL) Sub-Committee on 24 June.
- ii. Invite the Secretary of State for Industry to be guided, in responding to the Opposition Supply Day debate on Ferranti, by the points raised in discussion.

ROBERT ARMSTRONG

*Approved by Sir R. Armstrong
and signed on his behalf.*

16 June 1980