

PRIME MINISTER

through Mr Whiteford

*MM
1/12*

MS

I attach notes from the Chancellor (Flag A) and Mr. Howell (Flag B) commenting on Sir Leo Pliatzky's preliminary report (Flag C) of his work on a possible national investment fund.

We expect a response from Sir Keith Joseph early next week, but you will see that both the Chancellor and Mr. Howell are now dubious about these ideas, given the high initial cost to the Exchequer and the long period before any practical benefits can be expected. The Chancellor firmly recommends that we should not pursue the proposal any further, although he feels that somebody might usefully explain to Mr. Sam Brittan what has come out of the work. He suggests that an alternative would be to publish a report based on Sir Leo's study.

Sir Leo deliberately chose to submit an early synopsis of his work, because he anticipated this kind of reaction and felt that a halt should be called sooner rather than later if Ministers were likely to find this a blind alley.

If those who have seen the report unanimously recommend bringing this work to an end, it would make sense to reach that decision before the recess.

Subject to the comments from Sir Keith Joseph, will you want a discussion with the three Ministers concerned before reaching a decision? If so, should we arrange this for Thursday afternoon next week, with Sir Leo Pliatzky present?

MA

I don't think we have to reach this decision before the recess. Surely we can wait until Sept or

1 August 1980



Treasury Chambers, Parliament Street, SW1P 3AG
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PRIME MINISTER

A NATIONAL INVESTMENT TRUST

I have read Sir Leo Pliatzky's analysis of the idea of a National Investment Trust with the greatest interest, and have obtained the reaction of my Ministerial team, advisers and key officials.

2. The unanimous view seems to be that the original "British Columbia" proposal (and the variants discussed by Sir Leo) are all too ambitious for us to entertain and, moreover, that their possible benefits are, at best, uncertain.

3. It is now clear that a distribution of shares to the whole adult population of the United Kingdom (some 40 million) would be a huge undertaking - if it could be done at all in a watertight way - and quite different in scale from that carried out in British Columbia. Sir Leo's report speaks of a minimum time lag of 3-4 years from announcing the scheme to starting the issue of stock certificates. Furthermore, the maintenance of a share register and a dividend distribution network would thereafter involve substantial manpower and computer resources.

Three main variants are recognised:-

- (i) a scheme very like the British Columbian model, embodying principally energy industry assets

/rather than the



rather than the primary resources and exploration rights involved in the Canadian scheme.

(ii) a scheme involving the transfer to individuals, free, of rights to revenue from the North Sea, along the lines of Sam Brittan's North Sea stock proposal.

(iii) a national investment trust, which would start off with a hypothecation of North Sea revenues, but gradually build up a more diversified portfolio out of retained income.

4. It is our feeling that the commercial assets available for inclusion in a British Columbia type scheme would be far more difficult to handle than the predominantly natural resource assets available to the Canadians. The trust could hardly acquire the shares of nationalised industries without inheriting their problems, and we agree with Sir Leo that there would be great practical difficulties in such a scheme.

5. Transfer to individuals (free of charge) of rights in North Sea revenue would be much simpler; this was the base originally identified by Sam Brittan for his scheme, and it is central to the national investment trust proposal. However, this proposal would encroach massively upon the whole Medium Term Financial Strategy.

6. Sir Leo argues, probably rightly, that this operation would only be worthwhile if the Government were to forgo a revenue flow of the order of a basic £2,000 million a year, at 1980 prices, for ten years.

/I am by no means



7. I am by no means sure that we want to commit ourselves in advance to any precise application of the hoped-for "fiscal adjustment". This particular proposal - literally giving away a large part of the proceeds - certainly does not strike me as the strongest candidate. Further tax cuts and a further reduction of the Public Sector Borrowing Requirement are much stronger contenders for the use of those North Sea revenues, as indeed would be some relaxation in the present austerity of the public services.

8. A giant scheme of this nature would, of course, introduce many people to the idea of share ownership for the first time. But one is bound to have doubts whether shares doled out free to all would represent any effective lesson in the responsibility of ownership. Indeed I would expect many people to criticise the very idea of such a give-away at a time of real austerity. It is also likely that a great proportion of the allotted shares might quite soon be realised for cash - to the possible hazard of monetary control. A more modest approach along the lines of our present privatisation plans and our Finance Bill wider ownership proposals may well be better, and is almost certainly the only realistic option for the immediate future.

9. My own conclusion is that we should not pursue this proposal any further. I think we might be well advised to let Sam Brittan know quietly that we have looked carefully at his ideas, for he has invested a good deal of enthusiasm in his North Sea equity scheme. Alternatively, it may be felt that we should publish a report based on Sir Leo's study, to show that we have considered the matter seriously.

/Sir Leo's



10. Sir Leo's investigation will have been very useful in confirming negatively that there is no short cut to a property owning democracy. We have to keep working away at the removal of obstacles to share ownership and keep constantly in mind the need to restore profitability to our company sector. The truth is that if we want to spread the habit of owning shares we need to succeed in making shares worth owning - and worth buying. And departments are, of course, already looking to the next stage of our work in this area.

11. I am copying this minute to Keith Joseph and David Howell.

Amiggins

for G.H.

1 August 1980

(Approved by the Chancellor &
signed in his absence)



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Await other responses
Econ MAF
PSL

M Pattison Esq
Private Secretary to the
Prime Minister
10 Downing Street
SW1

25th July 1980

Dear Mike,

PROPOSAL FOR A NATIONAL INVESTMENT TRUST TO PROMOTE A WIDER OWNERSHIP OF PROPERTY

My Secretary of State has seen the Report for a National Investment Trust, circulated under cover of Sir Leo Pliatzky's minute of 17 July to Clive Whitmore. You told me on the phone that the Prime Minister would welcome any comments which Mr Howell might have on the Report.

My Secretary of State would be happy to discuss the Report further. His general reactions are:

- a) that a National Investment Trust might acquire corporatist qualities and raise political dangers for the future;
- b) that in the light of current economic pressures it seems unlikely that we could release the resources necessary to make a go of such schemes, but that we should certainly keep an open mind on introducing them either as part of an election package in 1984 or in the Government's next term as part of the long-term evolution of British Society from collectivism.

Yours ever,

Denis

Denis Walker
Private Secretary



28 JUL 1980