



10 DOWNING STREET

PRIME MINISTER

Sir Keith Joseph wishes to make a statement tomorrow announcing the Government's decision on Ferranti. We have agreed that he may do so, subject to events tomorrow morning. You might perhaps have a word with him about it when you see him at breakfast.

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The Department of Industry will send us a draft of the statement as soon as it is available, but that will not be until tomorrow morning.

*ms*

*MS*

30 June 1980



FERRANTI: STATEMENT BY THE SECRETARY OF STATE

With permission, Mr Speaker, I will make a statement about the disposal of the NEB's shareholding in Ferranti. I undertook in our recent debate to study what was said and to report to the House.

The overwhelming view of the House was that if the NEB's shares were to be sold, they should be sold in such a way as to safeguard, at least temporarily, Ferranti's independence.

I had told the House that a placing of shares to achieve such a purpose would tend to be below market price, so that the taxpayer would probably get less than he would if bids for the company were considered. Moreover, to place the shares without conditions might not meet the purpose, since it might be possible for an over-bid at an attractive price to succeed. In that case the taxpayer would not have the benefit from the higher price, and the independence of the company, which would have been the purpose of the exercise, would not have been preserved.

I pointed out that conditions could be imposed, but that they would further lower the price. I explained that a placing of shares, with conditions, with a group of institutions, would not provide a guarantee of independence.

/The Board ...



The Board of the NEB told me that in all the circumstances, as a matter of commercial judgement, they considered the right course was to place the shares with institutions. But they thought that to impose conditions on the disposal was not a normal commercial action and accordingly they asked me to give them a direction. This I have done. Under powers in the Industry Act 1975 I directed the NEB yesterday to sell their shares on terms under which each purchaser agrees not to dispose of any interest in them for 2 years without the consent of the NEB. I have also directed the NEB to retain 4% of their holding for Ferranti's employees under an appropriate scheme. A copy of this direction has been laid before Parliament.

The NEB hopes to place the shares at £5.30 each. This compares with £5.97, the price immediately prior to the suspension of the shares yesterday morning - a discount of about 11%.

The cost to the taxpayer of this arrangement, as distinct from selling the shares to the highest bidder, cannot be known. It must be recognized, however, that a successful bid might - I repeat, might - have been referred to the Monopolies and Mergers Commission, and some months would have passed before the outcome was known. Had the decision gone against the bidder the taxpayers' interest would have suffered, and even a favourable decision would have deferred the sale receipts for some time. I believe, therefore, that the balance of advantage lies with a placing, subject to conditions,

/despite ...



despite a small net loss to the taxpayer.

I believe that the whole House will wish the company well.