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Foreign and Commonwealth Office

London SW1A 2AH

27 February 1981

*Dear Nick,*

CABLE AND WIRELESS

Thank you for copying to me your letter of 23 February to Jonathan Hudson.

Our earlier soundings of the Governments of places where Cable and Wireless operate showed that they attached considerable importance to HMG retaining a dominant influence in the company even after some of its share had been disposed of to private holders. The views of the Bahrain Government were clearly stated to this effect. This is important because Bahrain, which the Prime Minister will be visiting in the Autumn, is Cable and Wireless's second largest profit centre. In Ministerial correspondence earlier this year (resting with Sir Ian Gilmour's letter of 30 January to the Minister of State in the Department of Energy) it was agreed that to reassure those Governments HMG would need to retain more than 50% of the shares.

Even if a 33% holding would in fact give HMG effective control, we believe that we would still have to go back to foreign governments to explain our new position. This would take time, and could lose goodwill and arouse suspicions, in turn putting at risk the continued smooth operation of Cable and Wireless in the countries and Territories concerned.

For these reasons we would prefer the disposal of Cable and Wireless shares to go forward on the basis previously discussed between Ministers.

I am copying this letter to the recipients of yours.

*Yours sincerely*

*Michael Arthur*

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