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DEPARTMENT OF TRANSPORT
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Norland

The Rt Hon Nigel Lawson MP
Financial Secretary to the Treasury
Treasury Chambers
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22 July 1981

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NATIONAL BUS COMPANY: PRIVATISATION OF NATIONAL EXPRESS

You wrote to Keith Joseph on 13 July, commenting on my letter to him of 8 July about the privatisation of the National Express coach business. I have since seen Lord Shepherd, and am glad to be able to tell you that I found him personally receptive, both to the idea of transferring National Express to a private company with a minority NBC shareholding, and also to applying the same treatment to NBC property, both operational and non-operational where there is development potential. He himself has suggested to me that this arrangement might also cover National Holidays.

He made it clear, however, that it would not be easy to carry the management and workforce of the National Bus Company along with him. He stressed that his best chance of doing this would be if he could be assured that the arrangements would not work to the financial disadvantage of the stage-fare operations of the National Bus Company. Indeed, he would want to show that there was some immediate and demonstrable benefit to the NBC.

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I recognise that the Treasury would like us to sell a larger proportion of the shares in the new company than I have proposed. But as I made clear in my letter to Keith, whilst National Express can stand as a separate business, their activities are closely intertwined with NBC's other activities at the operating level. All this can, I believe, be satisfactorily achieved through contract arrangements between the two companies. I do not see much prospect of being able to persuade Lord Shepherd that he should have a stake of less than 30 per cent in a business which will continue to be so closely intertwined with NBC.

As I have said, Lord Shepherd's cooperation is vital. Without it I would need much more detailed legislation to specify exactly what was to be split off from the NBC and how the property was to be dealt with, and I would also need to take powers to make directions that NBC, unlike all other bus undertakings in this country, were debarred from undertaking express and contract work. I am very far from certain that this would ever be practicable.

Even if we ignore these difficulties, the plain fact is that I could not prepare the legislation in time for introduction next Session. And given the pressure for short legislation, I doubt if colleagues would relish much lengthier provisions, and by far more controversial ones.

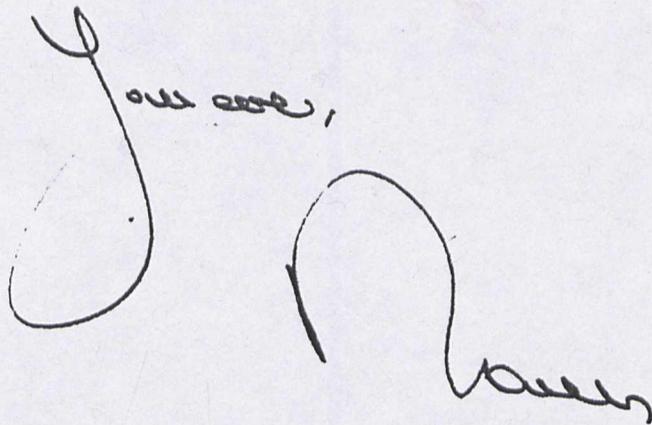
I am satisfied that provided some benefits are seen to go to the NBC I can get Lord Shepherd's personal co-operation and that we can achieve the very real benefits I described in my letter. If we reject this approach almost certainly this will mean a delay until the next Parliament. If we let this opportunity slip now, we would regret it.

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I am seeing Lord Shepherd together with the Chief Executive, Robert Brook, on Friday of this week to carry the matter forward. In the circumstances which I have set out, I hope you will be able to confirm that you are content for me to go ahead along the lines I propose. I must try to get this settled before the Recess.

I am sending copies of this to the Prime Minister, Willie Whitelaw, Keith Joseph, Francis Pym, George Younger, Nicholas Edwards, Michael Jopling, members of E(DL) and Sir Robert Armstrong.

Yours ever,


NORMAN FOWLER

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