



Nax Ltd

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Norman Fowler MP
 Secretary of State for Transport
 Department of Transport
 2 Marsham Street
 LONDON
 SW1

27 July 1981

NATIONAL BUS COMPANY: PRIVATISATION OF NATIONAL EXPRESS

Thank you for your letter of 22 July reporting the outcome of your consultations with Lord Shepherd about the possibility of privatising the National Express coach business.

I am delighted that Lord Shepherd proved receptive to your proposals thus opening the way to a major new privatisation initiative. I am bound to say that a residual NBC shareholding of 30% remains most unwelcome, but given the need to secure Lord Shepherd's cooperation I am prepared to proceed on this basis. While a shareholding of this size should not preclude classification to the private sector, it does make it all the more important the managerial and operational links between the two companies are kept to an absolute minimum and are placed on a fully commercial basis.

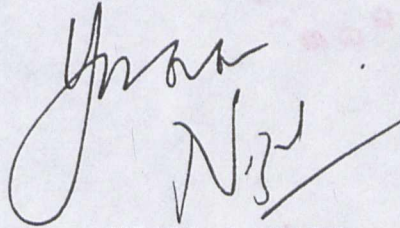
It is for this reason that I am concerned that we should not give Lord Shepherd any categorical assurances about the financial impact of your proposals on NBC. I can appreciate his concern that the financial position of the stage-fare operations should not be worsened, but it would be clearly incompatible with the complex negotiations which will be required to place the joint use of facilities by the two companies on a truly commercial basis to give a categorical assurance, in advance, that NBC's position would not be worsened. Similarly, I do not see that we can undertake with absolute certainty that there will be a demonstrable financial benefit to NBC as a whole as a result of your proposals. We must avoid undertaking which, at the end of the day, it may only be possible to fulfil at the expense of the Exchequer.

On this basis, while I am very happy for you to pursue your proposals with Lord Shepherd, I would ask you to avoid giving categorical assurance

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about either the finances of NBC's stage carriage services or NBC as a whole at least until we can see our way clearly through some of the practical complications which are likely to be involved.

I am sending copies of this letter to recipients of yours.

A handwritten signature in black ink, appearing to read 'Nigel Lawson', with a large, sweeping flourish that extends to the right and then loops back down.

NIGEL LAWSON