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Prime Minister ① *J. Sparrow*

T. A. Brown
W. S. J.

I have obtained John Sparrow's advice (see his note attached). Agree these proposals?

Prime Minister

PRIVATISATION: BRITISH TRANSPORT DOCKS BOARD - NOW ASSOCIATED
BRITISH PORTS HOLDINGS PLC (ABPH)

MCS 31/1

1. Arrangements are now complete for the sale on Wednesday 2 February of 49 per cent of the shares of ABPH. The issue of free shares to employees will bring the Government shareholding below 50 per cent.
2. The disposal will be by way of an underwritten offer for sale at a price in the range 107p to 112p. The Financial Secretary and I will settle the price on Tuesday morning. There is an employee share scheme as in previous privatisations. Underwriting is necessary to ensure that the Company passes into the private sector. A sale by tender would not be appropriate in this case.
3. This is unlikely to be seen as a highly attractive growth stock, given the miserable history of many of our ports and the terrible industrial relations of the past. As the current performance of ABP, and the dividend forecast are less good than hoped, the last month of 1982 being especially flat, the Financial Secretary and I are firmly advised by Schrodgers, and accept, that this issue, to be successful, needs to offer about a 9 per cent yield.
4. Schrodgers advise that a sale now is possible and practicable. However they make quite clear their advice that if we waited six months, or better still a year, until another year's results were available, a better sale would, in their view, be achieved.
5. Against that, there is no guarantee that prospects or circumstances will be any worse, or any better at a particular moment a year from now, market conditions generally are reasonably good. The sooner we get a company like this into the private sector atmosphere, to which the management and Board eagerly look forward, the better it should perform (to the benefit of the Government as a continuing shareholder). The whole company is poised to go and the stock market is expecting the sale to take place. Long delay would do no good to the whole momentum of our privatisation programme, and the

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Financial Secretary has it much in mind that we may have other undertakings to bring to market as the year progresses. These considerations lead us both to the view that it is right to go ahead now as planned.

6. The capital structure we have given the Company secures £25m of cash to be paid to the Government before the end of the fiscal year. The total receipts, before expenses, will be £46m to £48m.

7. I would be grateful for your agreement that, subject to any unforeseen changes in market conditions or to any other unfavourable events, the sale should proceed on this basis.

8. I am sending copies of this to Geoffrey Howe and members of E(DL) and to Sir Robert Armstrong.

DH.

DAVID HOWELL

31 January 1983

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