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DEPARTMENT OF TRANSPORT  
2 MARSHAM STREET LONDON SW1P 3EB

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Michael Scholar Esq  
Private Secretary  
10 Downing Street  
Whitehall

cwr

Prime Minister

For Questions tomorrow

14 February 1983

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MS 14/2

Dear Michael,

ASSOCIATED BRITISH PORTS FLOTATION

My Secretary of State has asked me to circulate a short report on recent developments.

The offer for sale, at a fixed price of 112p. per share, closed on 9 February and has been 35 times subscribed. This contrasts remarkably with the fact that only a few days before there had been very considerable difficulty with the sub-underwriting: there has obviously been very heavy staggings. A method of allocation has been chosen to give preference to the large institutions and the genuine small investor at the expense of the obvious stags. There are separate arrangements for employees with all who subscribed guaranteed at least some shares.

Dealing will start tomorrow, Tuesday, 15 February. With such heavy over-subscription there is bound to be initial turbulence in the share price, giving the opportunity for political criticism of both Government policy and the workings of financial markets. While a premium in the opening stages seems inevitable, there will be trading both ways and it will only be after a month or so that the market will give a true assessment. The Government's financial advisers, Schrodgers, will be doing what they can in the City to put this sound but essentially income rather than growth stock in perspective.

My Secretary of State will be taking the following line in answer to any questions:

- To welcome the strong investors' interest in this company; and also the very full take-up of shares by the employees.

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- All this is a clear vote of confidence in the company's future in the private sector, and in the benefits of privatisation generally.
- Instant judgements about the 'right' price based on the initial flood of applications and the initial market response are facile. A sensible judgement must give time for the market to settle down and not be based on early and unavoidable speculative movements which are a feature of all developed financial markets.

I am copying this to the Private Secretaries to the Chancellor and members of E(DL) and to Richard Hatfield.

*Yours sincerely,*

*Richard Bird*

R. BIRD  
Private Secretary

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