

RESTRICTED

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From the  
Minister of State's Office

The Hon Adam Butler MP

T Lankester Esq  
Private Secretary  
10 Downing Street  
London  
SW1

10 April 1980

Dear Tim,

BRITISH AEROSPACE: SHARES FOR EMPLOYEES

- 1 Mr Butler has been considering the letter of 3 April from the Chancellor's Private Secretary, on which you recorded the Prime Minister's view in your letter of 8 April.
- 2 He is concerned that the Government, by adopting the restrictive line proposed by the Treasury, will appear defensive and lacking in commitment to the idea of employee shareholding when questioned in the Lords. This would be doubly unfortunate. There has already been criticism of the Government's proposals in the Lords, and a vote at Committee Stage led to opposition from all sides of the House, including the Government benches. If the Government is unable to make clear its commitment to employee shares on Report on Monday 14 April these criticisms will be the more trenchant. Second, there has been widespread interest in the many meetings with British Aerospace employees held up and down the country about employee shares, in the course of which Mr Butler has stated the Government's determination to promote the idea, and its willingness to consider new and effective means of achieving this end. It would be quite incompatible with this for the Government to adopt a restrictive attitude in the Lords.
- 3 Mr Butler would therefore wish to see the Government spokesman speaking enthusiastically about employee shareholding. He would need to support his remarks with selective facts, putting some flesh on the earlier rather bare bones. Mr Butler would then like to see an indication given of the approximate percentage shareholding we are looking to achieve by means of concessionary offers. At



- 4 E(DL) Treasury Ministers did not object to the scale of the concession for employees (although others thought it too low), and Mr Butler believes that the Government's intention could be made clear, without waiting for future advice we may receive on the flotation proceeds, by expressing our concessions as an (approximate) percentage of the issue. For example, E(DL) discussed concessions of £7 million on an assumed market value for the company of £350 million - equivalent, depending on whether this was all "matching one-for-one" or included some free offer, to between 3 and 5 per cent of the shares. He therefore sees advantage in a statement which indicates that the Government is looking for a small but not insignificant shareholding by employees and he believes that our spokesman should be prepared to specify that about two or three per cent of the shares is what Ministers have in mind. This would not go beyond - and is in fact conservatively within - what E(DL) agreed.
- 5 For the Government's statement to have conviction, Mr Butler believes our spokesman should firmly and from the outset - without waiting to be questioned - make clear that there will be a "one-for-one" scheme, subject to conditions and limits, and in addition that the Government are considering whether to go beyond this with additional measures. To leave the latter to be wrung from the Government spokesman would be singularly ineffective as a means of demonstrating our commitment to employee shares. Indeed, since it would fall short of Ministerial statements already made, it would be potentially damaging, since it would cast doubt on the reality of the Government's commitment to employee shares.
- 6 Mr Butler therefore hopes that, even if there is no agreement on a statement about the scale of proposal arrangements (which he would much favour being made) there can be a firm statement on the lines he has proposed in 5 above. My Secretary of State agrees with him on the need for this, as well as the benefits of making clear the likely scale of concessions.
- 7 I am copying this to Martin Hall.

*Yours ever,*

*Peter Sredder*

PP Mrs E A Riley  
Private Secretary