

PRIME MINISTERBritish Aerospace: Shares for Employees

The letter from Department of Industry at Flag A is tiresome. We had understood that the proposals for a holding statement in the Treasury letter at Flag B had been agreed with the Department, but they are now suggesting that the spokesman in the Lords should go a great deal further in the Lords' debate on Monday.

There are three points in the letter:-

- (i) They want Lord Trefgarne to speak "enthusiastically" about employee shareholding.
- (ii) They want him to volunteer that the Government are considering whether to go beyond the matching "one for one scheme" whereby employees buying shares should receive a matching number free of charge.
- (iii) They want him to indicate that employee shareholdings of some 2 to 3 per cent of the total shares is what Ministers have in mind.

*Figures should be avoided
Prefer "small but significant"*

There is no difficulty with (i). On (ii) the Treasury have told me that they would prefer it if Lord Trefgarne would only say that Ministers are considering additional measures if he is pressed. This would leave more open the possibility of a decision not to go further - as you know, there has been disagreement amongst Treasury Ministers, which is still not settled, as to whether there should be a totally free offer of shares.

On (iii) the Treasury see no difficulty in saying a "small but ~~not insignificant~~" shareholding by employees; but they would much prefer to avoid any figure at this stage.

Since the free offer idea and the size of the total employee shareholding has to be discussed further in E(DL), I think the Treasury points are valid. Shall we reply accordingly?

See above

*S.J. Pike Duty Clerk
IP. TPL*

11 April 1980

Mr T. P. Lankester, No 10 Downing St
We spoke.

JW

CHANCELLOR OF THE EXCHEQUER

11/4

cc Chief Secretary
Financial Secretary
Mr Ryrie
Mr Monck
Mr Hansford
Mr Kerr

R
11/4

BRITISH AEROSPACE: SHARES FOR EMPLOYEES

The letter of 10 April from Mr Butler's Private Secretary to Mr Lankester seeks to go further in three respects than the deal set out in Mr Hall's letter of 3 April about what should be said in Monday's Lords Debate. The three proposals are:

- (a) First, they want Lord Trefgarne to speak "enthusiastically" about employee shareholding.
- (b) They want to volunteer that the Government are considering whether to go beyond the matching "one-for-one" scheme.
- (c) If possible, they also want to specify that an employee shareholding of some 2 to 3 per cent is what Ministers have in mind.

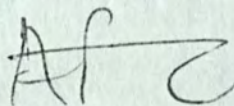
No 10 would like a Treasury reaction today.

2. There is clearly no difficulty about (a). So far as (b) is concerned, I believe it would be better to stay with the formulation in paragraph 2 of Mr Hall's letter, saying that Ministers were considering whether any additional measures were justified only if pressed. This would leave more open the possibility of a decision not to go further and might avoid the obvious question about what additional schemes were under consideration.

3. On (c), again there can be no difficulty in talking of a "small but not insignificant" shareholding by employees but it would seem prudent to avoid giving a figure, even a conservative one. Treasury Ministers at E(DL) agreed to a concession of

£7m on an assumed market value of £350m: a different figure might be appropriate if the share proceeds were to be very different.

4. I attach a draft Private Secretary letter on these lines.



A F CASE

11 April 1980

DRAFT LETTER TO

T Lankester Esq
Private Secretary
No 10

BRITISH AEROSPACE: SHARES FOR EMPLOYEES

Peter Stredder's letter to you of 10 April suggests that in the Debate on 14 April the Government Statement about employee shareholding should go beyond the Chancellor's suggestions recorded in my letter to you of 3 April.

2. The Chancellor would of course wish the Government spokesman to speak enthusiastically about employee shareholding but he considers that the uncertainties now attaching to the BAe flotation argue for caution in "putting flesh" on the bare bones. For that reason he continues to feel that it would be better not to volunteer any statement about whether schemes other than a matching one-for-one were envisaged and to retain the formulation suggested in my earlier letter for use, if pressed. To be more forthcoming might only serve to prompt questions about what further measures were under consideration.

3. Similarly, he would prefer not to volunteer any figure however cautious at this stage about the size of the small but not insignificant shareholding envisaged. A final decision on this must await a further E(DL) discussion of the disposal plans and merchant bank advice on the scale of likely proceeds.

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