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PRIME MINISTER

SHARES FOR EMPLOYEES

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I have seen a copy of Geoffrey Howe's minute to you of 18 June, which was largely in response to my letter to him of 6 May. I am grateful for his general agreement to my proposals, which gives me enough for the debates on the Report Stage of the Civil Aviation Bill.

There is however one point which I am not happy about, which is the proposal to set a firm cash ceiling on the amount of the disposal proceeds which can be utilised in getting shares into the hands of employees. I agree that when we are making estimates of the likely cost of possible schemes for offering shares to employees, we must have some figure in mind as a rule of thumb, and 4-5% of the expected gross proceeds seems to me the right order magnitude. But to impose a firm ceiling in advance makes the offer more complicated and more open to suspicion, and thus to the possible hostile propaganda of trade unions. If in the event we should succeed beyond our expectations in getting employees to put their own money into buying shares, this would be a considerable political victory, and give great encouragement to the private sector to follow our example. It would be a great pity in these circumstances if we had to scale down the allocation of shares to employees, and return to them some of the money which they were willing to invest.

The limitation of £1,000 per employee in the Finance Bill was primarily designed for regular annual free issues of shares in the private sector, and it would surely cast doubt on our sincerity if we were to impose a lower limit in a once for all sale of shares in an enterprise by the Government itself when employees are prepared to pay up an equivalent amount of their own money, thus demonstrating their support of our policy against the scepticism of the trade unions and identifying themselves with the fortunes of the new company.

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I think that all this must be considered in the context not only of privatisation of State enterprises but as a major contribution to the change in attitudes among employees throughout British industry and commerce which is needed for British industrial recovery. Against this background, the sums of money involved are very small indeed. We should be prepared to take the risk of success.

I am copying this minute to Keith Joseph, other Members of E(DL), Norman Fowler and Sir Robert Armstrong.

*JN*

Department of Trade  
1 Victoria Street  
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23 June 1980

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