



DEPARTMENT OF TRADE AND INDUSTRY
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LONDON SW1H 0ET

*From the Minister of State
for Industry and Information Technology*

KENNETH BAKER MP

Andrew Rowe Esq MP
House of Commons
LONDON SW1H 1RA

15 November 1983

Mr Andrew

Thank you for your letter of 31 October enclosing one from Mrs Anne Shenow, Secretary of the British Telecoms Union Committee, Canterbury Telephone Area about the national security implications of selling BT plc shares overseas.

I am sure that you will understand that I cannot discuss detailed arrangements for safeguarding defence telecommunications or other telecommunication arrangements essential for national security. It is, however, untrue to say that the entire British telephone network is designed to convert into an emergency communications network in times of war.

Telecommunications are of overwhelming importance to defence and national security both in peace time and in time of war. I am entirely confident that the privatisation of British Telecom will do nothing to prejudice the use of BT's telecommunications network in emergencies, whether or not a limited proportion of the shares are held by foreign investors. There is no need for the Government itself to control the telecommunications system to guarantee the provision of necessary services. In the United States for example the telecommunication networks are in private hands and in this country the supply of petrol and oil, which are similarly vital to defence and emergency services, has long been in private hands.

But we are also taking special measures in both the Bill and the BT licence to safeguard the telecommunications requirements of defence and national security. Conditions 6-10 of the draft BT licence require BT to continue to provide services to the emergency organisations and, in Condition 9, to formulate plans for such arrangements as may be required by emergency authorities. In addition Clause 85 of the Bill empowers the Government to issue directions to all public telecommunication operators including BT, in the interests of national security. This will enable the Government to require BT plc and other



operators to take such steps as they consider necessary in the interests of national security.

As I have told the Committee currently considering the Telecommunications Bill, a US merchant bank Morgan Stanley will be giving advice in December on the feasibility of a flotation of some BT shares on the North American market as was done with the BP share issue in 1977.

When they have made their report we will decide whether to follow this course. We have not asked for any study at this stage of a placing on other financial markets. One thing of which I would like to assure you is that the overwhelming majority of the shares in this British company will be sold in Britain.

There is no question of foreign investors nominating directors since the company's Articles of Association will contain provisions preventing any single foreign or UK interest taking a holding of more than 15% in the company. This 15% limit will keep individual shareholders below the level which normally enables a shareholder to secure the appointment of his candidate to a company Board.

In view of the public interest in this issue, I hope you will not object to my releasing this letter to the press.

James Baker
Kenneth

KENNETH BAKER

Press Notice

Prime Minister (4) AT 15/11

Department of Trade and Industry

1 Victoria Street, SW1H 0ET Press Office: 01-215 3793
Out of hours: 01-215 7877

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NATIONAL SECURITY IMPLICATIONS OF SALE OF BT SHARES

Mr Kenneth Baker MP, Minister of State for Industry and Information Technology, has today responded to a letter from Mr Andrew Rowe, MP for Mid-Kent, about the national security implications of the sale of shares in British Telecommunications plc to overseas investors. Mr Rowe had written to Mr Baker on 31st October, enclosing a letter from the British Telecommunications Unions Committee, Canterbury Telephone Area, expressing concern on this subject.

Mr Baker's reply to Mr Rowe is attached.