

RESTRICTED

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ZZ WASHINGTON  
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RESTRICTED  
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TO FLASH WASHINGTON  
TELEGRAM NUMBER 319 OF 20 FEB

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FOLLOWING FOR PRIME MINISTER'S PARTY FROM BARCLAY, NO 10  
PRIME MINISTER'S MEETING WITH MRS DOLE

1. THE PRIME MINISTER MAY LIKE TO MAKE THE FOLLOWING POINTS ON  
PRIVATISATION GENERALLY AT HER MEETING WITH MRS DOLE:

(I) EXTENDING THE OWNERSHIP OF CAPITAL IS AN IMPORTANT OBJECTIVE  
FOR THE GOVERNMENT PER SE, AND HIS PREDISPOSES MINISTERS TOWARDS  
FLOTATION WHERE POSSIBLE:

(II) FLOTATION ALSO PROTECTS THE GOVERNMENT FROM CRITICISM OF  
SELLING ON PREFERENTIAL TERMS TO VESTED INTERESTS:

(III) WHERE POSSIBLE, PRIVATISATION SHOULD ENCOURAGE COMPETITION.  
IT SHOULD CERTAINLY NOT INHIBIT IT. SO SALES TO COMPANIES IN THE  
SAME INDUSTRY ARE RARE:

(IV) WE HAVE USED A VARIETY OF METHODS ACCORDING TO THE  
CIRCUMSTANCES OF INDIVIDUAL CASES, INCLUDING TENDERS, FIXED PRICE,  
AND PLACEMENT. THERE HAVE BEEN EXAMPLES OF UNDER AND OVER-  
PRICING BUT IN EACH CASE THE OBJECTIVE OF TRANSFERRING THE COMPANY  
TO THE PRIVATE SECTOR HAS BEEN ACHIEVED.

ON RAILWAYS SPECIFICALLY, THE PRIME MINISTER MIGHT SAY:

(I) SINCE 1979, BR HAVE SOLD SEALINK, HOTELS, THEIR HOVERCRAFT  
COMPANY, AND ABOUT POUNDS STERLING 300 MILLION OF PROPERTY:

(II) THE EMPHASIS HAS THUS BEEN ON THE NON-RAIL SUBSIDIARIES:

(III) THERE ARE SOME SUCCESSFUL PRIVATE RAILWAYS IN THIS  
COUNTRY, AND PRIVATISATION OF BR'S MAIN BUSINESS HAS NOT BEEN  
RULED OUT:

(IV) BUT IT WOULD NOT BE EASY, PRINCIPALLY BECAUSE OF THE  
PROBLEM OF ALLOCATING JOINT COSTS.

THE GOVERNMENT'S PRESENT PRIORITIES ARE CUTTING SUBSIDY:  
RETURNING INTERCITY AND FREIGHT TO PROFIT: AND ENCOURAGING  
COMPETITION IN THE SUPPLY OF GOODS AND SERVICES TO BR.

HOWE  
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COPIES TO:-  
MR BARCLAY  
NO 10 DOWNING ST.