

060

File

AT



DEPARTMENT OF TRADE AND INDUSTRY  
1-19 VICTORIA STREET  
LONDON SW1H 0ET  
TELEPHONE DIRECT LINE 01-215 5422  
SWITCHBOARD 01-215 7877

JU480

Secretary of State for Trade and Industry

21 May 1985

CONFIDENTIAL

The Rt Hon Michael Heseltine MP  
Secretary of State for Defence  
Ministry of Defence  
Main Buildings  
Whitehall  
London SW1

*D Michael,*

BRITISH AEROSPACE SALE

We briefly discussed the difficulty that arose last week during the British Aerospace share sale and I promised I would write to you to explain what had occurred. Somehow a letter was written by the Ministry of Defence to the Company on the first day of the offer, to inform them that the Ministry was contemplating carrying out a competitive tendering exercise with respect to certain orders for a British Aerospace product. Had they known that a competition was contemplated with respect to these particular orders, British Aerospace considered that they would have modified the wording of the prospectus in relation to the project concerned. In the circumstances your Ministry determined that competitive tendering would not in fact be pursued for the orders in question.

I am most grateful for the efforts made at your end which resolved the problem we faced, though at a potential cost to MOD. I know that you will regret as much as I that this problem should have arisen, since the position was made clear when Sir Brian Hayes wrote to Sir Clive Whitmore, with copies to all other Permanent Secretaries, on 5 February about the disclosure requirements imposed on the Government by the sale of shares and followed up with a further letter on 15 April. I know that you will wish to see how it was that the disclosure requirements were not met, with all the potentially damaging implications of that.



I hope one legacy from this episode will be that the most rigorous efforts are made to ensure that there is no comparable occurrence on future Government share sales. Certainly the wording of the guidance as to disclosure requirements to be given in relation to any future sales should be such that no-one can be in any doubt as to what is required of them. I think the main lesson, however, is that if any Department believes there is even a remote possibility that something may be material for disclosure, the Department handling the sale should be told; it is solely for that Department, with its professional advisers, to make the judgement whether disclosure is in fact necessary.

I am sending copies of this letter to the Prime Minister, to the Chancellor of the Exchequer and to Sir Robert Armstrong.

A handwritten signature in black ink, consisting of a stylized 'N' followed by the name 'Norman' written in a cursive script. There is a horizontal line under the name.

NORMAN TEBBIT

29 MAY 1985

0 11 12 1 2 3  
9 4 5