



Prime Minister (2)
To note

CCDP

AT 13/6

cc BI

PRIME MINISTER

PRIVATISATION OF ENTERPRISE OIL

Preparations for the sale of my holding in Enterprise Oil are proceeding well and, subject to market conditions, I propose to announce on Tuesday 19 June my intention to proceed with the stock market flotation.

The Financial Secretary and I have agreed that the offer should be underwritten and to delay choosing between whether the offer should be by tender or at a fixed price. I see advantage in deferring this decision until the last minute to take full account of market conditions, although at the moment I believe the balance of probability is that I shall decide on the tender method. Likewise, the pricing of the offer is unlikely to be resolved until the end of this week, when I shall wish to satisfy myself that the sale ensures an adequate return in all the circumstances. I hope that the Financial Secretary will be able to attend all my meetings with the Underwriters on Friday and, if necessary, Monday.

I propose to make arrangements for preferential applications for shares by employees and to take a number of steps to encourage small shareholders to apply, including wide distribution of the prospectus and, should the offer be by tender, permitting striking price applications. I also propose to retain a special share in the company, for the sole purpose of deterring predatory takeover bids in the company's early years. Provided that the rights attaching to the special share have not been activated, it will be redeemed automatically on 31 December 1988 by which time the company should be sufficiently well established to fend for itself. All these detailed proposals have also been agreed with the Treasury.

Subject to ensuring an adequate return, I therefore intend to announce the sale on 19 June, by means of a written answer, subject to the views of the Leader of the House. The prospectus would then be published on 22 June and application lists would open and close on 27 June.

* This is not accurate. The prospectus is available to the underwriting institutions and the Press on Impact Day 19 June. It is distributed to clearing banks and other retail outlets on 22 June.

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I should be grateful for your consent to proceed on the basis outlined above.

I am sending copies of this minute to Cabinet colleagues, the Financial Secretary to the Treasury, the Governor of the Bank and to Sir Robert Armstrong.

A handwritten signature in blue ink, which appears to be "D. Healey".

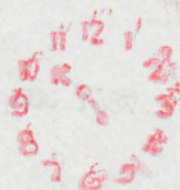
Secretary of State for Energy

13 June 1984

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13 JUN 1984



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10 DOWNING STREET

From the Private Secretary

15 June 1984

Privatisation of Enterprise Oil

The Prime Minister has seen your Secretary of State's minute of 13 June and is content that he should proceed on the timetable proposed for the flotation of Enterprise Oil, subject to market conditions.

I am copying this letter to David Peretz (HM Treasury), David Morris (Lord Privy Seal's Office), Andrew Hudson (Financial Secretary's Office), John Bartlett (Governor's Office, Bank of England) and Richard Hatfield (Cabinet Office).

Andrew Turnbull

Michael Reidy Esq
Department of Energy.

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SECRETARY OF STATE FOR ENERGY
THAMES HOUSE SOUTH
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The Rt Hon Viscount Whitelaw PC CH MC
Lord President of the Council and
Leader of the House of Lords
Privy Council Office
Whitehall
London SW1A 2AT

CCNO
NDPM
BT
AT 1/16
June 1984

R. Sullivan
ENTERPRISE OIL FLOTATION

You and colleagues will wish to be aware that subject to market conditions I plan to announce on 19 June the commencement of the sale of the Government's shareholding in Enterprise Oil plc, by means of a public offer on the Stock Exchange. It is planned that the prospectus should be publicly available on 22 June and applications received on or before 27 June. I shall be seeking the Prime Minister's consent to proceed nearer the time of the offer.

Before and during the period following publications of the prospectus Ministers should avoid making statements which could have implications for the flotation or which could, in the extreme, give rise to allegations of misrepresentation or non-disclosure in the prospectus.

I attach a note, prepared by my legal advisers, setting out guidance on Government statements during the offer period. I should be grateful if you and copy recipients would draw it to the attention of all Ministerial colleagues.

While my concern is directed particularly at statements and comments made outside Parliament, it should also be taken as applying to Parliamentary proceedings. Such proceedings are of course privileged and cannot de jure be used to found a legal action. However, I do not think that a Parliamentary statement which was misleading in the context of the Enterprise flotation could be defended satisfactorily by invoking Parliamentary privilege. Any attempt to do so would gravely undermine the Government's reputation in the conduct of flotation, with adverse consequences for future privatisation.

I am copying this letter and the attached note to the Prime Minister, Cabinet colleagues, and to Sir Robert Armstrong.

Peter Walker
PETER WALKER

ENTERPRISE OIL FLOTATION

Notes for Guidance on Government Statements during the Offer Period

The period reserved for the flotation of Enterprise begins in less than three weeks. Before and during the period following publication of the Prospectus to be issued in connection with the flotation, Ministers should avoid making statements which could have implications for the flotation or which could, in the extreme, give rise to allegations of misrepresentation or non-disclosure in the Prospectus. There follow some Notes of Guidance on the general principles involved:-

1. In broad terms, the greatest care should be taken in relation to statements which:-
 - (a) could be relied on by purchasers of shares in Enterprise as constituting an inducement to them to buy shares in the company independently of information contained in the Prospectus;
 - (b) might be regarded as indicative of an omission from the Prospectus of material information relating to Enterprise or the flotation;
 - (c) could have an effect on the market price of the Enterprise shares in circumstances where underwriters or purchasers of those shares (either on the basis of the Prospectus or subsequently in the market) might allege that the information contained in the statement should have been disclosed in the Prospectus.
2. In particular, care should be taken to avoid statements which might be regarded as having a material bearing on Enterprise's prospects or on the particular environment in which it is to operate. In addition, statements which could conflict with, or be regarded as putting a materially different interpretation upon, statements of fact or opinion contained in the Prospectus could also give rise to problems and should therefore not be made without careful consideration of the implications.
3. Whilst they should not be regarded as an exhaustive list for the purpose of the general guidelines set out above, the following matters of sensitivity should be noted:-
 - (a) statements of opinion with particular reference to Enterprise, its financial position or prospects or

the sector, business environment and regulatory regime in which it is to operate;

- (b) forecasts on the future trend of oil prices or exchange rates;
- (c) statements of Government policy - in particular statements having a direct bearing on the regulation of the oil and gas industry or the special fiscal regime applicable to that industry and in either case material to Enterprise's financial position or prospects;
- (d) matters affecting or relating to the production profile or reserve estimates disclosed in the Prospectus in relation to Enterprise or applicable to the UKCS generally and which might be regarded as likely to influence an investor's view of Enterprise's prospects;
- (e) statements of opinion in relation to Enterprise which are or appear to be based on facts particularly within the knowledge of the maker of the statement so as to cause the person relying on the statement to have reasonable grounds for believing that the statement is so based. In the case of a new company such as Enterprise, there must be a particular risk that any statements of opinion by Ministers in connection with it will be perceived to be based on facts within their knowledge and relied on as such;
- (f) statements as to the Government's future conduct in relation to matters of particular concern to Enterprise, its business or its shareholders, such as questions relating to the Ninth Round;
- (g) statements which place a legal interpretation on a certain set of facts which is incorrect or misleading, such as Enterprise's ability to qualify for particular treatment under statutory provisions;
- (h) statements which only partially disclose facts, or which reveal some facts, all of which are true, but which fail to reveal other matters affecting the weight of those stated.

4. It should be noted that even though statements were true at the time they were made, they may cease to be true later. Because questions could arise as to the accuracy of the Prospectus from this point of view, special consideration may need to be given to the manner in which correcting statements are made.

5. Ministers should be aware that while the period in the immediate run-up to the flotation and during the offer period are particularly sensitive from the standpoint of the kind of statements which may appropriately be made, care should also be taken thereafter in relation to any statement which could cast doubt on the completeness, fairness or accuracy of the Prospectus at the time of its publication. In addition, if the flotation is effected on a partly-paid basis, Ministerial statements could be relevant to actions of investors in relation to their continuing obligations as regards the second instalment and should be carefully considered from this point of view.
5. In the light of the foregoing, it would seem desirable that Ministers should confine their remarks to:-
- (a) statements which use or repeat facts published prior to the flotation, provided that such statements remain true;
 - (b) statements of fact or opinion contained in the Prospectus, subject to the proviso in (a);
 - (c) statements which, while within the areas of sensitivity referred to in earlier paragraphs of this note, have been specifically cleared from the standpoint of their implications for the flotation.