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the department for Enterprise

Handwritten initials

The Rt. Hon. Nicholas Ridley MP
Secretary of State for Trade and Industry

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Our ref

Your ref 26 September 1989

Date

Dear Catherine,

PRIVATISATION OF THE TRANSMISSION SYSTEM

My Secretary of State has seen your letter of 19 September to Paul Gray about the privatisation of the IBA's transmission system.

The Secretary of State agrees with the Home Secretary's proposals and, in particular, in the light of the Financial Secretary's letter of 7 September, considers that the Government should aim for an early privatisation, without public commitment at this stage to a particular date.

Turning to the method of sale, the Secretary of State agrees that a public flotation is unsuitable in this case but he is cautious about a management buy out, particularly in the light of the IBA Chairman's remarks. He would therefore recommend that the financial advisers should be asked to consider the advisability of an MBO in this case before the idea is further advanced. If such advice is favourable, the Secretary of State agrees that any MBO proposal should be made to compete on equal terms with any trade sale. The inside knowledge of any MBO team will inevitably make such a level playing field difficult to achieve and the financial advisers should be asked to recommend how best it might be done. My Secretary of State considers that it is particularly important to ensure a durable structure for the privatised system since the privatisation will be one of the first tangible results of the Government's broadcasting legislation.

I am copying this letter to Paul Gray, the Private Secretaries to other members of MISC 128 and to Sir Robin Butler.

Rosalind Cole
ROSALIND COLE
Private Secretary

WMPA?



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