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PS/ *Secretary of State for Industry*

| July 1980

Nick Sanders Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

Dear Nick

FERRANTI: STATEMENT BY THE SECRETARY OF STATE FOR INDUSTRY,
1 JULY 1980

... I enclose as requested a copy of the draft statement which my Secretary of State will be making in the Commons at 3.30pm this afternoon. I am also sending a copy of this letter and enclosure to Brian Norbury at Defence, Godfrey Robson at the Scottish Office, Petra Laidlaw in the Chancellor of the Duchy's Office, Stuart Hampson at Trade, and Murdo McLean in the Chief Whip's Office.

*Yours sincerely
Catherine Bell*

CATHERINE BELL
Private Secretary

FERRANTI: STATEMENT BY THE SECRETARY OF STATE

With permission, Mr Speaker, I will make a statement about the disposal of the NEB's shareholding in Ferranti. I undertook in our recent debate to study what was said and to report to the House.

The overwhelming view of the House was that if the NEB's shares were to be sold, they should be sold in such a way as to safeguard, at least temporarily, Ferranti's independence.

I had told the House that a placing of shares to achieve such a purpose would tend to be below market price, so that the taxpayer would probably get less than he would if bids for the company were considered. Moreover, to place the shares without conditions might not meet the purpose, since a bidder could offer an attractive price. In that case the taxpayer would not have the benefit from the higher price, and the independence of the company, which would have been the purpose of the exercise, would not have been preserved.

I pointed out that conditions could be imposed, but that they would further lower the price. I explained that a placing of shares, with conditions, with a group of institutions, would not provide a guarantee of independence.

The Board of the NEB told me that they were willing, as a matter of commercial judgement, to place the shares with institutions: indeed, they commended this course to me. But they thought that to impose conditions on the disposal was not a normal commercial action and accordingly they asked me to give them a direction. This I have done. Under powers /in ...

in the Industry Act 1975 I directed the NEB yesterday to sell their shares on terms under which each purchaser agrees not to dispose of any interest in them for 2 years without the consent of the NEB. I have also directed the NEB to retain 4% of their holding for Ferranti's employees under an appropriate scheme. A copy of this direction has been laid before Parliament.

The NEB hopes to place the shares at £5.30 each. This compares with £5.97, the price immediately prior to the suspension of the shares yesterday morning - a discount of about 11%.

The cost to the taxpayer of this arrangement, as distinct from selling the shares to the highest bidder, cannot be known. It must be recognized, however, that a successful bid might - I repeat, might - have been referred to the Monopolies and Mergers Commission, and some months would have passed before the outcome was known. Had the decision gone against the bidder the taxpayers' interest would have suffered, and even a favourable decision would have deferred the sale receipts for some time. I believe, therefore, that the balance of advantage lies with a placing, subject to conditions, despite a small net loss to the taxpayer.