



Secretary of State for Industry

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12 May 1983

The Rt Hon Leon Brittan QC MP
Chief Secretary to the Treasury
HM Treasury
Treasury Chambers
Parliament Street
London SW1P 3AG

NBPM

MUS 13/5

Dear Leon,

CHANGES IN NATIONALISED INDUSTRY STATUTES

Following the discussion in E(NI) on 26 April further work is to be carried out on the changes to nationalised industry statutes. There are a number of points on which I think the checklist provisions themselves require further thought.

2 In particular, the current suggestions on extending the coverage of statutory borrowing limits may present problems. Extending the borrowing limit to cover borrowing by partly owned subsidiaries would, I believe, have an inhibiting effect on privatisation. Moreover there are practical problems on the valuation of contingent liabilities which would need to be solved if borrowings guaranteed by a nationalised industry or its subsidiaries are to be included in borrowing limits. For example British Shipbuilders typically give guarantees of up to 15 years and if they crystallise BS would normally be able to exercise a lien on a ship. Valuation of the contingent liability arising under such guarantees would require calculation of the discounted value offset by an assessment of the value of the rights over the vessel.

3 These are points which will need to be resolved initially by officials as we agreed at E(NI). But I thought that it would be useful to indicate the sort of issues which have still to be settled before the list attached to your paper E(NI)(83)8 can be regarded as an agreed list.

4 I am copying this letter to other members of E(NI), Sir Robert Armstrong and Mr Sparrow.

Your ever
Patrice