



CONFIDENTIAL

cc Policy Unit

Prime Minister ②

To note

AT
29/4

PRIME MINISTER

BRITISH AEROSPACE

MB

Preparations for the sale of the remaining Government shareholding in British Aerospace are on schedule. Impact Day will be Wednesday 1 May (this remains confidential at present) and the offer will be open until 10 May.

2 The price will be determined tomorrow evening, and Geoffrey Pattie will announce it in the House on 1 May. At present it looks like being within the 375-385p range, implying net proceeds to the Government of upwards of £360m. However, the final determination of the price will need to take account of developments over the next 24 hours in both the BAe share price and the financial markets generally, and could be outside the range mentioned.

3 The price will be payable in two instalments (on application and by 10 September). The initial payment has already been announced as £2.00p. 55% of the offer will be "placed firm" with institutions (the same percentage as British Telecom). The company has agreed to allot a "Special Share" to the Government, which will ensure our ability to maintain BAe within UK control.

4 You will recall that it is an unusual feature of this sale that BAe itself has decided to raise new capital simultaneously. They are issuing 50 million new shares (about half the number the Government is selling), so that the combined value of the offer may be in the £500-£550m range.

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5 I do not expect this offer for sale to attract the same level of public demand as BT. BAe is a different type of company, involved in a highly competitive international field where both risks and rewards are great. Against this background we have deliberately adopted a relatively low-key marketing campaign. We are advised, however, that interest is firm and I am hopeful that this will be a successful sale in the context of the privatisation programme as a whole.

6 I am copying this minute to Cabinet colleagues, the Chief Whip and Sir Robert Armstrong.

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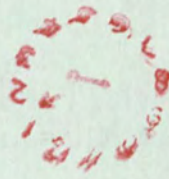
29 April 1985

Department of Trade and Industry

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10 DOWNING STREET

Prime Minister

The price agreed was 375p, at
the bottom of the range but
still yielding the Govt.
around £360 million.

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PS/
Secretary of State for Trade and Industry

30 April 1985

Richard Hatfield Esq
Private Secretary to
Sir Robert Armstrong
Cabinet Office
70 Whitehall
LONDON
SW1A 2AS

Dear Richard,

BRITISH AEROSPACE SHARE ISSUE

The prospectus for the forthcoming sale of shares in British Aerospace is to be published on 1 May. In the wake of this, the question may arise, as with the BT share issue, as to whether Ministers might acquire shares in the issue. The advice remains essentially the same as that given in respect of the BT issue and I would refer you and others to the letter which I sent to Alan Davis on 5 November covering the question in relation to BT (a copy of that letter is attached for ease of reference).

2 I am copying this letter to Private Secretaries to all Cabinet Ministers, Private Secretary to the Paymaster General and to the Chief Whip (with the request that they copy it to Ministers in their Departments as appropriate).

Yours ever,
A. D. Lansley

ANDREW D LANSLEY
Private Secretary

Encl

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