

Prime Minister ①

AT

B/F like (A) paper



Content? No need to read by individual industry annexes at this stage.

↓
~~JK~~

AT 8/5

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

PRIME MINISTER

Handwritten initials in red ink.

PRIVATISATION PROGRAMME

You asked me to prepare a paper for E(A) setting out the present state of the privatisation programme. With John Moore's help, I have now completed my review of the programme. The attached paper sets out the present position on existing candidates and proposes some priorities for the remainder of this Parliament. It incorporates some useful suggestions made by the Policy Unit.

2. Although the programme is moving along reasonably well, it is clear that continued pressure is needed if our plans for this Parliament are to be completed successfully. I am sure it would be helpful if you emphasised at E(A) the importance you attach to the programme being maintained and developed. We also need to start thinking about our intentions for the next Parliament and I suggest that colleagues should review their responsibilities over the next two months with the aim of identifying possible candidates.

3. I delayed completing the paper until we had taken our decisions on gas. I understand Peter Walker currently plans to make his announcement today. If you are content with the paper, it can then be circulated immediately. I gather that a discussion has been provisionally arranged for 15 May.

Told Treasury PM content paper should be circulated

AT 8/5

4. I am sending a copy of this minute to Sir Robert Armstrong.

Handwritten signature in black ink.

N.L.

7 May 1985

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E(A)(85)26
8 May 1985

COPY NO

CABINET

MINISTERIAL STEERING COMMITTEE ON ECONOMIC STRATEGY
SUB-COMMITTEE ON ECONOMIC AFFAIRS

THE PRIVATISATION PROGRAMME

Memorandum by the Chancellor of the Exchequer

This paper reviews the present state of the privatisation programme. Since our last discussion at the beginning of 1984 (E(A)(84)1st Meeting), we have made good progress. Enterprise Oil, Jaguar, Sealink, British Telecom, and a number of other enterprises have all been successfully sold. In total around 400,000 jobs have been transferred to the private sector since 1979. But despite this progress, and recent developments on water, gas and airports, there is still a long way to go. This paper reports the present position on existing candidates and proposes some priorities for the remainder of this Parliament.

The present programme

2. The present state of the privatisation programme is set out in the attached report which the Financial Secretary has compiled. Clearly, a great deal of activity is going on but we know from experience how important it is for Ministers to monitor developments and press for action. Unless slippage is detected early on and dealt with firmly, opportunities can be lost for ever. Compared with our expectations last year, progress has not been as rapid as we then hoped on British Nuclear Fuels Ltd, Electricity, BL, and National Girobank. Additionally, although events outside our

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control have caused the British Airways sale to be postponed, it is vital to complete it as soon as possible if our future programme including the published assets sale target for 1985-86 is not to be jeopardised. Also, the state of the queue makes it imperative that Royal Ordnance is ready for privatisation by Summer 1986.

3. The recent decisions in principle to privatise the British Gas Corporation and the British Airports Authority are major developments. An important additional new possibility since we last reviewed the programme is the prospective privatisation of all or part of the water industry, and I welcome the Minister for Housing and Construction's initiative in issuing a discussion note. Water has not hitherto been confirmed as a privatisation candidate. Its inclusion in the programme is a welcome development which I consider we should now firmly endorse.

4. Prospects for the next three years (including water) are set out in the attached chart. Market capacity is more than adequate to absorb the planned programme and our offers for sale continue to be well-received by financial institutions and the general public. It is however becoming clear that time is already beginning to run out if all the privatisation candidates listed in Annex A of the progress report are to be completed successfully in this Parliament. I urge colleagues to do all they can to keep the existing programme on track. If specific further work is needed in order to achieve our objectives, it should be commissioned as quickly as possible.

5. It is not just privatisation possibilities in Departments and nationalised industries that need to be pursued. Other areas where market forces do not fully operate must also be scrutinised. We must also speed up sales of surplus land, buildings, and empty housing. E(DL)(84)2nd Meeting agreed that all Departments should dispose of almost all of their present UK holdings by the end of 1987-88. Disposal targets will be agreed between the Treasury and Departments starting in the 1985 Survey and will be reflected in the Estimates from 1986-87. Local authorities and nationalised

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industries must also be pressed to sell their surplus land and housing. This year's Investment and Financing Review will specifically review nationalised industries' intentions and build demanding targets into industries' future finance plans. As far as local authorities are concerned, the Secretary of State for the Environment is considering the use of further directions. There are some 64,000 acres of unused or underused local authority land (about 7000 sites) on DOE's land registers for England. It is clear both here and elsewhere that there is a long way to go.

Future Plans

6. Some Departments have been able to identify candidates for privatisation more easily than others but it is important that all possibilities are properly investigated. The lead time for major sales is such that it is not too early to start making plans for the next Parliament. We must start to consider our future intentions towards industries such as the Electricity Supply Industry, British Steel Corporation, the Post Office, British Rail, and the National Coal Board. I am sure that it would be helpful if all Departmental Ministers were asked to review their responsibilities over the next two months and to identify candidates for the future. At this stage, we should clearly be as radical and as far-sighted as possible.

Objectives of the programme

7. Our privatisation programme has always served a number of objectives:

(i) it leads to greater business efficiency whether through competition or in other ways and this is demonstrated by the subsequent achievements of the companies which we have already sold;

(ii) it cuts back the size of the public sector;

(iii) it provides substantial financial receipts;

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(iv) it allows employees to take a direct stake in the companies in which they work and thus leads to major changes of attitudes;

(v) and, importantly, it provides a major stimulus to wider share ownership. Through privatisation to date, notably the sale of British Telecom, we have probably doubled the number of shareholders in the United Kingdom. If this process can be continued, the economic and political significance will be profound. The utilities now being prepared for privatisation are well-suited to spreading wider share ownership further and, during the remainder of this Parliament, we must seek maximum advantage from this and from our separate policy of council house sales.

8. The presentation of our privatisation policy has been highly successful over the last 18 months and I am sure that it is helpful if we all continue to emphasise both the policy and its achievements. Although it remains important to set out the benefits of competition as one way of boosting efficiency through the introduction of market forces, we must also now explain the importance of extending the benefits of privatisation to natural monopolies such as gas, water and international airports. We need not be apologetic about this development. Tough, clear, independent regulation of these monopolies will be of direct benefit to future customers. The injection of private sector attitudes into present public utilities should transform efficiency and service. I have asked the Financial Secretary to consider how best to present these arguments.

Conclusion

9. I invite colleagues:

(i) to note the position on individual privatisation candidates and the future programme planned for this Parliament;

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(ii) to monitor developments closely to press for action and commission further work where this is appropriate, and to keep the existing programme on track;

(iii) to note the need to start making plans for the next Parliament and to agree that all Departmental Ministers should review their responsibilities over the next two months with the aim of identifying possible candidates;

(iv) to note the increased importance that wider share ownership has as one of the major privatisation objectives;

(v) to take every opportunity to present the positive achievements that we are making in this area.

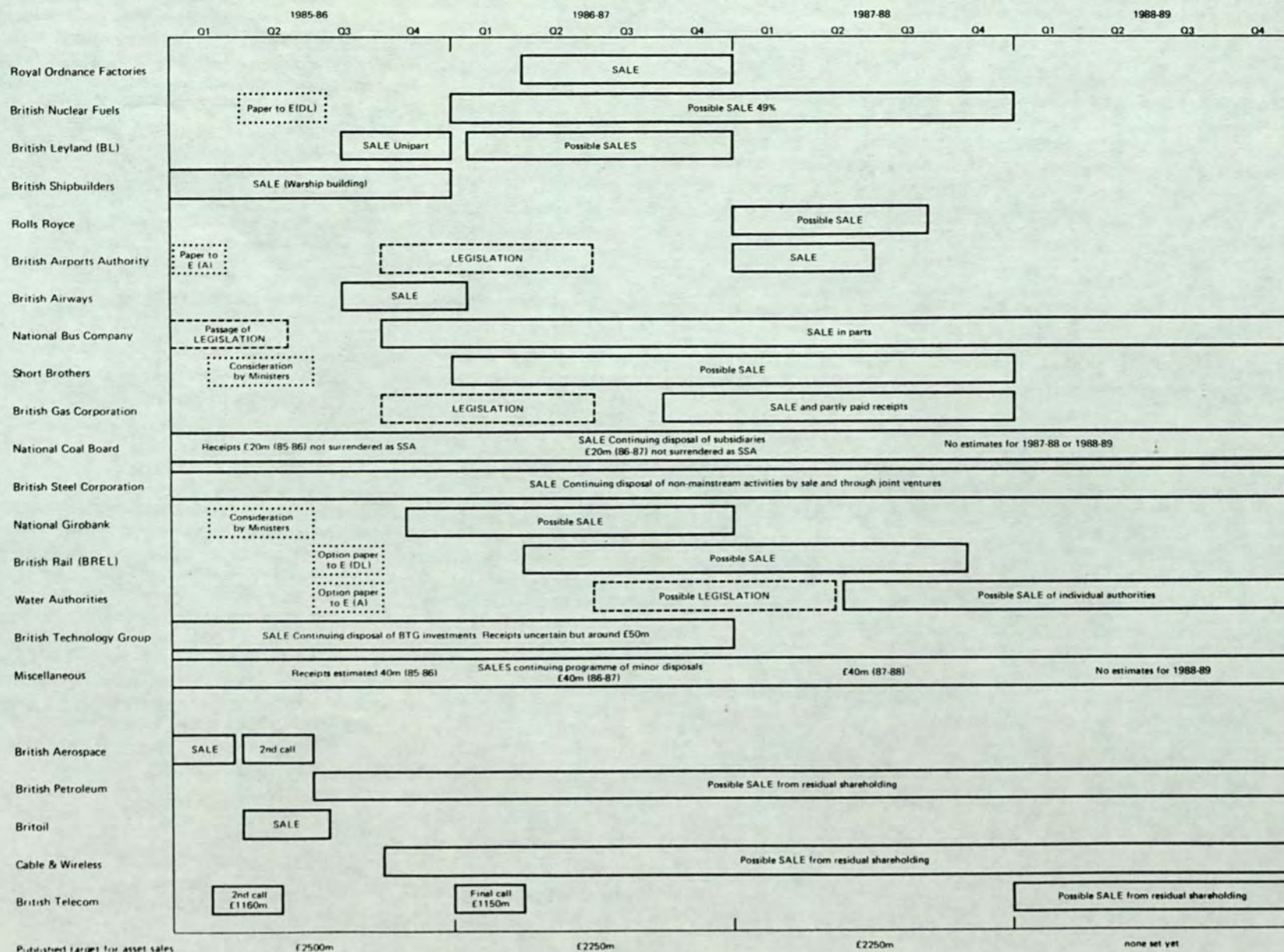
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HM TREASURY
8 MAY 1985

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PRIVATISATION PROGRAMME TO 1988-89



Published target for asset sales

£2500m

£2250m

£2250m

none set yet

Note

This table shows the best current estimates but in some cases the details are uncertain. Trustee Savings Bank sale excluded. It is not part of the privatisation programme, but is expected late 1985-86.

The information should be used with caution

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PRIVATISATION PROGRAMME

PROGRESS REPORT

MAY 1985

- A. MAJOR DISPOSALS ASSUMED IN CURRENT PLANS
- B. MAJOR CANDIDATES NOT YET IN CURRENT PLANS
- C. MISCELLANEOUS MINOR DISPOSALS
- D. RESIDUAL GOVERNMENT SHAREHOLDINGS

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A. MAJOR DISPOSALS ASSUMED IN CURRENT PLANS

1. Royal Ordnance
2. British Nuclear Fuels
3. BL
4. British Shipbuilders
5. Rolls Royce
6. British Airports Authority
7. British Airways
8. National Bus Company
9. Short Brothers
10. British Gas Corporation

A1. ROYAL ORDNANCE PLC

A. Policy Decisions and legislative requirements

Powers provided in Ordnance Factories and Military Services Act 1984. No firm decisions yet taken on form of sale. Ministers have indicated in public that preferred route is flotation as a whole.

B. Present position and next steps

On 2 January 1985, the Royal Ordnance Factories were incorporated into a 100 per cent Government-owned Companies Act Company - Royal Ordnance plc. The new company is now adapting to operations in a fully commercial environment and preparing for privatisation. Timing will be dependent on the route chosen, and the financial and commercial well-being of RO plc.

C. Timing and likely proceeds

July 1986 target; from £200-300 million (full sale), depending on timing and company prospects.

A2. BRITISH NUCLEAR FUELS LTD

A. Policy decisions and legislative requirements

Decisions on whether and how to proceed to be taken after the June court case on Sellafield discharges. Sale of less than 50 per cent of shares would not require legislation.

B. Present position and next steps

There is no immediate prospect of a successful share sale. However work by officials indicates that, in better circumstances, a flotation should produce worthwhile net receipts. Further studies into an appropriate regulatory framework and other issues will be carried out in coming months with a view to E(DL) consideration of a paper by the Secretary of State for Energy in the third quarter of 1985.

C. Timing and likely proceeds

Possible this Parliament; after costs of capital reconstruction, receipts from sale of up to 50 per cent of shares could realise upwards of £200m.

A3a. BL

(For Unipart and Land-Rover-Leyland, see below)

A. Policy decisions and legislative requirements

No legislation needed for any BL disposals. Ministers agreed in August 1982 that "visible progress" towards privatisation was required within 2 years, defined as sale or advanced preparations for sale of at least 2 of the 5 BL groups. Jaguar sale completed in August 1984. Decisions on Austin Rover are now linked with the 1985 Corporate Plan.

B. Present position and next steps

For Austin Rover the projected results in the 1985 Corporate Plan do not offer the prospect of privatisation within the next five years. Very recently, the BL Board has proposed the signing of a Memorandum of Understanding with Honda for the joint design, development and production of a new car and for the manufacture of Honda cars in the UK using spare Austin Rover capacity. An urgent study is underway (with Merchant Bank and other technical advice) to assess the prospects of further collaboration with Honda, and to identify radical options for, and the consequences of, reducing Austin Rover's capital expenditure.

C. Timing and likely proceeds

Uncertain.

A3b. BL - UNIPART

A. Policy Decisions

E(A) agreed in June 1984 to acquisition of Edmunds Walker (EW) to strengthen the company prior to privatisation. Ministers agreed in December 1984 to acquisition of Motorists Discount Centre (MDC) chain provided BL Board accepted a commitment to privatise Unipart by end-June 1985. This was refused, so MDC acquisition did not take place, and disposal by mid-1985 will not now be possible.

B. Present position and next steps

The BL Board have accepted end-1985 as a target date subject to qualifications. DTI Ministers take the view that this is now a firm commitment. Merchant bank advisers to DTI on Unipart disposal have been appointed. Definite proposals on timing, method of sale, and possible retention by BL of minority stake expected soon. Questions relating to Unipart's contract to supply Austin Rover have been resolved in principle, but the legal agreement is still being drafted.

C. Timing and likely proceeds

End-1985; £100 million maximum.

A3c. BL - LAND ROVER - LEYLAND VEHICLES

A. Policy decisions

Ahead of and subject to decisions on Leyland Trucks, E(A) agreed provisional dates of 1984-85 and early 1985-86 for the privatisation of Leyland Vehicles and Land Rover. Subsequently, E(A) asked for the separation of Leyland Bus from Leyland Trucks with a view to privatisation at the earliest possible date and the Prime Minister commissioned a further study of the steps needed to privatise Land Rover. Study of these options has been delayed and is now incorporated in 1985 Corporate Plan, decisions on which have been deferred pending decisions on scope for possible rationalisation of UK commercial vehicle market.

B. Present position and next steps

The 1985 Corporate Plan sets out several options for the privatisation of Land Rover and Leyland Vehicles but concludes the the Board's preferred course is to keep Land Rover-Leyland Vehicles together for privatisation, if plan results are achieved, towards the end of the decade. Though consideration of the Land Rover and Leyland Vehicles options has been deferred pending the outcome of discussions on the rationalisation of the UK commercial vehicle industry, DTI will be asking its merchant bank advisers (now appointed) to identify and work up possible alternative bids for some of the LRL businesses.

C. Timing and likely proceeds

Uncertain.

A4. BRITISH SHIPBUILDERS: WARSHIPBUILDING YARDS/SHIP REPAIR YARDS

A. Policy decisions and legislative requirements

Powers provided in 1983 British Shipbuilders Act. Decision to privatise all 5 warship yards plus 2 mixed yards announced in Parliament on 25 July 1984.

B. Present position and next steps

Consent has been given for two warship yards (Yarrow and Brooke Marine) to be sold. Others are on the market and progress is continuing on identifying potential purchasers and assessing bids received. The remaining yards will be put on the market in the first half of 1985-86. All ship repair yards already either sold or near sale.

C. Timing and likely proceeds

Completion likely by end 1985-86; net proceeds assumed as c£75 million.

A5. ROLLS ROYCE

A. Policy decisions and legislation requirements

Manifesto commitment to privatise this Parliament. No legislation needed.

B. Present position and next steps

Chairman has been set objective of bringing the company to a state in which the privatisation commitment can be met by 1988 at the latest. Death of Sir Williams Duncan has delayed progress, but a new chairman, Sir Francis Tombs is now in post.

C. Timing and likely proceeds

Sale possible in early 1987-88; receipts tentatively estimated by Treasury officials at £400-£600 million.

A6. BRITISH AIRPORTS AUTHORITY

A. Policy decisions and legislation requirements

E(A) decided on 3 April that BAA should be sold as a whole but with each separate airport as a subsidiary company. Primary legislation will be required.

B. Present position and next steps

Decisions will be announced in a White Paper on Airports Policy planned for May. Legislation is planned for the 1985-86 Session.

C. Timing and likely proceeds

Subject to legislation, sale probably in Spring 1987; receipts uncertain but may be around £500m.

A7. BRITISH AIRWAYS

A. Policy decisions and legislative requirements

Powers provided in Civil Aviation Act 1980. Final decisions on capital restructuring still needed, also on timing and mechanics of sale.

B. Present position and next steps

Preparations aimed at privatisation in February 1985 had to be postponed because of developments in litigation in the USA, arising from the failure of Laker Airways in which BA, B/Cal and some foreign airlines are defendants. BA is leading efforts to settle these actions out of court.

C. Timing and likely proceeds

Target: as soon as practicable during 1985-86; gross proceeds may be around £1 billion; net proceeds depend on timing, terms of settlement of litigation, and possible need for BA to retain some of the proceeds.

A8. NATIONAL BUS COMPANY**A. Policy decisions and legislative requirements**

Enabling legislation contained in the Transport Bill finished Committee stage on 7 May. Formal decisions on the scale of restructuring of NBC operations to be taken after legislation is passed. Discussions have opened with the Board.

B. Present position and next steps

A competition for professional advisers to the Government is in progress ; NBC have already appointed Barclays Merchant Bank as their advisers. The Transport Bill will give NBC a duty to prepare a programme for disposing of its operations and to implement it within 3 years. NBC's objective in drawing up the programme will be to promote sustained and fair competition both between its own subsidiaries and between those and other bus operators. It must also have regard to practicality and the likely proceeds from sales and to encouraging employee participation. The Secretary of State for Transport has asked the Chairman to report on the steps needed to prepare NBC's subsidiaries to compete fairly on deregulation of the bus industry (which under the Bill will be complete by 1 October 1986) and on the options for privatisation. Although sale of the NBC as a whole has been ruled out, it is not yet clear how many individual privatised bus companies will be needed to secure a competitive industry within the timescale laid down. The choice will range between selling individual operating companies (there are some 40 at present but these might be further split), and putting together a much smaller number of geographically dispersed groupings.

C. Timing and likely proceeds

Total disposal likely to take about three years; precise timing and proceeds from individual sales from 1986 onwards will depend on market conditions. Initial proceeds will be directed by NBC towards repayment of NLF debt. The NBC holding company will be wound up at the end of the sale process.

A9. SHORT BROTHERS LTD

A. Policy decisions and legislative requirements

Northern Ireland Ministers announced in December 1984 that Shorts was a candidate for privatisation. No legislation needed. Decisions on feasibility and options still to be taken.

B. Present position and next steps

Merchant bank advisers have been appointed to report on feasibility, timing and method of sale for consideration by Ministers alongside the 1984 corporate plan.

C. Timing and likely proceeds

Probably not before 1986-87. No estimate has been made of the likely receipts but it is considered that the cost of, for example, restructuring the balance sheet could eliminate most of the net receipts to the Exchequer.

A10. BRITISH GAS CORPORATION

A. Policy decisions and legislative requirements

Policy decision in favour of privatisation taken by Cabinet on 2 May. Announcement by Secretary of State on May 8. Necessary legislation in 1985-86 Session with the intention of Royal Assent by Summer 1986.

B. Present position and next steps

The Department of Energy is preparing a Bill and recruiting City advisers. E(A) will be discussing aspects of the privatisation in the near future.

C. Timing and likely proceeds

Sale is planned in the second half of 1986 on a partly paid basis.

B. MAJOR CANDIDATES NOT YET IN CURRENT PLANS

1. Electricity Supply Industry (England, Wales and Scotland)
2. National Coal Board
3. British Steel Corporation
4. Post Office/National Girobank
5. British Rail
6. Water Authorities

B1. ELECTRICITY (ENGLAND, WALES AND SCOTLAND)

A. Policy decisions and legislative requirements

No decision in principle, but Manifesto commitment to "seek means of increasing competition, and attracting private capital into, the gas and electricity industries". E(84)2nd Meeting invited the Secretaries of State for Energy and for Scotland to bring forward proposals on privatisation as soon as possible. Primary legislation necessary.

B. Present position and next steps

Evaluation of the options for privatisating and restructuring the electricity supply industry had to give way to higher priorities and, in particular, to the pressures of the coal strike.

C. Timing and likely proceeds

Uncertain; too early to forecast, but asset value is substantial.

B2. NATIONAL COAL BOARD

A. Policy decisions and legislative requirements

E(DL) agreed in March 1982 "to transfer to the private sector as much of the NCB's activities as possible". Disposals of non-mining subsidiaries have been delayed by the coal strike (see section C4). Privatisation of mining activities requires primary legislation.

B. Present position and next steps

Energy Ministers have told Parliament (eg 11 March 1985) that there are "no plans for privatisation of the coal industry", but the disposal of non-mining assets has not been precluded publicly.

B3. BRITISH STEEL CORPORATION

A. Policy decisions and legislative requirements

Manifesto commitment to return 'substantial parts' to the private sector. Major question remains whether core business operating on five major (underutilised) sites can attain and sustain viability with present capacity. Ministerial decisions required for joint venture proposals in engineering steels covering 10 per cent of BSC output by tonnage.

B. Present position and next steps

Engineering steels joint venture proposals currently under consideration by Treasury Ministers. Alternative is for BSC to rationalise engineering steels operation themselves. Disposal of peripheral activities continues (see Section C.1). Little progress has so far been made in investigating the possibility of creating separate Companies Act companies in the main business sector (strip and general steels) as a means of assisting restructuring/privatisation. These questions depend on strategic decisions which will need to be taken as soon as possible.

C. Timing and likely proceeds

Peripheral disposals, and possible further joint ventures remain feasible for this Parliament; no decisions yet on mainstream business; no receipts assumed in plans.

B4. POST OFFICE AND NATIONAL GIROBANK

A. Policy decisions and legislative requirements

No decisions have been taken on the nature and extent of any privatisation of Post Office mails and counters businesses. It was agreed in 1980 that Girobank, should be considered as a candidate for privatisation.

B. Present position and next steps

DTI are currently considering detailed technical problems on Girobank, particularly on relations with the Post Office after privatisation, and the Secretary of State for Trade and Industry will shortly put forward detailed possibilities. Officials will be reviewing this Summer the prospects for introducing private capital into the Post Office and will be reporting to Ministers in the Autumn.

C. Timing and likely proceeds

Privatisation of Girobank may just be achievable in 1985-86 though 1986-87 is more likely; receipts for total disposal estimated at £40-£100 million. Primary legislation not essential.

B5. BRITISH RAIL

Attention has hitherto been focussed on sale of subsidiaries eg Sealink, BR Hotels, BR Engineering Ltd (BREL) etc (see Section C.3) and on the franchising of services such as catering. Proposals for private operation of particular services (eg Victoria-Gatwich) have fallen through.

B6. WATER AUTHORITIES**A. Present position**

DOE Ministers announced on 7 February that the Government would be examining the possibility of a measure of privatisation in the water industry. A discussion paper setting out options for privatisation was issued on 1 April. Replies have been requested within two months and an inter-Departmental group is meanwhile studying the issues involved. The higher priority now accorded to water privatisation arises in part from increased interest within the industry itself following the Government's decision last Autumn to raise the industry's rate of return, and in part from a reassessment of the questions surrounding the privatisation of a monopoly utility.

B. Timing and likely proceeds

Primary legislation would be required. Assuming that a Bill can be introduced early in the 1986-87 Session, the first disposals might be possible before the end of 1987. Proceeds will depend on tariff levels at time of privatisation and future regulatory arrangements but authorities as a whole might be worth up to £5 billion.

C. MISCELLANEOUS MINOR DISPOSALS

1. British Steel Corporation Subsidiaries
2. British Technology Group Holdings
3. British Rail Subsidiaries
4. National Coal Board Subsidiaries
5. Civil Aviation Authority - Scottish Airports
6. Scottish Transport Group
7. Government Pipeline and Storage System
8. Covent Garden Market Authority
9. Forestry Commission
10. Crown Agents
11. Crown Suppliers
12. National Seed Development Organisation
13. Professional and Executive Register (PER)

C1. British Steel Corporation subsidiaries

Priority has been given to disposal of activities which overlap with the private sector steel industry and to non-iron and steel interests. Recent disposals include RGC (Offshore) Ltd (oil goods fabrication) and Stanton and Stavely Ltd (pipemaking). BSC's 1984 accounts report 13 sets of negotiations involving disposals equivalent to more than £75 million of BSC's assets. Receipts are not surrendered to central government.

BSC have either disposed of or are negotiating the disposal of all but two of their operational overseas subsidiaries. The remaining two are lossmaking plants whose closure would contravene the stipulations of host governments.

C2. British Technology Group holdings

Decisions to dispose of all holdings taken in September 1983. Following sale of Inmos in September 1984, BTG's remaining holdings in 48 companies are small (total book value of £35 million). Programme of disposals continuing on course for completion by end 1986-87.

C3. British Rail subsidiaries

Transport Act 1981 provides powers for disposals. The BR Chairman's review of options for the future of British Rail Engineering Ltd (BREL), including, possibly, privatisation, has been delayed and is now expected before the summer recess. The review will be followed by proposals to E(DL) from the Secretary of State for Transport. The issues include the financial separation of BREL from BR, which is its principal customer; the further reduction of over-capacity; whether there is a core business; and whether individual sections of BREL might be sold separately. Timing of sales, and likely proceeds will depend on the option selected. Receipts will not accrue to central government.

C4. National Coal Board subsidiaries

Disposal of non-mining subsidiaries underway. Sales of Associated Heating Services plc and J H Sankey (Builders Merchants) completed. Further possibilities include German Creek, National Fuel Distributors, Southern Depot, Horizon Exploration, Stavely Chemicals, National Smokeless Fuels and Environmental and Mechanical Services and land holdings. Estimated receipts of at least £20 million in 1985-86 and 1986-87 provide useful offsetting savings to NCB's heavy external financing needs.

C5. Civil Aviation Authority - Scottish Airports

Decision to privatise announced in March 1983. CAA advertised its intention to sell last autumn, but no acceptable bids were forthcoming. It now seems likely that the airports will need to remain in the public sector. Possibility of management by private sector organisations being examined.

C.6 Scottish Transport Group

The White Paper on bus policy and deregulation also covered Scottish interests, but decisions on privatisation of Scottish Bus Group deferred until results of privatisation of NBC can be assessed-effectively until 1987-88. Legislation will be needed to dispose of a major part of STG, but not for disposal of subsidiaries. The Secretary of State for Scotland has directed STG to sell MacBrayne Haulage Ltd; sale to be completed by April 1985; receipts (c£1m) will not be surrendered to central government.

C7. Government Pipeline and Storage System

The Secretaries of State for Defence and Energy consider that the pipeline should not be privatised. The Minister of State for Energy has announced that the system will be managed by the successor agency to BNOC. Future of GPSS to be considered further.

C8. Covent Garden Market Authority

Ministers have decided that privatisation of CGMA as a whole is not feasible at present. Complex and controversial legislation would be needed. Decision taken to sell Market Towers (CGMA owned office building) but attempts to sell it at an acceptable price have not so far succeeded. (The District Valuer valued Market Towers at £25m in 1982, but the only offer received has been a very tentative one for about £15m.) State of market is reviewed periodically; last review in August/September 1984 and a further review is planned later this year.

C9. Forestry Commission

Ministers have agreed to a programme of sales of land and plantations, which continues. Latest forecasts agreed during the 1984 Public Expenditure Survey are for receipts of £12 million in 1985-86 and £10 million in the three subsequent years.

C10. Crown Agents

OD decided in February 1984 broadly to endorse the proposals of the Board of Crown Agents for their reorganisation with a view to privatising parts, and probably the whole, in due course. ODA's bid for legislation in 1985-86 to enable Crown Agents to be privatised, was unsuccessful. The possibility of privatisation is thereby deferred until 1988. In 1985-86 there will be a short Bill to enable continued waivers of interest on the commencing capital debt. A decision on whether to take overseas pensions administration back into ODA is expected shortly. Likely receipts around £7.5 million (less if pensions work is reabsorbed into ODA).

11. Crown Suppliers

Ministers have agreed to the Secretary of State for the Environment's proposal that a study should be undertaken by officials to consider whether it would be in the public interest to transfer to the private sector some or all of the activities at present undertaken by the Crown Suppliers. The study will also consider the option of closure.

C12. National Seed Development Organisation

The form and timing of a commission to a merchant bank to advise on the feasibility of privatising the NSDO (which markets plant varieties developed at a state research institute) is under consideration. The timing and proceeds of privatisation are uncertain.

C13. Professional and Executive Register (PER)

PER was put on a full cost-recovery basis from April 1983 and is now meeting its self-financing objectives. Its future is currently under active consideration by Ministers, who are reviewing a range of options. At present if major change is contemplated the sale of PER as a going concern looks less plausible than closure accompanied by the possible sale of certain parts of the operation. The nature and timing of any decision on PER's future will have to take account of developments in other aspects of the Manpower Services Commission's operations and related sensitivities.

D. RESIDUAL GOVERNMENT SHAREHOLDINGS

1. British Aerospace
2. BP
3. Britoil
4. Cable and Wireless
5. BT

D. RESIDUAL GOVERNMENT SHAREHOLDINGS

[Current share prices; realisable proceeds would be lower.]
Policy is to sell as and when circumstances permit.

1. BRITISH AEROSPACE

The Government's residual shareholding of 48.43 per cent was sold on 1 May 1985 for around £350m (net).

2. BP

The Government's residual shareholding of 31.7 per cent is valued at £3,182m.

No further sale is possible before September 1985.

3. BRITTOIL

The Government's residual shareholding of 48.8 per cent is valued at £518m. A sale of this entire holding in 1985-86 has recently been announced.

4. CABLE AND WIRELESS

The Government's residual shareholding of 23.1 per cent is valued at £538m.

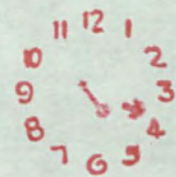
No further sale is possible before December 1985.

5. BRITISH TELECOM

The Government's residual shareholding of 49.8 per cent is valued at about £6,570m.

No further sale is possible before April 1988.

- 8 MAY 1985



BP file.
 Treasury
 say there is
 no substance
 in this story.
 It is true BP
 have surplus
 cash but
 does not want
 to highlight its
 cash & idios
 for using it
 by buying
 back its shares

AT
 30/4



the key post. But there is no point in rushing to apply. The list of possible candidates is already down to three and is said to include John Duncan, who cut his teeth at National Westminster Bank, and a former colleague of Duncan's from Dewe Rogerson, the public relations group.
 Duncan, 49, is at American Express. He was slightly bemused when asked about the Pru, and said: "I have a marvellous job here and American Express are wonderful people to work

demonstrate the change in thinking about the role of PR.
 The Pru, along with most of its competitors, was appalled when tax relief on life assurance premiums was chopped last year. This time the insurance industry fired every shot it had and successfully sunk the campaign for sensible tax treatment of pensions.
 Last month the Pru surprised everyone by raising the dividend 18%, despite earnings shrinking to less than

where financial marketed like man of this will come Pru launches its trusts (see page 6) commission rules much more attractive insurance-linked. The building applicant will step but he will find prepared to lift a least, jog.

ong set for comeback

In turn, Jardine owns 40% of Land company. To gain control of the two - and the Land company is the real prize - a bidder thus has to buy the Keswick stake. And that, according to the head of the family, Henry Keswick, is not for sale.
 At any price? To have any hope of getting control of Jardine, Keswick reckons, a bidder would have to offer at least HK\$30 a share, against the current HK\$12. That would capitalise it at around £1.3 billion - and make it too big a mouthful, even for the biggest bidders.
 Jardine and the Land company are now coming right, the joint debt burden has been reduced from a potential HK\$33 billion (a crippling £3.5 billion) to a more supportable HK\$14 billion (£1.5 billion). Between the two, nearly £1 billion of losses have been written off but shareholders funds are still around £1.9 billion.

-up pays off

closing price of 408p, an 8% discount means an offer at 375p, though the striking price will depend on how the share moves tomorrow and Tuesday.
 Subscribers will have to put up only 200p, with the balance due in September, along the lines of the British Telecom issue. Kleinwort Benson and Lazard Brothers, the bankers handling the sale, have learned a lesson from BT.
 But do not expect a BT-style profit if you decide to buy. BAE shares have run up from 350p when the sale was announced, helped by a continuous flow of good news, and a painstaking process of educating journalists and the City in the correct way to view the company's prospects.

Lawson may try no-fuss BP sale

by Ivan Fallon
 IS THE government about to raise another £1 billion from its most reliable and dependable cash cow, BP? Thursday's annual meeting of the oil group is awaited with keen interest and a growing belief that the chairman, Sir Peter Walters, might say something about his plans for spending at least part of the group's £3.8 billion of cash. Might he, for instance, decide to exchange £1 billion for a slice of the government's remaining 31.7% stake?
 The chancellor, Nigel Lawson, is known to feel that there is no reason for the treasury to retain any shares at all in BP. Back in the late 1970s, the government, after the Burmah collapse, ended up with 70%.
 The attraction of the company using its cash to buy back its own shares is obvious. The government could get £1 billion with a minimum of political fuss and no complaints about the huge City expenses involved in a share issue. For its part BP could actually improve its earnings per share and find a more immediate use for its cash holdings than some of the riskier and longer-term oil developments it is considering.
 The last government sale was in 1983 when 130m shares, or 7.2% of the equity, raised £550m. The government could take its holding down to 25% and still, in accounting and board terms, retain all its existing rights and privileges. The shares rose 13p to 560p on Friday as rumours spread, but also on the back of large buying from the New York broking house, Goldman Sachs.

WHAT'S Hotline to the City

Gone for a Bu

IN 10 days time, Debenhams is due to produce the stores group could be on the wrong end of a predicted bid. If Ralph Halpern, chairman of the group, decides that he prefers to add Debenhams' share of menswear group Collier to his empire, he will be the first shot. No talks have taken place with Thornton, but Halpern is considering what to do.
 It might help concentrate his mind to the fact that the Chartered Bank ran the rule over Debenhams' group to break it up into retailing, property and Debenhams' shares have been bid-fuelled to this year, but any bidder would have to start to pay a good deal more to win.
 [] SHAREHOLDERS in Energy Services & Electronics which is at the receiving end of an unwelcome £33m bid from Peek Holdings, should sit tight. Peek, a shell company being used as a vehicle for the bid by the South Africans Julian Askin and Hugo Biermann, is offering 70p in cash with a share exchange offer worth 82p. In contrast, Energy's shares peaked at 94p by the close on Friday. Either the market expects Peek to increase its terms or it has got wind of a counter bid.
 [] SHARES in Algy Cluff's Cluff Oil have climbed to 63p from 48p since they were tipped here in March. Last week however they dropped back to 53p as the company failed to produce figures, expected last Tuesday. Says Algy: "We are up to our ears in lawyers, crawling over the details of the scheme to merge two classes of shares. It will all come out next Friday." Expect cheerful news of a Scandinavian farm-in to Cluff's Chinese offshore empire to keep interest in the shares bubbling.
 [] NORTHERN Engineering Industries has had a good run lately, but still looks vulnerable to a bid. Word has

B. P. Sale