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P.01538

PRIME MINISTER

The Privatisation Programme

FLAG A. (E(A)(85)26)

BACKGROUND

The Annex to the Chancellor of the Exchequer's paper, E(A)(85)26, reports the position on existing and potential candidates. The paper itself proposes priorities for the remainder of this Parliament. The key points are.

a. The need to guard against slippage and to take early corrective action where needed. BNFL, the electricity supply industry (ESI), BL and National Girobank have already slipped; there is some concern about Royal Ordnance. Some slippages, most notably British Airways, are outside the Government's control; this reinforces the need for constant pressure on foreseeable and controllable developments. (However, provided British Airways can be sold during the current financial year, the current annual realisations target of £2.25 billion should be readily attainable. That figure is now likely to be exceeded substantially in the next two years, as a result of the privatisation of BGC.)

MoD  
see difficulty  
about target of  
mid 1986  
Letter enclosed

b. Legislation providing for privatisation of the water industry should be included in the firm plans for this Parliament (although the flotation might not take place until after the next General Election).

Water Secretary  
has entered  
reservations

c. Disposals of surplus land, buildings and housing held by Departments should be speeded up, and largely completed by 1987/88; disposals of local authority land still have a long way to go.

d. Planning for the next Parliament should begin now. All Departmental Ministers should review the possibilities over the



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next two months; including in particular the prospects for the ESI, British Steel, Post Office, British Rail (BR) and the National Coal Board (NCB). (The paper does not make the next step clear; presumably the Chancellor and the Financial Secretary intend to follow up these reviews bilaterally.)

e. A major reason for privatising monopoly utilities is the stimulus to wider share ownership; this and the other benefits in terms of improved efficiency and service need to be presented positively.

### Proposals

2. Ministers are invited:

- i. to note the present position and plans;
- ii. to monitor developments closely and take action as appropriate;
- iii. to review plans for the next Parliament over the next two months;
- iv. to note the importance of wider share ownership;
- v. to seek opportunities to present the programme positively.

### MAIN ISSUES

3. Clearly this meeting is not the forum for resolving detailed issues on individual privatisations. As the list in the Annex to this brief shows, Ministers are due to discuss the future of a number of the major candidates this session. The main purpose of the meeting is to re-emphasise collective commitment to the programme, and to give this concrete expression through agreement to the Chancellor's proposal that each Departmental Minister produce plans for the next Parliament over the next two months.

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4. The Financial Secretary has already been asked to consider ways of improving the presentation of the Government's policy, but Ministers may have suggestions or guidance which they wish to offer at this stage.

#### HANDLING

5. Since the main purpose of the discussion is to encourage Ministers to redouble their efforts in this area, you might begin by stressing the importance of maintaining the momentum of the programme, and the need to examine less obvious or difficult candidates as well as those already identified before inviting the Chancellor of the Exchequer to introduce his paper. Thereafter the Secretaries of State for Trade and Industry, Energy, Transport and the Environment, as the major nationalised industry sponsoring Ministers, should be invited to comment. The Minister of Agriculture, Fisheries and Food, the Secretaries of State for Scotland, Employment and Northern Ireland also have smaller, although useful, candidates.

#### CONCLUSIONS

6. You will wish the Sub-Committee to reach conclusions on;
- i. whether to endorse the present programme;
  - ii. what, if any, guidance to give on particular privatisations raised during the discussion;
  - iii. what, if any, guidance to give to the Financial Secretary on his review of presentation;
  - iv. whether to invite Departmental Ministers to review plans for the next Parliament within the next two months, and, if so, the arrangements for further discussion.

*PLG*

P L GREGSON

14 May 1985

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Forthcoming Discussions of Privatisation Candidates

<u>Committee</u>	<u>Subject</u>	<u>Timing</u>
E(NI)	British Rail	1 <sup>st</sup> May
E(A)	Details of British Gas Privatisation	June
E(A)	British Leyland	<del>June</del> 23 May
1. E(A)	British Steel (broad strategy)	1. June
2. E(NI)	British Steel (individual rationalisations/ disposals)	2. July
E(NI)	Harland and Wolff	June
E(NI)	Short Brothers	June
E(DL)	BREL	July/August
E(NI)	Post Office	July/August
E(NI)	National Girobank	July/August
E(NI)	British Shipbuilders	July/August

Targets for the disposal of surplus land and buildings held by Departments will be agreed as part of the 1985 Public Expenditure Survey. Targets for the disposal of surplus nationalised industries' holdings will be built in to the Investment and Financing Review. The Secretary of State for the Environment has a remit from E(DL) to consider further action to encourage local authorities to speed up disposals of their land holdings; the MISC 113 report, due to be discussed on 23 May, discusses measures to expand both Right to Buy sales and disposal of empty houses and tower blocks.

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