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From the  
Minister of State

The Hon Adam Butler MP

The Rt Hon John Biffen MP  
Chief Secretary to the Treasury  
Treasury Chambers  
Parliament Street  
London SW1P 3AG

6 3 May 1980

Dear Chief Secretary,

You wrote to David Howell on 18 April about the prospects of securing a contribution of £100m from the BAe disposal and also seeking colleagues' views on other disposal prospects in 1980/81.

As you know, we will be dealing with BAe separately: a paper will be coming forward to E(DL) in due course. Of the other disposals that are in my field there are, first, those which the NEB expects to make. I think that the NEB should have no great difficulty in disposing of Ferranti and Fairey at some time over the next few months, and certainly before the end of the current financial year. There are a number of uncertainties about both companies, but I think that we could certainly expect at least £75 million. In addition, as you know, the NEB will surrender the proceeds of the ICL disposal, although the £38 million that was realised has in fact been invested in Treasury Bills since it was secured so that the PSBR has had the benefit of the disposal effectively since it was made.

When these three major disposals have been completed no more of significance is to be expected from the NEB until the new high technology companies have developed sufficiently to be attractive to buyers - perhaps in two or three year's time. The miscellany of other small companies, in which the NEB has holdings, will be sold as appropriate but can be ignored in the scale of sums we are seeking.

/ ... Secondly, there



Secondly, there is the sale of shares in Cable and Wireless (C&W) from which we still hope it may be possible to raise between £75 million and £100 million during the current financial year. We have, as you know, been having great difficulty in finding a new Chairman to whom we might look to re-assess the C&W Court's opposition to sale of shares in a Hong Kong subsidiary (which would not require legislation and might therefore be completed comparatively quickly). Meanwhile, however, Lord Glenamara has told us that he and the Court would welcome and give their full backing to a sale of shares in the main company. We consider that this route may now offer the best chance of obtaining a contribution from a C&W disposal during the current financial year.

Achieving a sale of shares in the main company during 1980/81 will, however, depend on:

- a) successful negotiation of an extension of C&W's Hong Kong concession beyond 1987 on reasonable terms (without which we are advised a successful flotation would not be practicable). We understand that the Hong Kong Government will not be ready to open negotiations until June at the earliest. The indications are that the negotiations could be difficult and protracted. (Extension of C&W's Bahrain concession beyond 1982 would also be desirable but is likely to be impossible to negotiate within the timescale; in which case the proceeds of a sale of shares will be reduced).
- b) introduction of a short Bill, taking powers to sell C&W shares, as early as possible in the next session, following consultation with the various interested overseas governments about this intention. Keith Joseph sought a contingent slot for this legislation in his letter of 28 April to William Whitelaw about the legislative programme. But we cannot introduce this Bill, or carry out the necessary international consultations beforehand, until we are sure that the Hong Kong negotiations will be successful enough to allow disposal.
- c) preparation of audited half year accounts for the six months to 30 September 1980 in order to meet the Stock Exchange new issues requirement that audited accounts must be available within the previous six months. This will require a special exercise which will be expensive and difficult to mount because C&W has not previously prepared comprehensive accounts for its worldwide business other than on an annual basis.

In view of these difficulties the contribution from C&W disposal during 1980/81 for which we are aiming must still be regarded as possible rather than certain; although the timing problems could be eased, and the amount realised from a sale of shares increased, if the Hong Kong Government were to insist in local participation



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in a C&W Hong Kong subsidiary or if the new Chairman were to persuade the Court (who have expressed unanimous opposition to the idea) that this was the most advantageous course.

I am sending copies of this letter to recipients of yours.

*Yours sincerely,*

*Jonathan Hudson*

for ADAM BUTLER (Approved by Mr Butler  
and signed in his absence)