



10 DOWNING STREET

30 May 1980

The Rt Hon Sir Keith Joseph Bt MP
Secretary of State for Industry
Ashdown House
123 Victoria Street
LONDON SW1

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FERRANTI

I had a telephone call from Basil de Ferranti yesterday, following up my recent conversation with him.

His purpose was to lobby for support in resisting any moves by NEB to dispose of their Ferranti shareholding to, for example, GEC or Racal. Such a move would be hotly opposed by both the Board of Ferranti and the family.

Basil said that the company was in a position to make important moves in the not-too-distant future, which would require new finance. He could not disclose these moves to me without infringing Stock Exchange rules.

As before, I can only pass on what he tells me, as I am not in a position to make direct judgment. I do not know what the depth and quality of Ferranti management now is, or whether NEB feels that Ferranti will not be able to make it on their own without stronger financial backing. (Their turnover is, I think, now about £200m.)

From the point of view of general morale and confidence, however, it is not surprising that the Board and management would be anxious to preserve their independence and make their own way, particularly as they now seem to feel that they are winning in the market place.

Basil wanted to raise with me the general point of principle: whether it was better to sell the NEB stake to a single buyer, thus getting a premium on the shares for the taxpayer (a legitimate aim) regardless of the effect on morale, drive and spirit within the company; or whether it would make more sense - and accord better with Tory philosophy - that the shares were sold widely on the market so that a company which is in good health - in every sense of the word - could continue to make its own way. The Ferranti case is well set out in the letter from Messrs Pickin and Dodd to the Times yesterday (copy attached).

I am sending a copy of this letter to the Prime Minister.

JOHN HOSKYNS