



DEPARTMENT OF INDUSTRY

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From the
Minister of State's Office
Kenneth Baker MP

*Why less than
50% - 37 1/2
would be
sufficient to return
effective control.*

Nicholas Huxtable Esq
Private Secretary to
The Chancellor of the Duchy of
Lancaster
House of Commons
London
SW1

19 February 1981

PRIME MINISTER

Mr Baker wants to make an oral
statement on the privatisation of Cable
and Wireless, on Wednesday 4 March.

Dear Nicholas,

Content, subject to any change in timing
necessitated by other events?

CABLE AND WIRELESS

Following my Minister's letter of 27 January to the Financial
Secretary E(DL) colleagues agreed in correspondence to
Mr Baker's proposals for the privatisation of Cable and
Wireless.

will request requires MS 2/2

I now attach the text of a statement which Mr Baker proposes
to make to the House on 4 March. I would be grateful if you could
seek the Leader of the House's permission for this.

I am copying this to Nick Sanders (No. 10) private secretaries
to members of E(DL), Michael Arthur (FCO), Jonathan Dawson
(MoD), Murdo Maclean (Whips), David Wright and Bernard
Ingham (No. 10).

*Yours sincerely,
Jonathan Hudson*

Jonathan Hudson
Private Secretary



STATEMENT

On 2 December my Rt Hon Friend the Secretary of State for Industry told the House that in the British Telecommunications Bill the Government had included a clause broadening its power to dispose of shares in Cable and Wireless.

Since then we have been considering, in close consultation with the company whether and how shares might be sold. Before reaching a final conclusion we consulted, through the Foreign and Commonwealth Office, all the Governments of the 30 or so countries in which Cable and Wireless operates telecommunications services under a Government concession. We have informed the Commonwealth Telecommunications Organisation and its member Governments.

The Government has now decided to make a public offer for sale of just less than 50 per cent of its shares, subject to obtaining the necessary powers in the BT Bill. We and the Company are agreed that when shares are offered for sale special arrangements will be made for employees to acquire shares.

Cable and Wireless already enjoys a large degree of commercial freedom. The Government does not intend to use its rights as a shareholder to intervene in the Company's commercial decisions. Cable and Wireless will thus be free from any of the regulations which constrain Government owned corporations in the UK and this will help it to be more responsive to market forces. and would follow the precedent of BP.



The Government will be prepared if necessary to use its position as the major shareholder to protect the interests of overseas Governments in relation to the Company's responsibilities both under their concessions and under the auspices of the Commonwealth Telecommunications Organisation. The overseas Governments consulted have accepted this assurance.

The Chairman and Court of Directors of Cable and Wireless are in full agreement with this line of action. Cable and Wireless has had a long record of achievement both in private hands and since 1946 as a public sector public company. The proposed sale of shares will create a partnership between the public and private sector. This enterprise will be stable but it will also have a commercial flexibility and it will have access to the market which is essential for a fast growing telecommunications business.