

MS.

PRIME MINISTER

Statement on Cable and Wireless

Mr. Baker had a rather mixed reception in the House this afternoon. The Opposition varied between telling him he was doctrinaire and that there was no point in selling shares in Cable and Wireless, since it was already a perfectly successful limited company.

The only reply which might be quoted back at you is Mr. Baker's assertion that the sale of shares would enable the company to "escape from the dead hand of the British Treasury".

Ray Whitney asked why more shares were not being sold. Mr. Baker said that this was a matter of fine judgement. The Government had calculated that it was right at this stage to go down the BP route. That did not preclude the sale of further shares in future years. They did however want to assure foreign governments that there was a continuing basis of stability and responsibility underlying Cable and Wireless.

He also said at one stage that the Government hoped to receive something over £100 million as a result of the sale.

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STATEMENT ON CABLE AND WIRELESS

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. No objections have been raised to the Government's proposals.

The Government has now decided to make a public offer for sale of just less than 50% of its shares, subject to obtaining the necessary powers in the British Telecommunications 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 intend to refrain from using their rights as a shareholder to intervene in the Company's commercial decisions. Cable and Wireless will be



freed from the close relationship which exists between the Government and public corporations which must on occasion constrain the company from being wholly responsive to market forces. The part ownership formula we have decided on will follow broadly the precedent set in the case of BP, leaving the Government with a major shareholding capable of safeguarding overseas governments' interests as necessary.

The Chairman and Court of Directors of Cable and Wireless are in 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 company. The proposed sale of shares will create a partnership between the public and private sectors. This new arrangement will provide the commercial flexibility and access to the financial markets necessary to exploit the growth and opportunities in the rapidly expanding telecommunications sector.