

010  
cc Mr. Duguid

10-6-81

Prime Minister 2



COMMERCIAL-IN-CONFIDENCE

*In C.F.C. would probably help under one of their schemes*  
R...  
w/g

PRIME MINISTER

NATIONAL FREIGHT COMPANY LIMITED

There is a potentially exciting new development concerning our efforts to put the NFC into the private sector.

Schroder Wagg, who have been advising us on selling this Company, told me a little time ago that flotation would not be practicable until Summer next year at the earliest. This is too late, and I invited them to consider possible alternatives. Quite independently, the top management of the Company told me a few weeks ago that they intended to promote a take-over bid for the Company by the managers themselves. Barclays Bank have agreed to back their scheme financially. They are requiring the management to raise a minimum of £2½m themselves. There are some 2,500 management, and I have just been informed that a conference of the top 120 managers today greeted the idea enthusiastically, and committed themselves to trying to raise the money. The proposal will be put as soon as possible to the management more widely, and will later be put to all the staff. The Chairman and his immediate colleagues will be coming to report to me personally tomorrow.

I shall of course need to consider these proposals with colleagues in E(DL), and I shall circulate a paper as soon as I have had my talk with the Chairman. We shall also need an independent valuation by the Merchant Bank to ensure that we

COMMERCIAL-IN-CONFIDENCE



COMMERCIAL-IN-CONFIDENCE

get a fair price. I hope we can reach agreement on these matters within a few weeks, and in the meantime the Company will try to avoid any premature publicity. But that cannot be guaranteed, which is why I thought I had better send you this interim report immediately.

It is of course too early to be confident of success but the prospects are definitely encouraging.

I am copying this to the Chancellor of the Exchequer, the Secretary of State for Industry and Sir Robert Armstrong.

~~NORMAN FOWLER~~

10 June 1981

COMMERCIAL-IN-CONFIDENCE