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cc A. Dwyer

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Prime Minister

MUS 16/10

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PRIME MINISTER

NATIONAL FREIGHT COMPANY LIMITED

You will be glad to know that I have now reached agreement for the sale of this Company to a consortium of senior managers and employees. This follows several months of detailed financial and legal negotiations since Norman Fowler announced in June that he was considering an offer from the consortium, worth in excess of £50m. The finally agreed price is £53.5m. The agreement is conditional on the members of the consortium raising between them some £4m to £5m: a syndicate of banks is providing the rest of the purchase price.

The financial negotiations have been handled by Schrodgers who firmly recommend acceptance at this price. The Financial Secretary agrees.

The agreement provides for £46m to £47m to be devoted to making up deficiencies in the pension fund as provided for in last year's Transport Act. The net proceeds will therefore be around £6.5m. The sale should be completed in mid-January.

No interest has been shown by other purchasers, except for one indication of a possible bid which Schrodgers have advised in the circumstances should not be pursued. In that case a complete consortium had not been formed.

I propose to announce this piece of good news to the House in a written answer on Monday. It will be well received by our supporters and criticism from the Opposition will be muted by the

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fact that employees at all levels are being invited, and are expected, to participate. There could be criticism to the effect that we are "giving away" valuable "public" assets, but we are in a strong position to refute this by reference to Schrodgers' independent advice that the price is fair and reasonable.

I am sending copies of this to our Cabinet colleagues, to the Financial Secretary and to Sir Robert Armstrong.

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DAVID HOWELL

16 October 1981

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