Policy Study No. 74

Equity for Everyman

new ways to widen ownership

John Redwood

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1

Why widen ownership?

They love their land because it is their own
And scorn to give aught other reason why;
Would shake hands with a king upon his throne
And think it kindness to his Majesty.

Fitz-Greene Halleck

The industrial revolution brought many blessings. It brought greater output. It freed many people from working on the land and brought them new homes, new products, new luxuries. It raised wages and living standards, generated employment and developed new technology for the benefit of everybody. In the United Kingdom, its institutional power house was the Public Limited Company. Private capital was made available through the local community or the national market place and invested in plant, machinery and buildings that could fashion swords and plough-shares, guns and cookers, steam trains and garden tools. Through industry, new families became rich, though then, in the English fashion, they sought to enter the ranks of the landed aristocracy by jostling for position and title and purchasing agricultural estates.

Whilst this process generated new wealth, and made almost everyone richer, it did *not* spread the ownership of the means of production widely in the community. At the turn of the 20th century, ninety per cent of the British people still rented the house in which they lived, went to work in a factory wholly owned by somebody else, or on a farm owned by the local lord of the manor, much as their predecessors had done a hundred years before. We were a nation of free men, free under the law, with all the rights and perquisites of citizenship. But we were still two nations – a tiny concentration of wealth holders on the one hand, and on the other the broad mass of workers who had nothing but their chattels and tools.

It was this state of affairs which produced Marxist thinking in favour of wholesale expropriation of wealth by an all-powerful state. And it also generated the more moderate, but still radical democratic-socialist thinking which proposed taxation and benefit systems designed firmly but gradually to redistribute wealth away from the rich and powerful to the humble and meek.

Some fifty years have now passed, during which socialist reforms and thinking have become deeply embedded in our culture. By democratic means, socialists and even a few Marxists alike have had their chance in power and have helped to shape the climate of ideas and opinions within our country. They have imposed their redistributive taxation and have busily taken over, in the name of the state, large chunks of British industry, commerce and the welfare services. Yet despite this process, many people in industry and commerce still feel distanced from their employer. They still resent the rigid distinction between owner and employee. The experiment with nationalised industries, far from creating a harmonious sense of shared ownership, has instead brought disappointment and that profound sense of alienation which men feel who work in large units in which they have no direct stake.

It is one of the ironies of history that it has fallen to the Conservative Party to adumbrate and carry through those policies which do most to redistribute wealth. Starting from the proposition that this had to be done in a positive way – by the generation of more wealth and through enabling people to purchase their own stake – the Conservative Party has for decades championed policies which promote home ownership. From these modest beginnings at the turn of the century, a combination of tax incentives, the sale of publicly owned houses, reductions in private rented accommodation through restrictive rent legislation, and the development of large financial institutions able to aggregate and distribute funds for house purchase, has seen the proportion of home owners mount from ten per cent to sixty one per cent in some eighty years. This has all been achieved by individuals buying their houses for themselves out of their own incomes and resources. The average man, having had the chance to keep more of his earning power, invested it in an asset which provided a roof over the head of his family and was a source of comfort and of pride in his community. No single strand of policy has done more to broaden the basis of ownership in this country and widen opportunity for everyone.

But policy to spread ownership in industry and commerce has until recently been very much less satisfactory. Industry and commerce was gravely affected by the measures of nationalisation taken after 1945. By 1979, water, coal, electricity, gas, the atomic industry, buses, trains, aeroplanes, airports, telephone systems, The Post Office, a major part of the car industry, the ship building industry, the steel industry, a section of the North Sea oil production industry, the largest lorry company, a collection of engineering businesses including Rolls Royce, British Aerospace and Shorts and a whole host of lesser investments were held in trust by the Government for the taxpayer. This prevented employees and the public at large having any personal stake in a vast range of business activities.

But it did more than that. Far from improving industrial relations in those industries as prophesied, their strike record was bad, and the large units that were created were almost unmanageable. Far from lifting the rate of productivity and efficiency, the managerial and labour relations problems often impeded any swift advance. Far from meaning that all investments would be well-funded and productive, nationalized industries vacillated between large and expensive investment programmes, like that in unwanted steel capacity which never produced a return, and investment famines created by the exigencies of national budget planning, as in the cuts administered following the IMF visit of 1976. Far from making people feel that wealth had been redistributed and the capitalist class defeated, the nationalized industries exacerbated the strains. The former owners were rewarded with compensation. So nationalization did nothing to reduce the divisions in society.

The Government elected in 1979 was determined to arrest the downward trend in the individual ownership of company securities, and to reverse the ever-growing size and influence of the state in matters of industry and commerce. The attack upon lopsided business ownership took many forms. First, a range of policies was put into effect to stimulate self-employment, so that genuine employee-owned businesses could flourish. The Business Expansion Scheme provided tax advantages to an individual paying income tax who financed a small or new business. Up to £40,000 of investment each year can be made out of gross income. An initiative on deregulation sought to free small firms from a host of bureaucratic encumbrances. Small firms corporation tax was lowered to thirty percent. National Insurance contributions were reduced. The Enterprise Allowance was introduced to allow the unemployed to set up on their own with taxpayers' help.

Secondly, a range of tax measures was introduced to encourage employees to own shares in their firms or to participate in the profits. These schemes have grown in popularity so that around one and a half million people now enjoy their benefits.

Thirdly, reform of pension fund arrangements has enabled more people to set up their own personal and portable pensions if they wish – thereby offering them direct control over the assets in their schemes and giving them an immediate interest in the creation of the wealth needed to pay their future pensions.

Fourthly, the selling of large amounts of publicly owned business equity to private owners has led to the wider dispersal of wealth, both through the direct encouragement to employees in those businesses to purchase shares, and through the attractions of some of the shares to the wider investing public.

A climate has thus been created which is favourable to self-employment, enterprise and profit.

But in this story there has been one missed opportunity. Eleven million members of occupational pension schemes have by now saved with their employers some £15,000 worth each on average (a total of £170 billion of assets) to provide for their retirement. Members of the schemes know very little about the management of these enormous funds. Because most of them are tied to final salary promises, pledging a level of benefit payable on retirement, the individual seldom interests himself in the nature of the investments his fund managers make, vital though they are to his future prosperity.

The Government's proposals to allow the transfer of assets from one pension fund to another or to a personal fund when an individual changes his job, is a welcome step towards giving members a clear interest in the wealth that is properly their own. But it would be an easy and equally welcome step to go one stage further and make it clear to every member of every occupational pension scheme what the value of his fund might be at any given date if he chose to make his own provision and set up his own pension fund. In this direct and simple way eleven million people would gain effective access to wealth that has already been saved on their behalf, and be able to choose whether they wished to remain with the final salary-pledged scheme of their employer, or instead to exercise control over their own assets. Overnight, up to eleven million people could be turned into owners of stakes in British business and commerce!

Without such a move pension funds remain a no-man's-land between warring factions. Companies are inclined to think of them as their own. In return for agreeing to meet a pledge about future payments the company feels that it can manipulate the figures and use any surpluses that may be created for its own purposes. For their part, the members or their union negotiators often claim that the surpluses should be distributed to them in the form of pledges for ever better benefits in the future – against arguments by the cautious actuary or finance director only too aware that the value of investments may go down and the picture look less rosy.

Politics will undoubtedly soon intrude into all this if things are left unchanged. The large accumulated surpluses in pension funds, now estimated at somewhere between £25,000 million and £70,000 million are too tempting. Better, surely, to give them immediately to those who own them as transfer values, rather than allow them to be nibbled away by avaricious politicians?

2

Privatization – the British experience

Privatization in Britain has been pragmatic. Each individual sale has had its own characteristics and its own problems. Each one has borrowed and adapted solutions from a variety of sources. Innovation has also had a part to play in the story – it has been a journey of pioneers. For the first time ever a large British company has been bought out by its management and employees. For the first time ever an issue has been sold in the British stock market, with a tender to establish the price. For the first time ever a British stock issue has been made with negotiated underwriting commissions. For the first time ever – anywhere in the world – an issue of over £1,000 million has been attempted.

Three main routes have been followed for the sale of companies. There has been the management buy-out, pioneered on a large scale in the case of the National Freight Corporation. There have been offers for sale to the public, including British Telecom, Cable and Wireless, British Aerospace and Amersham. And there have been sales to individual companies and trade buyers, as with the sale of Sealink Ferries to Sea Container, of the Scott Lithgow rig-building yard to Trafalgar House, and the sale of Alvis Military Vehicles to United Scientific Holdings.

Sometimes, corporations have been sold in their entirety. Cable and Wireless, British Telecom, British Aerospace, Amersham, and National Freight were all sold whole in forms similar to those which they had had in the public sector. But some of the larger conglomerates made little industrial sense, or had too much monopoly power without splitting them up. There have therefore been a series of part sales and disposals. These have included the sale of oilfields from British Gas, formed into a new company called Enterprise Oil; the sale of Jaguar as a separate company from BL; and the sale of the British Rail hotels as separate businesses.

Running through the debates over the privatization of public assets has been the question of the adequacy of customer safeguards and the strength of competitive forces. The debate has been at its liveliest in the cases of British Telecom and British Gas. In order to brake the great monopoly powers of British Telecom, the Government encouraged the establishment of a rival telecommunication cable system in the form of Mercury. It allowed a number of cellular radiophone operators to be licensed, encouraged a liberal regime for new value-added services, and made sure in the license and Oftel regulations that there was reasonable access to the British Telecom system for other providers of telephone services. Finally, a free-for-all was created in the provision of equipment to add to the end of exchange lines, where before British Telecom had had a complete monopoly.

In the case of British Gas, the decision to privatize the Corporation as a whole is coupled with the development of a tough pro-competitive and regulated stance. There has to be more freedom to import and export gas, thus allowing sales by gas producers direct to third parties using British Gas lines as a common carrier, and strong teeth to the Ofgas regulator to ensure that charges are fair and reasonable as between different categories of customer, and in relation to the costs of gas supply and the structure of the corporation.

It is easiest to review privatization progress department by department – as departmental culture is deeply embedded in the Whitehall machine and each act of privatization is seen as a departmental rather than a governmental problem.

Department of Transport

The Department of Transport has made rapid progress in privatizing the ragbag of assets it inherited in 1979, particular speed being made under the latest Secretary of State, Nicholas Ridley, a keen exponent of the powers of competition and private capital. When the Department sold the whole of its largest lorry business in Britain in 1980, there was a sharp improvement in profitability, the use of assets, and the rate of growth of the business as a result of the direct participation through their shareholdings of over half the lorry-drivers and managers in the business. Their story is testimony to the benign effects of the privatization movement seen at its best.

The nationalized bus industry in the shire counties is being opened up to competition, following the success of deregulation of the inter-city coach service market. Early relaxation of the licensing requirements spawned many new businesses, cut fares dramatically, and increased the number of passengers substantially. The same consequences are expected to flow from the deregulation of the shire county stage-carriage bus services.

Sale of the individual bus companies themselves, at present owned by the public sector, will follow the successful passage of the bus bill through Parliament. The result should be a felicitous combination of strengthened competitive forces and wider ownership of the bus company assets.

British Airways, the country's largest airline, is scheduled for rapid privatization following a period of several years in which a new management team, using the promise and threat of privatization, has rebuilt its profits and started to improve upon a much-weakened balance sheet. Planes are now more likely to fly on time, services are better, and many employees are looking forward to the day when they can buy a stake in the business themselves through a preferential share scheme. The business was of course already competitive. The British Airports Authority is also scheduled for sale but this is planned as a whole, so monopoly regulation will be essential.

British Rail remains as a state pensioner, although it has been shorn of some of its assets, which are now leading healthier lives in the private sector. Hotels, ferries, and some of the catering services have been returned to private enterprise, and the engineering services, particularly the building of new wagons and locomotives, may follow.

The motorway service areas have been sold on long leases to private contractors; and consideration is now being given to a plan to sell the Dartford Tunnel to a private consortium – a plan linked to a further scheme for an additional cross-Thames facility to be built with private capital. The Ministry of Transport is also being imaginative about the harnessing of private capital to various other facilities like the Docklands light railway link using British Rail tracks. Many new service roads in the country are now financed by housing developers from the gains they make out of the grant of planning permission for housing and commercial building. Finally there is the Channel fixed link, the largest project for transport infrastructure ever undertaken in this country, which will be privately financed.

Department of Energy

The Department under Nigel Lawson made very rapid strides towards privatization of the oil enterprises. The Labour Government's British National Oil Corporation was split into two. Britoil was established, and took over all BNOC's producing assets and prospective exploration acreage. This was sold complete as Britain's third largest oil exploration and production company. Sale of a competitive business in a competitive market-place enabled the directors and managers to go overseas to diversify their asset-base and, free of the dead hand of the Treasury, to raise cash and develop a corporate strategy. Next to go from Energy was Enterprise Oil, formed out of the oil assets of the British Gas Corporation. A separate trade sale was made of the Wytch Farm oilfield to a consortium of oil investors.

The coal industry has not been privatized despite the rifts caused by the recent strike. True, a few peripheral assets have been sold, like the investments in Associated Heat Services and in the builders' merchants Sankey. One possible course for the future is to sell off the open-cast coal-mining activities. These are profitable and are now undertaken by private contracting firms using TGWU labour. Consideration could be given to returning individual mines or groups of mines to co-operatives of coal miners, if necessary giving them away with a dowry if they are loss-making. Miners' co-operatives may well be able to make a success of them; several private enterprise small drift mines, for example in South Wales, do now work at a profit. Alternatively, the Nottinghamshire pits could be given to the Nottingham miners who would then enjoy the benefit of the profits through dividends. This could bring about the most dramatic transformation in the mining industry in history.

The Atomic Energy Authority is being turned into a trading fund, but the Government is reluctant to sell it to the private sector given the sensitivity surrounding nuclear power and the problems experienced with nuclear leaks. Peter Walker is championing the sale of British Gas, with a bill going through Parliament in this session to facilitate the public sale of the whole of the Corporation as it is, with a substantial stake for employee shareholders. He is especially keen to see shareholdings in the new Corporation spread very widely. This leaves electricity as the one major public utility for which no privatization plans have yet been developed, a challenge likely to be left until after the next General Election

Department of Trade and Industry

The Department of Trade and Industry inherited many investments in many different industries. Most of those grouped under the National Enterprise Board have been disposed of. The shareholding in ICL computers was sold to STC at an advantageous price and time. The substantial investment in Inmos was sold to Thorn EMI when it was still profit-making, before a major decline in the silicon chip market. Ferranti was returned to the private sector in an offer for sale and has flourished ever since. Individual investments from within the BL stable have also been sold, including Alvis, Prestcold Refrigeration and Jaguar cars. Unipart should be the next to go.

Graham Day at British Shipbuilders has done a marvellous job returning pieces of an overextended and disappointing industry to private ownership. Scott Lithgow, the rig-building yard, the three warship-building yards and the ship-repairing activities have been sold off to private investors. Only the basic shipbuilding capacity making merchant ships remains in public hands. At British Steel some of the myriads of peripheral investments have been sold including Stanton and Stavely, and part stakes in Phoenix developments in the attempt to bridge public and private ownership of crucial areas of the steel industry. These schemes, however, have often entailed more nationalization then denationalization and a success cannot be claimed until the remaining 50 per cent in public ownership is returned to the private sector.

The telephone system was split off from The Post Office and British Telecom was sold in its entirety. Cable and Wireless and Amersham were both returned to private sector owners. Only the Post Office staff remains untouched. The whole of the aerospace and defence weapons-maker British Aerospace was returned to the public in an offer for sale.

At the Ministry of Defence the Royal Ordnance factories are being put onto a commercial footing ready for sale. Making a great variety of small arms, ammunition and weapon systems, they will be returned to the private sector before the next General Election, when they should become profitable and successful private sector businesses.

3

The British Columbian experience

In the early 1980's a Conservative administration was returned to power in British Columbia in the wake of a disastrous left-wing experiment. The British Columbian Government, under its new leadership, wished to tackle the problem of the British Columbian Resources and Investment Corporation established by its predecessors, which was in desperate need of new capital – proving to be yet another cash-hungry monolith. The original idea of sale of BCRIC to the British Columbian public fell foul of clever opposition politicking on the slogan of 'Why Buy Something You Already Own?' Plans for the offer for sale were already well advanced and there was considerable political investment in the successful conclusion of the sale. It fell to the lot of the Prime Minister and his closest advisers to find a way of salvaging their scheme of denationalizing BCRIC; and they hit upon the idea of giving shares free to all the adult voting population of the state. At the same time they issued new equity for which individuals had to subscribe six Canadian dollars per share purchased.

The issue was a great success, with a very high proportion of the British Columbian public taking up their free shares – which they had to do by positive application. Very many subscribed for additional shares at the subscription price. The experiment demonstrated that there is so real a hunger for ownership (certainly in the North American continent) that people are prepared to subscribe new capital for likely ventures, and that a government offer for sale coupled with a free share issue can reach individuals who would not otherwise contemplate buying shares on the stock market. The public proved to be wise in their initial purchases, as the shares soon traded up to the nine Canadian dollar mark. There was general agreement that the offer for sale was an attractive one at the pricing decided upon by the professional advisers, whilst the free shares were of course indisputably a good deal! (The subsequent sharp decline in the share price served as a salutary reminder of the hazards of equity investment.)

British Columbia succeeded in solving the registration, dividend and reporting problems which a very large share register can produce, overcame political obstacles by giving people part of what they already owned indirectly as taxpayers, and demonstrated considerable support for this privatization policy. The question naturally arises whether any of this experience can be translated elsewhere, and whether it is desirable so to do.

4

Where next in Britain?

Make ye sure to each his own
That he reap where he hath sown

Rudyard Kipling

In order to claim that the objectives which have been set for privatization have been achieved we must be able to demonstrate that ownership has been much more widely dispersed, that competitive forces are being sharpened, that customer service has been improved, that industrial relations are being enhanced and that output and productivity have benefited from the process. In any particular privatization case there will be a balance between the range of objectives set and the different successes achieved. Overall, given the magnitude of privatization, its scope and opportunity, it should be possible to demonstrate that all the objectives have been largely achieved.

There are three areas where the current thrust of policy could be strengthened. These are the involvement of employees in the direct ownership of their businesses, the number of share owners in the public at large and the strengthening of the forces of competition.

The public sector which may remain to be tackled after the 1987/88 election comprises coal, electricity, atomic energy, the railways, part of the car production industry, part of the steel industry, The Post Office and the commercial shipyards.

Some of these businesses are already strongly competitive. There is no lack of challengers in car production, in steel manufacture, in shipbuilding; indeed, the strength of the competition – particularly from overseas – has been a factor in making it hard to maintain profitability and develop new products fast enough. On the other hand the inadequacy of competition in the electricity industry, postal delivery and, to a lesser extent rail transport, causes real problems.

Pro-competitive ways of privatizing public monopolies

Each public monopoly is different, but few are natural. Take the case of electricity. Whilst one can argue that the duplication of the electricity grid would be expensive and unnecessary, there is no such case for a similar monopoly in the provision of electric power to the grid, or in the servicing of individual electricity customers.

The bulk of the investment in electricity goes into the generation of power by large capital-intensive plants, burning a variety of fuels from atomic power through oil and gas to coal. Each one of these large plants is phased in or phased out of production according to the overall level of demand in the system, its use or non-use being determined by its ranking in the unit cost league. The cheapest power – from the nuclear stations – is generated and supplied on a continuous basis to the grid. The dearest power, often supplied by the marginal, older oil-burning stations, is brought into use only at peak times in the winter when loads are especially high.

One pro-competitive approach to privatizing electricity would be to sell off groups of power stations to different owners. The power stations could be grouped geographically or by type of fuel burned, or by baskets of different types to provide a balanced portfolio. For example oil stations could be sold in one lot and the coal stations in two or three lots. Alternatively, a basket of coal, oil, and other power stations could be put together with varying levels of unit cost so that the buyers could always have one or two stations providing the base loads, and one or two stations which could be switched in or out, depending on total demand in the system. It might be necessary to keep nuclear stations in the public sector because people are sensitive about the importance of maintaining safety standards – although it is not necessarily the case that standards would be higher in the public sector. In practice high safety standards are going to be achieved by the setting and adequate policing of government norms, whether the stations are in public or in private ownership.

The grid could continue to be a nationally owned asset and its management by a central buyer of electricity would have to be based on clear rules similar to those presently governing the purchase of power stations by individual electricity boards. The owners of power stations would have the right to supply their power when total demand necessitated switching in their station, and the order of switching for their station would be entirely determined by the unit price at which they were prepared to supply the electricity. The only way in which an individual station's rank in the merit order could therefore change is either by an improvement in its operating efficiency which would produce lower unit costs, or by a commercial decision to lower the margin on the power sold to the grid operator in order to gain more market share. Providing there was a minimum of three or four groups of power stations competitive conditions in the market should prevail. No one owner should be allowed to own a disproportionate number of stations as he would then have excessive market power. Single power station ownership whilst permissible might not be a sensible idea as the downward movement of that individual station in the merit order – for reasons outside its control – could have an overwhelming impact upon the investor. But this would remain a business decision for the company concerned.

The retail and service end of electricity supply can also be broken up. Servicing, installation and maintenance of electrical equipment is not a monopoly anyway, and private sector operators can be relied upon to enter and improve their position in this market-place. Similarly, the sale of new electrical appliances has already been opened up to competition with a consequent check upon prices and an improvement in standards of service supplied through the electricity showrooms. But the sale of electricity to customers, their billing and the maintenance of the mains and mains connections, could remain as a public function together with the grid network. It is difficult to see how enough competition could be introduced into the sale of electricity to domestic users – although there should be free entry to anybody wishing to make connections to the main system whether for supply to industrial or domestic consumers, subject to observation of the necessary safety standards.

To sum up, the main cost of electricity generation lies in erecting, maintaining and fuelling the power stations. And this cost can be made subject to competitive pressures. There is no easy way for the mains and the electricity grid to be made subject to competitive pressures. If these were to be privatized it would have to be via a regulated monopoly. So they may just as well stay within the public sector – where, however, stronger regulatory policing is necessary than at present, if the customer is to get a better deal on price and efficiency. It would be a pity if the opportunity to strengthen competitive forces in the electricity market was lost, since this would give credence to the view that the principle purpose of privatization is to raise large sums of money as surrogate sources of revenue rather than to improve economic performance at company level.

economic performance at company level.

The Post Office is already a corporation operating in a semi-privatized state. Although it is responsible for routing the mails around the country in a fleet of vans, and providing services through the 2,000 Crown post offices which it owns, much of the rest of the system is de-centralized and in private hands. The 20,000 sub-post offices are leased operations in private shops, often the village store, sharing overheads with the shop itself and providing a useful but modest source of income for the owner, together with a range of approved services for his customers. Some of the despatch by air and rail is contracted out (using postal staff) to other transport operations, whilst the parcels mail is competitive with private providers. Document exchanges, courier systems within universities, professional groups and businesses, and certain types of high class mail are also in private hands, competing at the margin.

The biggest revolution can come through freer grants of licenses to private stores for the provision of post office facilities, and through the growth of a wider range of counter services for those branches which remain under post office control. The trend of modern retailing in larger branch networks is towards sub-letting space and creating franchise areas within each store. It would be useful to have more post office branches open during normal Saturday trading hours; useful, too, for other organisations to be given authority to sell stamps, postal orders and the other basic services provided by the system. Conversely, The Post Office could act through its main branches as an agent for various types of financial and other paper transactions, e.g. for share purchase and sale, for certain kinds of insurance activity and the like. The way forward is most likely to rest with such dynamic participation in the financial services revolution, with a blurring of the boundaries between public and private service in using the post office buildings and with sub-contracting and contracted-out functions to other enterprises.

The National Coal Board's monopoly over coal reserves is neither natural nor should it remain unchallenged. It would greatly strengthen the industry, aid productivity and improve working conditions if a variety of providers were introduced. Opencast licences could be granted along with deep mining licences by the Department of Energy direct to contractors who are prepared to bid for them. The existing deep mines under Coal

Board control could be split into different operating groups and diversified ownership patterns established. Only under a public monopoly system could so much anguish have been created, and such a fast rate of decline experienced in an industry whose operating environment improved in the '70's and early '80's through the major price increases in the principal competitor fuel, oil.

How can the role of employees be strengthened?

The principal disappointment in the privatization programme to date is that the satisfactory history of the National Freight Corporation has not been more thoroughly exploited. NFC showed that ordinary groups of employees were interested in acquiring a stake in their business: and once they had acquired it attitudes began to change and they felt the excitement and responsibility which shared ownership can bring. It also considerably enhanced their prosperity as share prices went up eleven-fold in the space of some three years. This does not prevent the business having from time to time to lay men off, nor will it guarantee a strike-free future. Jaguar demonstrated that only too well by facing a strike for higher pay shortly after return to the private sector. But wherever significant shareholdings have been built up by employees, attitudes do begin to change, barriers do begin to break down between managers and workers and employees do begin to receive more rights in running their own businesses and more say in how they adapt to changes of market and other circumstances. Surely these are trends which should be welcomed by any democrat?

The most promising way to carry the practice further is to take one or two of the larger loss-making or low-return industries, and to *give* them to their employees. Treasury arithmeticians and the guardians of the public purse and conscience need not be faint-hearted. They could not argue that we are giving away something which is a priceless national asset; for in the case of motor car production, commercial shipbuilding and steel production, the public has received nothing but losses and bills for the last seven or eight years. But what we would be doing would be to give control of *potentially* productive assets to people who might labour day after day to make those assets yield a return.

The financial terms surrounding the gifts of the assets would clearly be hard fought. Those about to receive them would want some reassurance that they would not be saddled with an unrealistic burden of debt, even though the debt had been built up over the years of loss-making in those industries. They might well also wish to feel they would not be disadvantaged in queuing for government support for export contracts or for the usual kinds of subsidies available through DTI for industrial purposes. Reasonable assurances and financial changes should be made to expedite the gift, but it would be a pointless exercise to give away the assets if at the same time clauses were put into the agreement that effectively underwrote any losses which might occur in the natural hurly-burly of business life.

The easiest cases to treat would be individual commercial shipyards, and individual groups of coal mines. These have the advantage of being local and relatively small-size – and hence less complex. They are still units that can produce meaningful quantities of products which have a chance in national and international markets. Steel and cars are a little more difficult because of the scale of the operations but basically can be treated in the same way.

BSC and BL are anyway being reduced in size by disposal of peripheral concerns and by splitting the businesses into their component parts. For example, the truck, bus, and spares activities of British Leyland do not need to be part of the main car-assembly activity. It would also be possible to divorce the high-performance and more expensive cars at the top end of the range which sell under the Rover and Honda marques from the cheaper mass-production cars selling as Austins. In the case of steel, separation of some of the higher value-added processes like tinplating and high-performance steelmaking from the basic process would also permit the introduction of widespread employee capital, in units that made sense for employee management.

5

Universal sharegiving?

The British Columbian experience is difficult to apply to Britain. Firstly, the population of British Columbia is far smaller. In consequence the problems of registration, dividend payment, report filing, and accounting are not as great for the shareholders' register in British Columbia as they would be for an exercise covering the whole of the British population. Secondly, Britain now has developed methods of privatization which are well-established: switching to a system of 'free' gifts of shares to everyone would be a marked departure from existing practice, which can pose more problems than pioneering a new technique in the first place. Thirdly, the argument that did most to force the Prime Minister's hand in British Columbia towards the free gift of shares, namely the opposition gibes that he was trying to sell to the public something which it already owned, does not apply with the same force in Britain, as few here feel they 'own' the natinalized industries. Fourthly, the British Columbian Investment and Resources Corporation represented a diversified portfolio of investments with profit prospects and without monopoly problems. There is no similar animal in Britain.

However, the idea of a free gift of shares in a large corporation to every member of the British public in order at one stroke to spread the habit of share ownership as widely as possible, *is* extremely attractive. It would give everyone a first experience of owning shares, albeit modest. It would stimulate the growth of financial services, introduce the habit, and spread the responsibility, of ownership. Instead of three million shareholders, we could have thirty-five million.

The problems involved are not insuperable and are certainly less than the obstacles that were overcome when the first privatization measures were put through Parliament. For the idea to be taken seriously we have therefore to consider which industry or industries are the most suitable cases for treatment.

The first criterion to examine is that of size. There is no point in giving people an asset which is worth less that £100. With a 35 million adult voting population, we are therefore looking for an asset worth at least £3,500 million. This cuts out most of the small public corporations and smaller investments held by the British public sector.

It would scarcely be practicable to give a free share in a corporation where shares had already been sold for a substantial value. Existing shareholders would understandably object to the market being deluged by a large number of free shares, some of them passing into loose hands once the specified holding period had elapsed; and one could easily envisage court actions following from aggrieved groups of shareholders. This rules out British Petroleum, British Telecom, and British Gas (the share disposal method for the first part of the latter must be settled by now).

There are therefore two serious runners left. The first is British Rail. As a loss-making business, on profit-and-earnings grounds it does not meet the requirement of large scale. However with the public subsidies paid for specified public service duties, and with the substantial property, rolling stock and rail assets, it is a serious contender, and is certainly a large corporation with considerable potential. It is not a monopoly, in the sense that the transport market is strongly competitive and British Rail has experienced growing competition, even on its inter-city routes from a combination of cheaper-fare airline services and the deregulated inter-city coach services. It is a national network and segregating it into seperate rail regions for privatization makes little sense.

One of the great problems of British Rail is the virtual absence of cross-London routes and the perseverance of regional attitudes. If BR is to fight back it must provide a national transport service capable of linking the north to the south and the east to the west so that passengers can travel across the country without too many changes and disruptions. (A start has been made this year with inter-city services from Kensington Olympia). BR *can* beome an extremely attractive business. Its properties are still under-exploited, given the potential revenue that could be drawn from the number of customers passing through the mainline stations, and the redevelopment potential of many of the prime sites which British Rail owns in the centres of many of our principal towns and cities. It is a business where morale and customer service are important – precisely the virtues fostered by a sense of co-ownership through shareholdings.

The gift of shares in British Rail to every adult man and woman on the voting register would not of necessity preclude moves towards greater competition within the railway system itself. Present encouraging efforts to bring in private capital for property redevelopment and for the rail services themselves (as with the docklands light railway) could continue. Joint venture and partnership could become a pronounced feature of the privatized universally-owned corporation, as the management sought novel ways of financing its activities and introducing innovation and better customer service.

The principal obstacles to be overcome would concern price protection (particularly on the commuter services) and the financial framework of government subsidy under which the privatized railways would at least for the time being need to operate. The commuter may well be right to assert that he needs special protection, for although there are competitive modes of travel available, on the buses, by car, and underground, nonetheless many people base their lives upon access to a British Rail station and a daily commuting journey. The experience of life in the public sector has not been favourable to the commuter as his real fares have gone on rising over two decades. In order to offer him some protection a simple price control formula may have to be introduced at the time of any privatization legislation, which would give him a better guarantee than anything he has enjoyed to date under nationalization.

If the system passed into the hands of private shareholders there would certainly need to be an obligation to run rail services rather than simply to close the rail routes and exploit the potential of the property *per se*.

The question of how much money the Government provided to British Rail would also need careful setting out. The railways are not likely to operate in a subsidy-free world. What is important is to limit the subsidy, see that it is concentrated on those routes where the railway has the best chances of success, and provide a firm framework so that on the one hand subsidy is not used to build up unreasonable profits at public expense, and on the other hand is not so skimped that the railways have an impossible task in balancing their books. Designing such a system is not easy.

We must start by defining what the subsidy is trying to buy. The first rule should be that it is concentrated on passengers and not on goods. Goods should have to compete in the open market and make a profit if they can. The second rule is that the subsidy should be limited and do the maximum good for the pounds spent.

This requires some kind of tendered contractual arrangement. The obvious way is to tender per passenger mile on certain kinds of routes. There is, however, the danger that if only one group, namely British Rail, is tendering figures, there is no check, other than an administrative and bureaucratic one, on the costings of overheads between different lines and different types of operation. It may therefore be necessary to encourage other groups to come in and offer transport services over the maintained way. Could we perhaps move towards a system in which all of us through our individual shareholdings owned the fixed way, the stations and the other properties: provided the engineering services and maintained the standards and the timetabling system for the network as a whole: *but* the individual train services were supplied by a range of competitive operators, tendering for so much subsidy to run such and such a route? The board itself would have a five-year plan of subsidy laid out in an expenditure White Paper. There would be incentives to ensure that the amount of travel bought for that subsidy, and the revenue from passengers so generated was maximized. In order to meet the requirements of safety and employment, there should be a rule that in the early years of tendering consortia had to use British Rail staff at British Rail rates of pay in order to run their trains (but they could be free to negotiate their own manning arrangements with the rail unions). But the danger here is that the advantages of this adventurous type of privatization could all too easily be dissipated in the detailed regulations needed, and by unhelpful union response.

The case of electricity

The second candidate for wider ownership by individual shareholders is electricity. As a huge, profitable, cash-generating business it meets the criterion of size. It fails, however, to meet the criterion that it should not be a monopoly. Proposals to turn the generation of electricity into a competitive business have been breifly outlined above. The candidate here for wider ownership by share distribution is that part of the business which has to be regulated and could otherwise remain in the public sector, namely the grid and the electricity boards themselves, not the generating stations.

Under a system where competing power operators supply power to the grid on a basis of unit costs and prices, the behaviour of the grid operator and of the electricity boards would need to be regulated, since competition is difficult if not impossible. But these assets could be passed to individual ownership through free shares. Nor would the Treasury be entirely despondent because it would have raised money from the sale of power stations themselves to bidding commercial consortia. The free gift of shares in the grid and the board system would entitle the regulators to be firm in controlling costs and prices.

Given the need for strong regulation it would not be the most exciting equity issue. This illustrates the dilemma involved in privatizing any monopoly while at the same time wanting shareholders to acquire a successful investment. Their interest in higher profits is too easily at variance with the need to protect customers from predatory pricing.

The technical problems

Is Parliament entitled to give away property which is owned on behalf of the taxpayer by the Treasury or the responsible Department? Certainly there is no reason why a sovereign Parliament cannot enact legislation to give away assets at present in public ownership. True, the Public Accounts Committee and other Parliamentary watchdogs are always on the lookout for unreasonable deals, selling public assets short or misusing them. But this is a different matter from giving them away to *all* the British voters. If an asset has been sold too cheaply, then not only has the public sector lost value but a particular interest in the country has gained value at the expense of the general public. If on the other hand assets are being *given* to the public as a whole, no such impropriety exists.

But would 35 million shareholders be too many for a company to service properly? Under existing company law there could be substantial difficulties. The thought of two million shareholders in British Telecom terrified the registrars of securities, the payers of dividends, and the convenors of the general meetings. But to date it has been manageable and the operation has been conducted with military precision. Still, to go from two million to 35 million is a very large quantum leap. If just one per cent of shareholders wished to be present at the Annual General Meeting a hall would have to be found to take 350,000 people. There is no such hall.

The cost of sending out annual statements and dividends would be very great; and it may therefore require amendments to the stipulations of the Companies Act for this particular operation. Suggested amendments could include: the mailing of a single shortform statement of company performance once a year to all shareholders, or advertisements in every major national newspaper in lieu of a full statement sent to each individual shareholder. Annual rather than bi-annual dividend payments could be made. Some control could be devised over the attendance of members at meetings; for example every shareholder who wished to attend the Annual General Meeting in person might have to write six weeks in advance saying that he intends to do so, so that the company can decide whether to book Wembley Stadium or the Birmingham Exhibition Centre. Alternatively, consideration might be given to holding regional AGMs which would send on conclusions, recommendations and votes to a national AGM (attendance at which would be limited to representatives appointed by the regional AGMs).

These things look cumbersome and difficult in prospect but in practice, as British Telecom illustrates, they may be more easily soluble than people fear. What *is* required is that detailed thought be given to the likely difficulties before embarking on any such course of action.

For example, would the new shareholders all sell out and create chaos in the market? If you give 35 million people a small bonus in the form of shares and most of them own no other shares, there is indeed a strong possibility that many may do so at the first opportunity. And if vast numbers did sell out it could be argued that the company might just as well have been sold in the normal way – giving everybody a tax rebate based on the proceeds.

To stagger the rate of sale and to encourage as many as possible to remain shareholders a number of tactics might be adopted. The Government could impose a surrender penalty of decreasing severity as the years advanced. It could consider treating sale as a small bonus for old age and limit selling rights to old age pensioners. It could tax sale proceeds as income for the first couple of years. Any of these devices could employ a combination of the tax system and control over registration of transfer in order to slow down the rate of sale. Requiring people to apply for the free shares in the first place could also strengthen commitment to their ownership.

6

Two promising avenues

This pamphlet has charted the progress of the privatization movement which was effectively pioneered by the United Kingdom and still has considerable momentum. It has shown the wide variety of solutions which have been embraced; although in varying degrees all the solutions point in the direction of more employee participation and motivation, wider share ownership, more competition, better service for the customers and better management. It has shown that the technique of *giving* shares has already been used successfully in the case of British Telecom in order to widen the shareholding public and give the shareholders a substantial stake. But as yet, nowhere in the world save in British Columbia, has a universal issue of free shares been attempted as a deliberate act to involve a whole voting population in the ownership of industry and commerce.

In the lifetime of this and the next Parliament, given a Conservative victory at the polls, it is a feasible target to remove all industry and commerce from nationalized ownership. The task is already advanced and this pamphlet has set out ways in which it can be carried further by tailoring solutions to individual industries.

Two avenues have been explored which deserve particular attention, given the state of present thinking and debate on privatization. The first is the need to take more vigorous steps to segregate businesses in the remaining public sector monopolies and introduce competitive forces. As we have shown, in the test case of electricity it would be possible to split off the generation from grid management and to introduce competitive forces in the operation of power-supply to the integrated national grid. Similarly, in the case of British Rail, although the competitive forces from other ways of travel are already strong, it might be desirable to introduce a further element of competition. This could be done by tendering to manage the service provision itself within the framework of a national railway board whose duty it would be to maintain safety and engineering standards, to develop properties, to see to customer satisfaction and to timetables. As electricity is likely to be privatized it is vital that a pro-competitive solution is adopted. British Rail is a more difficult case in view of the large element of public subsidy involved.

The second avenue involves being less timorous in the approach to businesses which are already competitive but are not performing well. Here the gift of shares to employees is often a good way of transforming a business and reducing taxpayers' risk at the same time. The experience of the management buy-out of National Freight shows what can be done, and the growing trend for management and employee buy-outs throughout the private sector shows just how favourable the climate now is. A bold movement to introduce employee ownership in certain kinds of pit in the coal industry, in steel plants and in car plants could transform motivation and provide the stimulus which is needed. Any visitor to those industries will know that the years have not healed the divide between managers and men, even though managers are themselves no more the owners of the business than the employees over whom they hold sway.

The pamphlet has also examined the British Columbian experience to see how worthwhile it might be to go one stage further and offer free shares in a complete nationalized company. The advantage is obvious. At one fell swoop, ownership of at least one industry in Britain becomes as wide as it possibly can be. The technical objections about the feasibility of a large share register, the holding of meetings and so forth, could be overcome, whilst no serious argument can be mounted to say that Parliament is powerless to give something away which Parliament by other powers has taken into public ownership.

The major difficulty in debating the idea is to determine how it fits in with the need for competitive forces within the nationalized industries. These problems could be overcome in the case of the electricity grid and area board distribution systems. Shares in the latter would not have the razmatazz that the British Columbian Investment and Resources Corporation had – although that worked both ways! The Boards would remain under some kind of regulatory control because they would retain considerable monopoly powers. The returns to the shareholders would, therefore, be in part determined by the severity of the regulatory framework. The conflict between satisfactory profitability on the one hand and a decent deal to the customers on the other would always be a major factor in considering the worth of the shares and the future policy of the company.

Nevertheless government should consider this as another possible part of its general strategy of rapid widening of ownership and of reducing state power. It could find that an idea which for years had appeared to be too difficult or even silly is now ready to come of age. Certainly, the case of British Telecom shows that there is a hunger for share ownership in this country today, as seen not only in the excellent take-up of the issue itself but also in the decision by a majority of applicants to take the additional bonus shares rather than the rebate on telephone bills. This desire for ownership, fed by the vigorous privatization programme already undertaken and envisaged, will find even greater fulfilment if a far bolder share distribution can be brought to fruition.

Appendix

Privatization achievements

British Aerospace

51.6% of the ordinary shares was sold on 13 February 1981 at 150p per share. The issue raised £148.6m. with sales expenses of £5.6m. £100m. was paid to the company as new capital, leaving net receipts to the Treasury of £43m. 3.6% of the ordinary shares was sold to employees on concessional terms.

On 10 May 1985 the remaining Government holding was sold. At the same time BAE raised new capital from the sale of 50,000,000 shares at £3.75 per share. Foreign ownership is limited to 15% in total and no individual was allowed more than 10% on first allocation. The Government retains a special share which can be used to block takeovers. The receipts from the 1985 sale grossed £363m. of which a small amount will go in expenses.

In the first offering eligible employees were given 33 free shares and were allowed an additional 600 free shares on a one-for-one basis against those for which they had applied at the offer price. In practice a maximum 220 free shares were available because of over subscription. There were also facilities for preferential consideration of applications within a total pool of 5,000,000 ordinary shares. In 1985 employees were given preferential consideration in applications for another 5,000,000 ordinary shares.

Cable and Wireless

Just over 49% of Cable and Wireless was sold on 30 October 1981, including 1.4% to employees. The shares were sold at 168p per share and £225m. gross was raised. £35m. of this took the form of new share capital, leaving the Treasury with £182m. after expenses.

In 1982 the holding was reduced by the sale of a further 27.54% of the equity or 100,000,000 shares after allowing for the 1 for 2 scrip issue. Sold at 275p the issue grossed £275m. but cost £12.15m. In December 1985 the remaining 22.7% was sold at 587p a share.

Employees in October 1981 received 29 free shares and shares up to a value of £250 on a basis of one for every one subscribed for. There was also a preferential allocation of up to

5% of the total issed share capital for employees.

In December 1983 additional preference was given for employee applications of up to 1,000 shares.

The company has been particularly successful with manpower rising from 10,000 in the last complete financial year before sale to 24,000 as at March 1985. Profits have risen from £62m. to £245m. in the last completed year and turnover shot up from £293m. to £862m. Cable and Wireless have exploited to the full the international opportunities which privatization has offered them.

Amersham International PLC

This company was sold on 18 February 1982 in one go at a price of 142p per share. 3.7% of the equity was bought by employees and the issue raised £65m. for the Government when the VAT and interest on application money is taken into account. The company issued 5.1m. shares at the same time to raise £7.3m. of new capital. Employees received £50 worth of shares free and could acquire one free share for each share purchased up to £500 worth. The company has done well since privatization, manpower rising from 2,049 as at the end of 1981 to 2,346 for the year to March 1985, and profits rose fourfold between 1981 and 1985.

National Maritime

Sold in 1982.

Land Settlement Association

Sold to tenants.

Ordnance Survey

Trading fund established. No known further plans.

British Sugar

24% of shares sold in July 1981, all of HMG's holding.

Motorway Service Areas

Sold during 1979-83 Parliament.

National Freight Consortium

On 19 February 1982 the Company was sold to the management and employees for a gross £53.5m. £48.7m. of this had to be paid to the Pension Fund which was showing a deficiency. £100m also had to be written off. Between 1981 and 1984 profits rose from £4.3m. to £16.9m. Capital investment is well up and new business has flowed into the company. The company has only lost three afternoons in industrial action in the three years since privatization compared with the difficult record before.

Britoil

51% of the company was sold on 19 November 1982 at 215p per share. The rest of the shares was sold at 185p per share on 18 August 1985. Only ·1% was taken up by employees in 1982, which showed considerable wisdom and judgement as 75% of the issue was left with the underwriters and on the first day of trading the shares closed 19p down in their partly paid form. The proceeds from the 1982 sale grossed £639m. and from the 1985 sale £449m.

In 1982 employees were offered free shares worth £58.50, the matching of shares up to £400 bought on a one-for-one basis, a share option scheme, a profit-sharing scheme and preference in allocation for up to 10% of the offer. The disappointing response reflected the market circumstances and press comment of the time. In the 1985 offer 750 Britoil employees applied for 3.4m. shares and these preferential applications were allotted in full. The response was much better as market circumstances were better. In the second year of operation of the company employee participation rose to 50% of the workforce. The Government retains a Golden share.

Associated Ports Holdings PLC

51.5% was sold at 112p per share on 9 February 1983. 4.3% was taken up by employees. On 17 April 1984 the rest of the shares were sold at 270p. The two sales combined netted £96m. In February 1983 the employees received £60 of free shares and a one-for-one offer up to £250 worth. There was also a preferential offer for the full price shares.

International Air Radio

Sold on 30 March 1983 for £60m. to STC.

British Rail Hotels

Sales completed by the end of 1984 realising £53m. from 22 hotels.

BGC Wytch Farm
Sold in May 1984 to the Dorset Group for an £85m. down payment and a second payment of £130m.

Enterprise Oil
Sold on 27 June 1984 at 185p per share. The sale netted £380m and employees were given special preference up to 13,500 shares. The Government retains a Golden share.

Sealink
Sold on 27 July 1984 to British Ferries, a subsidiary of Sea Containers Inc., for £66m.

Jaguar PLC
Privatized on 3 August 1984 by the sale of all the shares at 165p per share. BL grossed £297m. from the sale. Employees received preferential applications for up to 5% of the shares and bought 1.3% of the company at issue. The performance since privatization has been excellent. The Government retains a Golden share.

British Telecom
50% sold on 28 November 1984 at 130p per share. 4.6% was taken up by employees. The sale grossed £3.9 billion. Employees received £70.20 worth of free shares, at a matching offer of two free shares for each one purchased up to 77 shares, and a 10% discount on the offer for sale price on the final instalment for employees who have held up to 1600 shares. Profits and growth have been good since privatization. The Government retains a Golden share.

Scottish Transport Group MacBryne Haulage
Sold to Kildonan Transport Limited July 1985 for £500,000.

BP
In June 1977 66.8m. shares were sold for £564m. On 9 November 1979 80m. shares were sold for £290m. On 13 July 1981 the Government did not subscribe for the one for seven rights and sold its rights at a 17p premium grossing £14m. On 23 September 1983 130m. shares were sold grossing £565m. 31.7% of the shares remain in government ownership.

Remaining Public Sector Investments

49.8% of British Telecom remains. There is a public commitment to retain the present holding until 9 April 1988 in the form of a letter from the Secretary of State to the Chairman of the Company.

BL

There is a stated intention to make more progress towards privatization of the BL Group, and Unipart has been specified as the next target. Other possibilities must include Land-Rover, Truck and Bus.

British Airports Authority

A White Paper was issued on 5 June 1985 outlining that the BAA would be sold as a whole. It was included in the manifesto.

British Airways

Civil Aviation Act 1980 conferred the powers to sell the whole of British Airways. The sale has been delayed by legal difficulties. Press comment indicates that the sale is likely this year of the whole company.

British Gas Corporation

A Gas Bill has been introduced into the House of Commons to enable the sale of the whole of British Gas, possibly late in 1986. It is to be sold by public flotation.

British Nuclear Fuels

A business with £1256m. in net assets, 15,000 employees. No policy decisions have yet been taken. It was turned into a PLC in January 1984.

British Rail Engineering

No decision has been taken, although there has been comment about possible privatization of the engineering business, for new building of locomotives and rolling stock once the rationalisation has been finished by the Chairman of BR.

British Shipbuilders

The warship yards have been largely sold under the 1983 Shipbuilders Act. Similarly the ship repair yards have been sorted out. This leaves the commercial shipyards for which there is no known privatization policy.

British Steel Corporation

Much work remains to be done in identifying business areas within British Steel that are suitable candidates for return to the private sector.

British Technology Group

Inmos was sold to Thorn EMI for £95m. on 6 September 1984. 63.6% of Data Recording Instruments was sold by placing, in September 1984, and the residual share holding remains to be sold. In September 1984 19% of BUE (British Underwater Engineering) was also sold, but a residual shareholding remains. British Robotics Systems Ltd and some smaller companies remain to be sold. ICL, Ferranti and Fairey holdings were sold by the National Enterprise Board in 1979-80.

Civil Aviation Authorities Scottish Airports

The sale of the airports was advertised in the autumn of 1984 but no serious enquiries were received. This is still possible if a buyer could be found.

Covent Garden Markets Authority

No plans have yet been developed.

Crown Agents

No public plans to deal with Crown Agents.

Crown Suppliers

Secretary of State for Environment announced terms of reference for a review on 28 March 1985 and we are awaiting its outcome.

Electricity Supply Industry

Still as in the manifesto with a commitment to: 'Increasing competition in, and attracting private capital into, the Gas and Electricity Industries'. No specific plans.

South of England Electricity Board and North of Scotland Hydro Electric Board

As above for the electricity industry.

Forestry Commission
Modest disposals are continuing year by year.

National Bus Company
Discussions still under way to determine the final structure of the sale but the Bill is going through Parliament and it is known that the bus companies will be returned to the private sector.

National Coal Board's peripherals assets
Associated Heat Services was sold in 1983 and J. S. Sankey & Sons in April 1984, realizing £15m. between them. Other possibilities include National Fuel Distributors, Southern Depot, Stavely chemicals, National Smokeless Fuels, Horizon Exploration etc.

National Giro Bank
No known decisions.

National Seed Organisation
Stated in the House of Lords on 21 May 1984 that HMG was considering privatization. Makes a profit of £700,000 on a turnover of £7.7m. It promotes and markets seed varieties developed in government-funded institutes.

Rolls Royce
Government is pledged to privatization within this Parliament, and the company is making progress in trying to reduce its losses. It will probably be sold by a public flotation.

Short Brothers Ltd.
On 6 December 1984 the Secretary of State told the House of Commons that Shorts is a candidate for privatization. It is likely to be sold as a whole in a public offer for sale.

Water Industry
Minister of State announced on 7 February 1985 that the Government would be examining possibilities of privatization in the water industry. Awaiting public outcome of that review.

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