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File

PRIME MINISTER

The price agreed is right at the top of the range being considered. It would raise £ 3,915 million, before expenses.

AT 14/11

BRITISH TELECOM

MS

Our arrangements for the flotation of British Telecom are now complete.

2 This afternoon the Chancellor of the Exchequer and I met representatives of Kleinwort Benson, our financial advisers, and Hoare Govett, the lead stockbrokers. We agreed that:

i) the shares should be priced at 130p each.

Kleinworts made this recommendation after detailed discussion with the underwriters and leading UK institutions. This price, which is significantly higher than that put to us by Kleinworts when the Pathfinder Prospectus was published on 26 October, reflects the warm reception given to the Pathfinder, the encouraging response from the City to the Chancellor's Autumn Statement and recent buoyancy in the Stock Market;

JH1BKY



ii) the issue should be underwritten on Friday morning. The sponsoring brokers will then seek confirmation from 300 leading institutions that they are prepared to sub-underwrite the offer. Each institution will be allowed to take up to 55% of its allocation into its own portfolios: the remainder is to be made available for the public offering which will begin next week. Until the beginning of this week the institutions had thought that they would be able to retain 60% of their allocations. The Chancellor and I decided that, in view of the encouraging demand from the public for BT shares, this figure should be reduced. The institutions have expressed some disappointment. I believe our action was fully justified - particularly as it will persuade institutions to come into the market for extra shares when dealings start;

iii) despite pressure for larger amounts there should be no increase at this stage in the 415 million shares (13.7% of the offer) set aside for offerings in Canada, Japan and the United States. The enthusiasm in overseas markets has encouraged UK institutions to take a lively interest in the offer. I am in no doubt that the price

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which we agreed earlier today reflects in part that overseas demand;

iv) if the offer is oversubscribed the retail applicant - especially the small shareholder - should be given priority when shares are allocated. The Government has engaged in vigorous efforts in recent months and offered generous inducements to encourage members of the public to consider buying shares in BT. This has elicited a tremendous interest among the public. If necessary we will scale down on the basis of cutting back the largest applications first and giving maximum possible protection to the smaller investor. We shall do everything practicable to avoid a ballot.

3 The price will be made known on Friday morning although I would not be surprised if, given the unprecedented process of consultation in which our advisers have necessarily engaged, the offer price were to become generally known in the City before it is formally announced. Until the formal announcement, however, we must not indicate the price. I am discussing with John Biffen how to present the announcement to Parliament. In case you are asked questions about the



TF is  
putting  
briefing to  
you with the  
Questions  
material.

flotation during Question Time tomorrow I have asked my  
officials to brief yours.

4 I am copying this minute to Nigel Lawson and to Sir  
Robert Armstrong.

A handwritten signature in blue ink, which appears to read 'Geoffrey Pattie'. The signature is written in a cursive style and is positioned above a horizontal line.

GEOFFREY PATTIE

November 1984

Postoffice / B. Tel. Privatization

14 NOV 1984

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COMMUNICATIONS

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Mr Speaker, with permission I would like to make a further statement about the privatisation of British Telecom.

This morning Kleinwort, Benson Limited on behalf of my Right Hon Friend the Secretary of State has offered for sale three thousand and twelve million ordinary shares in British Telecom plc at a price of 130p per share. The issue has been fully underwritten. Discussions are now taking place with a group of financial institutions and I am hopeful that within the next 2 hours the shares being offered in the UK will have been fully applied for. Subject to these discussions the institutions will retain just over half of these shares and the remainder will be made available for public offer next week. Prospectuses will be published on Tuesday 20 November and the time and date for the opening and closing of applications will be 10am on Wednesday 28 November. Copies of the prospectuses will be placed in the Library of the House today.

Of the shares on offer 415 million have been provisionally allocated for issues to be made in New York, Tokyo and Toronto and these are being underwritten by the bank of England.



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Secretary of State for Trade and Industry

14 November 1984

Andrew Turnbull Esq  
Private Secretary to the  
Prime Minister  
10 Downing Street  
LONDON  
SW1

*Dear Andrew,*

BT FLOTATION

Mr Pattie will be minuting the Prime Minister later this evening to report on the outcome of the meeting held at the Treasury earlier today on the BT Flotation. I attach notes for supplementaries for use at Prime Minister's Questions tomorrow. The timing is such that nothing can be said about the price tomorrow, although it is possible, I am afraid, that news of the price will have leaked from the underwriters, and be a matter of public speculation. I should also add that there is a particular need to avoid making any statement which could be regarded as "puffing" the shares. For convenience, I am attaching a copy of my Secretary of State's letter to the Lord President of 8 October which set out the rules which must be observed in making statements about the flotation.

*Yours ever,*

*Callum*

M C McCARTHY  
Private Secretary

Encls