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C.R.Y.



PRIME MINISTER

SALE OF THE GOVERNMENT'S RESIDUAL SHAREHOLDING IN ASSOCIATED BRITISH PORTS HOLDINGS

M

You and colleagues will want to be aware that, following discussions with the Treasury and my-merchant bank advisers, Schrodgers, I propose to announce on 10 April my intention to sell the Government's residual shareholding in Associated British Ports Holdings plc (ABPH) by offer for sale by tender.

This timing for the sale follows that agreed in our discussion in E(A) on the privatisation programme as a whole. It follows almost immediately after the publication of ABPH's preliminary 1983 results on 5 April.

I have discussed the method of sale with the Financial Secretary. We have agreed to rule out a placing, since, although it might yield higher proceeds, it would not give small shareholders the opportunity to buy shares. Schrodgers have advised me that a tender would be feasible and offers the possibility of higher proceeds than a fixed price offer. The Financial Secretary and I think there is a good case for dispensing with underwriting, but we intend to keep our options open until later this week.

I propose to make arrangements for preferential applications for shares by employees, and to take a number of steps, including a striking price application procedure, to encourage small shareholders. As in the previous sale,

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I do not propose to retain any "golden share"; nor is there any limit in the Articles of Association on the proportion of shares any one person can hold. Any attempt by another person or company to gain control of ABPH would therefore be subject to the general statutory procedures on mergers and monopolies.

The main area of possible difficulty lies in the pricing. I shall need to be satisfied that the sale ensures an adequate return for the Government in all circumstances. I shall be considering the question of pricing and proceeds in detail with Treasury Ministers and our advisers shortly in advance of the sale.

Subject to the possibility of obtaining adequate proceeds, I would propose to announce the sale on 10 April. Unless the Leader of the House thinks otherwise, I would follow precedent and do so by a written answer. The prospectus for the sale would be published on 12 April, and application lists would open and close on 17 April. Given the usual sensitivities, I should be grateful if colleagues could exercise particular care in making any comments or statements in respect of ABPH or ports in general between now and Easter. This applies both to statements in the House and those made elsewhere.

I am sending copies of this minute to Cabinet colleagues and to Sir Robert Armstrong.

NICHOLAS RIDLEY

April 1984

FILE da

bc Bob Young



10 DOWNING STREET

cc: MUD	NIO	LPO
Ho	MAFF	DHBJ
LCO	DoE	CS D, AMT
HMT	SO	LPSU
FCO	WO	D/En.
DES	DTI	D/Emp
		CDLO
		CO

From the Private Secretary

5 April 1984

Sale of the Government's Residual Shareholding in Associated British Ports Holdings

The Prime Minister has seen your Secretary of State's undated minute. She is content with his proposal to sell the Government's residual shareholding in ABPH. She is also content with the proposed method of sale and, subject to the views of the Leader of the House, that this should be announced on 10 April.

I am sending copies of this letter to Private Secretaries to members of Cabinet and to Richard Hatfield (Cabinet Office).

Andrew Turnbull

Miss Dinah Nichols,
Department of Transport.

SH



10 DOWNING STREET

From the Private Secretary

Prime Minister

It makes sense to sell some equity
in the cell before Enterprise Oil (June)
and Jaguar (July).

Policy Unit agree with proposed
method of sale

- no placing
- no underwriting
- no tender with no minimum price
- encouragement for small investors
- no golden share.

At today's price of 295p, less a discount
of say 5 per cent, our shareholding of 48.5%
would bring in £54 million.

Agree?

AT 4/4

MS

File

MR TURNBULL

Associated British Parts Holdings

Some comments on Mr Ridley's undated note:

1. We strongly support the idea of selling residual shareholdings, especially in the quiet period before Enterprise Oil, Jaguar, et al. (Now that our decision on launch aid for A320 is public, why not dispose of 23.4% of British Aerospace as well, to get down to the promised minimum of 25%? At 229p, today's price, that would bring in £107m.)
2. To revert to ABP, we agree:
 - no placing
 - no underwriting
 - no minimum price
 - by all means give small investors a chance
 - no golden share.
3. We have no comment on the proposed timing, except the sooner the better.
4. For information, at today's price (295p) our shareholding of 19.4m shares (= 48.5%) would bring in £57m.

AY

R. Young

4 April 1984

File

ASSOCIATED BRITISH PORTS

Line to take

Associated British Ports has made outstanding progress since it was privatised in February last year. It has increased profits and had exceeded its dividend forecast. Around 8,000 employees have taken up shares in the company and have seen all their investment more than double. The company is an excellent advertisement for the Government's privatisation programme.

Why no Statement to the House?

I understand there is a Question for Written Answer on the Order Paper today. This is entirely in accordance with the procedure set out by My Right Honourable Friend the Chief Secretary during the Budget Debate when he said:

"To put the matter beyond doubt, I should make it clear that it is the Government's policy to sell such shareholdings as the circumstances of the companies, the prospectus undertakings and market conditions permit. I assure the House that a full announcement will be made at the time when individual sales are made."

This will be honoured in the Answer My Right Honourable Friend the Secretary of State for Transport will be making shortly.

/Sales of this kind

Sales of this kind should be preceded by an Oral Statement

There is no clear precedent for this. As My Right Honourable Friend the Chief Secretary made clear to the House, the Government intends to dispose of its residual shareholdings as circumstances allow.

*✓ Press Office*HOUSE OF COMMONS

Mr John Watts (Con - Slough):

146 To ask the Secretary of State for Transport, what further plans he has for introducing private capital into the transport industry.

MR NICHOLAS RIDLEY

In his speech on 14 March in the debate on the Budget Resolutions, my rt hon Friend the Chief Secretary affirmed that it is the Government's policy to sell its minority residual shareholdings in privatised undertakings as the circumstances of the companies, the prospectus undertakings and market conditions permit.

The Government has today completed arrangements for the offer for sale by tender, at a minimum tender price of 250p per share, of its remaining shareholding in Associated British Ports Holdings P.L.C. This comprises the 19,400,000 ordinary shares of 25p each, representing 48.5% of the issued share capital of the company, which the Government has held since the successful flotation of ABPH in February 1983. The Company's good performance since privatisation strengthens the case for the sale.

Arrangements for the sale have been made and underwritten by J Henry Schroder Wagg and Company Limited on my behalf. The brokers for the offer are W Greenwell and Company, Cazenove and Company, and Kitcat and Aitken.

The prospectus has today been placed in the Library. Abridged particulars will be published in newspapers tomorrow, and the full prospectus on Thursday, when copies will also be available to the public at all branches of Lloyds Bank and, in Northern Ireland, of the Bank of Ireland. The application list will open at 10.00am on Tuesday 17 April. The striking price and the basis of allocation are expected to be announced the following day.

To encourage a wide range of ownership, arrangements have been made for small investors to make applications for up to 1000 shares each at the striking price. Preferential consideration will be given to employees who wish to make a similar purchase, and such applications will be accepted in full within a ceiling of 1 million shares.

The Government will meet its share of the costs of the sale out of the proceeds of the offer. Parliamentary approval for expenditure to cover the costs of the sale will be sought in a Revised Estimate for the Sale of Shares in Associated British Ports (Class VI Vote 5). Pending that approval the necessary expenditure will be met by repayable advances from the Contingencies Fund.

ASSOCIATED BRITISH PORTS HOLDINGS PLC

Privatised February 1983

90% of the then 9,200 employees became shareholders.

Profit before tax 1983	-	£14.5 million
Profit before tax 1982	-	£5.5 million (equivalent to £8.9 million on present financial basis)
Dividend 1983	-	8.5p ("Not less than 7p" foreshadowed at privatisation)
Traffic handled in 1983	-	82.6 million tonnes (up 7½% on 1982)
Offer price per share at privatisation	-	112p
Minimum tender price for present offer	-	250p
Closing price 9 April	-	270p (FT index)
Discount on closing price	-	7.4%
<i>Proceeds at minimum tender price</i>	-	<i>£48.5m</i>
<i>Costs of Sale</i>	-	<i>approx £2m.</i>

PRESS RELEASE

(for immediate release)

OFFER FOR SALE BY TENDER OF 19,400,000 SHARES
IN ASSOCIATED BRITISH PORTS HOLDINGS P.L.C.

J. Henry Schroder Wagg & Co. Limited, on behalf of the Secretary of State for Transport, is arranging the Offer for Sale by Tender of 19,400,000 ordinary shares of 25p each in Associated British Ports Holdings P.L.C. ("ABPH") at a minimum tender price of ~~25p~~ 100p per share. 100p will be payable on application. The balance of the purchase price will be payable by 3.00 p.m. on 13th July, 1984. The shares are being sold ex the right to receive the proposed final dividend of 5.5p net per share which is recommended for payment on 29th May, 1984.

The Offer for Sale has been underwritten by J. Henry Schroder Wagg & Co. Limited. The brokers to the Offer for Sale are W. Greenwell & Co., Cazenove & Co. and Kitcat & Aitken.

In February 1983 H.M. Government reduced its 100 per cent. holding in ABPH by means of a public Offer for Sale of 19,600,000 shares. It has also provided a total of 1,000,000 shares in ABPH to the Trustees of ABPH's Employee Share Ownership Scheme free of charge. H.M. Government now holds 19,400,000 ordinary shares, representing 48.5 per cent. of the issued share capital of ABPH. Under this Offer for Sale, H.M. Government is disposing of the remainder of its interest in the share capital of ABPH.

In the proposed text of the Chairman's Review for the year ended 31st December, 1983, which is included in the Prospectus which will be published in the national press on Thursday, 12th April, 1984, Keith Stuart, Chairman of ABPH, stated that:

"The outstanding event of 1983 was, of course, the privatisation of the Company, including a major involvement of employees as shareholders. Privatisation has brought greater commercial freedom, allowing fuller use of our assets and expertise. This new freedom is already being turned to good account by our participation in a number of joint ventures: Mayflower Container Terminal Limited at Southampton, Southampton Freeport Limited, Lowestoft Container Terminal Limited, and Universal Pipe Coaters Limited at Immingham.

Cont

Further substantial improvement

Following the strong recovery in the Company's performance in 1982, I am pleased to report a further substantial improvement in 1983. Pre-tax profit increased to £14.5 million in 1983 from £5.5 million in 1982 (equivalent to approximately £8.9 million if the new capital structure and the revised contractual and other arrangements coincident with privatisation had applied throughout 1982). After tax, the profit improved to £9.6 million from £5.8 million (£5.0 million on the basis of the revised arrangements).

Towards the end of the year there were welcome signs of an improvement in overall trading conditions although some sectors such as steel remained depressed. The nineteen ABP ports again succeeded in raising their total volume of business, which reached 82.6 million tonnes, an increase of 5.7 million tonnes on 1982 and the highest total throughput since 1976. Container and roll on/roll off traffic reached a new record level and there was increased activity from the offshore energy industries, for which several of our ports provided a variety of services.

Dividends

An interim dividend of 3p was declared on 15th September, 1983 and the Directors are recommending a final dividend of 5.5p, making a total of 8.5p net per share in respect of 1983. A total dividend of not less than 7p per share was foreshadowed in the Offer for Sale at the time of the privatisation of the Company.

Southampton

At Southampton, the joint venture with the C.Y. Tung Group of Hong Kong, Mayflower Container Terminal Limited, began operation and has quickly established itself by attracting important new business in the North Atlantic and South American trades. Substantial tonnages were handled through the two new grain terminals at the port.

An important development since the end of the year was the selection of Southampton as the site for one of Britain's first freeports. Southampton Freeport Limited is another of the new joint ventures which were initiated during 1983. Our partners are Trafalgar House, Ocean Cory and Kleinwort Benson. Preparations are in hand for freeport operations to start during the second half of 1984, but of course it will be some time before the full potential of the freeports is realised.

Humber Ports

Our Humber Ports, with the exception of Hull, had another excellent year. At Grimsby and Immingham traffic reached record levels. At Immingham we established a new joint venture with Humberside Sea and Land Services Limited, which is partly owned by Powell Duffryn. The new company, Universal Pipe Coaters Limited, has expertise in the coating of onshore and offshore pipelines, and is strategically positioned to benefit from the expected renewal of activity in the southern part of the North Sea. Goole continued to attract new business, and we are pursuing an active investment programme to improve facilities at the port.

Cont

The trading situation at Hull was adversely affected by an industrial dispute, which led to a significant reduction in revenue. The dispute ended in September with the acceptance of improvements in productivity as the basis for a pay increase, but inevitably it is taking some time for the port's business to be rebuilt. By the end of the year there were encouraging signs of trade returning to the port.

South Wales Ports

Comparison of results for our South Wales Ports is complicated by the settlement of revised terms for the commercial agreement with the British Steel Corporation which took effect in January, 1983. Reduced revenue of approximately £2 million per annum from the facilities at Port Talbot has to be set against the cash receipt of £24.5 million which is dealt with in the extraordinary items in the 1983 accounts.

Excluding Port Talbot, the South Wales Ports showed welcome progress in both financial and traffic terms. Newport benefited from increased exports of cars to the Middle East and increased imports of cars from Japan, and from an expansion of operations at the timber terminal. Although the position at Barry remained difficult, steady progress was made at Cardiff in expanding the port's traffic base. For the longer term there are prospects of additional revenue from the use of some 70 acres of the Company's land at Cardiff under the Dockland Development Scheme. In January 1984 the Company, together with The Land Authority for Wales and South Glamorgan County Council, announced that Tarmac had been selected as the developer for this £50 million scheme. In addition, freeport facilities in Cardiff should provide a stimulus to trade at the port.

Other Ports

The Group's nine Other Ports had another successful and profitable year. At Lowestoft, a new container terminal was established in a joint venture with the Coastal Container Holdings Group, a company with which we have had a long association at our port of Garston on Merseyside.

Board of Directors

In January 1984 I was pleased to welcome Mr. Maxwell Creasey as a new non-executive Director of the Company. He is Deputy Managing Director of MEPC and has long experience in the world of property.

Employee Share Ownership Scheme

The current Employee Share Ownership Scheme has been widely welcomed by our employees and the Directors are convinced that a significant employee shareholding is an excellent means of encouraging a positive involvement in the success of our enterprise throughout the organisation. A further issue of shares to employees is to be made in May on the "matching offer" principle, under which employees are issued with one free share by the Company for every share for which they subscribe at market value.

Cont

The Directors will seek approval at the Annual General Meeting for an extension of the Employee Share Ownership Scheme in future years.

Employees

Our good progress was achieved despite continued recession in some of our markets, and reflects the high degree of commitment from employees at all levels to the Company's success.

Outlook

The overall level of business in the early months of 1984 has been satisfactory except that the present dispute within the coal industry is resulting in reduced coal exports through our ports. The impact of the coal industry's problems on our business will depend primarily on how long the dispute continues.

Otherwise, the outlook for the year as a whole offers prospects of a further expansion in the Company's business. Over the longer term, developments during the past year have strengthened and broadened the Company's potential for growth."

The Application Lists will be open at 10.00 a.m. on Tuesday, 17th April, 1984 and will close at any time thereafter on the same date. A person applying for not more than 1,000 shares may make either a Tender Application or a Striking Price Application.

It is expected that the Striking Price and the basis of allocation will be announced on Wednesday, 18th April, 1984. Application will be made to the Council of The Stock Exchange to authorise dealings in the Letters of Acceptance and dealings are expected to commence in partly-paid form shortly after the basis of allocation is announced.

Special application forms are being made available to employees of ABPH and its subsidiaries and any such employee may apply on that form for up to 1,000 shares at the Striking Price. Such applications will be accepted in full up to an aggregate limit of 1,000,000 shares.

The Offer for Sale will be advertised in the national press and available to the public on Thursday, 12th April, 1984. A copy of the Underwriting Proof of the Prospectus is attached to this announcement.

10th April, 1984

PRESS ENQUIRIES:

Associated British Ports Holdings P.L.C.

01-486 6621

Keith Stuart, Chairman
Alastair Channing, Secretary
Roy Westerman, PR Manager

The Department of Transport

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