

CCNO

NDP
8/12/6

PRIME MINISTER

ENTERPRISE OIL

The Financial Secretary and I discussed the terms of the Enterprise Oil issue on Friday June 15 and again this morning with Messrs Wood Mackenzie, our advisers on the pricing of the issue; and with the main underwriters, including Kleinwort Benson who had earlier been our principal advisers on this privatisation. In the light of all these discussions, the Financial Secretary and I agreed in deciding that the issue should be by tender, and should consist of 212 million shares at a minimum tender price of £1.85p. If the issue sold at the minimum price, it would realise £392.2 million.

Saving some major event which triggered the "force majeure" clause in the underwriters' agreement, the issue will be announced tomorrow Tuesday June 19th and, as I said in my minute of ~~13~~ June, application lists will open and close on 27 June.

In reaching our conclusion on the minimum tender price, the Financial Secretary and I had to take account of the weakening of financial markets in the last week or two, including the weakening of the oil sector. Whereas our advisers hoped some weeks ago that a price well in excess of £400 million might be obtainable, Kleinwort Benson had to make an effort to secure underwriting at the price quoted above in the uncertain market conditions of the last few days. The Treasury for their part have been concerned that on wider privatisation grounds, a success was needed with this issue in relation to both the underwriters and the market, even if this meant not pressing the underwriters to their absolute limit. Of course, I fully share with the Treasury the wish to see the issue made a success.

The use of the tender method is in line with a recommendation just made by the Public Accounts Committee. Moreover, it gives us the possibility that if market conditions were to improve



sharply between now and 27 June, we would have the possibility of higher proceeds through tenders above the minimum price. Indeed, Kleinwort Benson were expressing the hope that we would achieve more than £400 million even in conditions similar to the present ones, although I would not myself want to count on this.

I am copying this minute to the Chancellor of the Exchequer, the Financial Secretary to the Treasury, the Governor of the Bank of England and to Sir Robert Armstrong.

A handwritten signature in blue ink, appearing to read 'D. G. G. G.', is written over the typed name.

THE SECRETARY OF STATE FOR ENERGY

18 June 1984

Econ Pol: Privatization 1+9.

