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Privatisation

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This paper examines the economic policy which came to be known as ‘privatisation’ – the transfer of responsibility for an industry or the ownership of a company from the public to the private sector.

From the 1980s until the mid-1990s, privatisation was an important component of economic policy. Privatisation continued after 1997, although there have only been a handful of instances since then and they have often been referred to by other names. After 2010, interest in the policy as an economic tool revived, particularly with the privatisation of Royal Mail.

After defining ‘privatisation’, this paper presents a brief history of the policy. An analysis of the motivations behind the policy is followed by a discussion of the different methods of privatisation, including public flotations, management-led buyouts and private sales.

We discuss the importance of regulation and competition in privatised industries and present data showing the scale of privatisation in each year since 1970. Finally, we review various strategies for assessing privatisation as a policy and present a chronological table showing each major privatisation by year.

The annex to this paper is a collection of short articles which describe the main features of each major privatisation, including the type of sale, the proceeds to government, and other details.

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Louise Butcher

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1 Introduction

This paper examines the economic policy which came to be known as 'privatisation' – the transfer of responsibility for an industry or the ownership of a company from the public to the private sector.

From the 1980s until the mid-1990s, privatisation was an important component of economic policy. David Parker, the official historian of privatisation states that it was "a dominant economic policy" in the UK during this period and it was subsequently adopted in many other countries.[1] Privatisation continued in the UK after 1997, although there have only been a handful of instances since then and they have often been referred to by other names. After 2010, interest in the policy as an economic tool revived, particularly with the privatisation of Royal Mail.

After defining 'privatisation', this paper presents a brief history of the policy. An analysis of the motivations behind the policy is followed by a discussion of the different methods of privatisation, including public flotations, management-led buyouts and private sales.

We discuss the importance of regulation and competition in privatised industries and present data showing the scale of privatisation in each year since 1970. Finally, we review various strategies for assessing privatisation as a policy and present a chronological table showing each major privatisation by year.

The annex to this paper is a collection of short articles which describe the main features of each major privatisation, including the type of sale, the proceeds to government, and other details.

Throughout this paper we discuss the proceeds and the costs associated with different privatisations. Unless otherwise stated, the figures are all in nominal terms, that is, the price paid at the time and not taking into account inflation since then.

2 Defining 'privatisation'

The sale of state-owned industries has been known as 'privatisation' since the 1980s. The term 'privatisation' is broadly synonymous with 'de-nationalisation'.

Widely defined, privatisation can take many forms, including the sale of government buildings or other assets, the provision of services by the private sector that were previously provided by the government, as well as the transfer of responsibility for an industry from the public to the private sector through the sale of government-owned securities (shares and bonds).

This paper discusses privatisations which involved the transfer of responsibility for the whole or distinct parts of an industry. Cases which involve only an increased role for the private sector or instances where some private sector finance is used but overall responsibility is unchanged are not analysed in depth.

This paper does not discuss the sale of the government's holdings in banks acquired during the financial crisis of 2008 and 2009. The government investment into the banking sector during this period (often characterised as 'part-nationalisation') was always intended to be temporary and the government deliberately avoided taking any operational control over the banks which received assistance. The sales of these holdings from 2010 onwards are

[1] Parker, D. *The official history of Privatisation: Volume 1,* 2009, p166

therefore not examples of 'privatisation' by any normal definition and so are not analysed here. Further information can be found in the following House of Commons Library notes: *The economic crisis: policy responses* and *The credit crisis: a timeline.*

3 A brief history of privatisation

3.1 1945-1979

After the Second World War, the newly-elected Labour Government began a programme of nationalisation.[2] This resulted in state ownership of the major utilities (including water, gas, electricity and telecommunications), 'heavy industries' (such as steel, shipbuilding and coal) and the transport industries, notably the railways.

The 'post-war consensus' between the political parties supporting state involvement in industry remained until the 1970s. Even then, moves to privatise various bodies were tentative or motivated by necessity and "did not reflect a belief within Government that state industries should be privatised."[3] In 1972, the Conservative Government privatised the travel agency Thomas Cook, and in 1976, the Labour Government sold some of its stake in British Petroleum (BP) as part of its revenue raising measures introduced following negotiations with the International Monetary Fund (IMF) over a substantial loan.

3.2 1979 to 1983

The Conservative Party manifesto for the 1979 general election only briefly referred to privatisation, with a promise to "sell back to private ownership the recently nationalised aerospace and shipbuilding concerns."[4]

The Conservative Government of 1979 to 1983 did privatise several other assets as well as British Aerospace (BAe), including the nuclear research company Amersham International and half of Cable and Wireless (British Shipbuilders was not privatised until after 1983).

Perhaps more significantly, this period saw a growing acceptance of privatisation as policy within the Conservative Party. In 1981, the then Secretary of State for Energy Nigel Lawson stated that "no industry should remain under state ownership unless there is a positive and overwhelming case for it doing so."[5] The attitude that state ownership should be the exception rather than the norm led to privatisation becoming "a dominant economic policy" in the mid-1980s.[6]

3.3 1983 to the mid-1990s

After 1983 there was a rapid expansion of the privatisation programme. Major utility companies such as British Telecom (BT) and British Gas were privatised in 1984 and 1986 respectively. Firms such as Rolls Royce and British Airways followed and by 1991 the regional electricity and water companies had also been privatised.

Many of these privatisations created markets where before the nationalised company had operated as an actual or near monopoly. The ending of ministerial accountability and control of an industry caused by privatisation meant that there was now a need for regulatory regimes and regulatory bodies to enforce acceptable market behaviour. For example Oftel

[2] Further information on this topic can be found in the National Archives' collection *Post-war nationalisation.*
[3] Parker, D. *The official history of Privatisation: Volume 1,* 2009, p3
[4] Conservative Party, *1979 General Election Manifesto*, 1979
[5] Quoted in Parker, 2009, p82
[6] *Ibid,* p166

was set up to regulate the new telecommunications industry when BT was privatised, and Ofgas was created when British Gas was privatised.

British Rail was privatised in various stages between 1994 and 1997. In the years after this, Railtrack (the company formed to run the rail infrastructure) entered administration. Full details of the Railtrack administration and the legal disputes that followed can be found in the House of Commons Library Note *Railtrack administration and the private shareholders, 2001-2005.*

3.4 1997-2010

The Labour Party ended its historic commitment to the public ownership of “the means of production, distribution and exchange” (Clause IV of the Party’s constitution) at a special conference in 1995. This meant that the post-1997 Labour Government had no formal ideological objection to privatisation, and the policy continued although the volume of privatisations slowed considerably.

This may have been due to the incoming Labour Government’s historic antipathy to the policy, but also, importantly, by the mid-1990s, most of the obvious candidates for privatisation had already been privatised, leaving few potential assets left to sell.

The term “privatisation” was rarely used during this period. Instead, terms such as “Public Private Partnerships” (PPP) were preferred. In 2001 National Air Traffic Services (NATS) was partially sold through a PPP. The defence technology company Quinetiq was sold in stages from 2003 until 2008 and British Nuclear Fuel (BNFL) was sold in 2006.

The Labour Government began the process of privatising Royal Mail: the *Postal Services Act 2000* introduced competition into letter delivery and created the regulator Postcomm. Legislation was introduced in 2008 to partially privatise Royal Mail, but was not completed before the 2010 General Election.

3.5 2010-2014

The Coalition Government sold the Horserace Totalisator Board (Tote) in 2011 and publically floated Royal Mail in 2013, privatising one of the last major nationalised companies.

4 Motives for privatisation

This section outlines why governments chose to privatise an industry or firm. The motives for privatisation were closely related and most privatisations were carried out for a number of reasons.

4.1 Raising money

Most instances of privatisation involve the transfer of responsibility for an industry to the private sector in return for some financial commitment. The government often benefits by receiving proceeds from the sale. The government can also benefit by saving money after a privatisation, as the financial burden of subsidising a company or business is transferred to the private sector.

One clear example of revenue raising was the sale of the first tranche of government-owned shares in BP. In autumn 1976, the Labour Government sought a loan from the IMF. Stringent conditions were attached to this loan, including the reduction of the UK budget deficit. One of the measures introduced to achieve this was the sale of government assets, including some of its holdings in BP. In June 1977, the government sold 17% of its shares in BP, raising £560 million.[7]

However, such clear cut examples of using the sale of government shares as a revenue raising mechanism are rare. In fact, many of the key authors of privatisation as a policy saw revenue raising as less important than other outcomes. Nigel Lawson, Chancellor of the Exchequer from 1983 to 1989 when many major privatisations occurred, stated that "the money that is raised [from privatisation], while useful, has always been a second-order question."[8]

4.2 Making industry more efficient

Debate exists as to the extent to which industries run by the private sector are, *per se*, more efficient than nationalised ones. The Conservative governments of the early 1980s argued that industries would perform better in the private sector for three main reasons. Firstly, methods for controlling and monitoring the performance of nationalised industries were ineffective. Secondly, "political interference" by ministers in the running of nationalised industries had undermined their ability to take strategic decisions and operate efficiently. And thirdly, the power of the trade unions was magnified when so many of their members worked for one employer (after industries were privatized, the number of employers involved normally increased meaning that union members were not all employed by the same firm under the same contracts, and so the influence of the unions was often diminished).[9] Nigel Lawson stated that "the primary aim of the privatisation programme was to improve performance of the former state-owned industries."[10]

The break up and privatisation of British Leyland (BL) through the 1980s was motivated to a large extent by the company's inefficiency. BL was one of the largest vehicle manufacturers in Europe in the early 1960s, but by 1974 it was in such a dire financial situation that the Government felt compelled to purchase the vast majority of its shares in order to prevent the company becoming insolvent. Government ownership was preferred over the potential job losses that might be expected, particularly in the West Midlands, if the company ceased trading. The company's performance worsened through the 1970s, a situation exacerbated by numerous strikes. Various components of BL were sold through the 1980s (including Jaguar in 1984), and the main company was renamed the Rover Group and sold to British Aerospace in 1988.

4.3 Spreading share ownership

One of the consequences of privatisations through the public sale of shares was that the number of people who owned shares increased during the 1980s and 1990s, from three million in 1979, to eight million in 1987, to around 11 million in 2002.[11] Norman Lamont (the former Conservative Chancellor) stated that the increase in share ownership during the 1980s "summed up the Thatcher years," and that the governments of the 1980s used the privatisation programme "as a means of achieving it." Share ownership was seen as an important way of encouraging the "entrepreneurial society" in which individuals became actively engaged in the economy by taking ownership of key assets (such as their house, or shares in utility providers). Share ownership was also seen as a way of "spreading wealth" by giving people a stake in potentially profitable organisations.[12]

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[7] D Parker, *The Official History of Privatisation, Volume 1,* 2009, p40
[8] Quoted in Parker, 2009, p52
[9] C Veljanovski, *Selling the State: Privatisation in Britain,* 1987, p8
[10] N. Lawson, *The view from Number 11,* 1992, p206
[11] Proshare, *Individual and institutional share ownership,* 2003
[12] E Butler and M Prire, *The manual on privatisation,* 1989, p17

All of the public flotations of utilities in the mid-1980s were at least partly motivated by the desire to spread share ownership. In particular, the privatisation of British Gas, accompanied by the widely publicised "Tell Sid" advertising campaign, resulted in an estimated two million individuals buying shares for the first time.[13]

5 Methods of privatisation

All privatisations are complex and involve different challenges. A large number of people, each with differing interests in the outcome, are involved, including representatives of government, the nationalised industry, the trade unions, and the financial institutions which handle the sale. The different industries that have been privatised and the political environment in which they occurred, meant that a variety of different methods of privatisation were used.

5.1 Public sale of shares

The most well-known method of privatisation is the sale of shares in a nationalised industry on the stock market. The big privatisations of the 1980s, such as the sale of British Gas and BT, and Royal Mail in 2013, used this method.

Although complex and often protracted (the privatisation of British Airways took seven years to complete), there are some features common to most privatisations which used this method:

- ***Preparing the business***: In order to achieve a successful flotation, the nationalised industry must be attractive to investors. Often this meant that industries were re-structured, certain parts were disposed of before the main sale, or the debt and tax liabilities of individual companies were re-structured. This process sometimes resulted in the nationalised industry becoming profitable in the period immediately prior to privatisation, as in the case of British Steel.

- ***Legislation***: formally nationalised industries often required primary legislation before they could be privatised because they have been moved into State ownership by Act of Parliament, meaning that they require further legislation to return to the private sector. For example, the *Postal Services Act 2011* prepared Royal Mail for privatisation.

- ***Prospectus***: In order to comply with Stock Exchange rules and to provide potential investors with all the information they need on the future company, a 'prospectus' was always produced prior to privatisation. This included historic financial information; an overview of the company's management; details of capital and debt structure; expectations for the future and details of the share offer. These documents were often lengthy, for example, the Royal Mail prospectus was over 400 pages long.[14]

- ***Setting the price***: Setting the price of the shares was a crucial and sensitive part of the process. The most straightforward approach was a fixed-price offer, as happened with British Gas, in which a price for all the shares was set by the government. Another approach was a tender offer with a "striking price", the price being determined by what investors are prepared to pay, up to a given amount. The second tranche of Cable and Wireless shares were sold under this arrangement in 1983. Often, share sales were over-subscribed, but when they are not, underwriters were

[13] D.Parker, *The Official History of Privatisation, Volume 1,* 2009, p393

[14] Royal Mail, *Royal Mail plc: prospectus,* 26 September 2013

often required to buy any remaining shares, as happened in the sale of the final tranche of BP shares in 1987.

- ***Marketing the offer***: Ensuring that there is sufficient awareness and interest in the sale is an important part of the privatisation process. Often extensive marketing campaigns were used to sell shares to the public, the most famous of which is the "Tell Sid" campaign used to market the sale of British Gas. The share offer was also extensively marketed to institutional investors in the UK and abroad.

5.2 Private sales

Another commons method of privatisation was a private sale (also known as a 'trade sale') in which the buyer or buyers negotiated directly with government. This type of privatisation did not involve the sale of shares to the public but rather the transfer of responsibility for a company to one or more companies in return for money paid to the government.

In many cases, potential buyers negotiated directly with government before a 'preferred buyer' was selected. This buyer was then given exclusive negotiating rights whilst the details of the sale were worked out.

The sale of British Leyland to BAe in 1988 is an example of this type of sale. Many of the valuable parts of the company had already been disposed of, for example, Jaguar was publically floated in 1984. The remainder was renamed the Rover Group and was purchased after exclusive negotiations between the Government and BAe. As part of the deal, the Government restructured Rover and reduced its debt and tax burden.

The sale was subsequently criticised by the National Audit Office (NAO) on the grounds that the Government could have negotiated a better deal for taxpayers.[15] In addition, the European Commission ruled that the sale constituted illegal State Aid and that BAe must pay back £58 million to the UK government.[16]

Other examples include the partial sale of QinetiQ in 2003 to the Carlyle Group, and the sale of the Tote in 2011 to Betfred.

Private sales often involved the sale of only part of a company. Other methods of privatisation were then used to complete the transfer of responsibility to the private sector – in the case of QinetiQ, the remainder of the Government's holding was privatised in public flotations in 2006 and 2008.

5.3 Management and employee-led buyouts

Another means of privatisation is through a management and employee-led buyout (MEBO). In this process a consortium of investors brought together by the existing management of a company negotiate directly with government in order to buy the company. Often, a portion of the shares of the company will be reserved for employees to buy.

The sale of the British Technology Group was through a management-led buyout, negotiated in 1992. Several parts of the Group had already been sold though share offers.

5.4 Employee shares

In some privatisations, a certain number of shares were offered exclusively to employees. Many of the public flotations involved this kind of offer, partly as a way of encouraging

[15] National Audit Office, *Sale of Rover Group Plc to British Aerospace Plc*, 21 November 1989, HC9
[16] HC Deb 26 May 1993 cc580-1W

employee satisfaction with the privatisation and so discouraging industrial action, and also as a way of providing employees with a stake in the future of their employer.

In the privatisation of BT in 1984, up to 10% of shares were reserved for employees and 96% of employees bought shares.[17] In the 2013 privatisation of Royal Mail, 10% of shares were given to employees.

5.5 The special share

The 'special share' is a tool which provided government with a veto over future takeovers and, in some cases, over certain other clearly defined management decisions, for example, the special share in British Energy prevented the future disposal of nuclear power stations.[18] The special share was used in several different kinds of privatisation and enabled the government to retain some limited control over a 'strategically important' industry without retaining a significant financial stake in a private business.

Special shares were normally only valid for a specific time period, after which they would 'expire' and the government would lose the power to veto decisions. For example, Amersham International was privatised in 1982 and the special share expired in 1988.[19]

Even during the early days of privatisation, questions were raised over the legality of the special share considering the European Commission's strict laws enshrining the free movement of capital within the European Union. For example, during the privatisation of Enterprise Oil in 1984, Foreign Office officials warned that the creation of a special share might contravene these laws, but in the event of the privatisation there was no challenge from the European Commission.[20] In 2003, the European Court of Justice ruled that 'special rights mechanisms,' including the special share, were illegal. By this stage, many special shares held by the UK Government had already expired.[21]

6 Other models of privatisation

As well as the 'traditional' type of privatisation which is generally executed by one of the methods discussed above, there are a range of other ways in which Governments have sought to increase the involvement of the private sector in particular industries.

6.1 Outsourcing

Successive Governments have contracted private sector firms to provide a range of services, a practice known as 'outsourcing.' The NAO estimates that around half of government expenditure of goods and services is through outsourcing.[22]

Unlike in traditional instances of privatisation, the private sector is only involved in the provision of a very clearly defined area of a service, for example, cleaning services in a hospital. The actual service itself remains in government ownership. So responsibility for the service overall, financial risks and rewards associated with the service as well as decisions concerning the long term strategy for the service remain the government's responsibility.

[17] C Veljanovski, *Selling the State: Privatisation in Britain,* 1987,p 104
[18] D Parker, *The Official History of Privatisation, Volume 2,* 2012, p396
[19] D.Parker, *The Official History of Privatisation, Volume 1,* 2009, p139
[20] *Ibid*, p108
[21] Parker *The Official History of Privatisation, Volume 2*, 2012, p512
[22] NAO, *The role of major contractors in the delivery of government services,* 12 November 2013, p10

6.2 Sale of government assets

The government owns a number of assets, including buildings, software licenses, infrastructure and financial portfolios (such as the Student Loan book). Successive governments have sought to "dispose" of assets "no longer required for service delivery."[23] This generally involves selling the assets to the private sector.

Although some instances of asset disposal generated considerable returns to the Treasury, these are not generally considered instances of privatisation because in most cases, responsibility for a service or industry is not moved from the public to the private sector.

6.3 Private Finance Initiative (PFI)

PFIs are a type of Public Private Partnership (PPP) in which the government and the private sector both contribute to the creation or renewal of infrastructure.[24] PFI schemes have existed since the early 1990s and have been used to build and run hospitals, schools and prisons among other things.

Although the private sector is used to build most public sector infrastructure (the construction is outsourced), PFI is unique because not only the construction, but also the design, financing and subsequent operation of the assets is the responsibility of the private sector. For example, a PFI project to build a new hospital would involve private sector architects and builders, and then contracts for private sector cleaners and maintenance work. In PFI projects, the private sector is responsible for "serviced provision of infrastructure."[25] However, the provision of healthcare and the management of the operation of a hospital built through PFI is still ultimately the responsibility of the public sector.

Some instances of PPP are analysed in this paper, including the privatisation of the National Air Traffic Services (NATS) and the attempted privatisation of London Underground.

7 Regulation and competition

One of the most important components of privatisation policy and a central step in many individual privatisations has been the establishment of an independent regulator and a regulatory framework for the industry concerned. Parker states that privatisation is only successful when it is accompanied by "appropriate changes in the competitive or regulatory environments."[26]

In some privatisations, a company was already operating in a market with other competitors, and so the establishment of a regulatory regime was not relevant to the privatisation. The market was already operating and a regulatory regime was normally already established. British Airways was a company operating in an established market, and its privatisation simply transferred ownership from the public sector to the private sector

Other privatisations created a market where a natural monopoly had existed before with the state as the sole provider. In these cases, regulation becomes a very important issue. The privatisation of British Gas and the other major utilities are examples of this.

[23] HM Treasury, *National Asset Register,* 31 January 2007, p v

[24] NAO, *Private Finance Projects*, October 2009, p 14

[25] *Ibid.,* p 12

[26] D Parker, "The UK's Privatisation experiment: the passage of time permits a sober assessment", *CESifo Working Paper no. 1126*, February 2004, p4

Ensuring high standards in customer service, pricing and competition in the markets newly established by privatisation required the creation of an organisation that has the statutory powers to control the new private companies. This means that the regulatory framework (including the regulator) has to be established in law. For example, the *Telecommunications Act 1984* set up the regulatory framework for the new telecommunications market, created the regulator (the Office of Telecommunications (Oftel) later Ofcom), and prescribed the powers that this body had over the market.

Industry regulators were also created with the specific aim of being independent from government. For example, Oftel was created with the specific aim of being "…a force for regulation that was independent from Ministers and, therefore, independent of short term political pressures."[27]

The significance of the regulator lies in the need to ensure competition in the newly created markets. In a privatised market, competition is intended to deliver efficiency, lower prices and better customer service. If one or a group of providers is able to gain a dominant position in a market and reduce competition then these features of the market are potentially compromised. Therefore, the regulatory framework must be empowered to ensure that no single company or group of companies can dominate a market or threaten the existence of competitors.

The role of regulator is a challenging one and it has led to a range of different approaches in the various privatised industries. The success of regulators is a matter of debate, with different bodies demonstrating different levels of success. But the importance of regulation as an economic tool in the UK is unquestioned and arguably one of the most significant changes attributable to privatisation. As Parker states, privatisation has led to "a reformulated role for Government as a market regulator rather than a direct service provider."[28]

[27] E Butler and M Prire, *The manual on privatisation,* 1989, p98
[28] Parker, 2004, p23

8 The scale of privatisation

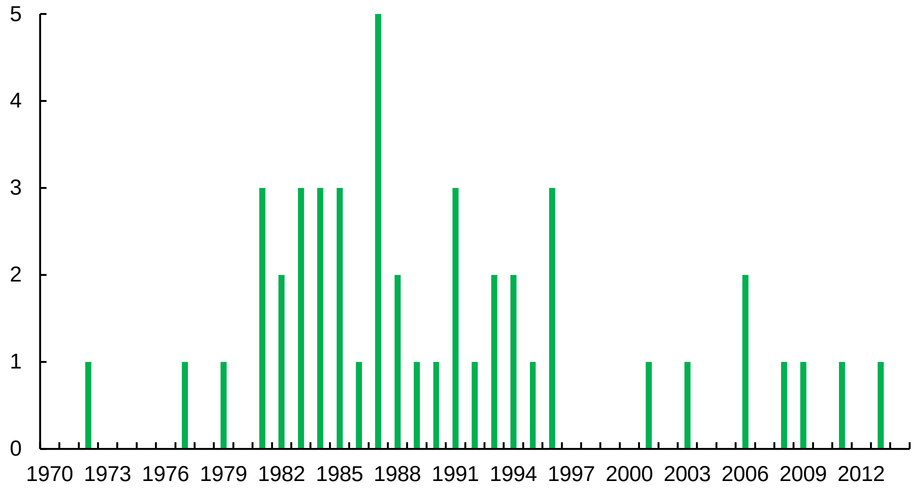
Assessing the extent of privatisation is complicated for a number of reasons. The fact there are several definitions of 'privatisation' makes even a straightforward count complicated because of the question of which transactions to include. In addition, the fact that the proceeds from different privatisations are not calculated on the same basis means that calculating the total amount raised by privatisation is difficult.

8.1 How many privatisations?

The most straightforward way to determine this is to count the number of sales of previously state-owned companies. The data below are consistent with the sales listed in the Annex to this paper.

The chart below shows the number of public or private sales by year since 1970.

Privatisations: number of sales



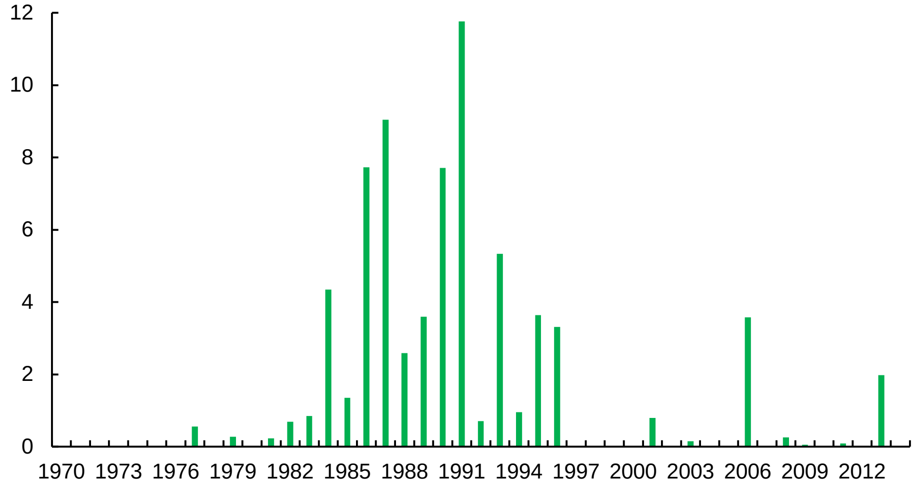
The number of privatisations was highest during the 1980s, peaking in 1987 when there were five sales. Since the late-1990s there have been very few sales of state owned companies. This is partly because there was a relative lack of political desire for this sort of privatisation in the Labour Governments of 1997 to 2010, leading to other mechanisms of privatisation being used. In addition, as has already been mentioned, there was simply less to privatise by the 2000s since so many government assets that could realistically be sold had already been privatised.

It should be noted that some privatisations involved several public sales. For example, the government shares in BP were sold in five stages between 1977 and 1987, with the government selling a varying proportion of the company at each stage. The chart above records each part of the sale in the relevant year. The data underlying the chart are available in the Chronology section of this paper.

8.2 The proceeds of privatisation

The chart below shows gross proceeds of privatisation in current prices (the prices paid at the time). These data are from the official documents cited in the Annex to this paper.[29]

Privatisations: net proceeds, £ billions, current prices



The proceeds from privatisations were high from the mid-1980s until the mid-1990s. They peaked in 1991 at £11.8 billion. Since 1997, the proceeds from privatisation have been limited due to the small number of privatisations which have occurred. The data underlying the chart are in the Chronology section of this paper.

9 Assessing privatisation as a policy

Assessing the success or failure of privatisation as a policy is a complex task. The literature is extensive and varied in its approach to the question. The counterfactual (what would have happened if the industry had not been privatised?) is difficult to address and so is rarely covered. In addition, the political beliefs of authors often inform their conclusions to a great extent, meaning that there are few objective analyses.

However, it is possible to identify some recurrent themes in the literature. This chapter highlights some of these themes. It does not try to answer the question of whether individual privatisations were successful.

9.1 Can motives define success?

One approach is to use the motivation for a privatisation as the criteria for determining its success. In cases where one specific motivation was behind the decision to privatise an industry, this approach is relatively straightforward.

A good example is the partial privatisation of BP in 1976. This sale was entirely motivated by the need to raise revenue in order to meet the conditions of the IMF loan for which the UK government had applied. The sale raised over £500 million which enabled the Government to

[29] An alternative source of data on the proceeds of privatisations is ONS, *Public Sector Finances Bulletin*, series ABIF, the net proceeds to government from the acquisition of company securities, which records the proceeds from privatisations as negative government expenditure.

draw down a smaller loan than had been originally requested. So, on this narrow criteria, the sale can be judged a success.[30]

However, this example is unusual. Rarely has there been one, clear motivation for a privatisation. In most cases there were a combination of motives behind the decision to privatise, meaning that success is much harder to assess.

The multiple motivations for a privatisation mean that certain trade-offs between success criteria are inevitable. For example, the desire to raise money from a privatisation is not necessarily consistent with the aim of increasing share ownership among individuals who might be put off a higher price. As Meggison et al state, "the goals of privatisation can be conflicting" and so using the motivations as success criteria can pose problems.[31]

9.2 Creating markets versus privatising individual companies

There is a clear distinction (mentioned earlier in this paper) between privatisations which sought to transfer ownership of utilities to the private sector (such as the privatisation of the electricity industry) and those which moved the ownership of an existing company from the public to the private sector (such as the privatisation of British Airways). The first kind involved the creation of an entirely new market, whilst the second involved selling a company which was already operating in a market, into the private sector.

Assessing the success of the first kind of privatisations is far more complex than the second kind for a number of reasons:

- Publically owned utilities generally change their structure quite radically immediately before or sometime after privatisation. For example, the privatisation of the railways created 25 operating companies, a new company with responsibility for infrastructure and separate owners of rolling stock. Comparing this situation with the previous arrangement when British Rail managed all these services is prohibitively complicated.

- The way customers are charged often changes when utilities are privatised. The NAO found that "customers have seen lower prices and a higher quality of service" in most utilities after privatisation, but cautioned that only "limited comparison" is possible due to, for example, altered pricing structures.[32] It should also be noted that market conditions change, potentially leading to changes in prices regardless of whether the industry is in the public or private sector.

- Customer satisfaction with prices and service in a privatised industry is often a reflection on the success of the regulator, rather than on the companies that resulted from privatisation. Parker notes that improvements to the performance of privatised companies only occur "where there are appropriate changes in the competitive or regulatory framework."[33]

The success of the second kind of privatisation, where a publically owned company operating in an established market is sold to the private sector, is less complicated to assess. In this type of case, the normal criteria used to judge the success of any private company can be used more easily. So factors like profitability over the long term, share price and

[30] D Parker, *The Official History of Privatisation, Volume 1,* 2009, p40

[31] Meggision, W., Price, M. and Netter, J., "From state to market: A survey of empirical studies on privatization", *Journal of Economic Literature,* August 2000

[32] NAO, *Pipe and Wires*, 2002, p2

[33] D Parker, "The UK's Privatisation experiment: the passage of time permits a sober assessment", *CESifo Working Paper no. 1126*, February 2004, p4

durability in the face of competition are relevant. For example, these factors have been used in several studies examining the success of privatisations such as British Airways.[34]

9.3 Customers, the public finances and the economy

Another approach is to examine how certain key areas on which the privatisation has had an impact have changed.

In the *Official History of Privatisation*, Parker examines the impact of the policy on a range of areas including: consumer prices, investor participation, employee conditions, management remuneration, the public finances and the overall performance of the economy.[35]

In most areas he finds examples of privatisations where success can be demonstrated, but he also cautions that "it is difficult to generalise" on the success of the policy overall.[36] For example, several key privatisations did increase the number of people who directly owned shares, but increased ownership of shares by individuals "had been a trend for some time" so it is not clear that the policy of privatisation is the sole cause of this.[37]

In terms of the overall performance of the economy, he states that "economic performance improved in the 1980s," but that the extent to which these improvements were the result of privatisation is "not easy" to determine. Clearly a wide range of policies and other factors contribute to economic performance, of which privatisation may be one.[38]

One point which is worth highlighting is the importance of ideology in this debate. Privatisation is a polarising policy area which has been strongly associated with the Conservative Party, whilst the Labour Party has been less inclined to embrace it (increased involvement of the private sector in the provision of previously government provided services and functions continued under Labour but the word 'privatisation' was rarely used). This polarisation of support for the policy has infused the academic debate and so objective analysis is quite rare.

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[34] Eckle et al, quoted in Meggision, W., Price, M. and Netter, J., "From state to market: A survey of empirical studies on privatization", *Journal of Economic Literature,* August 2000, Table 3

[35],D Parker, *The Official History of Privatisation, Volume 2,* 2012, pp522-527

[36] *Ibid,* p521

[37] *Ibid,* p520

[38] *Ibid,* p524

10 Chronology

Major privatisations by year - number and proceeds

	Number	£ millions
1970		
1971		
1972	1	23
1973		
1974		
1975		
1976		
1977	1	560
1978		
1979	1	276
1980		
1981	3	232
1982	2	691
1983	3	852
1984	3	4,347
1985	3	1,349
1986	1	7,731
1987	5	9,045
1988	2	2,587
1989	1	3,594
1990	1	7,713
1991	3	11,759
1992	1	708
1993	2	5,338
1994	2	955
1995	1	3,642
1996	3	3316
1997		
1998		
1999		
2000		
2001	1	800
2002		
2003	1	155
2004		
2005		
2006	2	3,578
2007		
2008	1	254
2009	1	50
2010		
2011	1	90
2012		
2013	1	1,980
2014		

Source: Official documents as recorded in the Annex
Notes: Net proceeds, but gross figures used in some cases
£ millions, current prices

Major privatisations by year

	Name of company privatised	**Net proceeds** *£ millions*
1970		
1971		
1972	Thomas Cook	23
1973		
1974		
1975		
1976		
1977	British Petroleum (BP)	560
1978		
1979	BP	276
1980		
1981	British Aerospace (BAe)	43
	Cable and Wireless	181
	BP	8
1982	Britoil	627
	Amersham International	64
1983	Associated British Ports	46
	BP	543
	Cable and Wireless	263
1984	Associated British Ports	51
	British Telecom (BT)	3,916
	Enterprise Oil	380
1985	BAe	346
	Britoil	426
	Cable and Wireless	577
1986	British Gas	7,731
1987	British Airways	850
	British Airports Authority (BAA)	1,183
	BP	5,504
	Rolls-Royce	1,319
	Royal Ordnance Factories	189
1988	British Steel	2,437
	Rover Group (British Leyland)	150
1989	Water Authorities	3,594
1990	Regional Electricity Companies (Eng and Wal)	7,713
1991	BT	5,430
	National Power/PowerGen	2,829
	Regional Electricity Companies (Scot)	3,500
1992	Power generation (NI)	708
1993	BT	4,976
	Regional Electricity Companies (NI)	362
1994	British Coal	955
	Train operating companies (franchise sales until 1997)	N.A
1995	National Power/PowerGen	3,642
1996	AEA Technology	228
	British Energy	1,388
	Railtrack	1,700
1997		
1998		
1999		
2000		
2001	National Air Traffic Services (NATS)	800
2002		
2003	QinetiQ	155
2004		
2005		
2006	BNFL (Sale of subsidiaries continued until 2009)	3,000
	QinetiQ	578
2007		
2008	QinetiQ	254
2009	UKAEA	50
2010		
2011	Tote	90
2012		
2013	Royal Mail	1,980
2014		

Gross figures used in some cases; Current prices

Annex – Major privatisations, 1972 to 2014

This annex contains brief articles outlining the major privatisations between 1972 and 2014. It is not a comprehensive list of all privatisations because of the wide range of transactions that could be considered instances of ‘privatisation.’

Where possible we cite the relevant Ministerial Statement outlining the details of the privatisation, debates on specific privatisation Bills where relevant, or relevant National Audit Office (NAO) reports which have examined the sales in depth. David Parker’s *The Official History of Privatisation* has also been used extensively to cross reference figures and dates. The HM Treasury *Guide to the UK Privatisation Programme* (updated in August 1995) has also been used.

We have used the names of companies as they were before privatisation. The figures presented here are in nominal terms. Where possible, net proceeds to Government figures have been used, but in some cases it is not possible to provide these.

1 AEA Technology plc and UKAEA Limited

The UK Atomic Energy Authority (UKAEA) was originally set up in 1954 to manage the UK's civil and military nuclear activities. From the mid-1960s, it branched out into commercial and non-nuclear activities to take advantage of 'spin-offs' from nuclear technology. *AEA Technology plc* was established in 1996 as a wide ranging consultancy organisation that covered a diverse range of areas from space tribology to petroleum services and reactor safety testing. In 2008 *UKAEA Limited* was established to provide consultancy services particularly on nuclear power plant decommissioning.

1.1 AEA Technology plc

The *Atomic Energy Authority Act 1995*, enabled the Government to transfer the assets and liabilities of the UKAEA's commercial activities and staff to AEA Technology plc on 31 March 1996.

Details:
The company was sold on 25 September 1996 through a fixed price offer for 100% of the shares at 280p per share. By the end of the first day's trading the shares rose 16% to 324p.

Fees/Commission: £8 million (costs); £3 million (free shares to employees)

Net proceeds: £217 million

The National Audit Office was critical of the Government for appearing to undervalue the business. By February 1998 the share price had risen to 617p or 120% higher than the offer price and market capitalisation of over £500 million. However, the company was not able to maintain its success; by November 2012 it had been forced into administration and was sold to Ricardo plc for £18 million.

References:

- National Audit Office *Department of Trade and Industry. Sale of AEA Technology*, HC 618, 20 March 1998

1.2 UKAEA Limited

In April 2005 the Nuclear Decommissioning Authority (NDA) was formed to take responsibility for the UK's civil nuclear clean-up programme. UKAEA became a contractor to the NDA for the management of decommissioning and the Government approved plans to expand and compete for wider business.

UKAEA Ltd was legally separated from the UKAEA on 1 April 2008. UKAEA Limited was formed, with established expertise from the existing company, to focus on nuclear decommissioning and environmental restoration management and consultancy in the UK and international markets. Following a sale process, UKAEA Limited was sold to Babcock International Group plc on 31 October 2009 for £50 million.

2 Amersham International

Amersham International was set up in 1946 and specialised in peacetime uses for radioactive materials, including medical imaging and information technologies, medical diagnostics, patient monitoring systems, drug discovery and biopharmaceutical manufacturing technologies. It was originally called the Radiochemical Centre Limited, and its shares were held by UKAEA. The company was floated in February 1982 and was the first privatisation where the government sold 100% of the shares in a company. It was subsequently acquired by GE Healthcare in April 2004.

Date of Sale: 15 February 1982

Details:
Fixed price offer of 100% of the company. All the shares were offered for sale at a price of 142p per share which implied a market capitalisation of £71 million. The offer was 24.6 times subscribed and the share price rose sharply (188p first day closing price). The employees were allocated 1.8 million shares or 3.6% of the issued share capital. The company raised a further £7.3 million by sale of new shares at the same time.

Remaining Government Shareholding: Nil but Government retained a special share until redemption on 27July 1988.

Net Proceeds: £65.3 million (after payment of £5.7 million to company)

Reference:

- Statement on the offer for sale of shares in Amersham International HC Deb 24 February 1982 c397W

3 Associated British Ports and trust ports

The British Transport Docks Board (BTDB) was a nationalised corporation set up by the *Transport Act 1962* to operate a number of ports that had been operated by private railway companies up to 1947 and by the British Transport Commission thereafter. The BTDB operated 19 ports concentrating on freight traffic, including Hull, Grimsby, Immingham and Southampton. Under Part II of the *Transport Act 1981* the Government reconstituted the BTDB under a holding company (Associated British Ports or ABP) to prepare for a future sale.

Trust ports are set up by an Act of Parliament and controlled and administered by a self-governing independent statutory body, often known as Conservancy Boards or Harbour Commissions. By the late 1980s the Conservative Government was concerned at the lack of interest in privatisation amongst trust ports. The *Ports Act 1991* was primarily an enabling measure to assist trust ports to become limited companies with a view to subsequent voluntary privatisation. However, section 10 of the Act provided the Secretary of State with the power to compel trust ports with a turnover in excess of £5 million to form a limited company and thereafter to draw up a scheme for privatisation. Five trust ports were sold in 1992 (Tees and Hartlepool, Clyde, Forth, Medway and London) but subsequent planned privatisations were either rejected by the ports themselves or later cancelled by the Labour Government.

Towards the end of its third term Labour looked at the merits of further privatisations and the Coalition Government clarified the process for doing so, but there have been no further privatisations. The closest in recent years has been Dover, which subsequently pulled back from privatisation after significant local opposition.

Date of Sale: a**)** February 1983-April 1984 (ABP)

b) 1992 (five trust ports)

Details:

a) ABP: in February 1983 19.6 million ordinary shares were sold at 112 pence per share, including 1.7 million to employees, raising £21.95 million, plus £25 million in cash from ABP. The Government sold off its remaining 48.5% share in the company in April 1984 at 270 pence per share. Total fees and commission totalled 3 million.

b) Five trust ports were sold in 1992: together, the gross proceeds from the sales of Tees and Hartlepool, Clyde, Forth, Medway and London were £380 million, from which the Government received £169 million

Remaining Government shareholding: many trust ports remain in the public sector

Net Proceeds: £97 million (ABP) and £169 million (trust ports)

References:

- Debate on Clyde Port HC Deb 14 May 1990, cc663-664
- NAO, *The first sales of trust ports*, HC 896, 13 August 1993
- Sale of Ports: HC Deb 16 February 1983, c175W and HC Deb 21 May 1984, c336W
- HC Library note *Ports: privatisation of trust ports*, (SN10), 2 January 2013

4 British Aerospace

British Aerospace (BAe) remains the UK's main aircraft manufacturer and was originally established as a public corporation by the *Aircraft and Shipbuilding Industries Act 1977*. The *British Aerospace Act 1980* converted it into a public company whose shares were held by the Secretary of State for Industry. BAe's profits come from military aircraft and missiles and civilian aircraft, principally the various models produced by the Airbus consortium of which BAe is a major shareholder. BAe was privatised in two tranches in February 1981 and May 1985.

Date of Sales: a) February 1981
b) May 1985

Details:

c) Fixed price offer of 51.6% of company at a price of 150p a share. On 5 February 1981 up to 100 million ordinary shares were offered to the public at a price of 150p each. 3.2% of the shares were made available to employees. The Secretary of State at this stage sold 48.4% of the shareholding. Gross receipts from the sale amounted to £148.6m. After sales expenses of some £5.6 million and payments to the company of £100 million for the new shares bought by the Department, net receipts for the Government totalled £43 million. The public sale was 3.5 times subscribed. The closing price at the end of first day's trading was 171p or 14% above the offer price.

d) Fixed price offer of remaining 48.4% shareholding at 375p a share; the sale was 5.4 times subscribed and the first day closing price was 416p or 11% above the offer price.

Remaining Government Shareholding: Nil

Fees/Commissions:

a) £4.5 million
b) £9.4 million

Net Proceeds:

a) £43 million (after payment to company for new shares)
b) £346 million

References:

- Second Reading of the British Aerospace Bill HC Deb 20 November 1979 c213
- Statement on sale of remaining BAe shares HC Deb 1 May 1985 c255
- Evidence of Public Accounts Committee, HC 189, 31 March 1982
- Appropriation Account 1980-81 (Report by C & AG) HC 76-iv, 17 December 1981

5 British Airports Authority

The British Airports Authority (BAA) was established by the *Airport Authority Act 1965*, to take responsibility for four state-owned airports at Heathrow, Gatwick and Stansted and Prestwick. Subsequently, the authority acquired responsibility for Glasgow, Edinburgh and Aberdeen airports.

Twenty years later, the *Airports Act 1986* restructured the Authority into a main holding company, BAA plc, with seven separate airport companies operating London Heathrow, Gatwick and Stansted; Edinburgh; Glasgow; Aberdeen; and Southampton airports and an intermediate holding company over the four Scottish airports.

The Act provided for the Civil Aviation Authority (CAA) to act as the industry regulator. The Act gave the Secretary of State powers to: give directions to airports in the interests of national security; implement international obligations, set traffic distribution rules; set limits on air transport movements at certain airports; and require the industry regulator to draw up capacity allocation schemes. BAA plc was privatised in July 1987.

In June 2006 the Ferrovial Consortium, a Spanish construction firm, bought BAA for £10,300 million. In October 2012 BAA changed its name to Heathrow Airport Holdings Ltd, reflecting the fact that it had been forced to sell both Gatwick and Stansted and was refocusing its operations.

Date of Sale: July 1987

Details:
100% of the company was offered for sale in July 1987 by the use of a partial tender offer. 260 million shares were offered to the general public including BAA employees and pensioners, at a fixed price of 245p a share (£1 payable 16 July 1987 and £1.45 on 19 May 1988). This part of the offer was 10 times subscribed. 115 million shares were placed firm at the fixed price with institutions and a further 125 million shares were sold by tender. The minimum tender price was 282p and the average price was 290p. On the first day of trading the partly paid price was 146p against the partly paid offer price of 100p.

Remaining Government Shareholding: Nil, but the Government retained a special share requiring their written consent to changes to the Articles of Association, etc.

Fees/Commission: £20.8 million (Department of Transport)

Net Proceeds: £1,183 million [NAO Report p14]

References:

- Second Reading Debate on Airports Bill HC Deb 27 January 1986 cc691-740
- Statement on Sale of Shares: HC Deb 8 July 1987 cc l41-2W
- NAO Report *Department of Transport: Sale of Government shareholding in BAA plc*, HC 312, 8 February 1988
- Committee of Public Accounts *Sale of Government shareholdings in British Gas plc, British Airways plc, Rolls Royce plc and BAA plc* HC 211, 4 July 1988
- The Guardian, *Ferrovial lands BAA with final offer of £10.3bn*,7 June 2006
- Library note *Aviation: London Heathrow Airport*, (SN/BTS 01136), 14 January 2014

6 British Airways

British Airways (BA) was earmarked for early privatisation by the Conservative Government after 1979. The *Civil Aviation Act 1980* converted BA from a public corporation into a limited liability company whose shares were held by the Secretary of State for Trade. Ultimately, BA was not privatised until 1987, due to a delay caused by legal action over the liquidation of Laker Airways (which also allowed time for the company to become profitable).

In 2010 BA merged with Iberia Airlines and became part of the International Airlines Group.

Date of Sale: February 1987

Details:
Fixed price offer of 100% of company at 125p a share in two instalments of 65p and 60p. 20% of the issue was allocated to overseas investors and 45% to City institutions. Up to 10% of the rest was set aside for employees. The offer was 32 times subscribed and in accordance with the offer for sale arrangements the claw back mechanism was triggered and shares placed with institutions and overseas were reduced by approximately 20% and added to the UK public offer, leaving the offer 23 times subscribed. On the first day of trading (11 February) the share price closed at 109p (partly paid) or 69% higher than the partly paid offer price.

Remaining Government Shareholdings: Nil

Fees/Commissions: (UK offer only) £15.2 million

Net Proceeds: £850 million (NAO report p14)

References:

- Civil Aviation Bill: Second Reading HC Deb 19 November1979 cc361-70
- Statement - British Airways: Sale of Shares HL Deb 13 October 1980 c865
- NAO Report Department of Transport: *Sale of Government shareholdings in British Airways plc*, HC 37, 8 July 1987
- Committee of Public Accounts *Sale of Government shareholdings in British Gas plc, British Airways plc, Rolls Royce plc and BAA plc* HC 211, 4 July 1988

Sale of British Airways Subsidiaries, including:

(i) International Aeradio, an aviation communications subsidiary, was sold in March 1983 to Standard Telephone and Cable (STC), for which BA received £60 million. The company was later resold to British Telecom.

(ii) British Airways Helicopters, the BA helicopter fleet, was sold in September 1986 to SDR Holdings, a company jointly owned by Scottish Daily Record, Sunday Mail and Robert Maxwell. The gross proceeds of £13.5 million were retained by BA.

7 British Coal

The *British Coal and British Rail (Transfer Proposals) Act 1993* was passed in January 1993 to prepare the way for privatisation and allow British Coal to play a full role in preparation for privatisation.

The *Coal Industry Act 1994* was passed in July 1994, establishing the Coal Authority. The Authority was given responsibility for issuing coal mining licences and for making the sale of coal mines attractive to investors. In order to achieve this it took on many of the historic liabilities of coal mines (principally dealing with subsidence and ill-health compensation to coal miners) and wrote off the debt of British Coal.

Coal mines were packaged into a series of regional groups, with a view to a trade sale. Contacts for the sale of coal to the newly privatised power generating companies were also negotiated.

Date of sale: December 1994

Details:
In December 1994, three English regional packages were sold to RJB Mining. The South Wales package was sold to Celtic Energy. The Scotland package was sold to Mining (Scotland) Ltd. The remaining mines and properties of British Coal were sold by March 1995.

Remaining Government shareholding: Nil

Fees/ Commissions: £35 million

Net proceeds: £955 million

References:

- Second Reading Debate British Coal and British Rail (Transfer Proposals) Bill HC Deb 18 May 1992 cc22-115.
- Second Reading Debate Coal Industry Bill HC Deb 18 January 1994 cc711-800
- White Paper *The Prospects for Coal*, Cm 2235, 25 March 1993
- NAO report *Sale of the mining operations of the British Coal Corporation*, HC 360, 1 May 1996

8 British Energy

The Government had originally intended that the UK's nuclear power stations should be included in the sale of National Power and the two Scottish electricity companies (see Electricity Supply Industry section 23). But uncertainties, particularly over the costs of treating and disposing of spent nuclear fuel and decommissioning of nuclear power stations, led to their withdrawal from these sales and the establishment of two state-owned companies – Nuclear Electric Ltd and Scottish Nuclear Ltd.

Later the Government restructured the two nuclear companies into a business to be privatised – British Energy – and a continuing state-owned nuclear generator – Magnox Electric. British Energy was to own and operate the more modern advanced gas-cooled reactors and the more recent pressurised-water reactor. Magnox Electric would own and operate the much older magnox reactors.

It was intended that British Energy should be able to fund all its nuclear liabilities and operate as a profitable business competing in the British electricity market. Arrangements were designed to reassure investors that nuclear liabilities could be managed. In practice, international obligations undertaken by the Government meant that the State would have to meet the costs of these obligations if no other party were able to fulfil them.

In September 2002 British Energy declared that it was no longer able to meet its liabilities. In October 2003 British Energy formally agreed a restructuring deal with its key creditors. The Government obtained a financial interest in the business once again in 2005. In June 2007, it reduced its interest from 65% to 36% in a sale to institutional investors, raising £2,300 million at 520p per share. The remaining shares were sold in January 2009 to the French company EDF at 774p a share raising £4,400 million. Centrica took a 20% stake shortly after.

Date of Sale: 15 July 1996

Details:
British Energy was sold with a fixed price offer for 100% of the shares at 105p per share. In the event only 88.5% were sold as the share price on the first day of trading dropped below the offer price and closed at 94p. The remaining shares were sold in a subsequent placing by the Treasury after the share price had recovered.

Remaining Government shareholding: Nil but with retention of a special share until September 2006

Net Proceeds: £1,388 million

References:
- Statements by the Secretary of State for Energy withdrawing the Magnox and AGR stations from privatisation HC Deb 24 July 1989 cc746-59 and HC Deb 09 November 1989 cc1171-9
- Statement by the Secretary of State for Scotland withdrawing the AGRs from privatisation HC Deb 09 November 1989 cc1180-8
- National Audit Office: *Department of Trade and Industry: sale of British Energy*, HC 694, 8 May 1998
- Public Accounts Committee *The Restructuring of British Energy,* HC 892, 9 July 2007
- National Audit Office *The sale of the Government's interest in British Energy*, HC 215, 22 January 2010

9 British Gas

The Gas Act 1986 made arrangements for the privatisation of British Gas Corporation. The principal share sale arrangements were similar to those for British Telecom in 1984, with a public sale of shares and an employee share scheme together with a regulatory authority (Ofgas) established by statute to enforce the terms of the licence conditions under which the industry can operate. On 1 April 1986, British Gas plc was incorporated as a public limited company and the property, rights and liabilities of the Corporation were transferred to the new company.

Subsequently British Gas plc has been split into three major listed companies in various stages – Centrica plc (which includes the original British Gas trading activities in the UK); BG Group (which includes exploration and production in the UK and overseas) and National Grid (which includes the original gas transmission and gas distribution activities in the UK). In recognition of the changing energy market, the regulatory body (Ofgas) was merged with that of the electricity industry (Offer) to form the Office of Gas and Electricity Markets (Ofgem) in November 2000.

This was, and remains, the largest single sale of a previously state-owned company in the UK in terms of net proceeds and the number of initial shareholders.

Date of Sale: December 1986

Details:
Fixed price offer for 100% of the shares. Following a long and sustained marketing campaign ("Tell Sid…"), 4,025 million of the 4,150 million ordinary shares were offered for sale, the remaining 125 million shares being retained to meet the requirement for bonus shares and the employee/pensioner offers. The share price was fixed at 135p payable in three instalments and the offer was four times subscribed. The proceeds of the sale were £5,590 million after taking into account the employee offers and the premium from the sale of retained shares. The total proceeds, including the debt of £2,500 million introduced, were £8,091 million. On 8 December 1986, the first day of trading, shares ended the day at 62.5p a premium of 12.5p on the partly paid price of 50p.

Remaining Government Shareholding: Nil but there was special share (later rescinded)

Fees/Commission: £79 million [NAO Report p18]

Net Proceeds: £7,731 million [NAO Report p18]

References:

- Second Reading of the Gas Bill HC Deb 10 December 1985 c767-853
- Statement on Sale of Shares 8 December 1986 HC Deb c7W
- National Audit Office *Department of Energy: Sale of Government shareholding in British Gas plc,* HC 22, June 1987
- Committee of Public Accounts *Sale of Government shareholdings in British Gas plc, British Airways plc, Rolls Royce plc and BAA plc* HC 211, 4 July 1988.

Sale of Subsidiaries: BGC's onshore oil field in Southern England (Wytch Farm) was sold to a group of bidders in May 1984. The initial proceeds of £82 million were retained by BGC.

10 British Leyland

British Leyland (BL) was never technically a nationalised company. The Government held 99.7% of shares in the company, acquired in December 1974 as part of a rescue package. This meant that parts of the business could be privatised without specific legislation. Significant sales of BL subsidiaries included:

- Jaguar: luxury car maker. Sold in July 1984 as a fixed price share offer of 100% of the company. The sale raised £295 million for BL. Jaguar was independent until 1990 when it was acquired by Ford.

- Unipart: parts supplier to BL. Management/employee buy-out of 75% of company in January 1987 which raised £30 million for BL.

In 1986, BL was renamed Rover Group, and in March 1988, details of an agreement for BAe to purchase Rover Group were announced (BAe had been granted exclusive negotiating rights so were the only potential buyer involved in the negotiations). The Government provided £800 million of funding to restructure the Group's debts. The Government also reduced the Group's tax losses by £1,100 million, leaving £500 million to be claimed by the Exchequer in the future. BAe paid the Government £150 million for 100% of the Government's shareholding. BAe agreed not to sell Rover or Land Rover for five years.

The National Audit Office subsequently criticised this arrangement as not delivering good value to taxpayers, arguing that the Government could have negotiated a higher price for its shares in the Rover Group.

In May 1993, the European Commission ruled that the sale of Rover Group to BAe constituted illegal State Aid. BAe was forced to pay the British Government £57.6 million (£24.2 million was the estimated value of the Aid received by BAe and £33.4 million in interest on this Aid between 1988 and 1993).

Rover Group was sold to BMW in 1994. The Group was broken up in 2000 with Ford acquiring Land Rover. The remainder of the Group was acquired by Tata Motors in 2005.

Rover Group: Date of Sale: March 1988

Details:
A private sale in which BAe bought 100% of the Government's holding in the Rover Group for £150 million after an exclusive negotiation. The Government restructured the Group's debt and reduced its taxable losses at a cost to the Government of around £1,900 million.

References:

- Statement of sale: HC Deb 29 March 1988, cc885-901 (statement of sale)
- National Audit Office, *Sale of Rover Group Plc to British Aerospace Plc*, 21 November 1989, HC9
- Parliamentary Question on EC State Aid ruling: HC Deb 26 May 1993 cc580-1W

11 British Nuclear Fuels Limited (BNFL)

The company was set up in April 1971 under the *Atomic Energy Authority Act 1971* to take over the nuclear fuel production and reprocessing activities of the UK Atomic Energy Authority (UKAEA). It was intended that the company should operate in a similar way to companies in the private sector and that the more detailed controls appropriate to a nationalised industry should not apply.

In 1996, BNFL took over the assets and liabilities of Magnox Electric plc, the state-owned nuclear power company that operated the older nuclear power plants and was set up following the sale of British Energy plc. (see British Energy section 8) In 1999 BNFL acquired the US company Westinghouse to enable it to also compete in the US market.

In 2004, the Government decided to re-organise its management of the nuclear industry and in particular recognise the growing importance (and costs) of decommissioning nuclear facilities as the nuclear plants in its ownership reached the end of their economic life.

To manage its interests, the Government established the Nuclear Decommissioning Authority (NDA) under the *Energy Act 2004*. The NDA took over responsibility for the assets and liabilities of BNFL on 1 April 2005. In turn, BNFL created the British Nuclear Group (BNG) to provide operational and decommissioning services to the NDA.

The Westinghouse part of BNFL was sold to the Japanese company Toshiba for £3,000 million on 16 October 2006. Private sector companies took over the decommissioning and other responsibilities from BNFL in 2007 and 2008.

BNFL was wound up in October 2010 as part of the review of Non-Departmental Public bodies.

References:

- Public Accounts Committee *Monitoring and Control of BNFL plc* HC 331 17 July 1989
- Trade and Industry Committee *The work of the NDA and UKAEA*, HC 1028, 18 July 2006
- National Audit Office *The Shareholder Executive and the Public Sector Businesses*. HC 255, 26 February 2007

12 British Petroleum

In May 1914, the Government (on the initiative of Winston Churchill as First Lord of the Admiralty) invested £2.2 million in the Anglo-Persian Oil Company (later renamed British Petroleum – BP) and acquired an estimated 55% of the shares. The Government gave assurances at the time that it would not use its majority shareholding to influence BP's policy.

In December 1974, as part of the Government's rescue of the Burmah Oil Company, the Bank of England bought a further 20% of BP shares. BP was never technically nationalised, meaning that the Government could sell shares at any time without specific legislation.

In 1977, the Government sold 17% of its holdings as part of the measures to meet the requirements of the IMF loan to the UK.

The Government sold the remainder of its shares in 4 stages between 1979 and 1987.

Dates of Sales:

a) June 1977
b) October 1979
c) June 1981
d) September 1983
e) October 1987

Details:

a) Fixed price offer of 17% of Government holdings at 845p a share.
b) Fixed price offer of 5% of Government holdings at 363p a share.
c) Sale of Government rights in a rights issue amounting to 6% of holdings.
d) Tender offer of 7% of holdings and 405p a share, strike price of 435p.
e) UK fixed price offer and international tender offer of remaining 32% of the holdings at 330p a share. The offer for sale was concluded a week after the 1987 Stock Market crash. As a result, applications were made for only 71 million shares with a further 2,055 million shares having to be taken up by underwriters.

Remaining Government Shareholding: Nil

Net Proceeds:

a) £560 million
b) £276 million
c) £8 million
d) £543 million
e) £5,504 million

References:

- Statement on sale of shares HC Deb 14 June 1977 cc141-2W
- Committee of Public Accounts 10th Report *Department of Industry: Sale of shares in British Aerospace, other publicly owned companies and British Petroleum Ltd*, HC 189 31 March 1982
- Statement by the Chancellor of the Exchequer HC Deb 29 October 1987 c540
- Statement on sale of BP shares HC Deb 3 November 1987 c687W

13 British Rail

British Rail (BR) was a public corporation established under section 1 of the *Transport Act 1962* as a successor to the rail and shipping activities of the British Transport Commission. The British Rail Board operated passenger and freight services within Great Britain and was almost entirely vertically integrated, that is to say it owned its own trains, infrastructure and carried out almost all track and train maintenance itself.

In July 1992 the Government published its White Paper outlining proposals for privatising BR. The core of the Government's proposals was the greater involvement of the private sector in the running of the railways through the sale of some of the BR businesses and the progressive contracting out of the management of passenger services. The principal organisational means of achieving these objectives was the separation of responsibilities for track and operations.

The *Railways Act 1993* received Royal Assent on 5 November 1993. Part I set out the respective powers and duties of the Secretary of State, the regulator and the Franchise Director. It also specified line closure procedures, conferred upon the High Court powers to issue Railway Administration Orders in the event of default by independent railway operators, and established machinery for consumer representation. Part II related to the Secretary of State's powers to direct BR to reorganise itself and to form companies for various purposes, including franchising and disposal. Part III of the Act contained miscellaneous provisions relating to safety, railway heritage, the British Transport Police, pensions, freight, financial assistance to BR staff in the preparation of management buy-outs or franchise bids, and other matters.

Dates of Sale: 1 April 1994 to 1 April 1997

Details: BR was a complex privatisation as it involved breaking up track, services and trains into separate companies:

- The **infrastructure** (primarily track and stations), rebranded 'Railtrack', was sold to the private sector on 20 May 1996 at 380 pence per share. It raised approximately £1.7 billion. The costs of the privatisation (e.g. fees and commissions) totalled £42.5 million.

- **Passenger services** were restructured into 25 train operating companies (TOCs) which were then offered for sale as separate franchises. The successful bidder acquired the TOC outright for a fixed number of years. The first franchises, South West Trains and Great Western, were awarded on 19 and 20 December 1995 and the first privatised services started operating on 4 February 1996. The last franchise to be agreed was ScotRail, which started operating in private hands on 1 April 1997. There was no 'profit' as such from the franchising process but reports at the time considered that they represented "a significant cut in subsidy" based on the 'year one' figures.

- The **train holdings** were split into three rolling stock companies (ROSCOs) – Angel Trains, Eversholt and Porterbrook – to lease rolling stock to the new railway operators. The actual sale price payable by the purchasers was approximately £1.8 billion but some £800 million was also paid to the Government in cash as dividends from the ROSCOs before the sale.

- **Freight** operations were restructured into three companies of comparable size based on geographical regions, but when it came to sell the companies, bidders preferred to buy all three as one entity. The combined sale, along with Rail Express Systems and Freightliner raised a total of approximately £255 million. Railfreight Distribution, which operates through the Channel Tunnel, was sold later at a cost of approximately £242 million.[1]

Net Proceeds: It is difficult to put a figure on the full proceeds from rail privatisation, in large part because of the complex nature of the franchise arrangements for passenger services but also, later, because of the collapse of Railtrack and ongoing debates about how to measure subsidy in the rail sector against any financial investment by private companies. That said, on the contemporary figures given above, based solely on the sale of the track and trains, it raised somewhere in the region of £2.5 billion.

References:

- DoT, *New opportunities for the railways: the privatisation of British Rail*, Cm 2012, July 1992. See Ministerial statement, HC Deb 14 July 1992, cc971-72; and relevant debates HC Deb 29 October 1992, cc1160-1222; HC Deb 12 January 1993, cc771-869
- Railtrack sale Ministerial Statement: HC Deb 20 May 1996, cc36-37W; Railtrack costs HC Deb 20 May 1996, cc36-37W; NAO, *The Flotation of Railtrack,* 1998/99, HC 25
- TOCs costs: HC Deb 31 October 1996, cc241-2W; HC Deb 13 January 1997, cc118-9W; and: HC Deb 27 February 1997, cc294-5W
- NAO, *Privatisation of the rolling stock leasing companies* 1997-98 HC 576
- Freight sale details: HC Deb 20 March 1997, c765W; HL Deb 12 January 1998, c130WA

Further reading: briefing notes on rail privatisation, freight, passenger services, Railtrack and its subsequent demise can be found on the Railways topical page of the Parliament website.

[1] Railfreight Distribution was a heavily loss making business with significant liabilities and no prospect in the medium term of making profits. For this reason the sale terms provided for BR to make net payments, with a present value of up to £242 million over the eight years to 2005 instead of receiving a financial benefit from the sale

14 British Shipbuilders and Harland and Wolff

In 1950 42% of the world's new ships were built in British yards, by 1978 this had shrunk to less than 5% in the face of growing foreign competition. British Shipbuilders (BS) was established by the *Aircraft and Shipbuilding Industries Act 1977* as a public corporation incorporating 27 companies involved in shipbuilding, ship repair and marine engineering.

The *British Shipbuilders Act 1983* allowed the Secretary of State to direct the corporation to set up subsidiary companies and to privatise them. The warship yards were traditionally the most profitable though defence cuts and reduced orders from the Ministry of Defence put increased financial pressure on these yards.

BS privatised all the yards that it originally operated as follows:

- The warship yards were sold between May 1985 and March 1986 through four management and employee buyouts and two trade sales. Proceeds were £54 million
- The ship repair yards were sold between February 1984 and September 1985 through two management buyouts and one trade sale
- Five other operating subsidiaries were sold between June 1988 and April 1989 through two management buyouts and three trade sales

The proceeds from these sales were retained by British Shipbuilders.

While BS has completed the tasks it was directed to undertake, the Secretary of State does not have the powers under the Act to wind up the company. Following consultation, this will be done through an Order under the Public Bodies Act 2011.

Harland and Wolff

The Harland and Wolff shipbuilders business was sold through a management-led buy out to a new company set up by the management and employees, backed by Fred Olsen. The sale was completed on 8 September 1989. The new company had to raise £15 million to ensure its success, while the Government agreed to write off debts and provide a refinancing package.

The government continues to have responsibility for some liabilities in the residual company which is no longer trading.

Reference:

PQ on sale of Harland and Wolff: HC Deb 30 January 1990 c102W

15 British Steel Corporation

The UK steel industry moved between public and private sectors at intervals after 1945. In 1949 it was nationalised; from 1953 it was largely de-nationalised and from 1967 the majority of it was re-nationalised when some 14 of the major UK steel producers were formed into the British Steel Corporation (BSC). In the 1970s BSC invested heavily to replace obsolescent plant and expand capacity. It incurred heavy financial losses and the Government provided substantial support over several years; it only returned to profitability in the mid-1980s.

On December 3 1987 the Government announced that BSC would be returned to the private sector within two years. The *British Steel Act 1988* was the first stage of the privatisation process, transferring assets and liabilities of BSC to a limited liability company with all the shares owned by the Secretary of State. The balance sheet of the company was restructured as part of the preparation for flotation which was completed in November 1988.

Date of Sale: November 1988

Details:
Fixed price sale for 100% of the shares on offer at 125p per share payable in two instalments of 60p and 65p. Total capitalisation of the company was £2,500m. The offer was 3.3 times subscribed with over half a million applications from private investors. There was an employee share offer of free shares and preferential application terms (the number of employee shares was not published). The closing price on the first day of trading on 5 December 1988 was 62.75p or about 5% above the partly paid price of 60p.

Remaining Government Shareholding: Nil

Fees/Commission: £45.5m [NAO report p17]

Net proceeds: £2,437 million [NAO report p17]

References:

- Second Reading debate on British Steel Bill HC Deb 23 February 1988 cc169-246
- NAO Report *Department of Trade and Industry: Sale of Government shareholding in British Steel plc,* HC 210, 8 February 1990
- Statements on the sale of British Steel HC Deb 12 January 1989 c722W and HC Deb 8 November 1989 c649W

16 British Sugar Corporation

The Government originally acquired a 15% shareholding in the British Sugar Corporation which had been established by the *Sugar Industry (Re-organisation) Act 1936* to manage the entire UK sugar beet crop. The government also had certain powers to direct the policies of the company and to appoint three directors including the chairman. These provisions were re-enacted in the *Sugar Act 1956* which created the Sugar Board and which guaranteed the sugar price for growers, both in the UK and Commonwealth.

In 1964, after a major financial re-organisation, the Sugar Board acquired 25% of the Corporation's capital while the Treasury Solicitor retained a shareholding of 11.25%, giving a total government shareholding of 36.25%. After entry to the European Economic Community in 1973, the Sugar Board's shareholding passed to the Ministry of Agriculture. There was a rights issue by the Corporation in 1977 in which the Government sold its rights to buy any more shares; as a result its shareholding fell to 24.1%.

In 1980 private company S & W Berisford announced a takeover bid for the whole of British Sugar, including the Government shareholding. The bid was referred to the Monopolies and Mergers Commission which allowed it to go ahead in 1981, subject to certain conditions. The takeover was completed in August 1982.

Subsequently, Associated British Foods bought the company in 1991.

Date of Sale: 22 July 1981

Residual Government Shareholding: Nil

Fees and Commission: £34,950 in fees and £60,207 in commissions**.**

Net proceeds: £44 million

References:

- Monopolies and Mergers Commission *S&W Berisford Limited and British Sugar Corporation Limited* HC 241 25 March 1981
- Statement on sale of British Sugar Corporation HC Deb 27 April 1981 cc336-8W
- Statement on fees, etc HC Deb 30 November 1981 c6W
- Statement on asset sales HC Deb 11 May 1982 vol 23 c214W

17 British Technology Group

The British Technology Group (BTG) was formed in 1981 by combining the National Research Development Corporation (NRDC) and the National Enterprise Board (NEB). Its purpose was to ensure successful technology transfer from institutions to the commercial world. NEB in particular owned a large number of private sector technology companies. In the early 1980s, the BTG divest itself of holdings in many smaller companies. The most important of these privatisations were:

- INMOS: an integrated circuit manufacturer. 75% of shares sold on 4 July 1984 to Thorn EMI, for £95 million.
- Data Recording Instruments (DRI): a computer peripheral manufacturer. 65% of shares were sold in August 1983 for £14 million.

The *British Technology Group Act 1991* made provision for the privatisation of the rest of BTG.

Date of Sale: March 1992

Details:
Management-led buy-out, including a consortium of investment funds, universities and individuals. Initial proceeds were £28 million, with shares divided so that 26% went to employees, and other members of the consortium receiving no more than 15% of shares each. The Government retained a special share which entitled it to further proceeds should BTG's revenues have exceeded a specified level before 1997.

Remaining Government Shareholding: Nil, but with special share retained until 1997.

Net Proceeds: £28 million

References:

- PQ: HC Deb 11 March 1992 C559-60W
- PQ: HC Deb 15 April 1993 c716W
- 2nd Reading Debate of British Technology Group Bill: HC Deb 12 February 1991 cc735-789

18 British Waterways

British Waterways was not a traditional privatisation as its successor is still funded by the Government but its responsibilities have been transferred to a charitable trust. British Waterways was a public corporation with a statutory responsibility for operating and maintaining the waterways under the *Transport Act 1962*. Its network consisted of 2,700 km of canals and 500 km of navigable rivers, 1,657 locks and 2,664 listed buildings. Its waterways received an average of 285 million visits each year. British Waterways was required to maintain the waterways in a suitable condition for craft which use them and this duty was enforceable by the courts.

The use of the waterways has changed considerably over many decades from being principally a means for carrying freight to being a leisure asset and amenity. As a public corporation, British Waterways was constrained by statute in the income it could generate, money it could borrow and the services it could provide.

Rather than privatise the corporation and create a private entity to own and operate the waterways, the Government chose to transfer the assets and statutory functions of the corporation to a charitable trust by means of the *British Waterways Board (Transfer of Functions) Order 2012*. The intention was to increase local management and funding of the waterways.

The Canal and River Trust (CRT) was established on 2 July 2012. It took over the canals and waterways in England and Wales. The Waterways Infrastructure Trust Settlement was also signed on 28 June 2012. This ensures that the canals and rivers cannot be sold and that free pedestrian access to the towpaths is maintained. In Scotland, British Waterways continues as before and was renamed Scottish Canals.

The government has agreed a long term funding agreement with CRT for £800 million over a 15-year term. This includes:

- a core grant of £39 million per year (index-linked to inflation from 2015/16 onwards)
- from 2015/16 an additional grant of £10 million per year (reduced gradually over the last 5 years of the grant agreement)

This is conditional on CRT's performance against 3 standards relating to: asset condition, towpath condition and flood risk management measures.

The £460 million commercial property portfolio was transferred to CRT. The Government also provided support towards the staff pension deficit. A review will take place in 2021/22 to examine the case for the Government's funding of the waterways beyond 2026/27.

References:

- Impact assessment *Moving the British Waterways network in England and Wales into civil society*, February 2012
- Statement on Canal and River Trust and Environment Agency HC Deb 3 July 2013 c 53WS

19 Britoil

Britoil was the oil exploration and producing part of the British National Oil Corporation (BNOC). BNOC was originally set up as a public corporation by the *Petroleum and Submarine Pipelines Act 1975* to ensure the Government had a stake in every oil and gas development in the UK. Under the *Oil and Gas (Enterprise) Act 1982,* BNOC was divided so that the trading part, called BNOC, remained nationalised but the oil exploration and production part was formed into Britoil as a limited liability company.

The Government sold off 51% of its shares in Britoil in November 1982. The issue was considerably under-subscribed. The loss was carried by the underwriters. In July 1985 the Government minority shareholding in Britoil was sold for £434m.

With the *Oil and Pipeline Act 1985,* the Government wound up BNOC and replaced it by a small Oil and Pipeline Agency.

On 1 February 1988, the Chancellor of the Exchequer announced that since BP had acquired a majority of Britoil's ordinary shares the Government would discuss with the two companies how they would use the special share. On 23 February 1988 the Chancellor announced various assurances he had received from BP (HC Deb 23 February 1988 c149). On 20 July 1990 the Minister of State at the Department of Energy made a statement announcing that the special share would be immediately redeemed.

Dates of Sales: a) November 1982
b) August 1985

Details:

a) 51% of the company was sold by tender offer at 215p per share (striking price 215p). The issue was underwritten at a price of 215p per share. In the event the issue was considerably undersubscribed. Applications were received in respect of about 70 million shares and the balance, some 185 million shares, were taken up at the same price by the underwriters and sub-underwriters, who consisted of some 500 pension funds, life offices and other investing institutions. Around half a million shares (or about 0.2% of all shares) went to employees.

b) Fixed price offer of remaining 49% of company at 185p a share.

Remaining Government Shareholding: Nil

Net Proceeds: a) £627 million
b) £426 million

References:

- Oil and Gas (Enterprise) Bill: Second Reading (HC Deb 19 January 1982 cc169-247)
- Statement on the outcome of the offer of shares in Britoil (HC Deb 22 November 1982 c596)
- Statement on redemption of special share (HC Deb 20 July 1990 cc1305-6)

20 British Telecom

The *British Telecommunication Act 1981* divided the Post Office Corporation into British Telecommunications (BT) and the Post Office and allowed for some limited relaxation of the monopoly previously enjoyed by both. The *Telecommunications Act 1984* made provision for BT to be privatised, for its monopoly over telephone services to be removed and for the setting up of the industry regulator – the Office of Telecommunications (Oftel). BT was privatised in three tranches in November 1984, December 1991 and July 1993.

Dates of Sale: (a) November 1984
(b) December 1991
(c) July 1993

Details:
a) Fixed price offer of 50% of the company at 130p a share. 3,012 million shares were floated on 16 November 1984. Up to 10% of the shares were reserved for eligible employees. Shareholders paid in three instalments, 50p immediately, 40p in June 1985 and 40p in April 1986. At the closing of the first day of trading on 3 December 1984, the partly paid shares were 93p or 33% higher than the offer price.

b) Offer of up to 21% (subject to increase) of company in a combined public offer and International Tender offer of 1,600 million shares. The outcome was the sale of 26% of the company at a strike price of 350p per share (or 335p per share for those sold in public offer).

c) Sale of the remaining 22% of shares. The price for interim rights purchased in the United Kingdom public offer was 410p per share, comprising 150p paid on successful application, 140p to be paid by 1 March 1994 and 120p to be paid by 11 October 1994. The price for shares purchased in the international offer was 420p per share, comprising 160p paid on successful application, 140p to be paid by 1 March 1994 and 120p to be paid by 11 October 1994. Institutional investors were allocated 40% of the available shares, with 60% being taken by the UK public offer.

Residual Government Shareholding: Nil

Fees/Commission: a) £98 million
b) £107 million

Gross proceeds: a) £3,916 million
b) £5,430 million
c) £4,976 million

References:

- Second Reading debate on Telecommunications Bill HC Deb 18 July 1983 cc26-108
- Statement on sale of shares in BT HC Deb 2 May 1984 cc 353-361
- Statement on sale of BT HC Deb 16 November 1984 cc 915-922
- NAO Report *Department of Trade and Industry: Sale of Government shareholding in British Telecommunications plc*, HC 495 9 July 1985
- HM Treasury Guide to the *UK Privatisation Programme* June 1992
- Statements on 1991 Sale HC Deb 9 December 1991 c299W and 14 Jan 1992 c543W
- Statement on 1993 Sale HC Deb 19 July 1993 c30W

21 Buses

The Conservative Government that came to power in 1979 was very strongly in favour of bringing private investment and management into public transport. It argued that this would improve the passenger experience by making buses and trains more efficient. The Government was committed to reductions in public expenditure and an increased role for commercial objectives, it therefore developed policies to reduce subsidies to buses, to reduce the role of local government in planning and controlling bus systems and to increase competition between bus companies. It decided that the way to deal with the decline in bus services, rising costs and increasing subsidies was to deregulate the industry and allow services to be subject to competition.

Legislation to deregulate the industry outside London was introduced in the *Transport Acts* of 1980 and 1985. The former dealt with express coach services and the latter with the traditional, 'local' bus service.

Dates of Sale: 1988 to 1995

Details:
Part III of the *Transport Act 1985* required the sale of the National Bus Company (NBC) subsidiaries to the private sector. The company reorganised its services into 72 separate companies and these were all sold to the private sector or to management and/or employee buy-outs by April 1988. Forty of the companies were bought by management or employee teams and many of the sales included provision for employee share schemes or profit-sharing schemes.

Section 75 of the Act gave local authorities the power to dispose of their bus undertakings, subject to the Secretary of State's approval. Portsmouth City Council was the first municipal bus company to sell its bus operation in June 1988 and by 1997 only about seven per cent of passenger services were attributable to the municipal bus companies.

London Transport sold its 10 bus companies between September 1994 and January 1995 under the *London Regional Transport Act 1984*.

Sale of the Scottish Bus Group (SBG) was concluded in October 1991.

Net Proceeds: Gross proceeds of the NBC privatisation amounted to £323 million, resulting in a net surplus to the Government of £89 million after all debts and privatisation expenses had been accounted for. The 10 London bus companies were sold for £233 million (£218 million net). The Scottish Bus Group (SBG) was sold for £90 million.

References:

- Department of Transport, *Buses*, Cmnd 9300, July 1984, (paras 1.4-1.6)
- Statement on National Bus Company HC Deb 18 April 1988, cc355-57W
- Statement on Municipal bus companies HC Deb 28 November 1997, cc691-92W
- Statement on sale of assets of National Bus Company HC Deb 25 January 1989, c575W
- National Audit Office, *The sale of London Transport's bus operating companies*, HC 29, 14 December 1995, (paras 2.41 & 2.43)
- National Audit Office, *Sale of the Scottish Bus Group,* HC 884, 23 July 1993
- Library note *Buses: deregulation in the 1980s*, (SN/BTS 01534), 18 June 2010

22 Cable & Wireless

Cable & Wireless was established in 1946 under the Companies Act but with all the shares owned by the Government and was technically not a nationalised corporation meaning that the Government did not require legislation to sell shares in the company. In April 1950, almost all its UK assets were transferred to the Post Office leaving the Group supplying telecommunications services and facilities almost entirely overseas. The Group's main business was the provision and operation of the public telecommunications services in 30 separate countries and territories under the franchises granted to it by the various overseas Governments concerned.

There was concern expressed by some overseas governments at the prospect of a privatised Cable & Wireless, so the Government decided that it would only sell 49.4% of its holdings in the first instance in October 1981. By demonstrating that a privatised Cable & Wireless posed no real threat, there was little opposition to the subsequent share sales in 1983 and 1985.

Also in 1981, Cable & Wireless formed a consortium along with British Petroleum and Barclays Merchant Bank to set up a new telecommunications company in the UK – Mercury Communications. Barclays and BP later sold their stakes leaving Cable and Wireless as the sole owner. Mercury was chosen as the initial competitor to British Telecom when the latter was privatised in 1984.

Dates of Sales: a) October 1981**;** b) December 1983**;** c) December 1985

Details:
a) Fixed price offer of 49.4%of the company at 168p a share; the issue was 5.6 times subscribed (later a 1 for 2 scrip issue of new shares in February 1983 reduced the Government's shareholding further from 50.6% to 45%)

b) A tender offer of 22.3% of this share of the company was made at 275p a share (striking price 275p), the issue was 30% under-subscribed

c) The remaining 22.7% of the company was sold by fixed price offer of 587p a share.

Remaining Government Shareholding: Nil

Fees/Commission: a) £5.3 million; b) £5.0 million; c) £10.3 million

Net Proceeds:

a) £181 million
b) £263 million
c) £577 million

References:

- Statement on sale of shares in Cable & Wireless HL Deb 25 November 1981 c757
- Statement on sale of second tranche of shares in Cable & Wireless HC Deb 14 December 1983 c450W
- Statement on sale of final tranche of shares in Cable & Wireless HC Deb 3 December 1985 c175W

23 Electricity Supply Industry

The privatisation of the electricity industry was the first time, internationally, that an attempt had been made to privatise a complete electricity system.

The Government was determined to create a competitive market framework for electricity supply to consumers prior to privatisation (rather than later); this was to be achieved principally through a substantial restructuring of the industry. This involved separating the ownership and operation of the transmission and distribution network from that of power generation together with the establishment of separate and competing generating companies and allowing electricity consumers to buy their electricity from any supplier. This was in contrast to British Gas which was not restructured before privatisation in 1986 and where full competition for all consumers was not established until 1996.

Before privatisation, the industry was organized in three separate systems that covered England and Wales, Scotland and Northern Ireland.

The *Electricity Act 1989* provided the framework for the restructuring and privatisation of the electricity supply industry in England and Wales and Scotland together with the establishment of the industry regulator, the Office of Electricity Regulation (OFFER).

In Northern Ireland, the Government used *The Electricity (Northern Ireland) Order 1992* for restructuring and privatisation. It also created a separate regulator in Belfast (Ofreg).

In the years since privatisation of the industry there has been considerable restructuring and consolidation. As a result six energy companies – Centrica plc, EDF Energy, RWE, SSE, Scottish Power and npower – now dominate the industry in England, Wales and Scotland. These companies have merged power generation, distribution networks and the supply businesses of the original companies and all now supply gas as well as electricity. In recognition of the changing energy market, the two original regulatory bodies were merged to form the Office of Gas and Electricity Markets (Ofgem) in November 2000.

National Grid was listed as a separate company on 11 December 1995 and eventually merged with the gas transmission and gas distribution networks from British Gas on 22 October 2002.

23.1 England and Wales

On 1 April 1990, the electricity industry in England and Wales was restructured.

The Central Electricity Generating Board (CEGB) was replaced by: Nuclear Electric plc, which remained a state-owned company operating the CEGB's nuclear plants (see British Energy section 8); two new companies, National Power and PowerGen, which were to be privatised and were vested with the CEGB's oil and coal power plants; and GridCo, a company which was to operate the National Grid and was to be owned by the 12 regional electricity companies (RECs).

Twelve regional electricity companies (RECs) replaced the previous Area Boards. The RECs would purchase electricity from power generators via the newly created Electricity Pool, distribute it and sell it to consumers; the 12 RECs were each restricted to owning no more than 15% of their power generation requirements; the rest had to be bought from other generators.

There were special arrangements to require the distribution companies to purchase all the output from Nuclear Electric and pay for it through a Fossil Fuel Levy; there were also special arrangements to buy certain tonnages from the coal industry.

Details:
a) The twelve RECs were sold in December 1990. Fixed price offer for 100% of the shares with an offer price of 240p a share to be paid in three instalments of £1 at flotation, 70p in October 1991 and 70p in September 1992. The offer was 10 times subscribed, and was one of the most popular of the Government's privatisations.

b) The two *power generating companies*, National Power and PowerGen, were sold jointly in two tranches.

March 1991 fixed price offer for 60% of the shares in each company; shares were allocated with 62 National Power shares for every 38 PowerGen shares and a common share price of 175p payable in instalments with £1 at flotation and 75p in February 1992.

March 1995 public offer for remaining 40% of shares with a fixed price offer of 476p for National Power and 512p for PowerGen shares; the sale was 2 times subscribed. The prices in the international offer were slightly higher.

Remaining Government shareholding: Nil, but with one special share in each company that expired on 31 March 1995.

Net proceeds:
a) RECs

December 1990: £7,713 million

b) Power Generators

March 1991: £2,829 million
March 1995: £3,642 million

23.2 Scotland

Unlike England and Wales, the decision was made to continue the integrated nature of the two companies, Scottish Power and Scottish Hydro-Electric (formerly the South of Scotland Electricity Board and the North of Scotland Hydro-Electric Board respectively) and would thus both generate and distribute electricity in Scotland. They would be able to compete for customers in England and Wales. The Scottish nuclear power stations, like England and Wales, were vested in a state-owned company, Scottish Nuclear Ltd.

Details:
The two companies were sold in June 1991 in a fixed price offer of 100% of each company at 240p per share combined with a "back-end" tender. The offer was 3 times subscribed. Like the two earlier power generators, the shares were also “packaged” with 32 Hydro-Electric shares to 68 Scottish Power shares.

Remaining Government shareholding: Nil, but with one special share in each company.

Net proceeds: £3,500 million

23.3 Northern Ireland

The electricity industry in Northern Ireland was very different to that in England and Wales and in Scotland. Much smaller than the other two systems; it was isolated from the rest of the UK and from the Republic of Ireland; it relied heavily on expensive oil-fired plant and supplied a higher proportion of more remote communities. In addition, there was no competition from natural gas. As a result, security of supply was of paramount importance in any privatisation. There was little immediate prospect of establishing a competitive electricity market.

Prior to privatisation, the four main power generating stations were separated from the transmission, distribution and supply of electricity.

Details:
a) The *four power stations* were sold on 5 March 1992. British Gas bought Ballylumford and agreed to convert the station to natural gas together with the construction and operation of a gas pipeline from Scotland plus it agreed to establish a gas distribution business in Northern Ireland. A consortium of the Belgian company Tractabel and Applied Energy Systems bought Kilroot and Belfast West. A management and employee buyout purchased Coolkeeragh

b) *Northern Ireland Electricity* (NIE) was sold in June 1993 in a fixed price offer for 100% of the shares with a price of 220p a share. The offer was 4 times subscribed.

Remaining Government shareholding: Nil

Net Proceeds:

a) Power stations	£708 million
b) NIE	£362 million

References:

- Statement on electricity privatisation in England and Wales HC Deb 25 February 1988 cc456-73
- White Paper *Privatising electricity. The government's proposals for the privatisation of the electricity supply industry in England and Wales*, Cm 322, February 1988
- Statement on electricity privatisation in Scotland HC Deb 02 March 1988 cc977-95-993
- White Paper *Industry Department for Scotland. Privatisation of the Scottish electricity industry*, Cm 327, March 1988
- National Audit Office *The sale of the twelve regional electricity companies*, HC 10, 6 May 1992
- National Audit Office *The sale of National Power and PowerGen*, HC 46, 4 June 1992
- Statement on sale of second tranche of shares in National Power and PowerGen HC Deb 06 March 1995 cc72-4W
- Statement by the Secretary of State for Northern Ireland on Electricity Privatisation HC Deb 20 March 1991 cc285-94
- Statement on sale of power stations in Northern Ireland HC Deb 05 March 1992 cc232-3W

24 Enterprise Oil

Enterprise Oil was formed in 1983 from the oil producing interests of the (then nationalised) British Gas Corporation. The company had a stake in 5 commercial oil fields and was valued at the time of share issue at £393.2m.

Date of Sale: June 1984

Details:
Tender offer of 100% of company at 185p a share (striking price 185p a share). 212 million shares were floated at 185p each (payable in two instalments) on 17 June 1984. However on the day of the sale only 66.4% of the ordinary share capital was sold representing 56 million shares divided between 13,000 applicants. At the end of day's selling, the underwriters were left with the remaining shares. The main reason for under subscription was a marked weakening in the oil market in the few days between the underwriting of the issue and the opening of the list.

Rio Tinto Zinc (RTZ) had applied for 49% of the company but the Government wished to maintain Enterprise Oil as an independent company and used its powers under the special share to restrict their holding to 10%. Shell later acquired the company in 2002 after expiry of the special share.

Residual Government Shareholding: Nil but the Government retained one special share which expired at the end of 1988.

Fees/Commission: £9.2 million (including VAT)

Net Proceeds: £380 million

Reference:

Statement on the sale HC Deb 28 June 1984 cc 1167-1172

25 Export Credit Guarantee Department

The Export Credit Guarantee Department (ECGD) was established in 1919 and was the vehicle through which the Secretary of State encouraged trade with other countries by providing insurance to exporters and leading banks against risk of non-payment by overseas buyers and borrowers.

The Government announced in December 1990 that it would privatise the insurance services part of the department. The *Export and Investment Guarantees Act 1991* was passed in October 1991.

Completion of the private sale of ECGD's short-term business took place on 1 December 1991, to a Dutch credit insurance company Nederlandsche Credietverzekering Maatschappij NV (NCM). The sale price was £70m, comprising of £50m for the capitalization of the business, plus a goodwill payment of £20m.

ECGD is now known as UK Export Finance. It is a separate Department with its own Accounting Officer reporting directly to the Secretary of State for Business, Innovation and Skills.

References:

Ministerial Statement on sale of short term businesses: HL Deb 02 December 1991 cc1-2WA

26 Girobank

Girobank was established in 1968 as the banking arm of the Post Office, with a particular strength in money transmission and in handling deposits of corporate cash. In 1988 it had about 2.5 million customers and in 1986–87 made a profit before tax of £23.1 million

The Government announced on June 7 1988 that Girobank would be sold by the Post Office to the private sector. In April 1989 it was announced that the Post Office had accepted a conditional offer from the Alliance and Leicester Building Society for £130m subject to completion adjustments.

Date of Sale: July 1990

Details:
On 7 July 1990 the Minister announced the completion of this sale at a sale price of £111.8m; comprising the repayment of Girobank's subordinated debt issued to it by the Post Office of £39 million, and payment by Alliance and Leicester of £72.9 million for the equity. Because the Post Office was a nationalised industry, it conducted the sale, though in close co-operation with the Government, and the proceeds were paid to the Post Office; the funds were used in turn to reduce borrowings from the Government.

As the Alliance and Leicester was a building society, there were certain parts of Girobank's business that could not be conducted by them. These were principally the leasing business that was sold to Norwich Union in March 1990 for £339 million.

References:

- Statement on sale HC Deb 7 June 1988 c721-31
- Announcement of sale HC Deb 2 July 1990 c427W
- National Audit Office Report *The Sale of Girobank plc,* HC 456, 12.February 1993

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27 London Underground

While the previous Conservative Government announced its intention to privatise the Underground, the Labour Government that took office in 1997 opted instead for a public-private partnership (PPP). In taking this decision it faced opposition from a number of quarters, including unions and safety campaigners and the first Mayor of London, Ken Livingstone. Mr Livingstone and his Transport Commissioner, Bob Kiley, took the Government to court over the decision and championed an alternative method of raising money, via the issue of bonds secured against future fare revenues from London. This was rejected by the Treasury.

Mayor Livingstone was ultimately unsuccessful in his challenge and the PPP went ahead in 2003.

The PPP involved dividing London's Tube lines into three infrastructure companies ('infracos'), which were then let to private consortia (Metronet and Tube Lines).

Date of Sale: 31 December 2002 (Tube Lines) and 4 April 2003 (Metronet)

Details: By approving the PPPs, the Government intended to establish long term arrangements for the private sector to carry out a major programme of improvements to the Tube infrastructure. London Underground evaluated the net present value of spending under the three PPPs over 30 years at £15.7 billion (with a value of £9.7 billion over the first 7.5 years). The public sector would make service charge payments subject to Tube Lines and Metronet delivering specified contract outputs.

The public sector (comprising the Department for Transport, London Regional Transport and London Underground Limited) spent some £180 million and the winners of the three bids a further £275 million. This £455 million equates to about 1.5% of the undiscounted 30 year deal value (2.8 per cent of the discounted deal value).

Net Loss: The PPP collapsed in stages between 2007 and 2010. Metronet's failure in 2007 led to a direct loss to the taxpayer of between £170 million and £410 million. Transport for London's acquisition of Tube Lines in 2010 cost £310 million. Between August and October 2011 TfL acquired £1.3 billion of Tube Lines' £1.6 billion debt.

References

- NAO, *London Underground PPP: Were they good deals?* (session 2003-04), HC 645, 17 June 2004
- NAO, *The Department for Transport: The failure of Metronet* (session 2008-09), HC 512, 5 June 2009
- TfL press notice, "Transport for London to acquire the shares of Tube Lines", 7 May 2010
- TfL press notice, "Transport for London acquires Tube Lines' bonds" 19 October 2011

Further reading: Library notes *London Underground after the PPP, 2007 -*, (SN1746) and *London Underground PPP: background*, (SN1307), both 27 January 2012

28 National Air Traffic Services (NATS)

Privatisation of NATS was first considered by the Conservative Government in in May 1994. On 1 April 1996 the civil elements of NATS were incorporated as a wholly owned subsidiary of the Civil Aviation Authority (CAA) as NATS Ltd.

On 11 June 1998, the then Transport Minister, Dr Gavin Strang, announced plans for a new public private partnership (PPP) for NATS. A consultation paper was published on 21 October 1998, in which the Government confirmed that its preferred option for delivering the PPP was a part sale of 51% of NATS (including 10% to employees). 49% would remain in public ownership. Section 43 of the *Transport Act 2000* and the *Transport Act 2000 (Designation of Transferees) Order 2001* (SI 2001/1292) empowered the Secretary of State and the CAA to do this

Subsequently, the successes of NATS under its new structure led the Labour Government to look at whether to sell the Government's remaining shareholding in the company. These proposals were taken up by the Coalition Government after May 2010. However, after lengthy consideration the Government announced on 10 July 2012 that it would not proceed with a sale of its shares at that time.

Date of Sale: 26 July 2001

Details: In July 2001 the Government concluded a PPP with the Airline Group, a consortium of seven UK-based airlines, which was given operational control and a 46% share of NATS, for nearly £800 million. Costs to the bidders were in the region of £30 million. The Department's costs were £44 million, some £17 million more than they had estimated. This was mainly due to the PPP process being more complex and taking longer than the Department had expected, leading to higher fees to advisers.

Remaining Government shareholding: 49% plus special share

Net Proceeds: approximately £800 million

References:

- Department of Transport, *Privatisation of the National Air Traffic Services [NATS]: A Consultation Paper by the Secretary of State for Transport,* May 1994 [DEP 10862]
- HL Deb 29 November 1995, c64WA
- DETR, *A Public Private Partnership for National Air Traffic Services Ltd (NATS)*, 21 October 1998, paras 5-6; the joint response to the consultation from NATS and the CAA is available on the NATS archive website
- HMT, *Operational Efficiency Programme: Asset Portfolio*, December 2009, pp33-34; DfT, *Call for Evidence: NATS Government share ownership*, 8 June 2011; and: HC Deb 10 July 2012, c22WS
- NAO, *The public private partnership for National Air Traffic Services Ltd* (session 2001-02), HC 1096, 24 July 2002
- HC Library note *Aviation: National Air Traffic Services (NATS)*, (SN1309), 2 August 2012

29 QinetiQ

QinetiQ is a defence technology company. It was created in 2001 when the MoD's in-house technology research and production organisation, the Defence Evaluation and Research Agency, was split into QinetiQ and the Defence Science and Technology Laboratory (Dstl), which remains as the MoD's in-house supplier.

When QinetiQ was created, the intention was for it to be sold into the private sector, and this happened in three stages. In 2003, 37.5% of the business was sold, mainly to the US-based private equity firm the Carlyle Group (QinetiQ employees and management were sold 3.7% of the company). In 2006, the company was floated on the stock exchange with the MoD retaining an 18.9% stake. The remaining MoD shares were sold in 2008.

The NAO criticised the valuation process when the business was part-sold to Carlyle Group. However, the MoD has pointed to the fact that its remaining stake appreciated considerably between the partial sale and the public flotation.

Dates of Sale: a) February 2003
b) February 2006
c) September 2008

Details:

a) Private sale of 37.5% of the business. The Carlyle Group acquired 33.8% and employees and management acquired 3.7%. The Carlyle Group paid £155 million for their stake.

b) Public flotation of the company, with the Government retaining an 18.9% stake. The sale generated net proceeds of £576 million for the Government and £194 million for Carlyle Group (which also retained a 10.5% stake).

c) The Government floated its remaining 18.9% stake. This generated net proceeds of £254 million.

Residual Government Shareholding: Nil but 'special share' retained "to protect the United Kingdom's defence and security interests."

Net proceeds: a) £155 million
b) £576 million
c) £254 million

References:

- Statement on private sale to Carlyle Group: HC Deb 05 December 2002 cc84-6WS
- Statement on flotation of QinetiQ: HC Deb 12 January 2006 c11WS
- Statement on sale of final Government stake: HC Deb 15 September 2008 c131WS
- NAO, *The privatisation of QinetiQ,* 19 November 2007, HC 52

30 Rolls Royce

Rolls Royce, like British Leyland, was a private limited company whose shares were purchased by the Government after bankruptcy in 1971. At the time, the company principally produced aero engines and luxury motor cars. Rolls Royce was re-registered as a public limited company on 1 May 1986 and was privatised in May 1987.

Date of Sale: May 1987

Details:

Fixed price offer of 100% of the company. On 30 April 1987, 801.5 million ordinary shares were offered for sale at 170p (payable in two instalments), of which 473.8 million were placed with UK institutional investors and 327.7 million were offered to the general public and Rolls Royce employees and pensioners (employees and pensioners received 8% of the shares.) As the sale was 9 times subscribed, a claw back procedure came into operation and the public finally received 42% of the allocation and institutions 49%. The first day share price closed at 143p representing a 68% increase on the partly-paid price of 85p.

Remaining Government Shareholding: Nil

Fees/Commission: £18.9 million [NAO Report p15]

Net Proceeds: £1,319 million of which £283 million was paid to Rolls Royce as a capital injection [NAO Report p15]

References:

- NAO Report *Department of Trade and Industry: Sale of Government Shareholding in Rolls Royce plc* HC 243, 13 January 1988
- Committee of Public Accounts 34th Report *Sale of Government shareholdings in British Gas plc, British Airways plc, Rolls Royce plc and BAA plc* HC 211, 4 July 1988

31 Royal Dockyards

Between 1971 and 1982 the Ministry of Defence (MOD) considered five major reports on the future of Royal Dockyards which were used for the maintenance of the Royal Navy fleet. A further review in 1984 led to an announcement on 23 July 1985 that the Government would transfer the operation of the Dockyards to commercial management. Subsequently, under the provisions of the *Dockyards Services Act 1986*, the Dockyards at Devonport in Plymouth and Rosyth in Scotland were transferred from MOD management to commercial management on 6 April 1987.

The commercial managers, Babcock Thorn Limited (at Rosyth) and Devonport Management Limited (at Devonport) were appointed in January and February 1987 respectively, following competitive tender exercises.

On 24 June 1993 Rosyth dockyard lost its bid against Devonport to refit the Trident submarines. However, Rosyth was awarded contracts to refit half the Royal Navy's ships until 2005.

References:

- NAO Report *Ministry of Defence: Transfer of the Royal Dockyards to Commercial Management* HC 359 3 March 1988
- Statement on Dockyards HC Deb 24 June 1993 c447-458

32 Royal Mail

Reform and possible privatisation of postal services have been discussed in government certainly since the early 1990s. The *European Postal Services Directive 1997* led to the introduction of competition in the postal market including the removal of the monopoly for delivery of letters in 2004 together with the establishment of Postcomm as the regulator under the *Postal Services Act 2000.*

Two reviews in 2008 and 2010 of the universal postal service (delivery six days a week to nearly every address in the UK) concluded that Royal Mail was in great financial difficulty and that the universal postal service was under threat. The reviews recommended the introduction of private capital. The Labour Government introduced legislation (*Postal Services Bill 2008-09*) that included the introduction of private capital through a private sector strategic partner, but did not complete the process.

The Coalition Government concluded that a sale of shares was required (including shares for employees). The *Postal Services Act 2011* separated Royal Mail from the Post Office Network and two separate companies were set up on 1 April 2012. Post Office Ltd has been retained in the public sector. The Act also reformed the regulatory arrangements for Royal Mail and transferred the responsibility from Postcomm to Ofcom. The Government took over the substantial liabilities for the Royal Mail Pension Plan. Full details are given in the Library Standard Note *Privatisation of Royal Mail*.

Date of Sale: 15 October 2013

Details:
Fixed price offer for 70% of the shares. Following a very brief and limited marketing campaign, 1,000 million shares were issued; of these, 172 million were sold to individuals (under the Retail Offer), 428 million were sold to financial institutions (the Institutional Offer), 100 million were given to eligible employees (the Employee Share Scheme) and 300 million were retained by the Government. The share price was fixed at 330p per share; the Institutional Offer was 22 times subscribed and the Retail Offer was 7 times subscribed. Under the Retail Offer, shares issued were limited to 227 shares per applicant (or £750) for those who applied for less than £10,000. The proceeds of the sale were £1,980 million. On 15 October 2013, the first day of trading, shares ended the day at 455p, a premium of 125p or 38%.

Remaining Government shareholding: 30%

Fees/Commission: £12.7 million [NAO report p26]

Net Proceeds: £1,980 million [NAO report p4]

References:

- Second Reading Debate of Postal Services Bill HC Deb 27 Oct 2010 c346-433
- Statement on Sale of Shares HC Deb 25 Apr 2013 c59WS
- Department for Business Innovation and Skills, *Royal Mail: Announcement of Intention to Float* 12 Sept 2013
- National Audit Office *The Privatisation of Royal Mail* 1 April 2014
- Business, Innovation and Skills Committee *Royal Mail Privatisation,* HC 539-I, 11 July 2014

33 Royal Ordnance Factories

The Royal Ordnance Factories consisted of 13 factories with a combined work force of around 18,500. Each factory specialised in particular aspects of the manufacture and supply of defence equipment and munitions. The organisation and its antecedents had been in existence for almost 400 years as producers of arms for the armed forces.

Following passage of the *Ordnance Factories and Military Services Act 1984*, the total assets and liabilities of the ROF trading fund were transferred to Royal Ordnance plc (RO) on 2 January 1985. The Secretary of State for Defence was initially the sole shareholder in the company. In July 1986, he announced his intention to invite bids for the flotation of the company.

Date of sale: April 1987

Details:
Separate private sales of the various parts of RO. The Government accepted an offer by Vickers plc to purchase RO's Leeds tank factory in July 1986. This sale was completed at a price of £15.2 million which RO retained.

In October 1986, bids were invited from prospective buyers and after negotiation with both Guest, Keen and Nettlefold (GKN) and British Aerospace (BAe), the sale to BAe was completed on 22 April 1987 at the offered price of £190 million.

Remaining Government Shareholding: Nil

Net Proceeds: £189 million [NAO Report p20]

References:

- Second Reading Ordnance Factories and Military Services Bill. HC Deb 16 January 1984 c26
- NAO Report *Ministry of Defence: sale of Royal Ordnance plc* HC 162, 20 November 1987
- Committee of Public Accounts 48th Report *Ministry of Defence: sale of Royal Ordnance plc* HC 206, 26 October 1988

34 Short Brothers

The privatisation of Shorts, aerospace manufacturer, was completed on 4 October 1989, when it was sold to Bombardier Inc. of Canada.

The total sum that the Government put into the Shorts-Bombardier takeover was £750 million, and Bombardier put forward an additional £30m. The government continue to have responsibility for ex-Shorts aircraft sales financing companies.

References:

Statement on sale HC Deb 02 November 1989 cc453-4

35 Horserace Totalisator Board (The Tote)

Since 1928, when it was established by the *Racecourse Betting Act 1928*, the Tote had an exclusive right to operate, or authorise others to operate, pool betting on horse races in Great Britain. Pool betting is a particular form of betting where all the stakes are pooled, and the total pool is divided amongst the winners, less a deduction for the operator. More recently, following successive deregulation, the Tote developed a significant fixed odds betting operation and was the fifth largest bookmaker in the country. The business included telephone and internet betting as well as over four hundred licensed betting offices.

The *Horserace Betting and Olympic Lottery Act 2004* enabled the privatisation of the Tote by the transfer of its asset and liabilities to a public limited company.

The Government announced the sale of the Tote to Betfred on 3 June 2011 after an open sale process.

Details:
A private sale to gambling operator, Betfred, who paid £265 million for the business. This comprised an initial payment of £150 million and deferred amounts, including accrued interest, of £115 million. After deductions including debt and pensions, the net equity value to be paid to the government by Betfred was over £180 million. The taxpayer retains over £90 million as its 50% share of the net proceeds of the sale.

Horse racing bodies receive over £90 million as their 50 per cent share of net proceeds from the sale (use of which will be subject to compliance with state aid regulations). In addition, Betfred committed to making commercial payments to racing of £11 million to March 2012 and an expected £9 million a year over the following six years.

Remaining Government shareholding: Nil

Net proceeds: £90 million

References:

- Statement on intention to sell HC Deb 15 Sep 2010 c39WS
- Statement on sale process HC Deb 31 Jan 2011 c28WS
- Department of Culture, Media and Sport press release 3 June 2011

36 Thomas Cook

Thomas Cook was originally established in 1841 and remained a family business until 1928 when it was sold to the Wagons Lit Company. Its French assets were expropriated at the start of the Second World War and the Government nationalised its UK assets and sold them to the private railway companies. These in turn were nationalised in 1948 and Thomas Cook became part of the British Transport Commission and was later transferred to the Transport Holding Company.

The *Transport Holding Company Act 1972* enabled the Government to sell the assets of the company's holdings including Thomas Cook.

Details:
The state-owned Thomas Cook & Son was sold after a competitive bidding process to a consortium headed by the Midland Bank, and including Trust House Forte and the Automobile Association, on 26 May 1972.

Remaining Government holding: Nil

Net proceeds: £22.5million

References:

- Second reading Debate Transport Holding Company Bill HC Deb 24 November 1971 cc1352-443
- Statement on the sale of Thomas Cook HC Deb 26 May 1972 cc1800-3

37 Water Industry

The principal objectives were to raise revenues and to rely on the capital market to fund the future large capital requirements of the industry. There was no provision for the introduction of competition in the water industry, unlike the other main utility privatisations, particularly electricity and gas.

The *Water Act 1989* provided for the privatisation of the Regional Water Authorities (RWAs) in England and Wales as public limited companies.

The assets and liabilities of the RWAs were vested in the ten water and sewerage businesses – Anglian, Northumbrian, North West, Severn Trent, Southern, South West, Thames, Welsh, Wessex, Yorkshire – which were publically floated on 1 September 1989.

The Act also established the National Rivers Authority, (with responsibilities for water pollution, flood defences, fisheries, recreation and navigation); the Drinking Water Inspectorate (with responsibility to regulate water quality); and the office of Director General of Water Services (OFWAT) (with responsibility for regulation of the economic provision of water and sewerage services).

Considerable work was required prior to privatisation to establish the main parameters for the price controls as they would materially affect the financial viability and hence valuation of each RWA. OFWAT would also regulate the already private (smaller) water companies.

Water and sewerage services in Scotland and in Northern Ireland remained as state-owned companies.

The complexity involved in the simultaneous establishment and sale of ten companies on one day in a new sector of the stock market was and remains unprecedented.

Date of Sale: December 1989

Details:
Fixed price offer for 100% of the companies at 240p a share paid in three instalments of £1 at flotation and 70p each in July 1990 and July 1991. 2,183 million shares were offered in the 10 companies with 2.65 million applications. The sale was 6 times subscribed.

Remaining Government Shareholding: 1.6% of companies retained to meet bonus issue but the Government retained one special share in each company which expired on 31 December 1994.

Net proceeds: £3,594 million

References:

- Second Reading Water Bill HC Deb 07 December 1988 cc336-408
- National Audit Office *Department of the Environment: sale of the water authorities in England and Wales,* HC 256, 14 February 1992