BT is on offer to the nation proclaim the TV ads. The sale will be the most dramatic example to date of the privatisation strategy. The disturbing thing is how much has already been privatised - and how much, too,

remains on the shopping list.

Sale of the Century Dexter Whi tfield

THE GOVERNMENT and British Telecom (BT) management together with merchant bankers and stockbrokers are hurriedly trying to pave the way for Britain's biggest ever share sale when BT is sold off this autumn. They are all desperate to make the sale 'successful' and are orchestrating a campaign to create a 'gold rush' climate leading up to the sale.

all to be

The sale of 51% of BT (in three separate payments phased over two years) will produce substantial income for the Government. It will also ensure that the potentially highly profitable development of telecommunications and information technology in Britain is firmly based in the private sector. However the BT sale is also crucial to the Tories' propaganda that selling the 'public sector to the public' is a means of spreading wealth and ownership and is a step nearer a 'company-owning democracy'. The Government won't have another similar opportunity of a huge sale of a very profitable public service (pre-tax profits in 1983/84 were £990m on £6.88 billion turnover) which can be marketed as a leader in new technology. It will also, for the first time in the asset sales programme, have direct access to the public as users of the service.

But there are also technical problems with a sale the size of BT. Financial institutions have been concerned for some time that the BT sale could swamp the Stock Exchange crowding out the flotation of other new companies and firms raising additional capital by selling new shares to existing shareholders. In 1983 the major financial institutions, insurance companies and pension funds had net investment in ordinary shares of British companies of £2.4 billion (compared to £2.2 billion invested during the same year in overseas companies). New share issues on the Stock Exchange during 1983 totalled £1.4 billion. BT will take up to £4 billion over two years. The answer for both financial and ideological reasons is to woo the so-called 'small investor'.

A success at all costs At a time when daily newspapers are seeking £1m bingo winners the Government is trying to attract a million new small investors to become company shareholders in BT. They hope that they will buy an average £1000 worth of shares so that about a third of BT will be sold to 'the public'. In order to attract these investors the shares will have to compete with other forms of investment in the savings market, for example National Savings Certificates and building society deposit accounts. Hence the BT shares will be competitively priced. But this means sacrificing the highest possible price for BT in order to attract 'small investors'.

The biggest sale in history will also incur the biggest costs and discounts

The Government has clearly decided that the BT sale must be a success at all costs. The Tories want to avoid further scandals like Amersham International and the first Associated British Ports sales when shares were sold cheaply and then rocketed in price when trading started on the Stock Exchange. A million or so new small investors will be a useful insurance policy if the BT shares do the same. The Tories would use this to deflect criticism by claiming they had spread wealth to the public. Equally they want to avoid the initial share sale flops like Britoil, Enterprise Oil and the ses;ond Cable and Wireless flotation when only part of the share offer was taken up. Either way, the political repercussions could put further asset sales in the privatisation programme in ieopardy.

The biggest sale in history will also incur the biggest costs and discounts - estimated at more than $\pounds 200m$. Merchant bankers and stockbrokers will receive over $\pounds 80m$ in fees for arranging the sale. The Government is funding $\pounds 70m$ worth of tax-free vouchers being offered to residential telephone subscribers. An £J8 voucher to be offset against telephone bills will be given for every £250 worth of shares up to a £3000 limit. Alternatively bonus shares will be issued to investors who retain their shares for over three years. There is also a free share scheme for BT's 240,000 employees.

A £50m television, press advertising and market research operation has swung into action to try to persuade people who have never bought shares before to buy BT.

The sale could cost a lot more. Stockbrokers Grieveson, Grant & Co and Laing & Cruickshank have calculated that BT should be valued at between £7.5 billion-£8.5 billion. The initial sale could raise between £3.75 billion-£4.25 billion. But the pricing of shares to attract new investors combined with the current City sales talk which usually 'talks down' the value of public assets immediately before they are sold so that financiers can make a speculative killing afterwards, is likely to lead to a £3.0 billion-£3.5 billion sale. So the loss to the public 1-.could be as high as £1 billion or more when the £200m in sale costs are included.

The mythical small investor

The new Tory crusade for a company and property owning democracy has its target on the 'small investor', ie, anyone with up to £5000 at their disposal. They are trying to stem the tide for the number of private shareholders is declining rapidly. A recent study by the Stock Exchange! shows that private shareholders own only 28.2% of the shares on the Stock Exchange, down from 54% twenty years ago. Conversely, financial institutions like insurance companies and pension funds, have increased their grip on share ownership.

So even if the Tories managed to entice another million $\pounds 1000$ shareholders, it would increase the number of private

¹ The Stock Exchange Survey of Share Ownership Stock Exchange 1983.

shareholders by 62.5% to 2.6 million people (still a tiny minority of the population) and increase their proportion of the value of shares held by individuals by a mere 3.6%.

The Government is also keen to encourage employee share ownership. 'Businessownership, home-ownership, and shareownership are the best anti-Marxist barriers of all' declared Tory MP Edward du Cann, chairperson of the Wider Share Ownership Council writing in the foreword to a recent Institute of Directors report 'Share Ownership for Employees and Directors'. The report succinctly states their motives: '... desirability of introducing share ownership among employees generally must therefore rest on the capacity of this approach to create a general climate of opinion among employees which is favourable to the company. By providing greater insights into the nature of business risk, capital and profit, and the potential to benefit from their successful management, such schemes create a greater awareness of the close connection between a company's success and an employee's personal fortunes."

The free share offers to employees are simply frills with major restrictions attached to them. Employees of Cable and Wireless own 0.001% of the company, 0.005% at Amersham International, and 0.2% in Britoil. There are now over 500 employee share ownership schemes in Britain 'owning' (controlled by trustees who are often the directors of the firm) £125m shares - just 0.12% of the total market value of all the shares issued on the Stock Exchange.

Speculative gains

There is ample evidence that those people who do buy shares in assets sales do so for quick speculative gains. Immediately after the sale of British Aerospace in 1981, there were 158,000 individual shareholders, excluding employees. Ten months later there were only 27,000, a reduction of 83%. The number of small shareholders (less than a 100 shares) declined from 44,000 to 3,300, a fall of 93%. At the same time the number of shareholders holding one million or more shares leapt from one to thirteen. The share registers of other companies sold by the Tories have also shrunk dramatically as individuals sold their shares. Within a year of the first Cable and Wireless sale the 150,000 shareholders had shrunk to less than 26,000. Only a month after the Amersham International sale the number of shareholders fell from 62,000 to

a mere 10,000. Within six months of the Britoil sale 18% of those with under 2000 shares had sold out - and at a time when the shares were still selling below the sale price.

Speculators are increasingly using the small investor bandwagon to send in multiple applications for shares under different names and nominee companies. Three months after the sale of Associated British Ports in February 1983, the share register revealed that 27.5% of shares were held by nominee companies. Big business is also quick to move in to snap up 'bargains at the sale'. The government blocked RTZ's bid, using nominee companies, for 49% of Enterprise Oil shares. Their holding was limited to 10% of the intial share offer. However they scooped up another 20% immediately after the sale. Norwich Union Insurance bought 10% at the same time. Buying a small percentage of shares in

Buying a small percentage of shares in BT or other asset sales does not give any form of control or ownership whatsoever. A ± 1000 of shares in BT will give a small investor 0.000029% control (assuming a ± 3.5 billion sale). Shareholders will have

Privatisation is not unique to Britain but no country is being subjected to such extensive change ... at such a rapid pace

about as much information and influence as they would from having a building society account. Employee share ownership or an increase in individuals owning company shares is not going to have any meaningful effect on the distribution or control of wealth in Britain.

Discounts galore

The sale of BT is only part of the Tories' comprehensive privatisation programme and their fundamental restructuring of the

welfare state and public services. We are halfway through a decade in which the public sector is being drastically reduced. Years of struggle, conflicts and public investment both before and after ~ationalisation and the establishment of the welfare state and local public services are being swept aside as the Tories sell off assets and open up new markets for capital. A new industrial strategy has emerged, based not on state investment and grants to industry for 'new' factories and jobs, but on selling-off public assets to multinational companies and financiers. Forcing local government, health authorities and the civil service to contract-out services is also part of this strategy. Privatisation is not unique to Britain but no country is being subjected to such extensive change in nationalised industries and public services at such a rapid pace.²

Based on the highest 1984 share price as a guide the eleven major public asset sales

	Gross	Share	Highest share	Government
	sale price	price at sale	price in 1984	'loss' on sale
Amersham International	£70.6m	142p	272p	£64.6m
Associated British Ports (1)	£22.0m	112p	298p	£36.5m
Associated British Ports (2)	£52.4m	250p	298p	£10.0m
BP (1979)	£290.0m	363p	540p	£141.4m
BP (1983)	£565.0m	435p	540p	£130.9m
Britoil	£548.8m	215p	277p	£158.0m
British Aerospace	£148.6m	150p	401p	£248.7m
Cable & Wireless 1981	£224.0m	168p	387p	£292.0m
Cable & Wireless 1983	£260.0m	275p	287p	£105.9m
Enterprise Oi I	£392.2m	185p	194p	£19.0m
Jaguar Cars	£297.0m	165p	181p	~
Fotal	£2870.8m			£1235.9m

	Estimated
	Potential
	Market Value
	£ millions
British Airways	1000
British Gas	7800
British Airports Authority	300
Royal Ordnance Factories	350
Bri.tish Shipbuilders - warsl	
	ryards 200
National Bus Company	350
Post Office	1200
National Girobank	. 200
British Leyland inc Land Ro	
Unipart	1150
British Rail assets inc.	705
Property Board	735
British Nuclear Fuels	250
English Water Authorities	750
Rolls Royce Ltd	350
Electricity British Steel subsidiaries	4500
National Coal Board	2
	2
British Technology Group	50
shareholdings	50
Government shareholdings	400
British Aerospace	480
Britoil	2300 505
Cable and Wireless	300
Cable and Wireless	300

on the Stock Exchange since 1979 have been sold at a £123Sm discount - an average 43% reduction (see Table)! This doesn't take into account the higher share prices of 43Sp and 291p for Cable and Wireless and Amersham International in 1982/83. Merchant bankers and stockbrokers received £7Sm commission for arranging these sales. They also profited substantially from subsequent trading in shares.

Sealink Ferries, Inmos. National Freight and other subsidiaries of nationalised industries and British Technology Group (formerly the National Enterprise Board) shareholdings have also been sold for some £94Sm. Many of these, too, have been sold at knockdown prices. The British Gas Corporation's Wytch Farm oilfield was previously valued at £450m but was sold for £21Sm. Inmos was valued at £200m but ThornlEMI paid only £95m. The Government sold its 30% shareholding in Logica, Britain's biggest independent computer software company for only £3.44m. Fourteen months later it was worth £23.1m - a 790% increase.

The combined costs and 'losses' of the Stock Market flotations (including BT) and the sale of shareholdings is enormous. The cost of these sales has totalled at least $\pounds 29$ Sm so far *with* 'losses' to the public of nearly $\pounds 2.5$ billion. On top of this are all the loans and public investment *written*-off as part of their 'preparation for sale'. Over $\pounds 21$ Sm was *written-off in* British Aerospace and Associated British Ports alone.

Tip of the iceberg

Sales to date are just the tip of the iceberg. 'No state monopoly is sacrosanct' declared John Moore, Financial Secretary to the Treasury and co-ordinator of the Government's asset sales, to a gathering of stockbrokers a year ago. He specifically mentioned coal, gas, electricity, telecombus transport. munications. sewerage treatment and disposal. Right wing groups and business interests are clamouring for even wider privatisation including pensions, education and most of the health service. Others want to franchise sections of public services eg, companies would compete to operate different sections of British Rail. The table left lists assets currently being considered or prepared for sale.

If these assets are sold off at the same knockdown prices as previous asset sales, this *will* amount to a £10 billion *discount*. The financial institutions' fees for arranging these sales would be at least £460 million.

Combining previous and planned asset sales the Government could be giving British industry and financiers over £12 billion discounts and fees exceeding £835 billion. And this doesn't take into account the write-off of local and public investment, and the Government's continuing loss of dividend from shareholdings.

Privatisation is not just about asset sales. Local government, the NHS and the civil service are being forced to contract out services. Private health, private education, private housing, and private social services are expanding to compete against and cream-off public *services*. The Government is pushing responsibility for the care of children, the elderly and the sick further onto the family and volunteers. Sections of public transport too, are to be hived-off to contractors.

Tory motives

Privatisation is at the centre of the Tories' strategy because it unites and intensifies a number of attacks on the organised working class. Firstly, they are trying to break the back of the trade union movement whose strength increasingly lies in the public sector. Reducing the size of the public sector, carving it into smaller competing units with decentralised negotiations, transferring work to non-unionised trade union organisation firms wea~s and bargaining power. Secondly, they hope that cuts in wages, benefits and working conditions usually associated with privatisation, coupled with de-regulation of wages and conditions, eg, scrapping the

Fair Wages *Resolution* and Wages Councils, will increase productivity and profits for British industry. Even the threat of privatisation at a *time* of *rising* mass unemployment has been used to negotiate pro*ductivity* deals with substantial job losses.

Thirdly, the Tories want to lower people's expectations and demands of public services. They particularly want to end the universal availability of services and to put the onus onto individuals to buy services. So privatisation doesn't only mean working harder for longer hours but also paying more for poorer services out of a smaller pay packet. Pensioners, the unemployed and those dependent on supplementary benefits will be left to rely on rapidly deteriorating 'last resort' means tested public services. Fourthly, the failure of the *policies* has economic Government's forced the Tories to depend more heavily on asset sales. There has been a fourfold increase in asset sales since 1982/83.

Response of the labour movement

There is only now growing realisation that privatisation is not a temporary phase of Tory policy. People are struggling to fight contractors and developing ideas to defend and improve services. But there has to be a national strategy with *commitment* and resources to support and extend local campaigns. There are already moves to water down demands to return assets and services into public ownership and control.

It is imperative that this strategy has a long term perspective. We do not want to return to traditional nationalisation but what kind of public control will best achieve good quality and effective services? Which privatised assets and services do we want to claw back into the public sector first? Will there be additional problems with companies like BT with its joint ventures with the mighty IBM and other firms like Securicor? What will happen in the 1990s when, unless the Tories are swept from office, there will be few public assets left at a time when North Sea oil revenues will be declining sharply? Will the L:bour Party come to support the dual provision of services leaving much expanded private services in health, education and social services to flourish in the same way as it has with home ownership?

These are just some of the questions and problems which must be confronted. Clearly, the fight against privatisation has to move to the centre of the labour movement's agenda. **Q**

² Dexter Whitfield 'Privatisation and International Restructuring' in *World View 1985*.