


BROOK HOUSE · PARK LANE

LONDON W1Y 4DX

Telephone: 01-406 2188

from LORD BUXTON

Professor Brian Griffiths
10 Downing Street
London SW1

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Brian Griffiths

Following our discussion yesterday I attach a note of the points made about working shareholders in ITV, and the difficulty that could arise in Parliament over "legalised theft".

I am aware from my personal contacts that some Ministers seem to be unclear about the modern structure of the ITV industry and cling to obsolete notions which are dangerously misleading.

As a loyal back-bencher I dread being put in the undeserved position of having to move an amendment against the highest bid factor. I have discussed the issue at length with Willie and assessed the prospects carefully, and I feel fairly certain that the highest bid factor would be defeated, because of its unfairness, injustice and betrayal of Conservative principles.

I would be grateful if you would show this to the Prime Minister, to whom I owe much, as I am still haunted by my failure to be sufficiently persuasive on occasions in the past when I knew I was right (as for instance over HMS Endurance). I feel sure the difficulty can be avoided on this issue.

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THE HIGHEST BID FACTOR

1. The franchise affair in ITV has always been comprehended by shareholders and the risk accepted. The risk was related to performance or promise of performance. This provided an incentive and a challenge for shareholders and staffs, who invariably believed that their best endeavours would be rewarded (until the disastrous Government appointment of Bridget Plowden, one academic matched with another, Brian Young, neither of whom understood commerce or the facts of life. It has been an unfortunate error to blame the system, when the real cause was a bad Government appointment).

2. Since those days, the shareholder pattern in ITV has been transformed in that all staffs are now worker shareholders in the large majority of companies, especially in the regions in England, Scotland and Wales.

As Chairman of Anglia, ITN and the ITV industry during thirty years, I took a strong initiative about the introduction of share participation schemes, urging the benefits of conservative policies and the PM's call for popular capitalism.

3. I have had the clear impression before and since the White Paper, that ministers think of ITV contractors solely in terms of big shareholders and moguls. In fact my personal exchanges with them, apart from debates, proved this. They seem uninterested in the fact that the industry now belongs partly to its 20,000 workforce, who now have their personal assets and nest eggs for retirement locked up in their jobs.

4. The goal posts have been moved, and moved substantially by the White Paper. The worker shareholders, encouraged to invest in their own companies by Government, always accepted the risk to their livelihood if they did a poor job; but they felt that by doing a good job, they would have as good a chance as any rivals.

Now (under the White Paper) the risk no longer relates to performance, but to money. The staffs and worker shareholders can have no influence whatever on the outcome of the franchise affair, and overnight they might lose their entire investment.

5. In all other circumstances, whether take-overs or whatever, including nationalisation, it is the cardinal principle that shareholders get paid for their shares, even if the compensation is disappointing. Even Labour

Governments have never confiscated workers' assets.

In this case, a Conservative Government, having encouraged 20,000 citizens to hold shares in their own companies, will grab all the proceeds for the Treasury and may leave working shareholders penniless after years of service.

This is legalised theft, of such a spectacular nature that it is sure to cause deep discomfort in Parliament. The reason why it has not done so yet is because the ministers' campaign that "ITV belongs to greedy moguls who deserve to lose their franchises" has been largely successful and the worker/shareholder factor has been ignored.

Ministers have been pressured and persuaded by advertisers, agencies, and vested interests and on the issue of company structure seem to be living in the past.

6. The only honest and fair step for the Government to take (if it endeavours to force through the highest bid factor) would be to advise the 20,000 citizens in ITV to sell their shares without delay, because if they wait till 1992 they may lose the lot.

This might look strange for a government that encouraged them to take up shares in the first place, but it would be the only course that was honest and fair.

7. It will be argued that ITV share prices are holding up well today after the White Paper. This is because of the City's expectation of take-overs and wheeler-dealer opportunities in the interim.

It will be argued that ITV contractors who lose their franchises will continue in business in diversified roles. Maybe, but probably only after moving, with substantial shedding of staff, etc.

There may be lots of such arguments, but the unalterable fact will remain that ITV working staff might lose their investments overnight and the fruits of their careers will be robbed by the Treasury.

8. The introduction of share participation schemes had a dramatic effect on the ITV industry. The last decade has been almost trouble free, restrictive practices have been dispelled and ITV is now as lean as the rest of industry. The process will continue.

The main contributing factor to the above has been the establishment of a share-owning workforce.

The highest bid factor would overturn and destroy that concept. To be fair and honest, the Government would be

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obliged to warn staff shareholders to get out and sell their shares while the going is good.

9. However much most of the proposals in the White Paper are welcomed or accepted in Parliament, the highest bid factor will become a serious stumbling block, for the simple reason that it is unfair, unjust, and contrary to everything the Government stands for. When its implications are fully understood it will be seen to be repugnant and to betray Conservative principles.

10. I have concentrated in this note on staff shareholders, but all the points apply just as much to the public who have invested widely in ITV.

In theory, according to the White Paper, hundreds of thousands of shareholders in ITV could be reduced by the highest bid factor to only 15. What sort of Conservative policy is that?

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