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for Econ Pol (June 79)  
'Disposal of Public Sector Trading Assets'

00 TOKYO

GR 450

SECRET

FM FCO 272034Z JUN 79

TO IMMEDIATE TOKYO

TELEGRAM NO 316 OF 27 JUNE

FOLLOWING FOR WHITMORE, PRIME MINISTER'S PARTY FROM  
LANKESTER, 10 DOWNING STREET.

BEGINS

DISPOSAL OF ASSETS

THE PRIME MINISTER SAID THAT SHE DID NOT WANT ANY FURTHER PREPARATIONS TO BE MADE FOR THE SALE OF BP SHARES UNTIL AFTER TOKYO WHEN SHE PROPOSES TO CHAIR A MEETING OF E (DL) COMMITTEE TO CONSIDER THIS WHOLE ISSUE, INCLUDING THE QUESTIONS OF TIMING AND POSSIBLE ALTERNATIVES SALES. WE HAD UNDERSTOOD FROM THE TREASURY THAT THIS WOULD EFFECTIVELY RULE OUT THE OPTION OF SELLING THE BP SHARES DURING JULY. HOWEVER, THE TREASURY NOW SAY THAT, PROVIDED A DECISION WERE TAKEN NEXT WEEK, THE JULY SALE WOULD JUST BE POSSIBLE. THEY WOULD LIKE TO RETAIN THIS AS AN OPTION, ALTHOUGH THEY UNDERSTAND THE PRIME MINISTER'S DOUBTS, AND THEY ARE THEREFORE PRESSING FOR A MEETING OF E(DL) BEFORE THE END OF NEXT WEEK. THE PRIME MINISTER'S DIARY IS VERY FULL, BUT WE COULD FIT THIS IN ON THURSDAY AFTERNOON AFTER QUESTIONS. ALL MEMBERS OF E(DL), EXCEPT THE CHIEF SECRETARY, COULD ATTEND AT 1715, THE CHIEF SECRETARY'S ABSENCE SHOULD NOT MATTER SINCE THE CHANCELLOR AND THE FINANCIAL SECRETARY (WHO IS THE TREASURY MINISTER IN CHARGE OF THIS EXERCISE) WILL BE AVAILABLE. THE PRIME MINISTER HAS SAID SHE WISHES TO WORK ON HER SPEECH FOR THE CPC ON THURSDAY, BUT SHE HAS A CLEAR EVENING FOR THAT. SHALL WE CONFIRM THE E(DL) MEETING FOR 1715?



ONE OF THE POSSIBLE DISPOSALS, OTHER THAN BP, RELATES TO BNOC ASSETS. THE DISPOSAL OF THESE ASSETS IS OF COURSE INTIMATELY CONNECTED WITH THE GOVERNMENT'S FUTURE PLANS FOR BNOC, ON WHICH MR HOWELL IS PLANNING TO SUBMIT A PAPER TO E(EA) COMMITTEE NEXT WEEK. MR LAWSON HAS WRITTEN TO SAY THAT IN VIEW OF THE CLOSE LINK BETWEEN THE FUTURE OF BNOC AND THE DISPOSALS EXERCISE, MR HOWELL'S PAPER SHOULD BE CONSIDERED BY E(DL) RATHER THAN BY E(EA). THIS WOULD GIVE MINISTERS THE OPPORTUNITY TO CONSIDER THE TWO SUBJECTS TOGETHER, UNDER THE PRIME MINISTER'S CHAIRMANSHIP, AND TO COME TO A CONSIDERED JUDGEMENT ON BOTH. MR PRIOR, MR YOUNGER AND MR EDWARDS ARE MEMBERS OF E(EA) BUT NOT OF E(DL). WE WOULD NEED TO INVITE MR YOUNGER TO E(DL) BECAUSE OF HIS INTEREST IN OIL, IF THE BNOC REVIEW WERE TAKEN THERE. SHALL WE PROCEED ON THIS BASIS?

MR LAWSON HAS ALSO BEEN CONSIDERING HOW HE CAN MEET THE PRIME MINISTER'S WISH FOR A FURTHER EFFORT TO BE MADE TO FIND ALTERNATIVE ASSETS FOR DISPOSAL SO THAT THE PROPORTION OF BP SHARES TO BE SOLD CAN BE KEPT TO A MINIMUM. THE ONLY POSSIBILITY THAT HE CAN SEE AT THIS STAGE IS FOR BNOC TO SELL NEXT WORD UNDERLINED ALL ITS ASSETS TO BP, AND NOT JUST POUNDS STERLING 200 MILLION OF BNOC ASSETS WHICH MR HOWELL IS PRESENTLY CONTEMPLATING SELLING TO THE PUBLIC. BP WOULD NO DOUBT HAVE TO RAISE SOME PRIVATE FUNDS TO FINANCE THE PURCHASE, BUT BNOC'S OIL ASSETS WOULD REMAIN AS PART OF A COMPANY WITH A VERY SUBSTANTIAL PUBLIC STAKE. SO THAT E(DL) CAN CONSIDER THIS OPTION, MR LAWSON HAS ASKED THAT MR HOWELL SHOULD PREPARE A SEPARATE PAPER DEALING WITH THIS PROPOSAL FOR E(DL). I THINK THIS WOULD BE A GOOD IDEA. DOES THE PRIME MINISTER AGREE?

ENDS

CARRINGTON

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