



Econ Pol
Pub Exp
TL 917

COPY No. 1 OF 4 961

Prime Minister

PM seen and
said - "no min".

SECRET

PRIME MINISTER

ADDITIONAL TAX REVENUE FROM THE NORTH SEA

In his minute to you of 14 November on his latest tax proposals for the oil industry, Geoffrey Howe fairly records my discussions with him and mentions my reluctance to see this completely new tax imposed. Shah! say - so ahead!

Could I make it clear that my reluctance stems not from the belief that it is wrong to extract further revenues from the oil industry but from my strong conviction that the proposed means of doing so will be politically extremely damaging. D

The oil industry has few friends and therefore tends to be regarded as "fair game". So far, in this country, we have successfully struck the balance between the need to extract substantial benefits for the community and the need to retain the industry's confidence and trust, both here and overseas. 20/11

The gains we get as a government from sustaining a reputation for consistency of treatment and fairness towards the international oil industry go far beyond the energy sector. They help give Britain its present robust and trusted reputation internationally - no small asset in our struggle to establish sound policies here at home.

I hate to see this jeopardised by what is now proposed. I think it will give our critics new allies - which they have so far lacked - in international business circles.

I thought it right to explain to you, as I have to the Chancellor, the essentially political reasons for my reluctance over what he proposes on this front to deal firmly with the formidable budgetary problems the government faces.

I am copying this minute to the Chancellor of the Exchequer and to Sir Robert Armstrong.

DH

SECRETARY OF STATE FOR ENERGY

20 November 1980

SECRET

201

NOV 1980

