

SECRET

PRIME MINISTER

Disposals of Public Assets in 1979-80

(E(79) 31)

BACKGROUND

I have already suggested that you should take this paper after the paper from the Secretary of State for Energy.

2. As with that paper, the background is familiar to you. The essential question is whether to sell BP shares this year, having made the maximum possible disposal of other assets.

3. Following the Committee's last discussion, the Treasury has once again trawled all round Whitehall, with the results reported in the Chancellor's paper. £400 million of this will have been settled under the previous item of the Agenda. There are some detailed points to check on the other sales. But the main discussion is about BP.

HANDLING

4. You should invite the Chancellor of the Exchequer to introduce his paper. You might then take the 'score-card' first and briefly. You could go quickly through the six items listed in paragraph 2. The only difficult one looks like being the sale of The Radio Chemical Centre (TRC), where there may be difficulties about selling all £30 million of the shares. The total might thus have to be written down by £15 million to allow for sale of only half. The other sales seem fairly secure. You might confirm that the Ministers concerned are content.

5. The discussion then focus on BP. The Chancellor's paper sets out the issues quite clearly. You have yourself always been reluctant to agree to this sale, particularly in the near future. You may wish to discuss briefly with the Chancellor before the meeting whether to sustain this line. If you do, then there seems no way of avoiding a shortfall on the £1,000 million target. If you are now prepared to see a limited sale go forward, then the issues listed in paragraph 10 should be considered one by one.

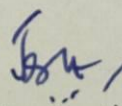
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- (i) Timing. Left to you to settle with the Chancellor: no problems.
- (ii) Sales Abroad. The Committee should distinguish between the place of sale (London and/or New York) and the purchaser: nothing can stop foreign investors buying BP shares, wherever the marketing takes place. It is not proposed to offer any of the shares privately to overseas investors, despite nibbles.
- (iii) Preferences. There should be general support for these proposals.
- (iv) The form of the issue. There is no reason for the Committee to object to the largely-technical points here. You may want to discourage too much detailed discussion: these are really matters for the Chancellor and the Bank.

CONCLUSIONS

6. The conclusions might be:-

- (i) to note the progress made towards the £1,000 million target (including the £400 million from BNOC, if that has earlier been approved), [and with any modifications made as a result of discussion, specially on TRC];
- (ii) to agree that approximately 7 per cent of BP stock should be sold;
- (iii) to endorse the practical details set out in paragraph 10 of E(79) 31.


(John Hunt)

10th September 1979