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cc Energy: Future of BNOC
July 79

Treasury Chambers, Parliament Street, SW1P 3AG

Secretary of State
Department of Industry
Ashdown House
123 Victoria Street
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16 July 1979

INDUSTRY BILL

In the light of the agreement of E (EA) on 11 July to your proposals on the future role of the NEB, preparations will be going forward for the drafting of the Industry Bill. This will provide, among other things, new powers to dispose of NEB assets. As I understand it, the intention is to introduce the Bill directly after the Recess so that it could receive royal assent by January at the latest. Obviously we do not want to jeopardise this timetable, but the Bill would provide an opportunity to seek powers to provide for certain other disposals on which we are relying to keep the PSBR in 1979-80 to £8 $\frac{1}{4}$ billion. Some of these possibilities have already been mentioned at E(DL) or in correspondence. But I think it would be useful to bring them all together so that we can clarify, in the context of the forthcoming E(DL) discussions, just what would be practicable and what our priorities should be.

E(DL) Committee have not yet reached final views on the disposal of BNOC and BGC assets, but subject to the Committee's decisions, I think that there is a good case for including in the Industry Bill provisions to give the Secretary of State power to dispose of BGC and BNOC oil field assets in any way he might think fit. Such powers would be useful for disposals next year even if not required this. I recognise that these powers could be included in the forthcoming Bill amending the Petroleum and Submarine Pipelines Act 1975, but this Bill could well not be enacted in time for disposal to be made this financial year.

It was also suggested at the last meeting of E(DL) Committee that we should investigate further the sale of 49 per cent of the Government's holding in The Radio Chemical Centre (TRC). I am sure that the TRC is a good candidate for disposal this financial year, but I see no reason why the Government should seek to retain any holding at all in the Company. However, I understand the sale of all the shares would require legislation and I therefore suggest that, subject to David Howell's views, the relevant provision, which would be very short, should be included in the forthcoming Industry Bill. Meanwhile preparations should be made for the sale of TRC so that the

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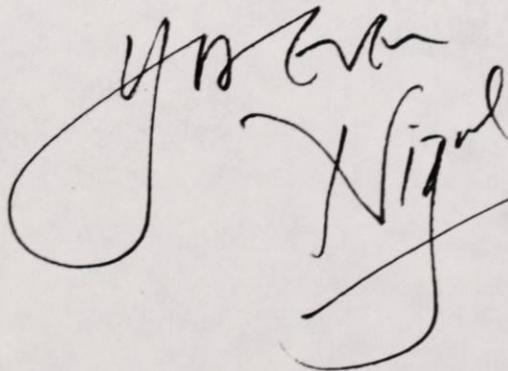
proceeds could be received in time to be counted towards the £1bn total announced in the Budget.

As I said earlier, we clearly do not want to overload the Bill so as to jeopardise its timetable, but you might also like to consider, in the light of the Attorney's advice in his letter of 10 July, whether it should not also include a provision to make certain the powers to dispose of British Steel Corporation assets, and possibly also provide for the sale of Cable and Wireless. In the BSC case I understand that we need to be sure, at the least, that the Corporation can realise the specific assets scheduled for disposal during the current year without there being any need for the Board to confirm that the disposals are in the interests of the business.

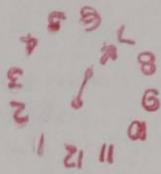
The background to the present discussions of public expenditure in 1980-81 includes the assumption that we shall secure further receipts from asset disposals that will reduce public expenditure by £500 million in that year. The various possibilities are discussed in the paper I shall shortly be putting to E(DL). As well as selling shares in certain industries, we may have to look to nationalised industries to raise substantial amounts by disposing of further landholdings and possibly by selling self-contained operational units not integral to the main business. Since we may not be able to rely on the industries to cooperate voluntarily in making these further sales, we should perhaps consider also adding powers for the Government to enforce them to the various relevant programme Bills which will be going through Parliament during the current session. In the case of BSC, the Industry Bill might again be the vehicle; or alternatively the necessary provisions might be included in the Bill to denationalise shipbuilding and aerospace activities. In the case of British Rail, and perhaps also certain other surface transport nationalised industries, the forthcoming Transport Bill would provide the opportunity to secure the necessary powers (although, of course, I recognise that sales of business units are not Norman Fowler's preferred way of attracting private capital into this area, and that he would want if possible to avoid using such powers).

I should be glad to have urgent views on all this from you and your other colleagues concerned.

I am sending a copy of this letter to the Prime Minister, the Lord President, Members of E(DL) Committee, the Minister of Transport, the Attorney General and Sir John Hunt.

A large, stylized handwritten signature in black ink, appearing to read 'Nigel Lawson'. The signature is written over a horizontal line and extends significantly below it.

NIGEL LAWSON



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