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PRIME MINISTER

c. Mr. Wolfson

Disposal of Assets

The attached minute from the Chancellor (Flag A) reports on the latest meeting of the Sub-Committee on Disposal of Public Assets. It raises one important issue - whether the Government should proceed this year with the sale of BP shares. (At Flag B are the minutes of the Sub-Committee's meeting, which set the problem out in greater detail.)

The Chancellor is counting on selling 16 per cent of the combined Government and Bank of England holding in BP: this would raise approximately £650 million and reduce the combined holding to 35 per cent. The objections to a sale this year are as follows:

- i. It would be politically difficult to explain a sale at the present time when oil supplies are short - Mr. Howell argued quite strongly on this point, I understand.
- ii. The value of the shares could well rise rapidly in the next year or two - this was a point argued by Mr. Heseltine and Mr. Nott.

The argument in favour of the sale comes straight back to the Budget arithmetic. If we do not sell these shares, then £650 million will have to be found by some other means. This seems almost inconceivable at this stage. We have gone about as far as we can on public expenditure cuts for this year; I can see no further scope for tax increases; and there is no way in which we could find alternative asset disposals. One likely item which has been mentioned to you is the sale of publicly owned property; but Mr. Heseltine has personally looked at this and is unable to produce more than £40 million this year.

/Those who supported

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Those who supported the Chancellor were, naturally, the Chief Secretary and the Financial Secretary; but also Sir Keith Joseph and Mr. Nicholas Ridley (who was standing in for Sir Ian Gilmour).

The Chancellor would like your blessing for a decision in favour of going ahead with the sale. This is needed now so that the Treasury and the Bank at least have the option of carrying out the sale in July - which at present they think would be more desirable than waiting until the autumn. A final decision on timing and on the details of the sale procedures would be taken in the next week or two.

Do you agree in principle that the sale should proceed, with the timetable and procedures to be decided later? If not, we will no doubt have to go back to Cabinet to find alternative revenue savings.

As a postscript, I should add that I asked Treasury Ministers to consider the question of confining sales to the UK. This was following your comment that sales abroad would not help with the money supply. Despite this, they still seem keen on selling some of the shares abroad because of the higher prices which they would thereby get - rather than concentrating the whole sale in the UK.

22 June 1979

Handwritten notes:

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