

SECRET



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B/MSR (C)
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S. DWAN
S. L. FIREY
M. F. JONES
M. URSIN
M. FER BUTER
M. LAVELLE
M. MACK
M. WICKS
M. RIDLEY

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

7 June 1979

Dr David

DISPOSAL OF ASSETS

Thank you for your letter of 6th June.

I am writing to let you know that in view of what you have said to me during the week and of your exchange with the Prime Minister yesterday, including her view that BNOC must certainly be slimmed down (recorded in her Private Secretary's letter to yours of 6th June), I have finalised the Budget arithmetic on the assumption that you will be able to realise at least £200 million from sales of BNOC's assets and of BGC's oil interests during the current year. (I was glad to see that you made it absolutely clear to Sir Denis Rooke that no assurance could be given to him on the question of disposals of assets.) As we agreed, the passage on disposals will not mention either corporation by name but will speak of "..... sales of other public sector assets".

I have also taken credit for £100 million for the cash flow effect of taking oil royalties in kind on the assumption that you will announce this as soon as possible after the Budget. I also assume that this will not be unwound during 1980/81, unless there is a major change in the oil supply situation. I understand that our officials have now concluded that the originally agreed figure of £100 million is the right one.

I have taken credit too for the effect on the PSBR of Sir Denis Rooke's offer to raise his debt repayment and change his cash limit accordingly. I am however concerned that BGC can almost overnight find further savings of £132 million. I hope that this is something we can ensure will not happen again next year.

The Rt. Hon. David Howell, MP

/I am sending

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I am sending a copy of this letter to the Prime Minister
in view of the interest she has expressed.

A handwritten signature in black ink, appearing to read "Geoffrey Howe".

(GEOFFREY HOWE)



11 JUN 1979