SECRET

PRIME MINISTER (23) 1.

Agree that Mr Lawson may approve splitting of BP stock?

MAP 23/VIII

Yes pls.

PRIME MINISTER

BP STOCK SALE

The Chairman of BP, Sir David Steel, has asked our views on a proposal to split the BP stock now denominated in £1 units into 25p units. Subject to his Board's agreement, his plan would be to make an announcemnet of this on 6 September with the operation (which would have to include an Extraordinary General Meeting and Class Meetings of stockholders) being completed on 8 October. This would mean that the first practical impact day (ie day of announcement) for a Government sale of BP stock would be on 24 October. To meet this timetable a decision would be needed by 25 September.

The market price of the £1 BP share now stands at nearly £12 and it is generally agreed that high value shares like theirs are less attractive to small shareholders than shares which stand in the market at a lower price. There may be some element of market folklore about this, but there is undoubtedly something in it. I therefore support the principle of Sir David Steel's proposal, particularly since one result may be to encourage smaller shareholders - including BP employees - to participate in any future stock sale.

The main point at issue for the Government is whether the timetable he suggests would fetter our freedom of action in deciding the impact day for any stock sale. E Committee will consider the question of a BP stock sale next at their meeting on 11 September. If they then decide to proceed with the sale, the earliest possible impact day would still be 24 October since any earlier announcement in October (and perhaps even one on 24 October) is effectively ruled out by the announcement of the results of BP's American subsidiary, Sohio, which is due about that time. I therefore do not see that we would lose anything by agreeing to Sir David Steel's proposal. Subject

to your views, I propose therefore to tell him that the Government is agreeable to an announcement on 6 September of the splitting of the BP stock into 25p units provided that the first practical impact day for sale of the stock would then be 24 October.

I am sending a copy of this minute to Sir John Hunt.

PCS

RP NIGEL LAWSON
22 August 1979

(Approved by the Financial Secretary and signed in his absence)

SECRET

(24) JS

cc CO

Energy

10 DOWNING STREET

From the Private Secretary

28 August 1979

The Prime Minister has seen the Financial Secretary's minute of 22 August, reporting BP's proposal to split BP stock into 25p units.

She is content that the Financial Secretary should tell Sir David Steel that the Government is agreeable to an announcement on 6 September of the splitting of the BP stock into 25p units provided that the first practical impact day for sale of the stock would then be 24 October.

I am sending a copy of this letter to Martin Vile (Cabinet Office).

M. A. PATTISON

Mrs. P.C. Diggle,
HM Treasury.