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CABINET

MINISTERIAL COMMITTEE ON ECONOMIC STRATEGY
SUB-COMMITTEE ON DISPOSAL OF PUBLIC SECTOR ASSETS

DISPOSAL OF ASSETS

Memorandum by the Financial Secretary, Treasury

The Chancellor announced in the Budget Statement that the proceeds of sales of state-owned assets in the current financial year would amount to some £1bn and that the biggest contribution to this total would come from the sale of a further part of the Government's stockholding in BP. The Prime Minister has re-affirmed the decision to raise some £1bn for asset sales, but is concerned about the timing and extent of the proposed sale of BP stock. She has also asked that a further effort should be made to find alternative assets for disposal so that the amount of BP stock to be sold can be kept to a minimum.

2. Sources for Disposals

It is firmly agreed that £100m of the £1bn total will come from the disposal of certain NEB holdings. (Details of this and other possibilities are in annex A.) Disposals of land and other fixed assets worth £30m from public sector bodies for which the Secretary of State for the Environment is responsible are also firm. I understand that he is now considering further possibilities, including further disposals of new town assets. We hope to raise a further £20-25m by sale of the Treasury's shares in the Suez Finance Company this year, though the timing cannot be guaranteed. The British Steel Corporation has been asked to dispose of assets which will realise a net £15m. Other sales under active consideration are the Government shares in the British Sugar Corporation and an office block owned by the Covent Garden Market Authority. However,

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it is likely that in these cases the bulk of the proceeds will be needed to offset other Departmental expenditure. Taken together these would produce a maximum of £180m.

3. To make a substantial addition to this total it would be necessary to bring into 1979-80 sales which are being considered or planned for 1980-81. Most of these disposals would count statistically as financing the PSBR rather than as a way of reducing it unless the Government gave up control as publicly and firmly as it has in the case of BP. Cable and Wireless is one such possibility. If a generous dividend policy were announced, a sale of half the shares might raise a further £100m or so. The legislation to make this possible might be tacked onto the Industry Bill. Legislation would also be necessary to convert British Airways or British Aerospace to Companies Act companies (though not to sell shares in a subsidiary) and to permit the sale of substantial minority holdings in their shares. Selling 49 per cent might raise some £150m from British Airways, some £100m from British Aerospace (BAe). In the case of BAe an alternative course, also requiring legislation, and likely to face opposition from BAe, would be to sell their profitable Dynamics Group: GEC are known to be interested. Department of Industry views on the relative merit of these courses will be important, but there would clearly be serious risks in attempting to compress the timetable for legislation and consultations in order to permit sales in this financial year. Legislation covering BAe might also cover the sale, either in whole or part, of subsidiaries of British Shipbuilders. The Department of Industry is not yet ready to make proposals in this area but in the present context one relevant factor is that disposal of the major saleable assets (the warship builders) would involve the loss to British Shipbuilders of substantial progress payments. (This follows because currently the funding requirements of BS as a whole are reduced because they are able to draw on advance progress payments for naval ships and retained profits of the warship yards. This is worth £134m of which about £100m would have to be repaid to the warship companies if they were sold.)

4. Legislation would be necessary for the sale of all, but not 49 per cent, of the shares in AEA's subsidiary, the Radio Chemical Centre Ltd, or to dispose of some or all of the National Freight Corporation. Complete disposal of these concerns would raise less than £50m, and it is very doubtful whether any money could be raised in 1979-80. Finally there is a possibility of pressing British Rail to step up its rate of disposals of land, and to sell Sealink and/or some of its hotels. This would be strongly resisted by the Railways Board, as well as by the rail unions, and might well need new primary legislation. The Minister of Transport has written to me expressing his own reservations about this course. In any event, there would be considerable problems in securing very quick receipts; £25-50m is probably the limit of what might be obtained in 1979-80. Finally there is the possibility of disposal of some part of the Forestry Commission estate. Once again, however, legislation would be required.

5. In theory if all the possibilities in paragraphs 3 and 4 were implemented they might raise some hundreds of millions of pounds, though this might not be in a form that would reduce the PSBR. But in practice there seems little chance of any substantial receipts from these sources in 1979-80 and I see no justification, subject to the views of the responsible Secretaries of State, for counting on any of them this year.

6. I therefore conclude that after taking account of the disposals in paragraph 2 above, some £820m of the £1bn total needs to come from sales of BNOC/BGC's oil field assets and the Government's stockholding in BP.

7. <u>BNOC and BGC</u>

The Budget arithmetic assumes that at least £200m should come from disposals of BNOC and BGC assets in the current financial year. The Attorney General has advised that subject to statutory consultations between the Secretary of State and BGC under Section 7(2) of the Gas Act 1972, the Secretary of State could use his legal powers under that Act to compel BGC to sell its Wytch Farm oil field or other assets roughly equivalent in value (some £100m). Despite the risk of a row with the BGC Board I believe that there is a strong case for selling Wytch Farm. We could make the case in public that it is an onshore <u>oil</u> field and that BGC's <u>gas</u> supplies come from the North Sea. It is therefore of peripheral relevance to the Corporation's activities and we would have a good case to deploy in public for the sale. If we can get £100m for Wytch Farm, we could either sell fewer BP shares or fewer BNOC assets.

8. The Secretary of State for Energy's paper on future policy towards BNOC discusses raising £200m from sales of BNOC assets. (Lord Kearton has already advised that BNOC's interest in the Viking gas field and in the Statfjord oil field could be disposed of raising perhaps £120-130m.) The Attorney General has said that the Secretary of State could not safely or validly issue directions to BNOC to direct them to sell assets. Legislation would therefore be required and this might be included either in the proposed bill amending to the Petroleum and Submarine Pipelines Act 1975 or in the forthcoming Industry Bill. The sale of at least £200m of BNOC/BGC assets would still leave say some £620m to be found in order to reach the £1bn total announced by the Chancellor in the Budget.

9. <u>BP</u>

The most certain way of raising this sum this financial year is by selling part of our holding in BP stock so as to reduce the Government/Bank of England holding to say 35 per cent. (This would imply a sale of 16 per cent of Company, marginally less than the 17 per cent sold by the previous administration.) The amount raised would depend on the BP stock price at the time and the discount at which the stock was offered. But on the basis of the average market price since 1 May of about £11.70, the disposal would raise in the order of £650-680m, depending on discount and excluding the other costs of the issue which last time, on sale proceeds of £570m, amounted to £12m net of stamp duty. (Every 10p rise or fall in the stock price alters the proceeds by some £6m.)

10. It is quite impossible to forecast with confidence the movement in BP's stock price in the coming months, let alone over the next few years. Oil shares are notoriously volatile and BP is no

exception. (There will have to be a gap of roughly 10 days between the fixing of the offer price and the receipt of applications: the maximum increase in BP's stock price in any 10 day period so far this year has been £1.40; the maximum decrease has been £1.00.) The stock price could be affected adversely by political events such as the intensification of the recent moves of the Nigerian Government against BP, or fears of Government action throughout the world to increase the tax take from oil companies. I accept that there would be political embarrassment if the stock price rose significantly in value after - or during - the sale. But the same would be true if the stock fell (because of the effect on small investors). We cannot rule out the possibility of a significant movement, and to regard the possibility of embarrassment as a conclusive argument amounts to ruling out the option of any BP sale at all. The best we can do is to take the best advice available at the time. But the current stock price, which takes account of the Budget announcement about the forthcoming sale, reflects the market's own judgement of the future - including the effect of the OPEC price increase - and there is no reason why the Government should be in a better position to make an assessment than the market. Certainly, we must try to choose the best time for the sale in order to maximise proceeds - and it is worth noting that recently BP has been stronger than other oil shares, for reasons which may not persist - but we are not in the business of "playing the market".

11. There may also be some concern about the sale of a substantial block of shares in a major international oil company at a time of shortages in the oil market. The fact is that influence over the operations of the Company is in practice <u>not</u> proportional to the size of the Government shareholding. Indeed, the essence of the so-called 'BP solution' is that the Government does <u>not</u> use its shareholding power to secure non-commercial policy objectives. In practice, BP, as one of the country's foremost industrial enterprises, will always have a strong incentive to do all it can, compatible with its contractual obligations, to maintain oil supplies to this country. In any case even with the sale of 16 per cent of the stock in the Company, the Government and the Bank's holding taken together will

still retain its historic relationship with the Company, based upon the right enshrined in the Articles, to appoint two directors to the Board with a power to veto certain Board resolutions. The 35 per cent holding is more than sufficient to block the special resolution needed to alter the Company's Articles. (If, against the legal advice, the Bank of England lost the action with Burmah and had to return their 20 per cent holding to the Company, our stockholding would be reduced to 15 per cent. There could then be no certainty of blocking a special resolution though the size of the Government's holding which would be the largest, and the dispersion of the stock should make this possible.) And since our control over the Company is not materially diminished the security of this country's oil supplies would not be adversely affected.

12. There are 5 particular issues to which I would like to draw the Committee's attention - sales abroad, the timing of the sale, monetary aspects, preference for employees and other points including the form of the offer.

13. Sales Abroad

In 1977 the offer was aimed at both the London and New York markets. Overseas marketing helps maximise sale proceeds and there is therefore a good case for going further this time and making the shares available not only in New York and London but in at least one other centre, probably Frankfurt. BP tell us (and the Bank do not dissent) that in their judgement marketing abroad increases the proceeds of the whole sale (not just the stock marketed abroad) by as much as 3-5 per cent (ie roughly £20-30m). The reason for the increased proceeds is that the larger the market available, the greater is the confidence of the managers of the issue in setting a high price and the greater the willingness of underwriters to accept it. Moreover, there is always the possibility - though never certainty - that the stock sold abroad can command a higher price than that marketed in London. In 1977 this latter effect produced an extra gain to the Exchequer of some £6m. (And, of course, even if the stock is marketed only in London, there is still no practical way of preventing foreigners from buying the stock - and buying in a way which does not help us maximise proceeds.)

14. My suggestion would be that between 20-25 per cent of the sale should be marketed abroad and that this would be split between centres concerned according to market circumstances. (The 1977 offer for sale indicated that a part not exceeding 25 per cent of the ordinary stock comprised in the offer could be withdrawn and sold in North America; in the event 20 per cent was withdrawn.)

15. Timing

The Bank of England have advised us that expert American opinion is generally agreed on the likelihood of the US market looking increasingly unhappy as the Autumn rolls on. They say that this is certainly an argument of some force for an early move, provided of course, that the equity market in London is in reasonably good health at the time. I am now advised by the Bank and BP that if a decision was made by the end of this week to go forward, an announcement of the sale could take place on 25 July. A decision the following week would make announcement on 1 August possible. Announcements on 25 July or on 1 August would require the arrangements for the sale to be put into place at great speed and a decision would effectively be required at this meeting. (It would not, of course, be irrevocable: it is always possible to abort right up to the announcement.) After 1 August, the next practical opportunity for a sale may be the middle part of September, though August may not be entirely ruled out. If the sale is to take place later than 1 August I suggest that the Chancellor of the Exchequer should agree timing with the Prime Minister in the light of the most up-to-date assessment of market prospects.

16. Monetary Aspects

The effect of the sale of BP stock on the money supply (£M3) depends on who purchases it and how they finance it. In the case of sales to domestic residents, for example the long term institutions, the sales may largely displace (ie crowd out) sales of gilts and equities, in which case the monetary effect would probably be a small proportion of the total value of the stock sold. Alternatively, if the sale were to a company, it might issue more shares itself, it might borrow more from the banks, or it might (particularly if the purchaser were an oil company) run down its holdings of Certificates of Tax Deposit and in all these cases the monetary effects would again be small. On the other hand if the sale were financed by running down liquid assets, and in particular bank deposits, the beneficial monetary effects would be greater.

17. However, some purchases of stock by domestic residents might be financed by borrowing from overseas, and the stock might also be bought by foreigners. There would then be less risk of displacing gilt sales or other equity sales (ie crowding out) and, assuming a floating exchange rate the incipient capital inflow would pro tanto cause an appreciation of the exchange rate which in turn would directly reduce the UK price level and hence the demand for money. In the case of a fixed exchange rate, the capital inflow resulting from sales overseas would largely offset the beneficial monetary effect that would ensue if the rate were floating.

18. Assistance to BP Employees to Buy Stock in the Company

The Sub-Committee asked me at their last meeting to explore with the Company and the Bank of England the suggestion that a trust fund should be set up to assist BP employees to buy stock in the Company. BP are strongly sympathetic, as I am, to the objectives of this suggestion - encouraging their employees to become stockholders - and they have prepared the paper at annex B which shows how they believe it could best be met. Their proposal has the advantage of linking the purchase of stock by employees in the forthcoming offer to the financial benefits under existing tax legislation. It therefore gives employees in this country an incentive to apply for stock. (The arrangement would not apply to employees abroad, but as in 1977 some of them could be given preferential allocations in the event of over-subscription to stock.) The Company are not attracted by the idea of a loan scheme, arguing that this - a) is of no attraction to an employee unless the rate of interest is subsidised and the subsidy would be taxable for certain employees; b) would require restrictions to prevent stagging; and c) would give rise to continuing difficulties by reason of the Company's lien over the stock. I therefore recommend that the Company should be asked to work up their proposal so that it can be a part of the sale arrangements.

19. Other Points

In 1977 the sale was made by way of a fixed price offer. I have considered whether to make the sale this time by an invitation to tender, but have concluded in favour of a fixed price offer because this makes it easier to give preference to the small investor and to employees as well as avoiding unnecessary (and perhaps discouraging) complexity for these groups. (A sale in late July/early August would almost certainly not allow sufficient time for arranging for a tender issue.) The Sub-Committee agreed at their last meeting that preference should not be given to existing stockholders unless the conventions of the Stock Exchange required this. I am advised that there is no Stock Exchange requirement or convention for preference to be given to stockholders in cases like this. (No such preference was given in 1977.) The offer would be underwritten. I will be considering with the Bank the case for giving preference to sub-underwriters as in 1977.

20. Alternative to the BP Sale

I have considered whether alternative assets for disposal can be found so that the reduction in the Government's stake in BP can be kept to a minimum. Paragraphs 2-6 make clear that there is no chance of raising disposals in the non-energy field sufficiently to avoid a BP sale this year. The only other possibility would be for BNOC to sell all its assets to BP as the Secretary of State for Energy himself suggested to the Chancellor of the Exchequer at an earlier stage. As he pointed out, this would reduce the public sector borrowing requirement and could not be seen as "selling out to the multi-nationals" given the Government's large holding in BP. (This option is considered further in the Secretary of State's paper on the subject.)

21. Conclusions and Recommendations

I invite the Sub-Committee:

(i) To note that of the total of some £1bn sales of state-owned assets in the current financial year announced in the Budget, there are firm plans to obtain £100m from the disposal of NEB holdings and

£30m from disposals from public sector bodies for which the Secretary of State for the Environment is responsible.

(ii) To agree that:

a) every effort should be made to obtain £50m this financial year from the sale of the Treasury's share in the Suez Finance Company (£20-25m), disposals of British Steel Corporation assets (£15m) and from part of the proceeds of sales of the Government's shares in the British Sugar Corporation and the Covent Garden Market Authority's office block.

b) at least £200m should be found from the disposal of BNOC/BGC assets.

(iii) To decide whether the balance of the £1bn should be found from the proceeds of selling all BNOC's assets to BP or by disposing of sufficient of the stockholding in BP so as to reduce the Government's holding to say 35 per cent.

(iv) To decide, in the event of a decision to sell part of the BP stockholding, the timing of the sale, bearing in mind that a decision to go ahead in late July/early August needs to be made at this meeting; and that any later date should be decided by the Chancellor of the Exchequer and the Prime Minister.

(v) To agree that if there is to be a major sale of BP stock:

a) a proportion of the stock would be offered for sale in New York and in at least one other centre abroad, probably Frankfurt;

b) BP should be asked to work up their proposal in annex B so that it can be part of the sale arrangements; and

c) the method of allocating stock should give preference to BP employees and small investors (on the lines proposed in paragraph 18).

POSSIBLE DISPOSALS **ANNEX A**

National Enterprise Board

1. The most readily saleable NEB assets are its profitable holdings in ICL (25%), Ferranti (50%), Brown Boveri Kent (20%), Fairey (100%), and United Medical Enterprises (70%). Together these could be expected to realise over £100 million. Other holdings in a variety of small companies might yield £25 million in future years.

2. As foreshadowed in the Queen's Speech, the intention is to introduce legislation to amend the Industry Act 1975 in the present Session. This will dispose of any existing legal obstacle to substantial disposals of NEB holdings.

3. The choice of disposal techniques to be employed will vary with the shareholdings. The main options were given preliminary consideration by the Committee at its meeting in June. Further work will proceed in parallel with the preparation of legislation and detailed proposals will be brought back to the Committee in due course. No major difficulties are foreseen. If the disposals are to be completed within the financial year it is, however, of major importance that the legislative time-table should not slip.

Compagnie Financière de Suez (Suez Finance Company)

4. The Government holds nearly 8% of the equity in this French-registered company which is quoted on the Paris stock exchange. (The holding originated from the former Suez Canal Company in which HMG had a stake.) At present market prices the shares are worth £20-25 million or the equivalent in foreign currency. The intention is to dispose of the entire holding. Legislation is not necessary but the feasibility and timing of disposal will depend on soundings now being taken by the Bank of England and Lord Cromer (the Government Director on the Suez Finance Company). We cannot therefore guarantee that the proceeds will be realised within the current financial year.

British Sugar Corporation

5. At current market prices the Government's 14.5 million shares are worth about £ 23 million. The Minister of Agriculture has taken the view that a sale should be deferred until progress has been made in the complicated situation which exists between BSC and Tate & Lyle. Meanwhile thought is being given to disposal options and there seems no practical obstacle to sale in this financial year. A major part of the proceeds of sale may, however, be needed to fund replenishment of the strategic stockpile of sugar and other items.

Market Towers

6. The Minister of Agriculture intends to arrange for the disposal in the current financial year of an office block at Nine Elms, owned by the Covent Garden Market Authority, and whose retention is not necessary to the functioning of the Market. This is expected to realise some £14 million. The proceeds will however be needed to offset other expenditure by the Department that would otherwise be a charge against the contingency reserve.

British Steel Corporation

7. BSC is likely to sell its 3% shareholding in Tube Investments and overseas interests (mainly Australian) and some land. These should realise about £30 million in 1979/80 but half of the proceeds are needed to offset the delayed payment of Regional Development Grants announced in the Budget. No legislation is needed.

Cable & Wireless

8. Ministers are expected to seek to dispose of 49% of the Government's shareholding in the Company. The estimated value is probably between £ 60 and £ 120 million depending on whether the recent dividend or earnings is used as the basis of valuation. A sale within this financial year is possible, but difficult. If shares in Cable & Wireless itself were sold, this would require legislation - not a great problem as the Industry Bill will be available. If a special subsidiary were floated, legislation would not be required. But there are a number of other problems which will take time to resolve. First, there is the question (which has PSBR implications) of the extent to which the Government should retain effective control of the Company, not least in the light of its uncertain future. The critical Hong Kong and Bahrein concessions expire in a few years, and will have to be re-negotiated before sale can take place. There are also threats to the very high level of profits from Hong Kong, which are an important feature of the Company's overall profitability - such as that government's plans to impose a "scheme of control", to tax profits and to require lower rates to be charged. There is also a question whether the shares might be floated on the Hong Kong stock exchange. Merchant bankers are being engaged to investigate these questions.

British Airways

9. The provisional intention is to dispose of some half of the airline's equity which might raise about £150 million. In later years there would be additional potential savings of about £150 million if BA's future borrowing did not contribute to the PSBR. But genuine and demonstrable disengagement by the Government would be

necessary for the airline to be treated as part of the private sector and eliminated from the computation of the PSBR. This involves legislation to create a Companies Act company and to relieve the Secretary of State of his powers. A further obstacle to rapid disposal is the need to win the support of Heathrow's militant work force. It would be very difficult, albeit not perhaps impossible, to achieve the disposal in the current year.

British Aerospace

10. One option for BAe would be to convert the Corporation into a Companies Act company, and sell a large minority shareholding. Selling 49% of the shares might raise around £100 million, though the exact sum would largely depend on the extent to which HMG was prepared to guarantee the future funding of civil projects and research. A second option would be to sell the Dynamics Group. The Group is profitable, and the total realised might again be about £100 million. There would be PSBR costs in the longer term, since the Group's profits would not be available to BAe as a whole, and the Board would oppose this option. Legislation would be needed for either option.

British Shipbuilders

11. A place has been reserved in the programme for legislation to permit the sale, either in whole or part, of subsidiaries of BS. Consideration is still being given to disposal options. At present the principal saleable assets are the 3 major warship builders (Vospers, Yarrow, Vickers) but the financial implications of sale, including the effect of loss of progress payments in the cash flow of BS, require further study. An indication of the Government's thinking will be desirable when a general statement is made about shipbuilding policy in July.

National Freight Corporation

12. The Minister of Transport envisages early legislation to turn the Corporation into a company under the Companies Act, the shares in which would subsequently be sold to the public. On the basis of the 1978 financial results, it is possible that sale of the Corporation in its entirety would realise no more than £15 million net. If the primary consideration were to realise substantial receipts as quickly as possible, it would probably be necessary to sell the more profitable pieces of the business separately. The Minister of Transport and the Corporation are both opposed to this course. Legislation would be involved in either event.

British Rail

13. A preliminary assessment suggests that it might be possible to raise £75 million from the sale of Sealink, and perhaps £50 million from the sale of some of the

better British Rail hotels. The Board and the rail unions would resist such sales very strongly, and the Board argue that new legislation would be needed if they were to be forced to divest themselves of these holdings. It might also be possible to speed up disposals of British Rail's surplus land although it seems unlikely that additional receipts of more than, say, £10-15 million could be secured in 1979/80.

Forestry Commission

14. The 1978 book value of the Commission's planted estate was over £450 million. It is for consideration whether some divestment might be possible, consistent with maintenance of the Commission's regulatory role.

15. Legislation would, however, be required and any resulting reductions in total planting levels might be controversial. Divestment might well have to be gradual and there would be offsetting costs. This suggests that it would not be practicable to look for substantial savings from this source in the present financial year.

New Town Assets

16. Disposal of land and other assets already agreed will produce £30 million (£20 million from new towns, £5 million from water authorities and £5 million from the Property Services Agency). The Secretary of State for the Environment is considering further possibilities.

UK EMPLOYEE PARTICIPATION IN SALE OF BP STOCK

A NOTE BY THE BRITISH PETROLEUM COMPANY LIMITED

1. We have been asked to consider the possibility of BP arranging for loans to be made to employees to purchase BP shares in the forthcoming sale of BP stock, the money lent being borrowed from the private sector. In theory this can be arranged. We would, however, counsel against a scheme in this form and suggest an alternative which might better suit the intentions of Ministers.

2. There is no legal or practical difficulty about BP, or a trust set up by BP, lending to employees to finance part or all of their purchase of BP shares in the Treasury sale subject to a reasonable limit per employee. BP would hope that it could finance this in a way best suited to BP and not be required to have matched borrowing. However, such a loan scheme has the following disadvantages which may well inhibit the response to it.

(i) It is of no attraction to an employee unless the rate of interest is subsidised by the Company. Whilst this could be done for a limited number of years, the subsidy would itself be taxable for those employees earning more than £8,500 a year and thus of limited value to them.

(ii) Some restrictions would have to be put on the sale of the shares for a period of time otherwise the scheme would merely subsidise stagging. This would give rise to additional tax liabilities on the employee under Section 79 of the Finance Act 1972. The restrictions and the liability would render the scheme unattractive to employees.

(iii) The Company or the Trust would have to retain a lien on the shares for so long as the loan was not paid off. With 32,000 employees in the UK there will be numbers who will want to sell the shares early for hardship reasons, either within the period of limitation or when the share price is below the price which they were bought (after the last issue the share price was below the offering price for a considerable period). This will give continuing difficulties.

.../

3. The Company has for some time been working towards the introduction of a "profit sharing scheme" under the Finance Act, 1978 whereby employees acquire shares on preferential terms. The Company does not believe it right just to give shares to employees who put nothing down themselves. We would prefer, probably through parallel trusts, to set up the scheme, the effect of which would be that if an employee buys a share himself he receives (say) one extra share free under the Finance Act 1978 Trust. The share he receives under the Finance Act Trust would be subject to all the limitations or penalties on sale in less than ten years set out in the Finance Act 1978. The share bought direct would have to have some restrictions put upon its sale, but not necessarily for as long a time or under such stringent conditions as the Finance Act shares.

4. BP, therefore, proposes in respect of the current offering that the objectives of Ministers would be achieved more efficiently if for every share up to a given maximum purchased by a UK employee out of his own money and placed in trust with certain limitations, he would receive (say) one free share purchased by a parallel trust with BP money up to the limitation of £500 value laid down in the Finance Act, 1978. This would be the precursor of a continuing BP scheme for employee stock participation.

The precise terms of the offer may, of course, vary between different groups of employees depending on, for instance, service and salary as permitted by the Finance Act, 1978.

Such a scheme would require Revenue agreement which we understand from discussions with Somerset House would be forthcoming. It also requires certain consents from the Stock Exchange which we hope will be forthcoming.

QMM/EB
21/6/79