

I have every sympathy
with Mr. Lawson's remarks in
view of the way DoT have consistently
dropped the price of oil.

PRIME MINISTER

Ref. A03346

MR. LANKESTER

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Are you content to

accept this advice, leaning

in favour of course (a)

below?

Disposal of British Gas Corporation Oil Assets

MS 24/10

Nevertheless - I will
find on last message and accept
(el) (tel) ...
shall therefore
expect
DoT to
delimit
soon to
the Embassy
next year
one more
interpretation
of (with
delay)
not

You asked for advice on the minutes dated 8th and 20th October from Mr. Howell about disposal of British Gas Corporation (BGC) oil assets, and the comment on them dated 16th October from Mr. Lawson.

2. There was a meeting of E(DL) yesterday which confirmed Mr. Lawson's general picture on disposals in 1980-81 in relation to the target. There are good prospects of achieving £500 million out of the target of £630 million. The only real additional runners to meet the £130 million shortfall are British Aerospace and Wytch Farm. British Aerospace might possibly provide £50 million but there are great uncertainties about the effect of any cuts in the Defence budget.

3. On the oil disposals, Mr. Howell, after a long rearguard action, has eventually persuaded BGC to move towards devising a suitable scheme, and he is confident that he will be able to deliver some £200 million to next year's disposals. Failing that he could certainly deliver £100 million next year from Wytch Farm. Although it is still theoretically possible to achieve a forced Wytch Farm sale this year, it would undoubtedly be risky because BGC might well drag their feet at all stages and there could be problems in getting a good (and defensible) price in a sale conducted on such a tight timescale.

4. Thus the choice seems to be either

- (a) to accept the certainty of missing this year's overall disposals target, but to have a good prospect of a high return from the BGC disposal in 1981-82 when there will also be great PSBR problems; or
- (b) to adopt a high risk course which would possibly mean getting near to this year's disposals target but which could instead result in a smaller income in 1981-82 than (a) together with the additional disadvantages of open conflict with BGC.



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5. If the Prime Minister decides to follow course (a), the Cabinet Office suggest that she need reach no conclusion on the points of detail about the scheme which Mr. Howell and Mr. Lawson discuss in their letters, but that instead she might ask Mr. Howell to report to E(DL) - or E if she wishes - with firm proposals when the BGC scheme is further developed.

(D.J. Wright)

24th October, 1980

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