

Econ 101
—

THE PRIME MINISTER

BGC: DISPOSAL OF OIL ASSETS

I refer to Nigel Lawson's minute to you of 16 October commenting on the proposals set out in my minute of 8 October for the disposal of BGC's oil assets.

I fully appreciate the problems we are experiencing over meeting the disposals target for 1980/81 of £630m (at outturn prices). However, I do not share Nigel's view that there is a reasonable chance of securing receipts this year from the forced sale of BGC's share in the Wyth Farm oil field. There is, in my view, little prospect of our doing so. I believe in any case that the proposals outlined in my minute would achieve our objective better, and could raise significantly more, than the disposal of Wyth Farm alone. Given the acute problems we are facing for 1981/82, I do not think it is a prospect we should lightly forego.

I agree that we must make every effort to ensure that the proceeds from selling an equity stake in their oil interests should not be left with BGC. I would hope to be able to use Section 16 of the Gas Act 1972 to achieve this objective. As a last resort could use the levy as a means of creaming off excess revenue.

BGC have at last come a long way towards meeting our requirements. I believe that to attempt now, as Nigel suggests, to reserve our position on the size of BGC's minority stake could jeopardise progress on the whole transaction.

I also think it would be quite unreasonable to set them a deadline of early November to come up with an acceptable scheme. We only confirmed our line at E on 15 September and I reported BGC's response to you on October 8, after their special Board meeting on 3 October. Complex issues are involved and it will inevitably take some time for BGC and their merchant bank advisers to produce a detailed scheme. I shall, of course, keep up pressure on BGC and I would propose to make it clear to them that one of our requirements is that the proceeds from the sale of shares in an oil assets subsidiary should be received during 1981/82.

As regards the length of the management contract I suggest we do not take a firm view now on its duration although I take Nigel's point that we shall need to look closely at the length of the contract because of its PSBR considerations.

I am copying this to the members of 'E' Committee and Sir Robert Armstrong.

DGA
—

SECRETARY OF STATE FOR ENERGY

22 October 1980

22 OCT 1980

