

SECRET



PRIME MINISTER

BP SHARE SALE

You will wish to know that plans are well in hand for the sale of BP shares. I have decided that the sale will be by means of a fixed price offer, as in 1977, and arrangements will be made to provide preferences to small applicants and to UK employees linked to BP's employee shareholding scheme.

The Bank of England advice is that subject to decisions on exchange control and market circumstances, impact day for the sale (ie the announcement of the price) should be on Wednesday 31 October with application lists closing on 9 November. I should be glad to know that you see no difficulty with 31 October. The Chancellor will, of course want to consult you on the afternoon/evening of 30 October about the sale price.

The Bank also advise that it will help the marketing if we announce the size of the sale some 2-3 weeks before impact day to give the markets time to digest this news. I agree. The drafting of the announcement will need some care since although the size of the sale has been rumoured in the press, the markets may still be expecting a rather larger sale and we need to avoid their jumping to the wrong conclusion that the £1bn announced in the Budget is in jeopardy. I will ensure that your office is given advance warning of the announcement.

Could I also say that the Bank suggested to me that it would look rather odd to sell exactly 5 per cent of BP shares since this would amount to 77,303,617 shares. While they recognised that the 1977 sale was for an odd amount, it would be more in keeping with

Prime Minister 3 1

Agree Mr Lawson's proposals?
Yes Sir.

(The employee schemes at X mean that the government's holding could conceivably fall to 24.72% if we lost the Burmah case. The Treasury are confident that, if that happened, they could negotiate the retention of the former blocking vote.)

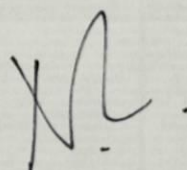
TL
2/10

A busy day -
planning
talks +
dinner
for
Hue. But
no doubt
can be
fitted in.
TL

City practice if the sale was for a rounded amount of shares. I therefore agree that 80m shares should be sold. This represents 5.17 per cent of BP and would reduce the Government's holding to 25.70 per cent, making 45.83 altogether including the Bank's holding.

X | I also ought to record that BP's two employee shareholding schemes will in due course reduce the Government's percentage share of the Company. The maximum dilution from BP's SAYE linked scheme, which is aimed at lower paid staff, amounts to 0.17 per cent under the present terms of the scheme. The maximum dilution under their other scheme, the lump sum scheme, which is aimed at more highly paid staff, would be 0.81 per cent, if the trustees of that scheme decided to find the necessary shares from new shares issued by the Company rather than by purchases in the market, which of course do not dilute the Government's holding. (For technical reasons shares for the SAYE linked scheme need to be issued by the Company.) I have asked that Sir David Steel should consult the Treasury before the Company agrees to issue new shares to the trustees of the lump sum scheme so that we could make our views known to the BP Board (who would have the final decision) about the ensuing dilution. He agreed to do this.

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



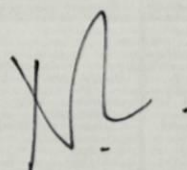
NIGEL LAWSON

3 October 1979

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NIGEL LAWSON
3 October 1979

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City of London, 11th floor, 12, Old Broad Street, London, EC2, 1PQ.

I also wish to thank the City of London for the information provided to me regarding the City of London's shareholding in the Bank of England. I have also received a copy of this letter from the City of London.

Yours faithfully,
Michael ...
October 1979

SECRET



4
Energy

10 DOWNING STREET

From the Private Secretary

4 October 1979

BP Share Sale

The Prime Minister has considered the Financial Secretary's minute of 3 October and has agreed the proposals contained therein for the sale of BP shares.

The Financial Secretary's note indicates that we will be given an opportunity to see the announcement of the sale in draft. No doubt you will ensure that the Secretary of State for Energy is consulted on the drafting in view of its implications for the amount of BNO oil which will need to be sold forward this financial year.

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

T. P. LANKESTER

Miss P C Diggle
HM Treasury

SECRET

SLB