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E(DL)(79) 8th Meeting

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CABINET

MINISTERIAL COMMITTEE ON ECONOMIC STRATEGY

SUB-COMMITTEE ON DISPOSAL OF PUBLIC SECTOR ASSETS

MINUTES of a Meeting held in the Large
Ministerial Conference Room, House of Commons
on WEDNESDAY 19 DECEMBER 1979 at 3.00 pm

PRESENT

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
(In the Chair)

The Rt Hon Peter Walker MP
Minister of Agriculture,
Fisheries and Food

The Rt Hon Michael Heseltine MP
Secretary of State for the
Environment

The Rt Hon John Nott MP
Secretary of State for Trade

The Rt Hon David Howell MP
Secretary of State for Energy

The Rt Hon John Biffen MP
Chief Secretary, Treasury

Mr Nigel Lawson MP
Financial Secretary, Treasury

ALSO PRESENT

The Rt Hon Norman Fowler MP
Minister of Transport

SECRETARIAT

Mr P Mountfield
Mr G D Miles

SUBJECT

DISPOSALS OF PUBLIC SECTOR ASSETS IN 1980-81

DISPOSALS OF PUBLIC SECTOR ASSETS IN 1980-81

The Sub-Committee had before them a Memorandum by the Financial Secretary (E(DL)(79) 18), discussing the prospects for disposals of public sector assets during the financial year 1980-81.

THE FINANCIAL SECRETARY said that because the forward sales of oil during the current year had produced more money than had originally been envisaged, there was the prospect that sales of £1,100m, rather than the target of £1,000m could be achieved before the end of the financial year. The target for 1980-81 was for £500m worth of disposals. Because there were still some remaining problems with the sales of British Sugar shares, and because the Industry Bill was unlikely to receive Royal Assent until the very end of the year, it would seem sensible to allow the remaining National Enterprise Board (NEB) sales, and the British Sugar sales, to slip over into 1980-81, and contribute to the target for that year. However even when these items were taken together with other firm proposals for 1980-81 disposals, there was still likely to be a shortfall compared to the target, and he had identified in the paper a number of possible disposals which should be considered by the responsible Ministers, and brought before the Committee in due course.

In discussion of the general principles that should govern disposals, it was noted that the Government had a number of differing objectives, which might sometimes lead to contradictory conclusions. Thus there was the aim of reducing the Public Sector Borrowing Requirement (PSBR), the aim of encouraging wider share ownership, and the aim of achieving greater financial discipline over the industries concerned. But a solution which met the second and third objectives might be one which had only a minimal advantage for the PSBR. And on the other hand, the pressure to achieve sales on a particular timescale, in order to help the PSBR, might leave little scope for arrangements to encourage share ownership. Nevertheless there was no way in which these dilemmas could be avoided, and the Sub-Committee would need to keep all the differing objectives in mind, and endeavour to strike the best compromise that it could. The earlier that proposals for 1980-81 were formulated, and the greater the excess of potential disposals over the target figure, the greater would be the scope for flexibility in the final package chosen to achieve the target.

The Sub-Committee then considered the individual proposals for 1980-81 disposals, listed in Table 2 of the paper E(DL)(79) 18. The following points were made in discussion.

- a. New Towns. The target of £150m might be too high. It might be better to plan firmly for £100-125m, with the possibility of more if this could be achieved.
- b. Motorway Service Areas. This would not require legislation, and discussions were proceeding, although so far no price had been put on the properties. The Minister of Transport would be ready to bring forward proposals early in the New Year.
- c. Market Towers. Discussions were proceeding, and there was no reason to alter the expected income from the sale.
- d. National Enterprise Board. Disposals of remaining assets should now all be undertaken during 1980-81.
- e. Radiochemical Centre. Proposals were being prepared. The Board advised that the earliest date for a 49 per cent sale would be 1980, and for 100 per cent sale 1981. The Secretary of State for Energy would be ready to bring a paper to the Sub-Committee early in the New Year.
- f. National Coal Board's shares in Sankey. Although there was scope for possible disposals of National Coal Board (NCB) subsidiary activities, the timing was critical because of the need to maintain co-operation between the Board and the Government on a wide range of important issues. The existing Board were known to be strongly opposed to any sale. It might therefore be preferable to define a long-term aim of achieving disposals from NCB subsidiaries but to choose a suitable time for raising the issue with the Board.
- g. ENOC. The question of whether, or how, shares should be sold in ENOC was being considered elsewhere, by the Ministerial Committee on Economic Strategy. Different possible options had different effects on the PSBR, but in view of the fact that legislation would be needed, it would be unwise to count on a contribution from ENOC to the 1980-81 disposals target.

- h. The British Gas Corporation. (BGC) The way in which it was decided to handle BNOC disposals might also be a guide for the case of BGC. Rather than disposing of the Wytch Farm oilfield, it might be preferable to sell shares in a subsidiary which operated the BGC oil interests. Although this would not have the same advantage in reducing the PSBR, it would meet the other objectives of widening share ownership, and inducing financial control.

THE CHANCELLOR OF THE EXCHEQUER, summing up the discussion, said that the Sub-Committee took note of the gap of some £200m between the reasonably firm plans so far made, and the published target of £500m, for 1980-81 disposals. All Ministers should bring forward urgently proposals for disposals which would fill this gap. Before doing so, they should consult the Law Officers, to ensure that there were no legal obstacles in the way of disposals. Experience in the current year had shown the difficulty of trying to make sensible disposal plans against too tight a deadline, and it was therefore desirable that colleagues should see the detail of the possible proposals as soon as possible. Ministers should attempt in the first instance to obtain agreement in correspondence. There were among the proposals in the paper two items which had not been covered by the discussion at this meeting. He understood that the Secretary of State for Industry, who was unable to be present, was broadly content with the proposals for disposals by the bodies within the responsibility of his Department, as outlined in the paper, subject to a reservation about the case of Cable and Wireless, because of legal complications. The second item was the possibility of raising money by auctioning the Seventh Round of North Sea Oil Licences. This was a matter which could be considered separately in due course by E Committee.

The Sub-Committee -

1. Took note, with approval, of the summing up of their discussion by the Chancellor of the Exchequer.
2. Invited all responsible Ministers to bring forward during January proposals for additional 1980-81 disposals, on the lines indicated in the discussion, and after consultation with the Law Officers.

Cabinet Office

20 December 1979