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Blind copy;
David Johnson,
John Haslam.

BK

See Tiantax note

10 DOWNING STREET

Energy

From the Private Secretary

14 July 1980

The Future of BNO

As you know, your Secretary of State and the Chancellor of the Exchequer called on the Prime Minister this afternoon to discuss the future of BNO. They had before them Mr. Howell's minute of 4 July, and also your letter of 11 July on the opposition threats to BNO privatisation.

It was agreed that the case for privatisation was now a good deal weaker than it had been when Ministers had considered the issue last summer, and there was a perfectly legitimate argument to be made that - in the highly volatile oil situation that the country now faced - it would be wiser to stick to the status quo. However, the Government had a political commitment to introduce some measure of privatisation. On balance, the best approach would be to go for the revenue interest scheme (Scheme E).

The Prime Minister said that your Secretary of State and the Chancellor should now bring a paper to E Committee recommending the adoption of Scheme E, and setting out in rather greater detail than Mr. Howell's minute of 4 July does, the details of how such a scheme might work.

I am sending a copy of this letter to John Wiggins (HM Treasury), Sir Robert Armstrong and Robin Ibbs.

T. P. LANKESTER

Julian West, Esq.,
Department of Energy

HRB

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