

Defence Budget.

3 PPs  
—

Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

PRIME MINISTER

BAE FLOTATION

I have seen Norman Tebbit's minute of 7 January to you.

2. On the three specific issues he raises:-

(a) Nigel Lawson has set out the Treasury view on the 146 review (his letter of 8 January);

(b) John Nott will wish to comment on the requirement for further Defence Budget announcements, but I should record that there is no Treasury objection to his pre-empting the Public Expenditure White Paper to the extent of revealing the agreed £200 million reductions for 1982-83 and 1983-84; the similar reduction for 1981-82 and the decision that any overspend on the 1980-81 cash limit would require a compensating deduction from the 1981-82 limit have of course already been announced;

(c) on the crucial question of the advisability of a sale in February given the level of expected receipts, my views were set out in my Private Secretary's letter of 15 December. There are financial (eg PSBR) arguments for selling as soon as possible, though I am still not satisfied that we would not do better first to bring about the cancellation of the 146. But the question is primarily political.

CONFIDENTIAL



3. If of course there were no real prospect of our agreeing on, and imposing, the cancellation of the 146, I would be much less uneasy about Norman Tebbit's recommendation for a February sale. Since on that scenario delay would only further reduce the likely net proceeds, there would be much to be said for going full ahead now despite the likely controversy.

4. Copies of this minute go to the other recipients of Norman Tebbit.

G. H.

(G.H.)

19 January 1981

CONFIDENTIAL