

*cl. A. Douglas*

PRIME MINISTER

BGC: DISPOSAL OF OIL ASSETS

The Chancellor has asked me to comment on David Howell's minute to you of 27 April about the disposal of BGC's oil assets.

I am sure that David is right in proceeding with the necessary consultations with BGC for a direction for the sale of their interests in the Wytch Farm oil field, as was agreed at E(80)30th meeting. I assume that subject to the outcome of the consultations and the legal advice, he then intends to ensure that the sale is made as quickly as possible so that we can be certain of securing the proceeds in 1981-82. As I commented in my minute to you of 16 October, arrangements need to be made to remit the proceeds of the sale to the Exchequer and not to leave them with BGC. I hope that the Department will keep the Treasury in touch with progress.

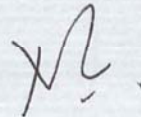
I also agree with David that once BGC's interest in Wytch Farm is sold, it would be desirable to establish a new North Sea oil company based on BGC's existing interests. Not only would this be an attractive new British private sector concern, but the proceeds of the sale of shares would help reduce the PSBR.

BGC will clearly not co-operate in such a venture and the existing powers in the Gas Act may not be sufficient to compel the Corporation to sell their offshore interests. New powers could well need to be taken and they could be included in the Bill to abolish BGC's gas purchase monopsony if, despite QL's conclusion, room was to be found for that Bill in next sessions programme. The Bill might also include any powers necessary to restrict BGC's retailing activities if, as I hope, it is agreed to implement something like the radical option put forward in the recent Monopolies and Mergers Commission Report to reduce BGC's dominance in the retailing of gas appliances.

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Such a bill, dealing with the injection of private capital into the Corporation's offshore activities, the abolition of the monopsony and the encouragement of competition in their retailing activities, could be politically attractive and could be presented as an important step in our privatisation programme.

I am sending a copy of this minute to the Members of E, Nicholas Edwards, George Younger, the Attorney General and Sir Robert Armstrong.



NIGEL LAWSON

6 May 1981