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This could make
the Gas Bill still more
difficult and

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controversial:

Energy will be
countering.

s/s Energy has
no particular comment.
12/8

PRIME MINISTER

GAS LEGISLATION

I have seen David Howell's minute to you of 5 August. I am content with his proposals for legislation to follow up our decision on gas appliance retailing and disposal of gas showrooms. In particular, I welcome his intention to legislate in a form which would facilitate the eventual privatisation of a company holding BGC's oil assets.

2. There is one refinement of David's proposals which I should like to suggest. It is clearly right to ensure that we should be able to transfer to the Exchequer the proceeds of showroom disposals. But as I pointed out in correspondence last year on the Gas Levy Bill, it is desirable that we should have available general powers to remove surpluses from the Corporation. This is in line with our recognition in response to PAC's Twentieth Report that there may be circumstances in which additional payments from a nationalised industry to the Exchequer would be appropriate. I accepted in my letter of 15 January that such clawback powers need not be taken in the Gas Levy Bill; but said that they should be taken next time there was general BGC financial legislation. Since the present legislation will inevitably touch on the relevant provisions of the Gas Act, I consider that this is the right time to take the powers.

3. I am copying this letter to others members of E Committee, to Francis Pym, Sally Oppenheim, Michael Havers and Sir Robert Armstrong.

(G.H.)

11 August 1981