



cc J. J. J. J.
A. Duguid
A. White

CONFIDENTIAL

PRIME MINISTER

GAS LEGISLATION

Geoffrey Howe's minute of 11 August suggests that legislation to implement the Government's decision on gas appliances and showrooms should include general powers to remove surpluses from the British Gas Corporation.

My predecessor's proposal, in his minute of 5 August, was that we should take powers to recover the proceeds from asset disposals regardless of whether they were surplus to the Corporation's requirements. It is important that we should be able to do this since a qualification to the circumstances in which such proceeds could be recovered would give the Corporation scope for legal argument.

In addition, the gas levy already removes the Corporation's surpluses and its rate can be varied in future should we find that necessary. Since the levy has been imposed on gas supplies, it also leaves the Corporation with incentives to efficiency which general powers to recover surpluses (a simple profits tax) would reduce. The Corporation's profits will, in any case, fall after the disposal of its oil assets, for which Geoffrey supported making allowance in drafting this bill. I propose to proceed with this disposal as quickly as possible, so as to obtain the substantial proceeds in 1982/83.

There is therefore no need for a third power to remove money from BGC.

I am copying this minute to the other members of E Committee, the



CONFIDENTIAL

-2-

Lord President, the Secretaries of State for Scotland, Wales and Transport, the Minister for Consumer Affairs, the Attorney General and Sir Robert Armstrong.

NR.

Secretary of State for Energy
22 September 1981

CONQUEROR