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Seen by PM  
Agreed 15/9  
PA  
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PRIME MINISTER

BP SHARE SALE

As you know, City advice in the last 24 hours has been that we should aim to bring the BP issue to market this Friday, with applications on Friday 23 September, rather than holding to the previous plan, which would mean waiting until Wednesday 21 September with applications on Thursday 29 September. The latest advice tonight, with which the Bank agree, remains the same. The market is geared to go and the BP share price, which fell yesterday, rose again today (to 432p), which suggests that the reaction to our response to the BP's Forties proposal has been satisfactory.

2. I too think we should seize the opportunity of going ahead on Friday, and I have tonight authorized the Bank do so so.

3. We plan to sell 130 million shares. In my minute of 9 September I set out the underwriters' approach on pricing, viz a discount for a fixed price offer to which is added a further discount because we are proceeding by tender. My minute suggested that a discount of 3 per cent for fixed price plus 3 per cent for tender might be negotiable. The Bank have secured agreement to 2½ per cent for each component. On tonight's close of 432p, this would produce a price of 410p. The Bank and the underwriting group consider that on this basis the issue can be fully underwritten.

4. That would be a very satisfactory outcome; and I have agreed with the Bank and Warburgs that we shall finalise the price tomorrow evening on the basis of tomorrow's closing-price minus 5 per cent, rounded to the nearest 5p. If tomorrow's closing

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price was identical with tonight's, and the offer were to be fully subscribed at the minimum tender price, the gross proceeds would be £533 million, or £508 million net of expenses. And the offer could of course be fully subscribed at more than the minimum tender price.

5. If the market were to change sharply before Friday, we could of course revert to the later timing, but the plan now is that the Bank would announce at 9.30 that morning that underwriting is in progress. We would hope then to be able to announce in mid-afternoon the details of the offer and the news that underwriting was complete.

6. We shall have a chance to discuss at 9.30 tomorrow any points you may have on all this. But I am sure it is right to take the opportunity of bringing the issue forward, and I believe that the pricing discussion has gone very well.

7. A copy of this minute goes to Peter Walker.

NIGEL LAWSON

14 September 1983