



Aerospace

cc A. Duguid  
Econ Pol (Disposals) Pt 3

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon David Howell MP  
Secretary of State  
Department of Energy  
Thames House South  
Millbank  
London SW1

RWH

18 April 1980

#### DISPOSAL PROGRAMME 1980/81

In Geoffrey Howe's absence abroad, I am writing about the next steps on this matter.

As you know from Adam Butler's letter of 8 April to Nigel Lawson our plans for an early flotation of BAe have run into trouble and postponement of a sale from the June window is now unavoidable. I agree with Adam Butler that this does not require any public announcement but it considerably increases the need to take urgent steps to identify sufficient other candidates for disposal in 1980/81 to ensure that we meet the £ $\frac{1}{2}$  billion target in last month's White Paper: a target which in cash terms is £630 million and which experience this year suggests that we should plan to over-achieve.

I understand that Keith Joseph should be able to let us have an assessment of his revised proposals for disposing of BAe in early May. I hope that this will cover both the revised timetable (and whether it is still realistic to envisage a satisfactory flotation in 1980/81) and also what options are available to the Government for changes in BAe's business which might increase the likely proceeds from an eventual flotation. It is particularly important that we should establish soon whether we can still expect a contribution of £100 million from this source or must look elsewhere.

Whatever his answer, we ought clearly to have an early discussion in E(DL) to reach decisions on additional candidates for disposal, since the current programme, including the BAe contribution, falls well short of the target. I hope that you will therefore be able to let us have by the end of the month the proposals which you promised the Prime Minister in your minute of 20 March, covering National Coal Board subsidiaries,



the Radio Chemical Centre and BGC, in particular the disposal of Wytch Farm. Incidentally, it is my understanding that the Attorney's view is that though there is some risk of challenge, we would be justified in using existing legal powers to compel BGC to sell Wytch Farm after you have carried out the statutory consultations with the Corporation. I hope you will also cover the suggestion in Nigel Lawson's letter to John Moore of 9 April that the NCB should reduce its holding in Staveley Chemicals.

It would also be helpful to have an up to date assessment of the position on the other firm candidates - on new towns from Michael Heseltine, George Younger and Nicholas Edwards and on NEB and MSAs from Keith Joseph and Norman Fowler - together with any new suggestions.

I am sending copies of this letter to the Prime Minister, members of E(DL), the Chancellor of the Duchy of Lancaster, Lord Ferrers, Lord Trefgarne and Lord Cullen, and Sir Robert Armstrong.

*7 am*

*John Biffen*

JOHN BIFFEN