

PRIME MINISTER

SALE OF BRITTOIL SHARES

Nigel Lawson has agreed all of the proposals in the attached minute with the Treasury. Do you agree to what is proposed?

The major issue, it seems to me, is between a fixed price sale or tender sale. Given the scale of the Britoil sale, and its importance in the privatisation programme we must look very hard, with Amersham hindsight in mind, at the proposal to go via the fixed price route again. The objection to the tender route is that because the City has no experience of a tender sale on this scale (the largest ever done before was £80 - 90 million), potential underwriters will be wary, and they will set a lower underwritten minimum tender price than the underwritten fixed price they would go for. This does not seem a very powerful argument. A further consideration is that there is very much less scope for staggung via the tender route, and much less likelihood therefore of public criticism that the assets were disposed of at too low a price.

All the City advice - partly I suspect, because this is the charted, and easier, route for them to follow - is in favour of the fixed price route. It is a matter for satisfaction that the Chancellor and Mr Lawson have agreed to keep open the final decision as between fixed price and tender. I understand that they are asking the underwriters to tell them what both the minimum tender price and the underwritten fixed price would be.

Would you like to be consulted (you might like to have Alan Walters and/or John Sparrow's views) before a final decision is made as between fixed price or tender?

MCS

Yes please
mb

1 October, 1982

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ENERGY

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be A. Walters

10 DOWNING STREET

From the Private Secretary

4 October 1982

SALE OF BRITTOIL SHARES

The Prime Minister is content with your Secretary of State's plans for the Britoil flotation as set out in his minute of 30 September.

She would be grateful to be consulted before a final decision is made on the method of sale, as between fixed price or tender.

I am sending a copy of this letter to John Kerr (HM Treasury) and Richard Hatfield (Cabinet Office).

M. C. SCHOLAR

J.D. West, Esq.,
Department of Energy.

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cc JV

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PRIME MINISTER

SALE OF BRITTOIL SHARES

We have reached the point where we need to decide in principle whether the Britoil sale should go ahead. The period reserved for flotation is five weeks away.

I believe that we should go ahead as planned subject to a final review of market conditions just before the sale. There is nothing to be gained by waiting; and if we deferred the offer, we might lose the opportunity completely in this Parliament. This view is supported by our professional advisers, Warburgs, who see no reason to think that the prospects for flotation would be better six months from now. I have discussed the matter with the Chancellor who concurs.

I have also agreed with the Chancellor that the final decision on the method of sale - whether it should be by fixed price or tender - should be taken as late as possible, in the light of market conditions. Whichever course is adopted we take the view that the offer should be underwritten, given the scale and risks of the flotation and the importance of moving the Company into the private sector.

In order to meet the timetable for flotation the shares in Britoil will have to be transferred from the British National Oil Corporation to Government on 1 November and the Order effecting this will have to be made in the next ten days. I would like to announce this in my reply to the energy debate at the Party Conference on Wednesday.

I have agreed with the Chancellor that the Government shareholding in Britoil remaining after flotation should be held by the Treasury Solicitor on behalf of the Lords Commissioners of the Treasury, as with BP, and not by the Secretary of State for Energy. This should be helpful with the market.

/I would.....



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I would be grateful if you could confirm that you are content with these plans.

I am copying this minute to the Chancellor of the Exchequer and to Sir Robert Armstrong.

NA

Secretary of State for Energy

30 September 1982

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