



3

NBPM

AT 17/12

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

12 December 1984

The Rt. Hon. Peter Walker MBE MP
Secretary of State for Energy
Department of Energy
Thames House South
Millbank
SW1

Handwritten signature

BRITOIL

Thank you for your letter of 10 December.

I certainly need no persuading of the desirability of selling our residual shareholding in Britoil! The issue is simply how we can best fit the sale into our disposals programme. For the immediate future, there are obvious problems in selling oil shares in the period before the Budget. Beyond that, it is a question of timing our various disposals in the most effective and efficient manner. You can rest assured I have already taken on board all the points you make.

I am copying this to the Prime Minister.

Handwritten signature

NIGEL LAWSON

Econ P87: Privatisation. Pt 11



17 DEC 1984

SECRET



2

10 DOWNING STREET

Prime Minister

If, as seems likely, the BA
 flotation slips, it will be necessary
 to look at alternative asset
 sales. Bartol is one possibility;
 BAe another. Both are
 being looked at by the Treasury

AT

10/12

1

CC No

01-211-6402

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON
SW1P 3AG

10 December 1984

Nigel Lawson
I wonder whether you have recently considered the advantages of a further sale from the Government's 49% holding in Britoil?

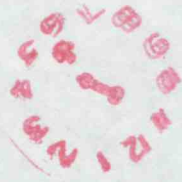
I believe that at an earlier stage you had no plan for such a sale in the next year or two, but it seems to me that there are now several arguments for reconsidering it. First, a 49% holding is excessively - perhaps dangerously - large in relation to our intention to privatise. In the extreme case, it would be all too easy to convert into a Government majority holding. In some more recent cases (eg Enterprise Oil) we have been careful to sell all the shares where the total issue was manageable. It seems to me that there is a strong case for preferring a Britoil share sale from a 49% level to say, a BP share sale from 32%; especially given the different history of the two shareholdings. In principle there is obviously every advantage in our getting out of Britoil as speedily as possible.

Secondly, the relative failure of the first Britoil stock issue is now well behind us. Oil shares are a satisfactory to strong market at present with the sterling oil price still very high. But there is no particular reason to suppose that we shall get a stronger market by waiting, either for the oil market in general or Britoil in particular.

Thirdly, there is the gain to public expenditure and hopefully to wider share ownership. At present share prices to the proceeds would be about £500 million. I realise that you would need to take account of the next call on Telecom shares and the sale of British Airways. However there is not necessarily one for one direct competition between these issues. At all events, I suggest that it is well worth considering whether we should programme a Britoil sale into the fairly near future.

I am copying this letter to the Prime Minister.

Peter Walker
PETER WALKER



10 DEC 1984