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a MASTER

10 DOWNING STREET

From the Principal Private Secretary

26 March 1985

Dear Michael,

GAS PRIVATISATION

The Prime Minister discussed your Secretary of State's minute of 25 March with your Secretary of State, the Chancellor of the Exchequer and the Financial Secretary this morning. Mr. Redwood was also present.

In discussion, it was argued that there was considerable scope for privatising both the upstream and the retail and servicing activities of the British Gas Corporation. At all events, it was desirable to make further progress in reducing the monopoly position of the BGC. However, there was now little time to achieve this sort of privatisation in the remainder of this Parliament and there was, therefore, a strong case for proceeding with a sale of the business as a whole, accompanied by the necessary regulatory arrangements which would have to cover the potential extensions of the business, as well as exports and the capital structure. A proposal of this sort would require very early decisions with a view to achieving agreement with the Corporation in time to work out details and present legislation in the next Session.

Summing up the discussion, the Prime Minister said that, while some Ministers thought that there was more scope for privatisation of separate upstream and downstream activities of the British Gas Corporation than was suggested in your Secretary of State's minute, there was general agreement that the best course in the present circumstances was to go for an overall sale of the whole business provided that decisions could be made quickly in time for legislation in the coming Session. Treasury and Department of Energy officials should prepare urgent proposals with the aim of presenting them to a further small meeting of Ministers on the present lines towards the end of April, a paper to 'E' Committee in the first week of May and decisions by the end of May. Urgent consultation could then be undertaken with the Chairman of the British Gas Corporation with a view to introducing legislation in the next Session of Parliament and a flotation date in the autumn of 1986.

JB

I am copying this letter to Rachel Lomax (HM Treasury), Helen Goodman (Financial Secretary's Office, HM Treasury) and Sir Robert Armstrong. In view of the sensitivity of this subject, I should be grateful if no copies of this letter could be made, and if it could be retained in Ministerial offices.

Yours ever

Robin Butler

Michael Reidy, Esq.,  
Department of Energy.