

Subject

COPY NO 6 of 7 COPIES



10 DOWNING STREET

CC Master

9

From the Principal Private Secretary

15 April 1985

Dear Michael,

GAS INDUSTRY PRIVATISATION

The Prime Minister held a meeting this morning to discuss your Secretary of State's minute of 10 April and the enclosed paper. The Lord President, Chancellor of the Exchequer and the Financial Secretary were present, as well as your Secretary of State.

It was generally agreed that your Secretary of State should proceed on the general lines suggested in his paper and in line with the timetable attached at Annex 5. The Chancellor of the Exchequer said that he would want to discuss further with your Secretary of State the proposals for employee participation. The Prime Minister said that she also had doubts about this part of the proposals, and particularly about the proposed Trust Company. But it was not necessary to decide the details before the Secretary of State made his statement: it was sufficient for the Secretary of State to say in his original announcement that there would be provision for an attractive share offer to employees on similar lines to that which applied in the case of British Telecom.

The Lord President said that the next session's legislative programme was already very full, and would become even more difficult if it was necessary to add a Bill to cover EC enlargement. But he recognised that this Privatisation Bill should have priority, and that something else would have to be dropped. He was inclined to think that this should be the Nationalised Industries Bill, but this question could also be considered later. The Chancellor of the Exchequer said that he accepted that gas privatisation should have priority over the Nationalised Industries Bill, but he did not want to agree at this stage to dropping the Nationalised Industries Bill until he had had an opportunity to consider all the possibilities.

On the choice of merchant bank to advise on the sale, it was agreed that Kleinwort Benson should be allowed to compete, and that the decision should be taken by the Treasury in the normal way. Other things being equal, there were arguments for appointing a different merchant bank to advise on this sale.

SE



Summing up the discussion, the Prime Minister said that your Secretary of State was authorised to tell Sir Denis Rooke privately at the end of this week that the Government was proposing to privatise the Gas Industry on the lines proposed in your Secretary of State's paper. Your Secretary of State should then circulate a paper to E(A) at the beginning of next week, with a CMO distribution, for consideration at the meeting of E(A) arranged for Thursday, 25 April. The Lord President should inform the Lord Privy Seal privately of what was intended, and should arrange for consideration of the implications for the legislative programme for next Session as quickly as possible after E(A) had reached a conclusion.

I am sending copies of this letter to Janet Lewis-Jones (Lord President's Office), Rachel Lomax (H M Treasury), Helen Goodman (Financial Secretary's Office, H M Treasury) and Richard Hatfield (Cabinet Office). As before, no copies of this letter should be made, and it should be retained at Ministerial Offices until the E(A) meeting has taken place.

*Yours ever,*

*Robin Butler*

Michael Reidy Esq  
Department of Energy