

CONFIDENTIAL

PRIME MINISTER

BGC PRIVATISATION

You are holding this meeting with Mr. Walker and the Chancellor to try to resolve the differences between them about the employee and customer share schemes for the BGC privatisation.

Mr. Walker, supported by the merchant banking and other advisers, wants to be more generous than the Treasury. He regards this as important to the success of the privatisation, and also useful in ensuring the widest possible spread of shareholders. The Policy Unit support Mr. Walker.

The Chancellor is concerned about the precedent for future privatisations. But, as I understand it, his main concern is political. He fears that people in rural areas who are unable to buy gas would resent their exclusion from the customer scheme, and he points out that they would include disproportionate numbers of the Government's supporters.

I understand from Department of Energy that the receipts foregone by the Government if Mr. Walker's scheme is adopted would be very small. But they could not give me a figure and you will want to confirm that this is in fact the case.

Otherwise, the question is in essence political rather than financial.

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(DAVID NORGROVE)

23 May 1986

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