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Treasury Chambers, Parliament Street, SW1P 3AG

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PRIME MINISTER

At the meeting of the Sub-Committee of the Economic Strategy Committee, on Disposal of Public Assets (E(DL)) on Wednesday afternoon, I undertook to colleagues that I would report to you on the present position regarding disposals in the current financial year.

2. In the Budget statement I said, following the line agreed in Cabinet on 31st May, that we intend to ensure that sales of public assets in the current financial year will amount to "some £1 billion" and that the biggest contribution to this total will come from sales of a further part of the holdings in BP. Although the statement left the content of the £1 billion deliberately vague if was envisaged that it would comprise:-

- £650m - BP shares (reducing our holding to 35 per cent including the 20 per cent disputed by Burmah)
- £100m - NEB holdings
- £30m - Land and property
- £200m+ - sales of BNOC or British Gas interests.

The commitment of principle was, of course, quite plain - and crucial to the Budget arithmetic.

3. The Secretary of State for Energy now argues that disposals from British Gas could only be achieved in the face of determined opposition from the Chairman, and feels that the policy changes we wish to see for BGC could best be achieved if we avoid a confrontation on this issue if at all possible. He would therefore look to BNOC for the contribution

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