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PRIME MINISTER

22 November 1985

GAS PRIVATISATION

We should not be overawed by Peter Walker's assertion that we are "already well beyond the point (the BGC Board) consider reasonable". The word from those who have known Denis Rooke over the years is that he is still quietly satisfied with the privatisation package which is taking final shape.

Nonetheless, Leon Brittan and John Moore have done a good job in defence of the consumer. If Peter Walker fulfils the further undertakings given since E(A) on 14 November 1985, I believe that we will have a regulatory régime which is sufficiently protective.

The assurances covering BGC's commercial behaviour in the industrial contract market will have the formal status of being given pursuant to BGC's gas supply licence. Perforce, they will have to reflect competition and anti-monopoly law. They will be immutable. Behind that, is the threat that if BGC persistently abuses its position in the industrial market, it will become subject to tighter and more intrusive regulation by OFGAS - a prospect abhorrent to the management. The threat should be sufficient.

That said, there could still be presentational problems in this sensitive area, and the Government will have to be alert to the need for amendments. By then, we should have more, not less, leverage on BGC.

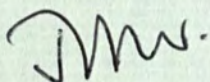
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We recommend that the gas privatisation package should be endorsed for submission to next Tuesday's Legislation Committee, subject to the undertakings in Peter Walker's notes of 19 and 22 November 1985.



JOHN WYBREW

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