



PRIME MINISTER

After our discussion at E Committee on competition and privatisation I was very shocked that the front page of the Financial Times on Saturday, and the Daily Telegraph, should carry totally untrue stories about the method of privatisation.

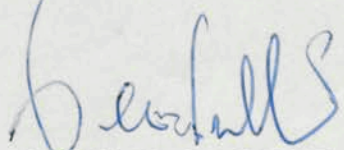
The Financial Times, obviously very well briefed on various options the Treasury have asked my Department to look at, stated:

"It was agreed that British Gas should not be sold off as one block in its present form, though such a sale was urged by Sir Denis Rooke, British Gas chairman...

A consensus appears to have emerged among Ministers that the distribution networks for gas and electricity are natural public monopolies and should remain in public hands."

As you know, there has been neither discussion nor agreement on any of this. I have immediately had to inform both the Chairman of the Gas Corporation and the Chairman of the Electricity Council that these reports are untrue. Of course, what the reports have done is mobilise unions and management to express their hostility to what appears to have already been decided.

I hope you will immediately inquire as to where these briefings were given, and point out the considerable damage that has been done.

  
SECRETARY OF STATE FOR ENERGY

30 January 1984



BF to rest bilateral

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PRIME MINISTER

cc Mr Ingham  
Mr Redwood

Privatisation

You will see from the attached that Mr. Walker is very angry about the Max Wilkinson article in Saturday's FT (which is echoed in a similar way in the Telegraph). Mr. Walker's view is that with careful handling, the management and unions of the gas and electricity industries can be brought to see privatisation as an opportunity and not something to be resisted. Though he supports the Government's policy on **BT** he feels this aspect could have been handled better. He feels that reports such as this will make this task extremely difficult - he has had already to placate Sir Denis Rooke and Mr. Jones.

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I have had only limited success in tracking down the sources of these reports. The Treasury Press Office claim that Wilkinson approached them late on Friday to discuss an article which was by then largely complete. Accordingly to Wilkinson he had already spoken to the Department of Energy and he claimed that they had expressed the view that electricity was being put on the back-burner as it was a natural monopoly which it was too difficult to split up. On gas, Wilkinson said one of the options being considered by D/En was privatising BGC as it stood. The Treasury Press Office drew attention to the Manifesto and the Financial Secretary's speech which emphasised the need for securing greater competition rather than simply transferring public sector monopolies into the private sector.

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D/En Press Office claimed they did not speak to Wilkinson though it is possible that he has spoken to officials in divisions.

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/Mr Walker

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Mr. Walker is, of course, correct in saying that  
there has been no collective discussion on the privatisation  
of gas and electricity. D/En have still to make proposals.

The best way forward may be for you to talk to the  
Chancellor at the next bilateral, to alert him to Mr. Walker's  
concern and to ask that the two Departments co-ordinate their  
briefing line.

Agree?

AT

Yes

30 January 1984

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