

CL MASTER SET



10 DOWNING STREET

From the Private Secretary

9 April 1984

Wytch Farm

The Prime Minister held a meeting today to discuss the difficulties which have arisen over the sale of Wytch Farm. Present were your Secretary of State, the Chancellor of the Exchequer and Sir Robert Armstrong. The meeting had before it the note attached to your letter to me of 7 April.

The Prime Minister set out the dilemma. If a solution were adopted which meant that Wytch Farm was sold to someone other than the Dorset Group, who had won the original round of bidding and who had spent a considerable sum during negotiations, the Government could be accused of bad faith. While there was clearly no legal obligation the Government could be held to have a moral obligation. Alternatively to accept the Dorset Group's current bid when there existed a higher one could lead to criticism from the PAC that the Government had not secured the best deal for the taxpayer.

One approach would be to ask Dorset to bid again on the grounds that they had taken insufficient account of the impact of the Budget on the value of Wytch Farm. The aim would be not to ask them to match the RTZ bid explicitly but to produce a bid which yielded more or less the same amount. There was no guarantee, however, that this would be the end of the matter as there was nothing to prevent still higher bids from being made.

Another approach was to set a short deadline by which the Dorset Group and RTZ could be asked to submit sealed bids. It was noted that this would in effect allow RTZ back into the bidding when it had been eliminated at an earlier stage. If RTZ were allowed back in, there was no justification for not opening the bid up to others, thereby testing the market fully.

Another alternative was to take the Wytch Farm assets from BGC, combine them with the Enterprise Oil assets and sell them as part of a flotation. While this would ensure that there could be no criticism about the price obtained, it left open the charge of bad faith vis a vis the Dorset Group. It could also delay the flotation of Enterprise Oil.

The Prime Minister asked about BP's right of preemption. It was noted that BP did have such a right but had shown no signs of exercising it, possibly an indication that the price negotiated with the Dorset Group was a reasonable one.

/Summing

Summing up, the Prime Minister said that no solution had been identified which reconciled the conflicting factors. She asked your Secretary of State and the Chancellor to confer further, taking merchant bank advice as necessary. She hoped that, whatever solution was found, would enable a sale to be made without significant delay.

I am copying this letter to David Peretz (Treasury) and Richard Hatfield (Cabinet Office).

Andrew Turnbull

Michael Reidy, Esq.,
Department of Energy.