

PRIME MINISTER

Gas Legislation

Parliament
cc Mr. Gow

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New Ind -
Gas + Electricity
Pt 6*

Mr. Lawson's Answer (given at 3.30) on the gas industry monopolies caused considerable excitement in the House. Peter Viggers used his supplementary to press for further details of the amount of money involved and the timescale. David Owen rose next, attacking Mr. Lawson's announcements as pure Party political dogma. He wanted to know whether the decision on maintaining a Government minority shareholding in BNOG meant that the Government was ready to negotiate all the participation agreements, and whether the entire Continental Shelf issue would be reopened. On gas appliances, he called for the Government to admit that it had made a wrong decision, and not simply to react to industrial blackmail.

Merlyn Rees argued that this Answer had been no way to put to the House fundamental changes in Government policy (after quick consultation with Michael Cocks, he later moved for an S09 Debate, but was turned down). The Government, he said, had shown itself to be anti public enterprise. He wanted details of the necessary legislation, and of the limitations on the Secretary of State's powers under it. Whatever else had been said in the announcement, the death of the sale of gas showrooms had been declared. He asked whether the measures on the gas supply monopoly would really increase gas availability. Mr. Lawson said that the details would be given in The Queen's Speech, and there would be the usual opportunity to debate them then. He had merely taken the first opportunity after the Summer Recess to acquaint the House with the Government's latest thinking.

There were two other contributions from each side before the Speaker drew matters to a close, emphasising that this was a Question not a Statement. Peter Hardy claimed that the announcement was a sweeping betrayal of the national interest, which required a Debate immediately, not some incidental discussion in the Debate on the Address. Tim Eggar, on the other hand, described the proposed measures as bold and imaginative.

/Mr. Lawson

Mr. Lawson held his end up well. And the gas showrooms decision was successfully set in a wider context of Government intentions. But I understand that Mr. Lawson is still unhappy about not having been allowed to offer a Statement, and he feels that the Opposition's reaction may give added force to his view. In practice, there was going to be some kind of a row however the announcement was handled, and the Government may come quite well out of this package.

MR

19 October 1981



SECRETARY OF STATE FOR ENERGY
THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ

01 211 6402

Pary

WMD

Rt Hon Francis Pym MC MP
Lord President of the
Council
Privy Council Office
Whitehall
London SW1A 2AT

3 November 1981

John Pym

Thank you for your letter of 9 October about the proposed legislation on gas and the British National Oil Corporation next session. I have also seen Janet Young's letter of 14 October.

I will of course do my best to get the combined Bill ready for introduction before Christmas. I am sure that you, in turn, will do all you can to ensure that it receives Royal Assent by July.

I am copying this letter to the recipients of yours.

NIGEL LAWSON

*Yours
Nigel*

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~~Patnam~~ Registrar, A.S.
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PRIME MINISTER

Gas Appliances

I attach minutes from Mr. Lawson and Lady Young about the details of the safety arrangements which will need to be introduced when the BSC cease appliance retailing (you saw Mr. Lawson's minute last weekend in the context of this session's legislation but you may not then have taken note of the detailed proposals which are no longer relevant to the next session).

You will see that he and Lady Young are agreed that the regulatory machine should be a new statutory quango. Lady Young argues that this proposal meets the two main tests for quango proposals. The second of these is whether it could be done as well by the Department itself. She believes that the quango proposal passes this test before the Department would have to employ more staff, even though the Department would be more publicly accountable than any quango. It seems to me that either approach will create similar numbers of new public employees. Are you convinced that Civil Service manpower policy is so overriding as to justify creating a completely new quango?

M. A. PATISON

15 October 1981.

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Wad hd, East Electricity
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Chancellor of the Duchy of Lancaster

PRIME MINISTER

MMC REPORT ON GAS APPLIANCES

Nigel Lawson sent me a copy of his minute to you of 6 October about gas legislation in the coming session.

I agree with him that primary legislation looks unavoidable if we are to honour the assurances which, quite rightly, have been given about the maintenance of safety standards. I also agree that there are two main options for new regulatory machinery: either a new statutory quango or for the Department of Energy to take on the work itself. The choice between these options is important for our policies on quangos and on manpower.

There are two main tests for quango proposals: whether the function concerned is essential and whether it could be done as well by the Department itself (or by some other existing body). In this case, there seems no doubt of the need for regulation. There is also no doubt that a department is accountable to Ministers and to Parliament to an extent that no quango ever can be. That is a positive argument in favour of the Department of Energy taking on this function.

On the other hand, the Department could not do the job unless it recruited over 100 staff with the necessary skills and I cannot ignore the implications for civil service manpower. The Department of Energy is already hard pressed to meet its target. There seems no chance of it doing so if it takes on over 100 staff for this new work.

Reluctantly, I have come to the conclusion that the balance of the argument lies with the option of creating a new quango, with a right of appeal to the Secretary of State by a firm which is refused a licence.

I am copying this to the recipients of Nigel Lawson's minute.

Baroness Young

BARONESS YOUNG

14 October 1981

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Energy Snoc



✓
M.A.P.

FROM THE LEADER OF THE HOUSE
HOUSE OF LORDS

14 October 1981

Dear Francis,

I have seen your letter to Nigel Lawson of 9 October and also the earlier correspondence on the parliamentary handling of next session's legislation on gas and BNOC.

Despite the advantages of merging the legislation into a composite Bill, I entirely agree with you that if such a Bill is not ready until January, the chances of achieving Royal Assent by July are slim. Our experience this session clearly suggests that unless the Lords can receive a major Bill by the Whitsun recess, its final stages will have to be completed in a spillover period.

As you know, I should regard it as very difficult to persuade the Lords to return more than one week earlier than the Commons next October. The House has now sat for five complete weeks without the Commons in just over a year and to impose a third consecutive burden on them next session would be unprecedented, at least in recent years. I hope you will agree that this is a point which must be borne in mind in any discussions about the shape of the legislation programme for 1981-82.

I am sending copies of this letter to the recipients of yours of 9 October.

Yours ever

Baroness

BARONESS YOUNG

The Rt Hon Francis Pym MC, MP
Lord President of the Council

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to Gas + Electricity
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Telephone Direct Line 01-213 6640-GTN-213
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Julian West Esq
Private Secretary
Department of Energy
Thames House South
Millbank
LONDON SW1

12 October 1981

Dear Julian *attached*

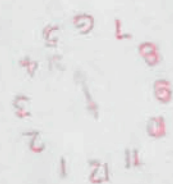
My Secretary of State has seen a copy of Mike Pattison's letter of 12 October to you about a possible debate on Energy Pricing Policy at the Party Conference.

Mr Tebbit strongly supports your Secretary of State's proposals for announcing the Government's decisions in relation to gas showrooms within the broader framework outlined. He is happy that a statement on these lines should be made this week.

I am sending copies of this letter to the Private Secretaries to the members of Cabinet and to the Private Secretaries to the Paymaster General and the Minister of State for Consumer Affairs. A copy also goes to David Wright (Cabinet Office).

Yours
Marie Fahey

MISS M C FAHEY
Private Secretary



13 OCT 1981

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10 DOWNING STREET

From the Private Secretary

12 October 1981

Your Secretary of State minuted the Prime Minister on 8 October, about the possibility of a debate on energy pricing policy at the Party Conference.

Mr. Lawson suggested that the Government's position might be better received in such a debate if he were to broaden it out, and to unveil the privatisation and monopoly breaking moves on the oil and gas front which have been agreed by Ministers, notably at Cabinet on 24 September. He suggested that he should, at the same time, make it clear that - partly in consequence of this - it will be necessary to delay action on BGC's gas showrooms since there will not be time for the necessary safety legislation in the coming Session. He explained that, provided it can be made clear that the Government still intend as soon as practicable to deal with the problem of the BGC retail monopoly, he felt that all this could be presented as a single coherent package which the Government supporters would accept as a whole, rather than as a climb-down in the face of union pressure, an interpretation that might be given to the showroom decision on its own.

The Prime Minister has also seen the exchanges between your Secretary of State, the Minister of State for Consumer Affairs, the Secretary of State for Employment, and the Lord President of the Council about the legislative programme, which took place whilst she was in Australia. She accepts

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that primary legislation will be necessary before BGC can be required to cease appliance retailing and dispose of their showrooms, and that such legislation cannot be included in the programme to be announced in The Queen's Speech. She was very much aware of the point made in the Secretary of State for Employment's letter of 6 October about the care needed in handling an announcement of these decisions, and she believes that the approach proposed by your Secretary of State offers the best prospect of convincing the Government supporters. Subject to any comments from Trade Ministers, the Employment Secretary, or the Lord President of the Council, she is therefore content that he should approach any energy debate at the Party Conference on the lines he has suggested.

I am sending copies of this letter to the Private Secretaries to the members of Cabinet and to the Private Secretaries to the Paymaster General and the Minister of State for Consumer Affairs. A copy also goes to David Wright (Cabinet Office).

M. A. PATTISON

J. D. West, Esq.,
Department of Energy.

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PM

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PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AI

9 October 1981

MP
Prime Minister

MAJ 12/x

Dear Nigel,

Thank you for your letter of 30 September about the proposed legislation on gas and the British National Oil Corporation next Session.

I agree with you that there would be considerable tactical advantage in merging the gas legislation with the existing Petroleum and Continental Shelf Bill. However, if the combined Bill is not to be ready until next January, I see very little prospect of getting it through the Commons in time for the Lords to deal with it before the Summer Recess, as you propose. Royal Assent in July might be a more realistic target if the Bill could at least be introduced before Christmas, but pressures on Parliamentary Counsel have increased considerably since David Howell told the Cabinet that there was virtually no chance that the legislation on the breaking of the gas monopsony could be ready before January. Unless your Department, in consultation with Parliamentary Counsel, can find some way of improving on this timetable, therefore, I am afraid that it would be very unwise to assume that the Bill will receive Royal Assent before the autumn of next year.

I am copying this letter to the recipients of yours.

Yours ever
Francis Pym

FRANCIS PYM

The Rt Hon Nigel Lawson, MP
Secretary of State for Energy
Thames House South
Millbank
SW1P 4QJ

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Gas + Electricity Pricing
Energy, Pt 4 Future of Power

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PRIME MINISTER

cc Mr Hoskyns
Mr Howe

Mr Lawson seeks your authority for the line he would like to take at the Conference on energy policy. Cecil Parkinson has assured him that energy will be one of the balloted motions.

He wants to centre on the privatisation moves in oil and gas. As a residual point, he would like to make it clear that the gas showrooms issue would have to wait longer, because there will not be time for the necessary safety legislation in the coming session.

Mr. Lawson has consciously not copied his minute to Mrs. Oppenheim or Mr. Biffen. I am told that he wanted to persuade Mrs. Oppenheim of the case for handling matters this way before showing her how he proposed to put it to you, but he was unable to contact her yesterday because of Yom Kippur. He intends to speak to her today. In Mr. Lawson's view, the prime objective is to avoid a gas strike, and he believes this presentation will do so.

There have been a number of exchanges over the showroom legislation point while you have been away. The papers are elsewhere in the weekend box, with a report on the legislative programme as a whole. You may want to look at those before agreeing to Mr. Lawson's proposal. If you are then content with what he has in mind, would you like to agree subject to Trade Ministers and the Employment Secretary concurring?

Yes not
MJD

9 October 1981

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J. A. Ferguson

PRIME MINISTER

I understand from Cecil Parkinson that one of the two balloted motions for debate at the Party Conference will be on the Government's energy pricing policy. On the scheduled programme, of course, there is no Energy debate at all.

While I will defend our policies to their best advantage, this can only be a damage limitation exercise - and the damage caused by an energy price debate, however limited, would still be considerable.

There is, however, one way out of this predicament. That would be for me to broaden out the debate and to unveil the privatisation and monopoly-breaking moves on the oil and gas front on which we have decided - particularly those agreed at Cabinet on 24 September. These will be warmly welcomed by the Conference and give encouragement to our supporters. There is also a clear connection between the BGC monopoly and the energy price problem.

At the same time, I think I should make it clear that, partly in consequence of this, we will have to delay action on BGC's gas showrooms since there will not be time for the necessary safety legislation in the coming Session. Provided we make it clear that we still intend as soon as practicable to deal with the problem of the BGC retail monopoly, I believe that all this can be presented as a single coherent package which our supporters will accept as a whole, rather than as a climbdown in the face of union pressure - which is how the showroom decision, on its own, would inevitably be interpreted.

In this context Norman Tebbit has already written to me suggesting that against the mounting volume of threatening noises from the

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unions about an all-out strike, it is important that we should make an early statement of our new position on the gas showrooms. I believe that the approach I am proposing will meet Norman's concern, and do so in the way that is least damaging to the Government.

I should be most grateful for your agreement to the course I am proposing.

I am sending a copy of this minute to the Home Secretary, the Lord President of the Council, the Chancellor of the Duchy of Lancaster and the Paymaster General.

NR

Secretary of State for Energy

8 October 1981



Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Francis Pym, MC MP,
Lord President of the Council
Privy Council Office,
Whitehall
London
SW1A 2AT

7 October 1981

Dear Francis

LEGISLATIVE PROGRAMME 1981-82

I have seen Nigel Lawson's letter to you of 30 September proposing that BGC legislation on disposals and monopsony should be added to the Petroleum and Continental Shelf Bill.

2. The first priority is, of course, the enactment of the provisions for the sale of shares in BNOC's upstream operations, in order to open the way for their privatisation in October. I am glad to see from what Nigel Lawson says that he believes that the larger Bill should not prejudice this timetable. Treasury Ministers are therefore content with his approach.

3. I am copying this letter to the Prime Minister, the Secretary of State for Energy, the Home Secretary, the Lord Chancellor, the Chancellor of the Duchy, the Chief Whip and Sir Robert Armstrong.

Nicholas

NICHOLAS RIDLEY

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J. Vereker
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Rt Hon Nigel Lawson MP
Secretary of State
Department of Energy
Thames House South
Millbank
LONDON SW1

6 October 1981

Dear Secretary of State,

MMC REPORT ON GAS APPLIANCES

I have seen your minute of today's date to the Prime Minister.

As it seems clear that we cannot now contemplate requiring BGC to cease appliance retailing and dispose of their showrooms in the foreseeable future, you will no doubt be considering how best this information might be publicly released.

My main concern is one of timing. During the Labour Party Conference last week, national officials of the GMWU pointedly repeated their earlier threats to cut off gas supplies nationally if the Government goes ahead with its proposals. NALGO decided at the weekend to call a special conference of its members in the gas industry to decide on a programme of opposition to the proposals. I am concerned that, against a background of threatening noises of this kind, the later we leave it the more difficult it will be to let it be known publicly that we cannot now proceed in accordance with the timetable originally contemplated without this being seen as a last-minute climb down in the face of an imminent shutdown in gas supplies. To have proceeded with our original proposals would have carried with it some risk of providing a cause on which unions might build a campaign of industrial action that would have spilled over into pay demands. Equally to be seen as making a last minute climb down would not strengthen our position either.

I hope you will agree, therefore, that some kind of statement should be made soon, making clear that until the necessary safety legislation is enacted it will not be practicable to implement the powers that are to be taken in relation to BGC showrooms.



I am copying this letter to members of the Cabinet and to the Minister for Consumer Affairs.

Yours sincerely,

R. B. J. Jones

Private Secretary

Approved by the Secretary of State and signed in his absence

E7 OCT 1981





SECRETARY OF STATE FOR ENERGY
THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ

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MAD
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01-211-6402

The Rt Hon Francis Pym MC MP
Lord President of the Council
Privy Council Office
Whitehall
London
SW1A 2AT

30 September 1981

Francis Pym

LEGISLATIVE PROGRAMME 1981-82

Cabinet agreed on 24 September that powers should be taken to direct the British Gas Corporation to dispose of specified interests and to abolish the Corporation's gas purchase monopsony. They invited me in consultation with you to consider whether the relevant legislation could be added to the Petroleum and Continental Shelf Bill.

I see considerable advantage in merging these two pieces of legislation next session. A composite Bill would have a coherent political theme; it would ease the legislative burden on Ministers in this Department; and it would save time on the floor of the House.

This composite Bill could be ready for introduction in January and I would make this work the first priority of my Department.

We would of course be delaying the Petroleum and Continental Shelf Bill which is already drafted by two to three months. But this would be acceptable provided that we could be certain of securing Royal Assent before the Summer Recess, so as to open the way for privatisation of BNOC's upstream assets in October.

The timetable for the passage of the Bill through both Houses would be tight but should be practicable. I hope you can agree that we should proceed on this basis.

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I am copying this letter to the Prime Minister, the Home Secretary, the Lord Chancellor, the Chancellor of the Exchequer, the Chancellor of the Duchy of Lancaster, the Chief Whip and Sir Robert Armstrong.

*Yes Even
Nigel*

NIGEL LAWSON

Liquid, Natural Gas + Electricity Pricing. PCB

B



DEPARTMENT OF TRADE
1 VICTORIA STREET
LONDON SW1H 0ET

TELEPHONE DIRECT LINE 01 215 5662
SWITCHBOARD 01 215 7877

cc David Wright (L.S.)

From the
Minister of State
for Consumer Affairs

The Rt Hon Sally Oppenheim MP

Energy Community

PRIME MINISTER

No 10 Downing Street
LONDON SW1

28 September 1981

MMC REPORT ON GAS APPLIANCES

I thought I ought to write to you about the decisions which Cabinet reached last week on this Report, which of course have considerable implications, both practical and presentational, on the next steps which the Government should take.

The agreement which Cabinet reached that powers should be taken to direct British Gas to dispose of specified interests will be an essential step towards putting in hand our decision on the disposal of the Corporation's showrooms; and I welcome the confirmation that this is to form part of the legislative programme. There remains the question of legislation on safety; and I do not accept that it need be the case, as Cabinet appear to have envisaged, that in the case of the gas showrooms the exercise of the power to require disposals will need to be deferred until time can be taken for passing the relevant safety legislation. This is because the Department of Energy's view, as I understand it, primary legislation may not be a prerequisite for improving Safety Regulations, and that the scope for using existing powers should first be explored, and may prove adequate.

Presentationally a delay until the session after next could be very serious, particularly as it is now a year since the Monopolies and Mergers Commission reported. It could postpone the start of the five-year programme of disposals from (say) the middle of next year until the middle of 1983. Whether this delay is unavoidable depends, as

/I

Cont'd



have said, on the need for legislation on safety, its scope, and the time it is likely to take in Parliament. If no primary legislation were required, the time taken in Parliament would be negligible. Even if primary legislation were required, it would not necessarily take long; and I have been glad to note Willie Whitelaw's understanding that even where reference to legislation is omitted from the Queen's Speech, that would not necessarily prevent relevant legislation being brought forward later if the Parliamentary situation proved less difficult than at present feared.

It therefore remains important for us to settle the scope and content of any primary legislation on safety which is considered necessary. In his minute to you of 5 August on this point, David Howell promised to work out detailed safety proposals, after consultations between his officials, and those of the Departments of Industry and Trade. If you agree, I think that it would now be useful if Nigel Lawson could circulate his proposals to colleagues as early as possible so that we can take the measure of the range of safety measures which he considers necessary, and the extent to which they will require primary legislation. We can then decide whether our decision on the gas showrooms is to be subject to what is effectively a year's delay, or whether the Government can avoid the criticism which this will attract by proceeding at a faster pace.

I should add one further point. Any delay in our implementing our decision will have implications for the private sector's plans in this field. The Association of Multiple Regailers have recently made representations to me underlining the importance which they attach to the action which the Government is taking, and the effect which any apparent indecision could have on their members' plans.

I am copying this to members of the Cabinet.

Yours Truly
Sally

SALLY OPPENHEIM

129 SEP 1967

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CALIFORNIA

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✓ M.P.
Parliament
PRIVY COUNCIL OFFICE

WHITEHALL, LONDON SW1A 2AT

28 September 1981

Bar Willie

At Cabinet on 24 September, Nigel Lawson suggested that legislation to compel the BGC to dispose of specified interests, and to break their monopsony in the purchase of North Sea gas, should be combined with the Petroleum and Continental Shelf Bill. You may remember that I expressed some surprise that legislation on the monopsony was apparently viewed as a foregone conclusion. My impression was that we had decided not to legislate on this subject next Session when we agreed at Cabinet on 30 July to drop the proposed Gas (Industrial and Commercial Supplies) Bill from the 1981-82 programme.

As I have since discovered, it was decided at a meeting held by the Prime Minister on 10 September that the Government should take action as soon as possible to break the BGC monopsony, but that further consideration should be given to when this could be fitted into the legislative programme. So far as I can establish, neither you nor the business managers have so far been consulted about how this legislation might be accommodated in next Session's overloaded programme.

Without seeking to reopen the latest decisions of Cabinet on next Session's programme, I must take this opportunity of stressing most strongly the importance of the business managers and other members of QL being alerted as soon as any policy decisions are taken which could imply a significant change in the planned legislative programme. Although I try to keep an eye on the legislative implications of all policy discussions of which I am aware, the initiative must lie with the colleagues primarily responsible for the policy concerned. Neither you nor the business managers can be expected to know, without being told, of every proposal which might eventually involve legislation.

I should be grateful if all our colleagues could make sure for the future that I am always consulted whenever the possibility of fresh demands on the legislative programme arises.

I am copying this letter to the Prime Minister and other Cabinet colleagues, to the Chief Whip, and to Sir Robert Armstrong.

*Yours ever
Francis Pym*

FRANCIS PYM

The Rt Hon William Whitelaw CH MC MP

CONFIDENTIAL

29 SEP 1981



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Gas & Electricity

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New Ind Gas
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DEPARTMENT OF TRADE
1 VICTORIA STREET
LONDON SW1H 0ET

P. 5.

TELEPHONE DIRECT LINE 01 215
SWITCHBOARD 01 215 7877

From the
Minister of State
for Consumer Affairs

Prime Minister
10 Downing Street
London SW1

23 September 1981

MMC REPORT ON GAS APPLIANCES

I have seen Willie Whitelaw's memorandum of 21 September on the Queen's Speeches on the Prorogation and Opening of Parliament, which are to be discussed in Cabinet on 24 September; and I have also seen Janet Young's letter to Norman Fowler of 22 September on the role of legislation on local government finance in the legislative programme.

John Biffen is, as you know, out of the country; and I am deeply concerned that tomorrow's discussion will take place without him. I am perturbed, as I am sure he would be, by the proposal in Willie's memorandum canvassing the possibility of dropping legislation on gas appliance retailing from the programme. It is certainly not a proposal to which I could give agreement in his absence, given the major concession which he has already made in the case of the Insolvency Bill.

Nor, I must say, do I consider that it would be wise for colleagues to approve the proposal in any case. As you will know from our earlier discussions in E Committee, a great deal of importance attaches to this legislation if the Government's decision on the closure and disposal of the gas showrooms is to be implemented, and if the public's concern on safety is to be fully met. I believe that any departure now from our decision to introduce legislation would not only be interpreted as a sign that we were wavering in our intentions, but might also be seen as a withdrawal of our earlier assurance (which, with the agreement of colleagues, I renewed when I spoke to the National Gas Consumers' Council on 15 September) that legislation would be introduced if the Government considered it necessary to meet the public's apprehension about safety. I accordingly hope that colleagues will concur in retaining the proposed legislation in the programme, as we had earlier agreed.

To the extent that choices will have to be made, I recognise the force of the manpower implications of the local government legislation to which Janet Young has referred in her letter. But I would ask colleagues to consider two important features of the legislation on gas appliances in addition to those I have set out above. First, the longer it remains off the statute book, the longer we must defer

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the considerable Exchequer benefits accruing from the disposal of the showrooms. Secondly, I believe that if the concessions are made which I have outlined in my letter of today to Nigel Lawson the legislation may prove a good deal less controversial than anticipated, and benefit from an easier passage through the House.

I am copying this letter to members of the Cabinet.

*Yours ever
Sally*

SALLY OPPENHEIM

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