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12th March 1985

AT to see  
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*De Lita*

BNOG

I have seen the recent correspondence on the future of BNOG, including your minute of 8th March and Mr Turnbull's record of the meeting held at No 10 on 6th March. We spoke about the need for an early decision on the privatisation of the Government Pipeline System (GPSS), and you will now be aware that I do indeed see problems with this suggestion. It might be helpful if I set out the reasons for taking this line.

Essentially there are three areas where we could encounter difficulties:

- a. The GPSS is to feature prominently in the development of the RAF's Fixed Telecommunications System. The degree of security that will be required is such that I believe adequate safeguards could not be obtained within the terms of contract to maintain its integrity.
- b. Operationally the RAF and USAF depend on the GPSS for 80% and 100% respectively of their peacetime supplies. The RAF's dependence will increase as more stations are linked

The Rt Hon Peter Walker MBE MP



to the system. The volume of fuel involved makes it highly unlikely that delivery could be made by road, should supplies be interrupted for any reason.

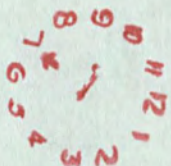
c. Considerable amounts of money have been invested to develop the GPSS for defence needs. Large elements of this investment have come from the NATO Infrastructure Fund and the USAF, under their cost sharing arrangements with the RAF, and more investment is planned. This could be placed in jeopardy if we were to proceed with privatisation. We could also be faced with repaying the NATO Infrastructure Fund.

Although I am not in favour of privatisation, I would of course be very willing to consider any alternative ways of improving the management and use we make of the GPSS. I therefore suggest that our officials should be asked to produce a report later this year on the alternative options to privatisation. These might include reorganising the GPSS as a Trading Fund, or the establishment of a Government Owned/Contractor Operated Company involving this department and the British Pipeline Agency, but I think officials should look at the full range of possibilities.

I am copying this letter to the Prime Minister, the Lord President, the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Lord Privy Seal and to Sir Robert Armstrong.

Michael Heseltine

Energy : BNOc AT.



13 MAR 1985