



*When.*

P.0583

PRIME MINISTER

Letter to the Nationalised Industry Chairmen  
(E(NI)(81)8)

BACKGROUND

At the Committee's first meeting it was agreed that neither the CPRS's report on the nationalised industries nor an abridged version of it should be published; that a statement of Ministers' views and of issues for discussion should be sent to the Chairmen's Group as a basis for a preliminary discussion; and that further more detailed discussions should be held between sponsor Ministers and the chairmen of individual industries with the aim of agreeing a programme for the implementation of agreed recommendations by the end of January, 1982 (E(NI)(81)1st Meeting, item 2).

2. The CPRS note, E(NI)(81)8, covers a draft of the paper to be sent to the Chairmen's Group. The draft is based on detailed comments sent to the CPRS by the Chancellor of the Exchequer and by sponsoring Ministers. As explained in paragraph 3 of the cover note, the CPRS suggest that some of these points might best be incorporated in the Chancellor of the Exchequer's covering letter to the chairmen rather than in the main text.

3. The draft picks up the specific proposals made by the Chancellor of the Exchequer in E(NI)(81)4. Paragraph 8 refers to the proposals for efficiency investigations discussed in E(NI)(81)6; in the light of E(NI)'s discussion the Treasury will prepare an annex to the note which will set out these proposals in more detail.

4. The chairmen of BL and of Rolls Royce are not members of the Nationalised Industries' Chairmen's Group and would not normally attend meetings between the Group and Ministers under the Chancellor of the Exchequer. The Secretary of State

for Industry recommends, and the CPRS agree, that on this occasion they should see the papers and be invited. This seems sensible provided that no other Minister feels that this would cause offence to the Chairmen's Group.

5. In preparing the draft the CPRS have taken account of the Chancellor of the Exchequer's wish to bring out the point that, in addition to requiring more from the industries, the Government is taking steps to improve its own arrangements for dealing with nationalised industry business. They have not, however, taken up the Chancellor's proposal that they should describe the new Ministerial Committee and its functions. Instead, in paragraph 6 of their draft, they have said

{ "Ministers intend to strengthen their arrangements for collective consideration of matters affecting the nationalised industries!" To go any further would be inconsistent with the Government's stance that details of Ministerial Sub-Committees of the Cabinet are not made public.

## HANDLING

→ 6. After Mr Ibbs has introduced the CPRS's paper you might ask the Chancellor of the Exchequer, who will lead the Ministerial team meeting the Chairmen's Group, for his views. Other sponsoring Ministers will then want to say whether they are broadly content with the substance and with the tone of the text. Any detailed points, and drafting proposals, could be sent directly to Mr Ibbs.

## CONCLUSIONS

7. In the light of the discussion you will wish to:

i. invite Mr Ibbs to revise the draft text, as necessary, to take account of points made in the discussion and of any detailed points which members wish to put to him in correspondence, and then to submit the draft to the Chancellor of the Exchequer;

ii. to invite the Chancellor of the Exchequer:



- a. to arrange for the Treasury to prepare an annex to the note describing the Government's proposals for efficiency investigations;
- b. to send the approved text to the Nationalised Industries' Chairmen's Group as soon as possible.

*Plg*

P L GREGSON

17 November 1981

CONQUEROR  
LONDON



P.0582

PRIME MINISTERImproving the Scrutiny of Nationalised Industry Efficiency

(E(NI)(81)6)

## BACKGROUND

Log A — The Chief Secretary, Treasury's note, E(NI)(81)6, covers a report by the Interdepartmental Official Committee on Nationalised Industry Policy (NIP) chaired by the Treasury.

2. NIP's recommendations are listed in paragraph 31 of their report (the last page of E(NI)(81)6). They propose a strengthening of the Monopolies and Mergers Commission (MMC)'s role in investigating nationalised industries; supplementing the work of the MMC where appropriate by the use of management consultants; and further consideration of the possibility of expanding the work of commercial auditors in the field of value for money audit.

3. If the committee endorses these proposals, they will be put to the nationalised industry chairmen as a part of the issues to be discussed following the CPRS report - the next item on the agenda. The aim will be to make an announcement on efficiency audit before Christmas, as is necessary given the Government's undertaking to the Public Accounts Committee in the reply to their report on the role of the Comptroller and Auditor General.

4. These recommendations have been exhaustively discussed interdepartmentally and there should be no disagreement on them. The main possible doubt is over the proposal to supplement the work of the MMC by the use of management consultants. The Secretary of State for Trade has been concerned for some time that this might undermine the role of the MMC. Further consideration will be necessary, in particular cases, on whether management consultants should be appointed by the industries themselves or jointly by the department and the board concerned. This is discussed in more detail in Mr Ibbs' minute to you of 26 October.

Log B —



## HANDLING

5. After the Chief Secretary, Treasury has introduced the report by officials you might first ask the Secretary of State for Trade to comment, since he is responsible for the MMC, and then turn to Mr Ibbs who will wish to refer to the points made in his minute of 26 October. It should be possible to avoid detailed discussion of the individual recommendations.

## CONCLUSIONS

6. In the light of the discussion you will wish to record conclusions:

i. endorsing the recommendations in paragraph 31 of the report by NIP, and noting any particular points on them;

ii. recording any points arising out of Mr Ibbs' minute of 26 October on the use of management consultants;

iii. agreeing that, subject to further discussion with the chairmen, the aim should be to make an announcement on efficiency audit by Christmas.

Joni

PLG

P L GREGSON

17 November 1981

P.0581

PRIME MINISTERCPRS Report on Nationalised Industries: Next Steps

(E(NI)(81)4)

## BACKGROUND

In E(NI)(81)4 the Chancellor of the Exchequer emphasises the major change of attitudes needed in Departments and nationalised industries, and hence the need for personal commitment by Ministers to bring this about. This will mainly arise in implementing the CPRS proposals, but the paper also seeks agreement to two further proposals:

- i. A systematic review of the performance and prospects of each major industry, with reports to E(NI) spread over the period from January to May each year. This is consistent with the CPRS Report, which emphasised the need to focus on each industry's corporate plan and to review strategic objectives and options. It should open the way to a more orderly, and less pressurised, examination of the industries' investment and financing reviews in the summer and of their External Financing Limits in the autumn.
  - ii. Improving knowledge of industries' investment appraisal and resulting investment programmes. The Treasury will be in the lead, and propose to add to their present staff a small number of specialists for the purpose.
2. These two particular points, and the more general plea for better information and closer cooperation from the industries, are reflected in the letter to the nationalised industry chairmen (E(NI)(81)8) which is the third item on the agenda.

## HANDLING

3. After the Chancellor of the Exchequer has introduced his paper you might ask Mr Ibbs and the sponsoring Ministers whether any of them wish to comment. It is



likely that the proposals will be acceptable and that they will not call for any detailed discussion. If E(NI) are to discuss most of the major industries in the period from January to May next year, it will be necessary for agreement to be reached as soon as possible on the programme; otherwise, the Committee will find itself with a pile up of work in the late spring. This is something on which the Treasury, in consultation with the CPRS, can take the lead.

## CONCLUSIONS

4. In the light of the discussion you will wish:

i. to record conclusions on the two specific proposals summarised in paragraph 11(a) and (b) of E(NI)(81)4;

ii. to invite the Chancellor of the Exchequer to arrange for the Treasury, in consultation with the CPRS and with sponsoring Departments, to make proposals for a programme of the reports which E(NI) will consider in the first part of next year.

You can leave until the discussion of item 3 on the agenda questions on how these points should be communicated to the chairmen.

*PLG*

P L GREGSON

17 November 1981