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NORTHERN IRELAND OFFICE
GREAT GEORGE STREET,
LONDON SW1P 3AJ

SECRETARY OF STATE
FOR
NORTHERN IRELAND

Rt Hon Leon Brittan QC MP
Chief Secretary
HM Treasury
Parliament Street
LONDON SW1

26 March 1982

Dear Leon

PROPOSED EFFICIENCY AUDIT OF NORTHERN IRELAND ELECTRICITY SERVICE (NIES)

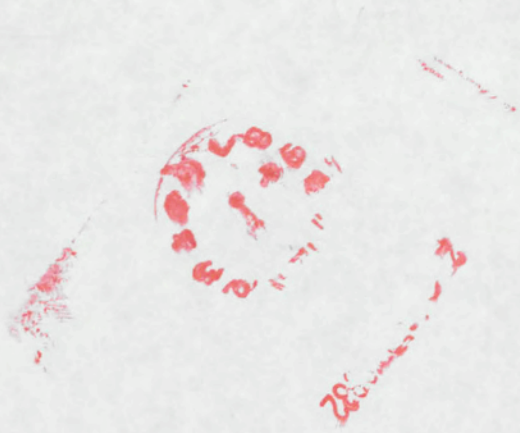
As you will recall from my letter of 12 February I sought to have the Monopolies and Mergers Commission carry out an early efficiency audit of the NIES. I saw advantage in having an audit carried out by the MMC rather than private consultants particularly because of the Commission's recent work on the CEGB, which would have had considerable relevance to NIES. *will request if required.*

John Biffen, however, took the view in his letter of 1 March that it would not be possible to find space for a study of NIES in the Commission's programme for 1982. While he has offered to consider including a study of NIES in the Commission's 1983 programme, I believe that such a course would delay for too long the commencement of a study which you and I regard as urgent. I propose therefore, with your agreement, to discuss with NIES the appointment of private consultants to carry out an efficiency audit to commence in 1982. I take it that I would have your support in adopting this course?

To ensure that a study by private consultants will carry the same authority as a study by the MMC I would hope to clear with you and others both the terms of reference of the study and the firms which are to be invited to tender for the work - which I hope will include Maynard and Barry.

I am copying this letter to the Prime Minister, John Biffen, other members of E(NI), Sir Robert Armstrong and Robin Ibbs.

Yours faithfully
[Signature]



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Prime Minister (2)
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Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon James Prior MP
Secretary of State
Northern Ireland Office
Great George Street
London SW1P 3AJ

2 April 1982

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Dear Secretary of State,

PROPOSED EFFICIENCY AUDIT OF
NORTHERN IRELAND ELECTRICITY SERVICE (NIES)

Thank you for your letter of 26 March. Like you I am anxious to get the study completed as soon as possible and as it cannot be fitted into the MMC programme for 1982 I agree we should commission a study by outside consultants, in the way you propose.

I am sending copies of this letter to the Prime Minister and other recipients of yours.

Yours sincerely

LEON BRITTAN

[Approved by The Chief Secretary
and signed in his absence]

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Prime Minister (2)

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From the Secretary of State

The Rt Hon Leon Brittan QC MP
Chief Secretary
H M Treasury
Parliament Street
London SW1

2 April 1982

Dear Leon,

PROPOSED EFFICIENCY AUDIT OF NORTHERN IRELAND ELECTRICITY SERVICE
(NIES)

I have seen Jim Prior's letter to you of 26 March.

I remain willing to try and find a place for the NIES in the 1983 section 11 reference programme. However, I understand the reasons why such a time-table might not be sufficiently speedy, and have no objection to a study by consultants this year.

It would be helpful if my officials could be consulted over the proposed terms of reference.

I am copying this letter to the recipients of Jim Prior's letter to you of 26 March.

*Yours
John Biffen*

JOHN BIFFEN

2 APR 1982



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Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon James Prior MP
Secretary of State
Northern Ireland Office
Great George Street
London SW1P 3AJ

2 March 1982

2 Jim

NORTHERN IRELAND ELECTRICITY SERVICE.

Thank you for your letter of 23 February. I am glad you agree that the efficiency audit of the NIES might be undertaken by the MMC. You will now have seen my letter of 26 February to John Biffen supporting your request, though it is for him to determine the final composition of the programme.

I am copying this letter to John Biffen, to other members of E(NI), to Sir Robert Armstrong and Mr Ibbs.

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LEON BRITTAN

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Prime Minister

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NORTHERN IRELAND OFFICE

GREAT GEORGE STREET,

LONDON SW1P 3AJ



SECRETARY OF STATE
FOR
NORTHERN IRELAND

Rt Hon Leon Brittan QC MP
Chief Secretary
HM Treasury
Parliament Street
LONDON SW1P 3AG

23 February 1982

Dear Chief Secretary,

NORTHERN IRELAND ELECTRICITY SERVICE

Thank you for your letter of 22 January in response to the part of my letter of 23 December which related to electricity tariffs.

I very much agree that we need to ensure that the NIES is efficiently operated and I believe that a comprehensive and authoritative efficiency audit of the Service should be carried out as soon as possible. I have considered the possibility of using private management consultants such as Maynard and Barry, to carry out a study of NIES, but have reached the view that because inter alia of its recent report on the CEGB, much of which would carry over to the generating activities of NIES, the MMC would be better suited to carry out the study of the Service. My officials have corresponded on this point with yours and with those in the Department of Trade and the CPRS.

When E(NI) considered your memorandum of 22 January about the programme of MMC references for 1982 at their meeting on 10 February, agreement was reached on five audits for this year. I understand, however, that there may be scope for the addition of one further reference and I should be grateful if a place could be earmarked for a study of NIES to commence as soon as possible.

My officials are in close touch with yours about the financial requirements of NIES in the years 1982/83 onwards. You can be assured that I certainly accept the principle that there should generally be sufficient scope within the Northern Ireland block budget to cope with adjustments which are required in the normal course of events as forward spending plans are reviewed and translated into reality. The Northern Ireland budget has achieved such adjustments in the past and it is my firm intention that good housekeeping and careful planning will continue.

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I shall, therefore, do my best to minimize any bid on the Contingency Reserve but I felt it only fair to alert you to the possibility that I might not be able to avoid it altogether. The problem with the Electricity subsidy is that its main determinant, the tariffs charged, is quite outside the control of the NIES and even now it is impossible to be certain about the precise sums which will be required in 1982/83 since this depends on tariffs decided for England and Wales. Proposals are now, however, emerging for the tariff increases in England and Wales for 1982/83 and when final decisions have been taken I will write to you again about the implications for the subsidy to NIES.

I am glad that you have been able to agree that our officials should look again at the case for taking Electricity outside the block. It would be wrong to prejudge the case, but a solution along these lines would at least avoid the recurring need to look at the totality of the Northern Ireland programme at almost impossible notice - with resultant difficulty for both of us.

I am copying this to John Biffen, to other members of E(NI), to Sir Robert Armstrong and to Mr Ibbs.

Yours sincerely

James Prior

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JAMES PRIOR

(Signed on behalf of the
Secretary of State in
his absence)

3 FEB 1982

