

Nat Ind  
cc JR



From the Secretary of State

Prime Minister (2)

ms 4/11

MZ

The Rt Hon Sir Geoffrey Howe QC MP  
Chancellor of the Exchequer  
HM Treasury  
Treasury Chambers  
Parliament Street  
London  
SW1P 3AG

4 November 1982

Geoffrey

PUBLICITY FOR MONOPOLIES AND MERGERS COMMISSION REPORTS

Thank you for your letter of 1 October.

The annual report of the Director General of Fair Trading does of course contain some details of follow-up to Commission reports on monopolies, mergers, general references and investigation into anti-competitive practices. But for references of nationalised industries made under the 1980 Competition Act these go no further than statements made on publication of the Commission's individual reports.

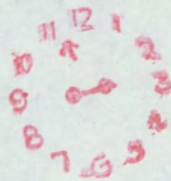
I therefore welcome your suggestion that we should consider the possibility of Government giving publicity to progress on the implementation of reports on the nationalised industries and, subject to the views of our colleagues in E(NI), would be happy for our officials to work up a proposition as you suggest.

I am copying this letter to members of E(NI).

Yours,  
Arthur  
LORD COCKFIELD

mat Ind. Policy, P+7

- 1 NOV 1982





cc JV.  
Prime Minister (2)

Mus 1/10

Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

1 October 1982

The Rt. Hon. Lord Cockfield,  
Secretary of State for Trade

Dr AM

PUBLICITY FOR MONOPOLIES AND MERGERS COMMISSION (MMC) REPORTS

There have been various exchanges recently, starting with Gerald Vaughan's letter of 27 July, about the need to do everything possible to capitalise on MMC Reports. This is a worthwhile aim in itself. It is also something we have been thinking about in the context of the discussions we are having with senior backbench MPs about the future role of the C&AG.

The position of the nationalised industries is central to these discussions. An important element of the Government's position has been to encourage the PAC (or other Select Committees) to follow up MMC Reports as a counter to the argument that the C&AG should have access to, and report on, the nationalised industries. Anything which can be done to emphasise the importance we attach to MMC reports will be helpful in this context. One possibility that has been suggested is that the Government could usefully publish either annually or as a one-off exercise a report drawing together progress in implementing past MMC Reports. This would provide a focus for attention in addition to the specific Parliamentary statements which ought to be made on individual reports.

If we were to take this idea forward, we should need to do so with some care in the light of progress we make in the discussion about the role of the C&AG. But at first sight it seems to me to be an idea worth pursuing. If you agree, it would be helpful if our officials could work up a proposition in more detail.

I am copying this letter to members of E(NI).

GEOFFREY HOWE



DEPARTMENT OF TRANSPORT  
2 MARSHAM STREET LONDON SW1P 3EB  
01-212 3434

My ref: H/PSO/26263/82

Your ref:

Dr G Vaughan  
Minister of State for Consumer  
Affairs  
Department of Trade  
1 Victoria Street  
LONDON SW1H 0ET

20 AUG 1982

Dear Gerry,

Rd-2  
You wrote to David Howell on 27 July about the present procedure for handling the various stages of Monopolies and Mergers Commission reports on nationalised industries. David is still away on holiday, so I am replying on his behalf.

It is very important that we get the procedures right, and I am most anxious that we should not make too little of any substantive competition issues which arise from these reports. It would however be a mistake to under-estimate the stimulating effect which the mere announcement of an investigation seems to have on the industries concerned. I think that it puts them under very useful immediate pressure to try to put their house in order so as to avoid criticism. I think that the Department of Trade can attract a good deal of media attention when an investigation is announced.

Following that stage I can see no way, however, of deciding the handling of publicity in general - we need to look at each report on its merits. Indeed Nigel Lawson has already made this point in his letter to you of 5 August.

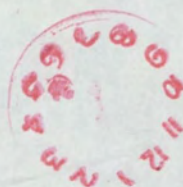
The real problem as I see it is how to ensure adequate publicity at the time that the report is published. The difficulty of course is that we do not want to be premature in our judgments, and we can never be certain that we shall be able to welcome all the findings in a report. It is, however, a fact that this is the point where the Press are likely to take the maximum interest, and I would not normally expect to get so much interest at the time of the three months stocktaking and the one-year follow-up. I think that unless the Commission specifically recommend action under competition law, publicity at the time of publication of the report must be primarily the responsibility of the sponsor Ministers, since the detail of statements at this stage must be tied in with the policy the sponsor Ministers are pursuing in relation to the industry. But I am sure that we should keep in very close touch with you about what it would be right to say about any general competition aspects in the report. It would also seem right to me to emphasise the place of any particular report in the coherent rolling programme for which the Department of Trade are responsible.

We might also be able to stress the importance of the programme in relation to nationalised industries generally in some at least of the reports to Parliament which will be appropriate at later stages.

I am sending copies of this to members of E(NI).

*Yours ever*  
*Reginald Eyre*

REGINALD EYRE



23 AUG 1963



SCOTTISH OFFICE  
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EDINBURGH EH1 3SX

Dr Gerald Vaughan MP  
Minister of State for Consumer Affairs  
Department of Trade  
1 Victoria Street  
LONDON  
SW1H 0ET

10 August 1982

IT  
12/8

MONOPOLIES AND MERGERS COMMISSION (MMC): FOLLOWING UP REPORTS

I have seen your letter of 27 July <sup>attached</sup> to David Howell.

I do agree that we should take full credit for the programme of Section 11 references. In Scotland at least there should be no problems; the Report of the current investigation into Caledonian MacBrayne will generate considerable press interest when it is published, regardless of what Ministers say at the time. We will certainly emphasise again, as we did when the investigation was announced, that this is part of a rolling programme of references under Section 11 of the Competition Act. We need to do this to assure the industry concerned that it is not being singled out and that the reference is not the result of any particular disapprobation. We can take care also to emphasise the positive aspects of the rolling programme of references.

I think we should be careful about going any further. Such reports as we have seen so far following Section 11 investigations have been substantial documents which do not admit of instant responses. Such responses might be difficult to avoid if we were to hold press conferences such as you suggest. They would be particularly unfortunate in the present delicate state of our relations with nationalised industries; and would not necessarily help us in reaching sensible conclusions with them on implementation.

I am copying this letter to Members of E(NI).

ALEX FLETCHER

Nat Ind  
IV

Wm  
8/8

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

01 211 6402

Dr Gerard Vaughan MP  
Minister of State for Consumer Affairs  
Department of Trade  
1 Victoria Street  
LONDON SW1

5th August 1982

repeatedly required

Thank you for sending me a copy of your letter of 27 July to David Howell about the publicity attending the publication of MMC reports on the nationalised industries.

I have no view on the handling of the particular report on bus undertakings which has just been published. However I do think that the publicity for each report should be considered on its merits. In particular, I would not wish to encourage expectations of a press conference on the report on the NCB until I know what it says and have assessed its impact in the circumstances surrounding its publication.

However, I see the need for coherence in Government responses and therefore attach great importance to adequate interdepartmental consultation in cases where there are to be separate press statements.

I am copying this letter to recipients of yours.

NIGEL LAWSON

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NEW YORK



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Treasury Chambers, Parliament Street, SW1P 3AG

Dr Gerald Vaughan MP  
Minister of State for  
Consumer Affairs  
Department of Trade  
1 Victoria Street  
London SW1H 0ET

30 July 1982

Dear Minister,

MONOPOLIES AND MERGERS COMMISSION (MMC): FOLLOWING UP REPORTS.

Thank you for copying to me your letter of 27 July to David Howell. I agree entirely that we should do everything we can to capitalise on MMC reports and I am sure you are right to suggest that where reports throw up substantive competition issues these should be reflected in the statements subsequently made by the Government.

More generally, your letter prompts me to emphasise the need to keep to the original timetable for statements 3 and 12 months after publication of a report. There have been one or two cases recently where this timetable has showed signs of slipping. The aim of these statements, particularly the report after 12 months on what has actually been done, is to ensure that the industries concerned cannot put reports to one side however much they might wish to do so. It is crucial, for this discipline to be maintained, that the timetable is kept to in all cases except in the most exceptional circumstances. I hope that colleagues responsible for following up individual reports will give priority to achieving this aim.

I am copying this letter to members of E(NI).

Yours sincerely

T. Matthews

for LEON BRITTAN

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



From the  
Minister of State  
for Consumer Affairs

DEPARTMENT OF STATE  
1 VICTORIA STREET  
LONDON SW1H 0ET  
TELEPHONE DIRECT LINE 011 51 42  
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The Rt Hon David Howell MP  
Secretary of State for Transport

27<sup>th</sup> July 1982

I wonder if I could have your thoughts on the present procedure for presenting Monopolies and Mergers Commission Reports on Nationalized Industries under the Competition Act 1980 and whether or not we can make more out of them. As you will know the Report on four bus undertakings is to be published tomorrow. It has some important comments not only on efficiency but on the use made of financial muscle which has implications for private businesses, and is thus of particular interest.

As I understand it, the present procedure is for this Department on publication simply to announce that fact and that there will be discussions with the industry concerned. The sponsoring Department then discusses the report with the industry and makes a further statement usually several months later on any action to be taken.

This can mean that we undersell the value of the Nationalized Industry reference programme which is an important part of our strategy towards the control of state monopolies.

It is obviously too late to change the arrangements for tomorrow on which I have already written to Pat Eyre. But if we do not comment on the substance at the time publication I think we should certainly create more impact at the time of the further statement.


One way of doing this would be for this Department to make the statement emphasizing the competition aspects, but that would expose us to follow up questions on the detail which I do not think would be satisfactory. I can also see that the particular industry might feel concerned if their sponsoring Department were not involved.

I wonder, therefore, if we might consider having a joint presentation with the possibility of a joint Press Conference so that we could not only cover the immediate action in the industry but also create a stronger impression of a coherent rolling programme which in most cases will have positive results. We might also issue Press Statements, commenting on our individual interests.



Perhaps you and other recipients would let me have your views. The subsequent announcement on buses could be an opportunity for us to try something different.

I am sending copies of this letter to members of E(N).

  
Gerard Vaughan



12 AUG 1982

CONFIDENTIAL

Qa 05993

To: PRIME MINISTER

23 July 1982

From: JOHN SPARROW

MMC - Efficiency References in 1983

1. E(NI) will be considering a paper (E(NI)(82)18) by the Chief Secretary on 20 July. The main point at issue is whether British Telecom (BT) should be referred to the MMC for a study in 1983.

2. The CPRS believes that there are sound reasons for doing this -

(a) the detailed knowledge of BT, its pricing and cost structure, in the Department of Industry is weak. BT has traditionally been secretive about its financial information and operating practices. If the proposed regulatory body is to do its job properly, it needs information about the business and a wide-ranging MMC enquiry should help provide this;

(b) BT is known to be abusing its monopoly powers. It has been cross-subsidising its services for many years. There may be other areas of abuse which have not come to the Department's attention. The MMC has been established to consider possible abuse of monopoly power;

(c) BT is known to be inefficient. Absolute wage levels in BT remain very high and bad working practices abound. The MMC has also been established to highlight instances of inefficiency in public bodies and should therefore be asked to investigate BT.

3. The reasons put forward by the Department of Industry for delaying a reference are not sufficient, since -

(a) even after the current liberalisation process and possible privatisation, BT will still be a monopoly for the bulk of its activities;



CONFIDENTIAL

(b) a reference should not prejudice (and could, by clearing the air, assist) a successful flotation. The MMC would complete their work in 1983 while the earliest realistic date for flotation would be Autumn 1984;

(c) while MMC enquiries do impose a burden on the industries being investigated, for the reasons in (b) above, this should not clash too onerously with the additional work required for privatisation. BT should be able to deal with this;

(d) if a reference is delayed, it would be impractical to have an investigation in the year of a flotation and unreasonable to refer BT in the two years subsequent to privatisation. This would defer the enquiry until late 1986 at the earliest, which would be undesirably late.

4. I am sending a copy of this minute to Sir Robert Armstrong.

JB.

PRIME MINISTER

Monopolies and Mergers Commission (MMC) Efficiency Investigations:

Programme for 1983

(E(NI)(82)18)

BACKGROUND

E(NI) agreed in late 1981 that, as part of the Government's efforts to improve nationalised industry efficiency, up to six nationalised industries should be referred each year to the MMC. In February the Sub-Committee agreed on a programme of references for 1982.

2. The Chief Secretary's memorandum proposes that the Government should now announce that in the first half of 1983 there will be references of British Telecommunications (BT), British Shipbuilders and a bus operator; and that the provisional but not to be announced programme of references for the second half of next year should cover an aspect of the water industry, British Airways and area electricity boards.

MAIN ISSUES

3. The only issue for discussion at this stage is whether BT should be referred to the MMC in the first half of next year. Such questions as are still unsettled on the other proposed reference (for example the precise terms of the British Shipbuilders reference and which bus operator should be examined by the MMC) can be left to be settled later.

4. Some of the arguments for and against a BT reference are set out in the note by the Chairman of the Official Committee on Nationalised Industry Policy (NIP) attached to E(NI)(82)18. The arguments for referring BT appear to be:

- (i) BT will dominate the telecommunications market, even when privatised for some time; it is important that there should be an early investigation of its efficiency.



- (ii) E(TP) has agreed that the MMC should continue to have a role in monitoring BT's efficiency, perhaps every five years, after privatisation: it would be desirable to establish as soon as possible a benchmark against which further progress can be gauged.

5. The arguments against referring BT adduced in the NIP report are:

- (a) a reference might in some way frustrate the privatisation programme, either by prejudicing a successful flotation or by putting an undue burden on BT's management;
- (b) liberalisation and privatisation will themselves provide a stimulus to greater efficiency;
- (c) there is anyway a possibility of the OFT referring BT to the MMC for the investigation of alleged anti-competitive practices in BT's radiopaging services.

6. You will want E(NI) to evaluate the strength of these arguments. On the face of it privatisation of BT and the Government's liberalisation programme for telecommunications do not expose the corporation to sufficient competition to remove any justification for an efficiency audit by the MMC. As the Secretary of State for Industry accepted in discussion in E(TP), BT will dominate telecommunications for many years to come. On the other hand a general MMC investigation of BT which lasted for much of 1983 might absorb some management time which would otherwise be spent on privatisation and liberalisation. The balance of argument may turn on what sort of investigation the MMC might undertake and how long it would last. One possibility appears to be an examination of BT's investment appraisal procedures - which could be limited in both scope and time and could be of value in helping to prepare BT for the more competitive environment in which it will have now to operate.

7. If a reference of BT is ruled out, the options are:





- (a) to refer the Post Office; the NIP report suggests this as a fallback;
- (b) to bring forward one of the references tentatively planned for the second half of 1983: a water reference might be the easiest to agree on now;
- (c) to have only two references in the first half of 1983 - British Shipbuilders and a substantial bus reference (LT or a passenger transport executive) would seem to be a respectable six months' work.

## HANDLING

8. The Chief Secretary, Treasury is likely to be unable to attend the meeting; if so, the Chancellor of the Exchequer will introduce the paper. The Secretaries of State for Industry and Trade will want to comment, as may other members of the Sub-Committee, and Mr Sparrow.

## CONCLUSIONS

9. You will want to reach conclusions on the following questions:
- (i) Can the Sub-Committee endorse the Chief Secretary, Treasury's proposals apart from the proposed reference of British Telecommunications?
  - (ii) Should British Telecommunications be referred to the MMC in the first half of 1983?
  - (iii) If not, should the Post Office be referred; should one of the references suggested for the second half of the year be brought forward; or should there be only two references in the first six months of 1983?

P L GREGSON

22 July 1982