

File

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From the Private Secretary

26 September 1984

COMPETITION ACT 1980: SECTION II REFERENCES OF  
NATIONALISED INDUSTRIES TO THE MONOPOLIES AND MERGERS  
COMMISSION

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The Prime Minister has seen your Secretary of State's minute of 18 September to the Chancellor of the Exchequer. She has asked whether the procedures for selecting industries or aspects of them for reference to the MMC give adequate weight to follow-up action. There are now a number of reports, many of which revealed quite serious shortcomings. She wonders, therefore, whether the 1985 programme ought to include one post-audit to see that earlier MMC recommendations have been put into effect. Possible candidates would be the CEGB and Southern Region or, in another year the NCB.

She has noted that your Secretary of State has proposed "an aspect of British Steel". One possibility would be the management of its' capital programme. She has commented that like the NCB, BSC invests and loses money on a large scale. Such a study could consider how investment proposals are related to markets, how they are approved by the Board and Ministers and whether there are post-audit procedures in BSC issues.

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I am copying this letter to Private Secretaries to  
Members of E(NI) and to Richard Hatfield (Cabinet Office).

Andrew Turnbull

Callum McCarthy Esq  
Department of Trade and Industry



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Secretary of State for Trade and Industry

B/P with Department  
responses 19/9

DEPARTMENT OF TRADE AND INDUSTRY  
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18 September 1984

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The Rt Hon Nigel Lawson MP  
Chancellor of the Exchequer  
HM Treasury  
Parliament Street  
London SW1

*D. Nigel*

COMPETITION ACT 1980, SECTION 11: NATIONALISED INDUSTRY  
REFERENCES TO THE MONOPOLIES AND MERGERS COMMISSION

I am writing to report progress on this year's programme of references and to seek agreement to next year's programme, with a view to making a Parliamentary announcement soon after the recess.

2 The 1984 programme will now comprise only four references compared to the five I announced in January and our original stated intention of making "up to six" references a year. The Scottish airports division of the BAA was dropped from the programme before it was announced and, in the light of George Younger's strong representations, I have decided not to press for a Scottish bus reference in view of the impending changes in the framework within which the industry operates. This latter omission will have to be explained publicly as the reference was included in the programme that was announced for this year.

3 Of the other references in this year's programme, the MMC are currently working on the Yorkshire Water Authority and the revenue collection systems of four area electricity boards (both of which reports are due in October) and British Rail property management. Post Office counter services are to be referred in November.

4 During this year reports have been published so far on the South Wales Electricity Board, London Transport bus maintenance and the Post Office letter service.

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5 For 1985, I propose a programme comprising an aspect of the British Airports Authority (in January), the two Scottish Electricity Boards, an aspect of British Steel and a regional water authority. I had considered bringing forward the British Airports Authority to December as a 1984 reference to replace Scottish buses, but, overall, it seems better to start 1985 with a reasonably full programme (even without Scottish buses, the 1984 out-turn exceeds that for 1983).

6 This programme is substantial and will give us a reasonable story to tell in the event of renewed pressure to give the C and A G access to nationalised industries.

7 Nonetheless, a full six references would be preferable if it were possible. The British Waterways Board could be a strong candidate after its corporate plan has been delivered next spring. I do not, however, propose to mention this possibility in my statement of the programme.

8 I hope that you and other members of E(NI) can agree to my proposals and to my announcing them by means of a written PQ on the lines of the attached draft. I would like to make the announcement soon after Parliament reassembles and would accordingly be grateful for any comments by 28 September.

9 I am copying this to the Prime Minister, members of E(NI) and Sir Robert Armstrong.

*Norman Tebbit*

NORMAN TEBBIT

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DRAFT WRITTEN QUESTION AND ANSWER

Q. TO ASK THE SECRETARY OF STATE FOR TRADE AND INDUSTRY IF HE WILL REPORT PROGRESS ON THE ROLLING PROGRAMME OF REFERENCES OF NATIONALISED INDUSTRIES TO THE MONOPOLIES AND MERGERS COMMISSION UNDER SECTION 11 OF THE COMPETITION ACT 1980

A. During 1984, reports were published on London Transport bus maintenance, the South Wales Electricity Board and the Post Office letter post service. I have received the Commission's report on the Yorkshire Water Authority and the revenue collection systems of four area electricity boards. These will both be published in due course.

The Commission are currently investigating British Rail property management. Post Office counter services [are to be referred shortly].

I have concluded that, in the light of the government's proposals for radical reform of the bus industry and the introduction of competition that will result, it would not be appropriate to make the reference of an aspect of public sector bus services in Scotland that was announced as part of this year's programme.

We plan a further substantial programme of investigations in 1985 to carry forward our policy of subjecting the public sector to independent external scrutiny. An aspect of the

British Airports Authority will be referred early in 1985. This will be followed in the course of 1985 by references of aspects of the North of Scotland Hydro-Electric Board, the South of Scotland Electricity Board, the British Steel Corporation and a regional water authority. Details of each reference will be announced as it is made.



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