

REPORT OF POLICY GROUP ON
NATIONALISED INDUSTRIES AND THE CONSUMER

Members:-

Mrs. Sally Oppenheim (Chairman)

Mr. Hutber

Mr. Lamont

Mr. Bower

Mr. Neubert

Mr. Stuart

Mr. Shaw

Mr. Cardona (Secretary)

Mr. Marshall (Industry Group)

Mr. Rost (Energy Group)

Mr. Fox (Transport Group)

Additional evidence from:-

Mr. Methven

Mr. Goldman

Sir Monty Finniston

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24 Old Queen Street,

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GSC/ACS

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1. Introduction - The Need for a Policy

There is obvious and intense public dissatisfaction with the services provided by the nationalised industries, their prices and the lack of public accountability.

There is no genuine protection for the consumer in his dealings with nationalised industries, and there would be great political advantages in implementing a positive and effective policy in this field. Above all, our proposals are founded on the self evident truth that the Consumer and taxpayer are the same person, and that in neither capacity are they getting value for their money, or good service.

2. Objectives of the Policy

A policy was sought which would satisfy evident and widespread needs in a way that would be politically popular, practical, and which would complement and advance any policies for the nationalised industries that other policy groups might be putting forward, and those policies likely to be pursued by a future Conservative Government.

In short, one of our objectives is to win in addition, to whatever popularity this policy may itself enjoy, but also public approval for other policies in relation to the nationalised industries that the Party is likely to adopt.

The long-term improvement in public confidence in the industries, and in the pay and conditions of the workforce, is another objective of the policy, calculated to attract support for our policy from the employees of the industries.

The Group accepted that any policy adopted should entail an overall saving in public expenditure. An important element in our policy of examining areas into which competition might be introduced, is that it is an example of our general policy of transferring resources from public to private sectors.

3. Background to the Policy

As nationalised industries prices constitute a major political issue, the Group began by examining ways in which nationalised industries' prices might be regulated through the Price Commission, or a similar body, where price increases reflected poor cost effectiveness or efficiency. However, this approach was discarded at an early stage as impractical and too interventionist.

The policy which the Group now proposes assumes three things:-

- a) that subsidies to the nationalised industries will continue to be phased out;
- b) that some form of cash limits will be imposed on nationalised industries;
- c) that there would be far less Government interference in the nationalised industries' affairs and more public accountability.

✓... In the past,

In the past, political interference with the nationalised industries has nearly always been harmful in the end to the industries, to consumers, to taxpayers and to the Government. It is doubtful whether, in the long-term, political gain has ever been achieved by any Government from such an interference. The Group would like formally to request the Nationalised Industries Policy Group to examine the existing statutes governing relations between Government and the industries and to report on the ways in which these statutes could be amended to give the Government less power over the industries.

4. Policy Proposals

The Group proposes that a Nationalised Industries Consumers' and Taxpayers' Audit Board should be established to fulfill three functions:-

- (i) The central part of the new body, which would be headed by a Chairman or Director General, would review, monitor and report on a continuing basis on all aspects of cost effectiveness and efficiency in each of the nationalised industries, and would in particular draw attention to the consequences in relation to prices. Recommendations could be made for efficiency or the restructuring of existing services. The regular reports and recommendations made to Parliament would both be constructive in themselves and serve as a continuing expose of nationalisation; they would also be designed to win public approval for difficult decisions such as reducing overmanning or preventing excessive pay settlements in the nationalised industries. The disciplines which apply in the private sector would, as far as possible, be applied to the nationalised industries.

The Body would be able to look at and criticise if necessary the effects of Government policies and the actions of Ministers

This part of the new body should be small and its members appointed for a limited period of time. They should all have some sort of commercial experience.

The body should have access to all the information already available to the Civil Service, to reduce the need to duplicate requests for information already provided to Government; but it should also be able to require additional information. It should, from time to time, employ management consultants.

The body itself would be small and far from adding to existing bureaucracy, one of its objectives would be to reduce it.

The policy should be examined in the content of our other aim of relaxing the Price Code and moving towards its eventual abolition. It is not our intention to create new bureaucracies, to impose price controls, least of all to interfere in the day to day running of the nationalised industries. It is simply to see that as the controls are relaxed the nationalised industries, despite their monopoly position, are open to public examination and have an incentive to improve efficiency.

It is thought that reports made to Parliament would be debated because it would be in the interest either of the Government or the Opposition to debate any particular report.

- (ii) A Nationalised Industries Consumer Protection and Competition Council would be under the same roof as the central part of the new body described in (i) above. It would replace all the existing Nationalised Industries Consumer Protection Councils and the NCC. It would analyse consumer complaints about the nationalised industries, publish reports and make recommendations arising out of those complaints and in some cases take action. It would also examine ways in which competition might be introduced where this would be in the interest of the consumer. A specific recommendation would entail direct reference to the Director General of Fair Trading, for implementation through the Fair Trading Act. (Such a reference would not be subject to examination by the Consumer Protection Advisory Council.) Examples of areas where competition could be introduced include: British Rail catering; installation, servicing, maintenance of electricity and gas; telephone equipment, post office and etc.
- (iii) The third branch of the proposed body would be a Nationalised Industries Ombudsman who would deal with individual complaints referred through Members of Parliament. Some of these could be passed on to the Consumer Protection Branch of the Board. The Goup's view that there is a genuine need for a Nationalised Industries Ombudsman, and that this would be popular, is endorsed by the present Parliamentary Commissioner himself and the Director General of Fair Trading.

The three parts of the new body would have the following structure:-

Nationalised Industries Consumers' Taxpayers' Audit (Board)



A politically attractive name for the whole body remains to be found.

5. Cost

The cost of the whole body would be less than that of the existing Nationalised Industries Consumer Protection Councils, the National Consumer Council and the Price Commission, most of which will be either absorbed, reduced in size or abolished.

6. Public Access to the New Body

It is not yet quite clear whether there will be direct access for consumers to the new body; such direct access might lead to too large a secretariat. One solution would be to have problems referred through Nationalised Industries units in existing Local Consumer Advice Centres.

7. Presentation

Various aspects of these proposals have been confidentially discussed with members of the press, John Methven, Peter Goldman, and Sir Monty Finniston. The proposals have met with a very favourable response, and the reservations expressed have been largely unimportant.

The Group believes that the proposals would have considerable impact and popular appeal. All the indications are that they would be very well received by the press.

If the Shadow Cabinet were to approve this policy in principle, the sooner it could be announced the better, because the problem is a topical one; we have also been secretly advised that the Government are likely to announce before long some half-baked scheme for consumer protection against the nationalised industries, which our policy could pre-empt if announced in advance. Naturally, any policy announcement would be in general terms and would make no mention of abolition of the NCS, although the ground is well prepared for this when the time comes. When the policy has been announced, the consumer and nationalised industries would make a very good subject for a Supply Day.

APPENDIX

Saving in Public Expenditure as a result of abolishing certain
Consumer Protection Organisations.

<u>Savings (in a full year)</u>	<u>(£m. 1975-76 prices)</u>
National Consumers' Council	0.3
Scottish Electricity Consultative Councils	0.04
Electricity Consultative Councils in England and Wales	0.39
Gas Consumers' Councils	0.43
Post Office Users' Councils	0.12
Transport Users' Consultative Committees	0.15
Domestic Coal Consumers' Council	0.01
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TOTAL	1.449
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(Sources: Hansard, 9th February 1976, WA Cols. 73; Supply Estimates, 1975-76, Class IV, Vote 18, A 4).

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