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PRIME MINISTER

POLICY TO THE NATIONALISED INDUSTRIES

As suggested in your Private Secretary's letter to my Private Secretary of 14 May, I have had a discussion with colleagues concerned with nationalised industries about the ideas we developed in Opposition towards the nationalised industries.

Subject to your view our main conclusions were:

- i) each departmental Minister should press ahead with proposals for introducing private capital where now suitable, including provisions for worker shareholdings to which we all attach importance;
- ii) in such proposals we should develop a durable framework unlikely to be met by threats of 'denationalisation without compensation'. Workers shareholdings are relevant to this and so will be a BP-type solution;
- iii) to the extent industries remain in the public sector we must increase competition wherever practicable.

There was agreement between us on our general approach, and we agreed a work programme, annexed to this letter, for a group of officials under Treasury Chairmanship.

We shall meet further to consider the reports by officials, to assess and stimulate progress towards our objectives and to correlate our action.

In view of the extent to which we agreed on the broad approach I suggest that we could defer for the present any formal paper or discussion at the Economic Committee on nationalised industry policy in general while we work out detailed proposals. I shall, however, be coming forward to the E Committee on our approach to pay, prices and efficiency in the nationalised industries with



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particular emphasis on the pay question so that we have an opportunity to go into this fully before the next main round of wage bargains.

I am sending copies of this to the Chancellor, the Secretaries of State for Employment, Energy, Environment, Scotland and Trade, the Chief Secretary, the Minister of Transport and to Sir John Hunt, Sir Kenneth Berrill and Sir Lawrence Airey (Treasury).

KJ

K J
26 June 1979

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27 JUN 1979





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PROPOSALS FOR FUTURE WORK ON NATIONALISED INDUSTRY MATTERS

- a) Sponsor departments to consider industry by industry possibilities for de-nationalisation, consulting the Treasury and Bank about disposals, initial balance sheet, and subsequent financial arrangements as necessary; the possibilities for making shares available to workers and producer co-operatives to be considered in each case with a view to producing a durable structure for the industry. A paper on forms of worker shareholdings.
- b) Sponsor departments to consider industry by industry the scope for de-centralisation, fragmenting monopolies, reducing monopoly, contracting work out, stimulating competition and improving service to customers.
- c) Financial targets to be set for industries which do not have them; the setting of performance aims, particularly for the monopoly industries to be speeded up and sharper arrangements for accountability for results to be examined. The possibility of making corporations or their subsidiaries subject to the threat of bankruptcy to be considered.
- d) Officials to prepare recommendations, in consultation with the industries, on accounting standards including the application of ED 24.
- e) Uneconomic activities and cross subsidisation to be identified; Ministers' decisions to be sought in forthcoming reviews of certain industries, including question of grants for uneconomic activities conducted for social reasons.
- f) Monopolies and Mergers Commission investigations of efficiency of the nationalised industries as distinct from their prices.
- g) A paper to be produced on pay, prices and efficiency questions in the nationalised industries.