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10 DOWNING STREET

From the Private Secretary

26 January 1981

✓ AKW Wolfson  
✓ Hoskyns.  
✓ Waters.  
Energy

The Prime Minister has now had an opportunity to consider the Chancellor of the Exchequer's minute of 16 January and the paper which he enclosed with it on nationalised industry financing.

The Prime Minister has asked me to say that, while she commends the paper, it is none-the-less long on analysis and short on solutions. She agrees that officials should press ahead with the further work outlined in the concluding paragraph of the paper.

The Prime Minister's specific comments are as follows:-

- i. She endorses the need for a major new initiative on privatisation where activities can be made subject to competitive pressures - success on this front, in her view, will provide the only real solution to the nationalised industry financing problem.
- ii. The Chancellor should consider whether this initiative should be best left to sponsor departments, or whether some alternative should be adopted - for example a special task force with some outside participation might be set up.
- iii. New forms of borrowing (on the lines of Annex C of the paper) should be examined further, although their effectiveness in attracting additional savings seems likely to be marginal.
- iv. Consideration should be given to providing industries with a greater incentive to sell unwanted assets - for example by allowing them to retain a proportion of the proceeds.

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- v. The Prime Minister was pleased to see that the Treasury and the CPRS were working on new methods to secure greater efficiency in the nationalised industries, for example by a system of efficiency audits.

— I am sending copies of this letter to Ian Ellison (Department of Industry), David Wright (Cabinet Office) and Gerry Spence (CPRS).

J. P. LANKESTER

A.J. Wiggins, Esq.,  
HM Treasury.

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