

Ref. A04578

PRIME MINISTER

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The Relationship between Government and Nationalised Industries

BACKGROUND

You are to hold an informal meeting next Tuesday with the Chancellor of the Exchequer, a few colleagues with responsibility for nationalised industries and Robin Ibbs to decide whether there should be a review of the relationships between Government and nationalised industries, and if so how best this should be organised. The basic text will be my minute to you of 13 March.

2. In discussion of an issue of this kind it would be very easy to devote a lot of time to substance, and a measure of this is perhaps inevitable. On the other hand the prime purpose of the meeting is operational. There is little doubt that colleagues will share your view that a rethink is necessary; the problem is how to organise it most effectively and expeditiously.

3. In paragraph 6 of my minute I set out the options and in paragraph 7 I recommend that the quickest and most effective is likely to be a study conducted by Robin Ibbs. Departments would of course be consulted in the course of the study but, to avoid bogging down in departmental in-fighting, Robin Ibbs should, I suggest, be personally responsible for his report and Departments should not be committed to its recommendations.

4. Whatever is decided about the nature of the inquiry, however, we need to set a tough timetable. Experience of the past two years has shown the devastating impact which unexpected calls for additional finance by nationalised industries can have on the totality of the Government strategy. As you enter the third year of your administration, you will want to be sure that everything is being done to reduce these risks. Of course major reform will inevitably take time to bear fruit. The greater the reason therefore for trying to get past the analytical and into the operational phase as quickly as possible.



5. As I said in my minute to you, this is well-tilled ground. The problems have exercised successive Governments, and Parliament, for over thirty years, and there is a wealth of material available to the investigators. The one big gap is perhaps an adequate analysis of precisely why the systems we now have in place have failed to produce, or to be recognised as providing, adequate warning of troubles ahead. This sort of area is pre-eminently one in which Robin Ibbs's industrial experience can make a big contribution. Subject to his view I would think it feasible to ask him to report within, say, three months. Any necessary action could then be put in hand before the summer recess and in time to begin to influence matters in the present financial year.

#### HANDLING

6. The best course might be for you to introduce the subject yourself and then to call on the Chancellor of the Exchequer, the other sponsoring Ministers and Robin Ibbs to make a contribution. The essential questions to be answered are:-

- (a) How is the review to be conducted.
- (b) When should the report be available for consideration by colleagues.

#### CONCLUSIONS

7. These will follow from the discussion.

A handwritten signature in black ink, appearing to read 'R.A.' or 'R.A.A.' with a stylized flourish.

ROBERT ARMSTRONG

27 March 1981