

CONFIDENTIAL

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PRIME MINISTER

BGC - Retailing of Gas Appliances

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I entirely agree that we must tackle the problems of unfair competition identified by the MMC and I support the privatisation of BGC's appliance retailing activities. As Keith Joseph has reported to you in his minute of 12 June, I have very considerable reservations about the route advocated by Sally Oppenheim and supported by the majority of ED(L). I believe that if we go down that route, there could well be a very sharp public reaction. We will also run a risk of industrial action - both the unions involved have indicated that they will take such action if we force BGC to withdraw from appliance retailing.

As Keith mentions, there could also be, if we went down that route, legislative problems associated with safety and my powers of direction over BGC. While I may be able to give BGC a direction to cease retailing, it is by no means certain that I could direct them to dispose of their showrooms. Showrooms are not used solely for appliance retailing but also for the collection of bills and customer services. Some 60% of BGC's customers pay their bills at the showroom - some £800 million annually.



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I believe that we can achieve our objectives without running the risks I have mentioned. I very much hope therefore that we can discuss this further before reaching final decisions on how to proceed.

In the meantime we have to decide what line we should take in the debate next Wednesday. I am concerned that, if she takes the line she suggests in her letter of 12 June, this will have the adverse consequences which I am anxious to avoid and lead to primary legislation. It could also prejudice the consultative process that I am required by statute to have with BGC before issuing them with a direction. This could call into question the validity of any subsequent directions.

I suggest that the line Sally should take on Wednesday is to say that we accept the MMC finding that BGC's dominance has not been in the national interest and that we intend to ensure that proper competition is restored to the market. We should not indicate precisely how before we examine how this can best be done.

I am sending a copy of this minute to Keith Joseph, Jim Prior, Francis Pym, Sally Oppenheim and Sir Robert Armstrong.

// Secretary of State for Energy
12 June 1981

(approved by the Secretary of State and signed in his absence)