



Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

PRIME MINISTER

You agreed some time ago to the suggestion in my minute of 10 March that I, together with the Ministers most directly concerned with nationalised industries, should hold a seminar with some carefully chosen outsiders on the question of further privatisation. The purpose was to distil ideas and suggestions on the development of policy with a range of people with relevant practical experience. We had in mind particularly the more radical development of our basic policy involved in challenging the need for the basic utilities to remain in public ownership or to retain their present monolithic structure.

... 2. The seminar was held on 29 June. A list of the participants is attached. The outsiders, especially those from private industry, made a very useful contribution. A number of interesting points emerged. One was that we may be under-estimating the scope for sale to the private sector of currently loss-making, but basically profitable, industries (such as British Airways), not of course by public flotation but by direct sale. It was pointed out that in the private sector it is by no means unknown for companies to be sold even though they are temporarily making a loss, if they are thought to be capable of profit. We might think about this in relation to some fringe activities of nationalised industries too.

3. But the main discussion was about the need for more direct and effective control of those monopoly utilities in the public sector. Strong arguments were put forward in favour both of breaking some of them up into independent regional entities, some or all of which might be privatised, and secondly of subjecting them to a new regulatory regime, independent of the Government. Ronnie Utiger for example put forward a convincing argument for regionalisation especially of electricity and perhaps gas, even

/without





without privatisation, to bring about the benefits of competition, for example, through the exercise of choice in industrial location. He also argued against having (which is in effect now the position) a gigantic monopoly with a monopoly of information facing the controlling or regulatory body, now the Department.

4. This leads me to suggest that we need a careful study of the idea of a combined regional structure and regulatory regime. There is a large literature and plenty of experience - both good and bad - in this and other countries. It would need to cover a number of difficult issues, not only the scope of regulation (over pricing, return on capital, investment, extent of monopolies) and the appropriate criteria but also how far it should be independent of Government and how this would impinge on our ability to implement particular policies e.g. on energy prices. The consumer dimension would need to be brought in and the means of making it democratically accountable and sufficiently flexible.

5. Of course you will not want to cut across the work which Robin Ibbs is doing at present but I do not believe his study will cover this subject in detail. It may be something which the CPRS might take on when they have completed their present exercise. It would capitalise on some of that experience. We might at the same time ask the Department of Energy to do some work on the practical implications of regionalisation and ultimate privatisation in relation to the gas and electricity industries who would be the main candidates.

6. Meanwhile, I propose to have some discussion with Keith Joseph, David Howell, Norman Fowler and John Biffen, whose Departments have the main sponsor responsibilities, to see what scope they think there may be in their areas for making headway in each of the ways that I have discussed. I am sending copies of this minute to them.

A handwritten signature in blue ink, appearing to be 'G.H.' with a flourish.

(G.H.)

9 July 1981



PRIVATISATION SEMINAR: Monday 29 June, 2.30 p.m. in the Chancellor's room in the Treasury

Government/Whitehall

Chancellor  
Chief Secretary  
Financial Secretary  
Secretary of State for Industry  
Secretary of State for Transport  
Secretary of State for Energy  
Mr Baker  
Mr Lamont  
Mr Clarke  
Sir Peter Baldwin

Mr Ibbs  
Mr Rylie  
Mr Ridley  
Mr David Young

Nationalised Industry

Sir William Barlow  
Sir Frederick Wood ✓

Other Industry

Mr Trevor Holdsworth ✓  
Mr R Utiger

Merchant Banks and City

Mr T G Barker  
Mr Walter Goldsmith  
Mr Peter Lilley

Academics

Professor Beesley  
Mr Christopher Foster

2nd Row

Mr Burgner  
Mrs Case  
Mr Cropper  
1 Private Secretary  
Mr Ian Stewart