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✓ Mr. Vereker
Mr. Duguid
Mr. Walters

Prime Minister

Following the remit from 'E' on 23 June I have consulted the British Gas Corporation about our decision to require them to cease appliance retailing and dispose of their showrooms. I told them that we were prepared to take primary powers to achieve this but were considering whether it would be appropriate to give the Corporation a direction to this effect under Section 7(2) of the Gas Act 1972. Under this section I am required to consult the Corporation and am precluded from issuing such a direction unless I am satisfied that in so doing I would not impede them in the performance of their statutory duties.

In their reply the Corporation argued that such a direction would impede them in the performance of their duties because it would seriously affect their ability to provide a wide range of services without affording any alternative means for their provision. In particular, they pointed out that 80% of the functions of the showrooms were not directly concerned with appliance retailing and that the showrooms were a network of centres for advice, enquiries, service and the payment of accounts for millions of customers.

In these circumstances I do not believe I could satisfy myself that in serving a direction on them to dispose of their showrooms, I would not be impeding them in the performance of their duties. The Corporation also believe that if the Government proceeds by direction only, safety standards for appliances and for servicing and installation would be left exposed until alternative requirements could be planned, and legislation to implement them enacted.

I have concluded, therefore, that if we are to implement our decisions on their appliance retailing activities and their showrooms, and to meet the assurances on safety and service to the consumer given by the Minister of State for Consumer Affairs, we must proceed by way of primary legislation. I recommend, therefore, that we should seek powers in the 1981/2 Session of Parliament to allow me to direct the Corporation to dispose of assets in the national interest on such terms as I may require. I also recommend that we should take powers which will enable the Government to obtain the proceeds from such sales of assets regardless of whether they are surplus to the Corporation's requirements. These powers would enable us to proceed with our decisions on appliance retailing and also with my plans to transfer their oil assets into a subsidiary company in which shares



could be made available to the public.

I also recommend that we should take the necessary powers to ensure that safety standards are maintained and my officials and those of the Departments of Trade and Industry are already working on detailed proposals to this end. I am examining, as agreed in Cabinet last week, the extent to which these measures might be achieved by legislation enabling us to make regulations later rather than by detailed provisions in the Bill. If you and colleagues agree, I will work out the detailed safety proposals with the Secretaries of State for Trade and Industry and with the Chancellor.

I should be grateful for colleagues' agreement to these proposals.

I am copying this minute to other members of 'E', to Francis Pym, Sally Oppenheim, Michael Havers and Sir Robert Armstrong.

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Secretary of State for Energy
5 August 1981