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*Prime Minister*

*MA 14/8/81*

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The CPRS report on the relations between government and nationalised industries contains much that is relevant to the industries which this department sponsors, even though they are outside the mainstream of nationalised industries. My experience with the water industry makes me favour the use of people with business expertise among those dealing with the industry, because their presence can improve both the government's relations with the industry and the industry's efficiency. I was therefore encouraged to see that the CPRS urged the greater use of businessmen in the staffs working on nationalised industries.

The recommendation that more use should be made of 'efficiency audits' by outside experts also accords with my experience of the water industry. As you know, the Monopolies Commission and consultants have already been employed to study the industry, and I believe that further studies of this kind could be valuable. I am sure there is a great deal of scope for improving performance by encouraging more business-like attitudes in the water industry.

While the recommendations of the CPRS are not all applicable to the water industry with its rather different structure, the spirit of them is certainly very relevant and very much in line with our own thinking.

TOM KING

13 August 1981