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PRIME MINISTER

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THE RELATIONSHIP BETWEEN GOVERNMENT AND THE NATIONALISED INDUSTRIES

In your minute (M11/81) of 4 August you invited those of us concerned with nationalised industries to give you proposals by 18 September for providing new arrangements to establish quickly and effectively a true business culture in our Departments which would make for better understanding and communication between us and our nationalised industries. I have only had a short time to assess the needs of the Department of Transport against the background of our August 4 discussion. But my first impression is that an incoming businessman will find an extremely positive atmosphere in which to work and in which he could reinforce the "change of culture" which is so clearly needed in all departments.

In the Department of Transport the relationships between our nationalised industries, including those which are to go private, are in the charge of a single Deputy Secretary. But other parts of my Department are also concerned with industry in various ways, for example with the Channel Tunnel as a venture for private finance, with the road-building industry and with the assistance of the export markets of all our industries which produce equipment for transport. So I can offer to an incoming businessman of high calibre a wide range of interests. I certainly want to have one in.

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This would not be a novelty for this Department. I understand that for the past five years there has been a succession of three highly competent young city accountants serving in the Department. The Department set out to recruit them just before they were due to become Partners, when they would have moved out of our financial range as we have seen it up to now. They have not been advisers, nor line managers, but they have been thoroughly involved in the day to day work. One of them, for example, was closely involved in setting up Sealink with a company structure within British Rail; and another has been deeply involved in the privatisation of the National Freight Company. But whereas these accountants have served at Assistant Secretary level, I should want to go higher with the businessman and place him alongside the Under Secretary in charge of the Railways Directorate where most of his time will be needed. I would use him to guide and to use the analytical side of the Directorate, which already includes economists, accountants and statisticians and provides the information for understanding and constructively examining the performance and management of the railway. But I would need to keep my administrators' service in much its present form to handle legislation and finance and to help me to form and give effect to our policies.

I think we may have to pay quite a lot to get a businessman of the required calibre, and I do not think that anything is served by attributing some particular Civil Service rank to him. What will be important is that his role and his involvement should be made absolutely clear to him and to my staff - though, because of the working model we already have with the accountants, I do not expect this to be difficult.

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I am very glad that we are to have a new Ministerial Committee to consider issues of nationalised industries policy. As I said at our meeting on August 4 when speaking with the Energy Department in mind, I consider this Committee, plus the appropriate business reinforcements we propose in Departments, should make a major contribution to the 'change of culture' which has to be achieved.

I am sending copies of this minute to Geoffrey Howe, Patrick Jenkin, George Younger, John Biffen, Janet Young, Nigel Lawson, and also to Sir Robert Armstrong and Mr Ibbs.

JH.

DAVID HOWELL

18 September 1981

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