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FROM THE PRIVATE SECRETARY
TO THE SECRETARY OF STATE
FOR WALES

CONFIDENTIAL

23 July 1981

Dear Ian

REORGANISATION OF THE WELSH WATER AUTHORITY

I attach a copy of the final version of the Consultation Paper which my Secretary of State proposes to issue on Monday 27 July; and, of the Parliamentary Answer which he intends to give on the same day. The redraft takes account of points made in discussion at E(EA) on Tuesday 21 July and also further cosmetic redrafting approved by my Secretary of State.

I am sending copies of this letter and enclosure to the Private Secretaries of members of E(EA) and to Tim Lankester at No 10.

Yours ever
John Craig

J F CRAIG
Private Secretary

Ian Ellison Esq
Private Secretary to
The Secretary of State for Industry
Department of Industry
Ashdown House
123 Victoria Street
LONDON

REORGANISATION OF THE WELSH WATER AUTHORITY
CONSULTATION DOCUMENT
INTRODUCTION

1. The way in which the Welsh Water Authority operates is a matter of public concern and the Secretary of State has been reviewing the structure of the Authority with a view to improving its operation and performance. The Authority is responsible for sewerage, sewage treatment, land drainage, recreation and amenity as well as water supply.

2. These important functions are vital for every household and every business in Wales. They involve major capital works, the maintenance of large and often old facilities and the provision of a wide range of services. In the past the public have often tended to take these services for granted and to assume that because water is an abundant resource it is also cheap. The introduction of direct billing in the last few years has made consumers aware for the first time since reorganisation of the full cost of the water services and has also led to increasing criticism of the Authority.

3. Though the criticisms are sometimes unfair, and the increase in domestic charges has been kept within the increase of the RPI in recent years, the public and industrial users are fully entitled to know that this vital industry is being managed and organised in the most efficient way possible and that adequate arrangements exist for consumer consultation and for involving the local authorities in decisions that affect them.

4. Public interest in the way the Welsh Water Authority operates has been strong and a number of proposals have been made in recent years for improving the performance of the Authority, which was established by the Water Act 1973 and which is responsible for most of Wales, Herefordshire and part of Cheshire, but not for part of the Montgomery

District which falls within the area of the Severn-Trent Water Authority.

5. The Welsh Water Authority is directly responsible to the Secretary of State and the statutory provisions enable organisational changes to be made, subject to the consent of Parliament, independently of any alterations that may be considered for England and without the need for promary legislation.

6. At present, the Secretary of State appoints 14 part-time members, of whom 10 are required to be persons who appear to him to have had experience of, and shown capacity in, some matter relevant to the functions of water authorities, and 4 to have had experience, and shown capacity in, agriculture, land drainage or fisheries. The Authority also has 20 members from county and district councils in its area.

7. Water authorities are large and important bodies with very substantial incomes and capital investment programmes, and since 1974 the need to make water authorities subject to the same disciplines as the nationalised industries has been increasingly recognised. The thinking behind the White Paper on the Nationalised Industries (Cmnd 7131) is accordingly now being applied to the water industry; the Authorities are being required to meet current cost accounting financial targets, performance aims are being set, and borrowing is now controlled through external financing limits. The aim is that water authorities should be efficient enterprises providing an essential service in a cost effective way. The Welsh Water Authority should be fully accountable to the Secretary of State and Parliament.

8. The Secretary of State takes the view that there is a strong case for reorganising the WWA. The objective of any reorganisation should be to improve the effectiveness of the management structure in order to obtain tighter financial control and greater efficiency while giving the public a more effective way of making their views known to the Authority.

The present structure does not, in the Secretary of State's view, meet these requirements. It has not in practice enabled local government to take an effective part in the management of the industry; since there are only two members from each county, there is no clear link between the nominated members and the local electorates, particularly in counties as large as Dyfed and Gwynedd. Quick decision has been inhibited; responsibility between officials and Board members has been unclear and lines of accountability are blurred. As the Monopolies and Mergers Commission Report on the Severn Trent Water Authority has shown, consumer interests have not been well protected. The Board is presently far too large for speed of discussion and decision making and service on it is therefore not attractive to persons with first hand experience of managing large concerns. The Secretary of State believes that the Board should be replaced by a smaller body with the necessary business skills and experience and that new arrangements should be made to take account of local authority and consumer interests.

9. While constitutions of the Regional Water Authorities in England are laid down by Section 3 of the Water Act 1973, and cannot therefore be changed without primary legislation, the constitution of the WWA is separately prescribed by an Order (admitting of variation) under Section 3(10) of the Act. It is therefore possible for the Secretary of State, with the approval of Parliament, to change the constitution of the WWA by Statutory Instrument.

Proposed Membership of the Authority

10. The Secretary of State accordingly proposes:

(a) that county and district councils should no longer appoint members to the WWA.

(b) that the Authority should be reduced to about 10 members (including the Chairman and the land drainage and fisheries members), all appointed by him,

with the object of creating a smaller and more efficient body. The ordinary members would continue, as at present, to be unpaid, but to be entitled to financial allowance and to travel and subsistence

expenses. While under present legislation, the Chief Executive could not be formally appointed a member of the Authority while remaining a paid officer, the Secretary of State intends to ask the Chairman to invite the Chief Executives to attend every meeting of the Authority and when the opportunity arises the Government will consider legislating to enable the Chief Executive and possibly the Chief Finance Officer to be full members of the Board.

11. Before appointing members, the Secretary of State would carry out informal soundings of the interests who are at present consulted about Government-appointed members - for example, the CBI (Wales), the Wales TUC, the National Farmers Union, the Farmers Union of Wales, the Country Landowners Association, the Wales Tourist Board, Chambers of Commerce, and the Council for the Protection of Rural Wales, In view of the fact that local authorities would not themselves be appointing members, there would also be consultation with the local authority organisations. The present arrangements for the statutory Regional Land Drainage Committee and Regional Fishery Advisory Committee would remain unchanged, as would the requirements that one of the appointees to the Authority must be Chairman of the RLDC and another a member of the Severn-Trent Water Authority. The Secretary of State takes the view that a streamlined Authority operating on the lines indicated above should be able to administer this important Welsh undertaking, with an income of over £115m a year and a capital investment programme of some £35m a year, in an efficient manner; and with clear accountability through him to Parliament.

The consumer interest

12. The interests of consumer and local authorities should be fully safeguarded and indeed strengthened, The Water Authority is a monopoly and it is vital that it should be responsive to local and consumer needs. Efficient arrangements for this purpose should also help to bring about greater cost-effectiveness.

13. Under the present arrangements the local authority members are intended to be, among other things, consumer representatives; but this function is not generally appreciated by the public. There is lack of direct contact between the local authority members and many of the local authorities in their counties, and it is difficult for local authority members to represent consumer interests in parts of Wales far from their own localities.

14. One way forward that would not require legislation in the first instance would be to base new arrangements on the areas of the Welsh Water Authority's seven multi-purpose divisions or combination of those areas. The WWA has powers under Section 6(8) of the 1973 Act to appoint advisory committees on any matter relating to their functions and the Secretary of State could ask them to set up such a committee for consumer affairs in each of their Divisions. The membership of each committee would consist of representatives from each County and District Council wholly or partly within the Divisional area and from local industry, commerce, agriculture, Trade Unions, and consumer and amenity organisations within the area. The Secretary of State would not make any appointments himself but would issue guidelines to the Authority to ensure adequate representation of these interests. The result would in each case be a committee of about 15-20 members, who would not be paid, but entitled to recover their expenses. The Committees would establish close liaison with the Divisional Management and the Committee Chairmen could collectively meet the top management of the Authority from time to time. The committees constituted in this way would be analogous to community health councils which have received a wide support during the recent consultations about reform of the health service in Wales.

15. Once a year - probably shortly before the fixing of the water charges - the Chairmen of the seven committees would meet the Authority for a full exchange of views but each Chairman would, in between annual meetings, have access either to the Chief Executive or to a member of the Authority specifically nominated to look after consumer affairs.

16. An alternative way in which consumer representation could be achieved would be for a single water consumers' committee to be appointed by the Welsh Water Authority under Section 6(8) of the 1973 Act for the whole of their area. The recent Monopolies and Mergers Commission Report on the Severn-Trent Water Authority envisaged a consumer body of between 50 and 100 members to extend the link with local government and also provide more straightforward representation of other bodies and recognised consumer groups. It should not, however, be necessary to envisage such a large body in the case of the smaller Welsh Water Authority. Such a committee would need to meet the main Authority from time to time, but would also be able to take up individual consumers' complaints with the management at the appropriate local level.

17. A third option is to provide for consumer representation on the Authority itself. The Secretary of State could appoint to the Authority (which would be slightly enlarged for the purpose) some members who appeared well-qualified to represent the consumer interest, eg because of their experience in the consumer movement, in running businesses to the satisfaction of their customers, or in serving as elected members of local authorities. From the top of the organisation they would have a distinctive contribution to make to improving the Authority's performance and to developing good customer relations at all levels of the organisation.

18. Yet a further option - on a longer term basis - could be arrangements linked with a consumers' body for several nationalised industries, for example the coal, electricity, gas and water industries in Wales. The first two options outlined above could be adapted for this purpose at a later stage.

19. Whatever arrangements are made it will be essential to draw on the experience of people in local government, industry, commerce and consumers' organisations. It will also be essential to give publicity to the arrangements for example through water bills. Final decisions

on the system of local authority and consumer representation will only be taken after completion of this consultation process, and full account will also be taken of the conclusions that emerge from the Government's current review of consumer representation generally. In the meantime, the Secretary of State would be glad to receive comments which he will consider in consultation with the Secretary of State for Trade.

20. If following the present consultations, the Secretary of State decides to make changes on the lines proposed, he intends aiming to bring them into effect in 1982.

21. Any comments that interested bodies or individuals wish to make on these proposals should be sent to the Welsh Office (LG Division), Cathays Park, Cardiff, by 11 September 1981.

PROPOSED PARLIAMENTARY QUESTION ON THE RESTRUCTURING OF THE WWA

Q. To ask the Secretary of State for Wales whether he has any proposals for improving the efficiency of the Welsh Water Authority.

A. I am today issuing a consultation paper proposing a reduction in the membership of the Welsh Water Authority. This reduction would be achieved mainly by providing that the local authorities would no longer nominate members to the WWA. New arrangements would have to be made to ensure a proper relationship with consumers and local authorities.

I would like to pay tribute to the work done by the WWA, and in particular by the Authority's Chairman, Mr Haydn Rees, and his predecessor the late Lord Brecon. But I believe that a smaller Authority would be more suitable for the running of this major industrial enterprise.

A copy of my consultation paper is being placed in the library.

Local Gov
GSR
31/7

REORGANISATION OF THE WELSH WATER AUTHORITY
CONSULTATION DOCUMENT

Introduction

1. The way in which the Welsh Water Authority operate is a matter of public concern and the Secretary of State has been reviewing the structure of the Authority with a view to improving their operation and performance. The Authority are responsible for sewerage, sewage treatment, land drainage, recreation and amenity as well as water supply.

2. These important functions are vital for every household and every business in Wales. They involve major capital works, the maintenance of large and often old facilities and the provision of a wide range of services. In the past the public have often tended to take these services for granted and to assume that because water is an abundant resource it is also cheap. The introduction of direct billing in the last few years has made consumers aware for the first time since reorganisation of the full cost of the water services and has also led to increasing criticism of the Authority.

3. Though the criticisms are sometimes unfair, and the increase in domestic charges has been kept within the increase of the RPI in recent years, the public and industrial users are fully entitled to know that this vital industry is being managed and organised in the most efficient way possible and that adequate arrangements exist for consumer consultation and for involving the local authorities in decisions that affect them.

4. Public interest in the way the Welsh Water Authority operate has been strong and a number of proposals have been made in recent years for improving the performance of the Authority, who were established by the Water Act 1973 and who are responsible for most of Wales, Herefordshire and part of Cheshire, but not for part of the Montgomery District which falls within the area of the Severn-Trent Water Authority.

5. The Welsh Water Authority are directly responsible to the Secretary of State and the statutory provisions enable organisational changes to be made, subject to the consent of Parliament, independently of any alterations that may be considered for England and without the need for primary legislation.

6. At present, the Secretary of State appoints the Chairman and 14 part-time members, of whom 10 are required to be persons who appear to him to have had experience of, and shown capacity in, some matter relevant to the functions of water authorities, and 4 to have had experience, and shown capacity in, agriculture, land drainage or fisheries. The Authority also have 20 members from county and district councils in their area.

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8. The Secretary of State takes the view that there is a strong case for reorganising the Authority. The objective of any reorganisation should be to improve the effectiveness of the management structure in order to obtain tighter financial control and greater efficiency while giving the public a more effective way of making their views known to the Authority. The present structure does not, in the Secretary of State's view, meet these requirements. It has not in practice enabled local government to take an effective part in the management of the industry; since there are only two members from each county, there is no clear link between the nominated members and the local electorates, particularly in counties as

large as Dyfed and Gwynedd. Quick decision has been inhibited; responsibility between officials and board members has been unclear and lines of accountability are blurred. The board is presently far too large for speed of discussion and decision making and service on it is therefore not attractive to persons with first hand experience of managing large concerns. The Secretary of State believes that the board should be replaced by a smaller body with the necessary business skills and experience and that new arrangements should be made to take account of local authority and consumer interests.

9. While constitutions of the Regional Water Authorities in England are laid down by Section 3 of the Water Act 1973, and cannot therefore be changed without primary legislation, the constitution of the Welsh Water Authority is separately prescribed by an Order (admitting of variation) under Section 3(10) of the Act. It is therefore possible for the Secretary of State, with the approval of Parliament, to change the constitution of the Authority by Statutory Instrument.

Proposed Membership of the Welsh Water Authority

10. The Secretary of State accordingly proposes:

a. that county and district councils should no longer appoint members to the Welsh Water Authority;

b. that the Authority should be reduced to about 10 members (including the Chairman and the land drainage and fisheries members), all appointed by him,

with the object of creating a smaller and more efficient body. The ordinary members would continue, as at present, to be unpaid, but to be entitled to financial loss allowance and to travel and subsistence expenses. While under present legislation, the Chief Executive could not be formally appointed a member of the Authority while remaining a paid officer, the Secretary of State intends to ask the Chairman to invite the Chief Executive to attend every meeting of the Authority and when the

opportunity arises the Government will consider legislating to enable the Chief Executive and possibly one or two other chief officers to be full members of the board.

11. Before appointing members, the Secretary of State would carry out informal soundings of the kinds of interests which are at present consulted about Government-appointed members - for example, the CBI (Wales), the Wales TUC, the National Farmers Union, the Farmers Union of Wales, the Country Landowners Association, the Wales Tourist Board, Chambers of Commerce, and the Council for the Protection of Rural Wales. In view of the fact that local authorities would not themselves be appointing members, there would also be consultation with the local authority organisations. The present requirements for the statutory Regional Land Drainage Committee and Regional Fishery Advisory Committee would remain unchanged, as would the requirements that one of the appointees to the Authority must be Chairman of the RLDC and another a member of the Severn-Trent Water Authority. The Secretary of State takes the view that a streamlined Authority operating on the lines indicated above should be able to administer this important Welsh undertaking, with an income of over £115m a year and a capital investment programme of some £35m a year, in an efficient manner; and with clear accountability through him to Parliament.

The consumer interest

12. The interests of consumers and local authorities should be fully safeguarded and indeed strengthened. The Welsh Water Authority are a monopoly and it is vital that they should be responsive to local and consumer needs. Efficient arrangements for this purpose should also help to bring about greater cost-effectiveness.

13. Under the present arrangements the local authority members are intended to be, among other things, consumer representatives; but this function is not generally appreciated by the public. There is lack of direct contact between the local authority members and many of the local authorities in their counties, and it is difficult for local authority

members to represent consumer interests in parts of Wales far from their own localities.

14. One way forward that would not require legislation in the first instance would be to base new arrangements on the areas of the Welsh Water Authority's seven multi-purpose divisions or combinations of those areas. The Authority have powers under Section 6(8) the 1973 Act to appoint advisory committees on any matter relating to their functions and the Secretary of State could ask them to set up such a committee for consumer affairs in each of their Divisions. The membership of each committee would consist of representatives from each County and District Council wholly or partly within the Divisional area and from local industry, commerce, agriculture, Trade Unions, and consumer and amenity organisations within the area. The Secretary of State would not make any appointments himself but would issue guidelines to the Authority to ensure adequate representation of these interests. The result would in each case be a committee of about 15-20 members, who would not be paid, but entitled to recover their expenses. The Committees would establish close liaison with the Divisional Management and the Committee Chairmen would have the right to put their views to the Authority at all times or could collectively meet the top management of the Authority from time to time. The committees constituted in this way would be analogous to community health councils which have received a wide support during the recent consultations about reform of the health service in Wales.

15. An alternative way in which consumer representation could be achieved would be for a single water consumers' committee to be appointed by the Welsh Water Authority under Section 6(8) of the 1973 Act for the whole of their area. The recent Monopolies and Mergers Commission Report on the Severn-Trent Water Authority envisaged a consumer body of between 50 and 100 members to extend the link with local government and also provide more straightforward representation of other bodies and recognised consumer groups. It should not, however, be necessary to envisage such a large body in the case of the smaller Welsh Water Authority. Such a committee would need to meet the main Authority board from time to time, but would also be able to take up individual consumers' complaints with the management at the appropriate local level.

16. A third option is to provide for consumer representation on the board itself. The Secretary of State could appoint to the board (which would be slightly enlarged for the purpose) some members who appeared well-qualified to represent the consumer interest, eg because of their experience in the consumer movement, in running businesses to the satisfaction of their customers, or in serving as elected members of local authorities. From the top of the organisation they would have a distinctive contribution to make to improving the Authority's performance and to developing good customer relations at all levels of the organisation.

17. Whatever arrangements are made it will be essential to draw on the experience of people in local government, industry, commerce and consumers' organisations. It will also be essential to give publicity to the arrangements for example through water bills. Full account will also need to be taken of the current review of the consumer arrangements for the nationalised industries generally which may identify further options for water and other public utilities. In the meantime, the Secretary of State would be glad to receive comments, which he will consider in consultation with the Secretary of State for Trade.

18. If following the present consultations, the Secretary of State decides to make changes on the lines proposed, he intends aiming to bring them into effect in 1982.

19. Any comments that interested bodies or individuals wish to make on these proposals should be sent to the Welsh Office (LG Division), Cathays Park, Cardiff, by 11 September 1981.

DEPARTMENT OF TRADE 1 VICTORIA STREET LONDON SW1H 0ET Telephone 01-215 7877

2 PPS

Local Govt

From the Secretary of State

John Craig Esq
Private Secretary to the
Secretary of State for Wales
Welsh Office
Gwydyr House
Whitehall
London, SW1A 2ER

24 July 1981

Dear John,

RE-ORGANISATION OF WELSH WATER AUTHORITY

Thank you for copying to me your letter of 23 July to Ian Ellison.

My Secretary of State is content with the general line you propose in your draft announcement and consultation paper. On the latter however there are three small drafting changes which we hope can be made; officials here have already been in touch with you about these, which for the record are:-

a After "collectively" in the penultimate sentence of paragraph 14 insert "and individually"; and delete paragraph 15. (For reasons of balance we would prefer a slightly briefer presentation of the first option.)

b Delete paragraph 18. (As you know my Secretary of State favours the "Poly-NICC" option mentioned here as the basis for new arrangements for consumer representation in the nationalised industries generally. But it would be premature to mention this option publicly before Ministers have agreed the terms of the consultative document we hope to issue soon on the NICC review.)

c Amend the third sentence of paragraph 19 to read:-

> "Final decisions on the system of local authority and consumer representation will only be taken after completion of this consultative process. Full account will also be taken of the conclusions emerging from the Government's current review of consumer representation in the nationalised industries generally, which may identify further options for water and other public utilities. In the meantime, the Secretary of State ....."

I am copying this letter to the recipients of yours.

Yours ever,
Nick McInnes.
N McINNES
Private Secretary

DEPARTMENT OF TRADE 1 VICTORIA STREET LONDON SW1H 0ET Telephone 01-215 7877

From the Secretary of State

J F Craig Esq
Private Secretary to the
Secretary of State for Wales
Welsh Office
Gwydyr House
Whitehall
London, SW1A 2ER

20 July 1981

Dear John,

CONSTITUTION OF THE WELSH WATER AUTHORITY

Thank you for the copy of your letter of 15 July to Tim Lankester.

Mr Roberts has already discussed the line you are proposing to take in your consultative document with Mrs Oppenheim, who is broadly content with it. But the presentation of the options for consumer representation leans very heavily in one direction and the paper would benefit from being more balanced. If for no other reason than our general stance on advisory bodies, less emphasis on the possibility of the new authorities establishing subordinate committees would be desirable.

We could let you have detailed comments in a day or two but I gather water is being discussed in E(EA) on Tuesday next. Perhaps there would be advantage in awaiting the outcome of that meeting and then having your officials get in touch with those of the other Departments concerned.

I am copying this letter to recipients of yours.

Yours ever,

Nicholas McInnes

N McINNES
Private Secretary

Treasury Chambers, Parliament Street, SW1P 3AG

J F Craig Esq
Private Secretary to
The Rt Hon Nicholas Edwards MP
Secretary of State
Welsh Office
Gwydyr House
Whitehall
London SW1A 2ER

20 July 1981

Dear John,

CONSTITUTION OF THE WELSH WATER AUTHORITY

The Chief Secretary has seen your letter of 15 July to Tim Lankester, and the enclosures.

He would not wish to oppose Mr Edwards' desire to announce the issue of a consultation paper before the Recess. But he is not satisfied that the paper as it stands adequately deals with the concerns expressed in his letter of 22 June.

In particular, the section on consumer representation seems to him to lay far too much stress on one of the possible options, to the detriment of the others. He would hope this section could be revised with a view to achieving a better balance and a greater appearance of genuine openness of mind. There might also usefully be some indication of the relative costs of different proposals.

The Chief Secretary has also noted that the contrast between paid officials and unpaid members in para. 10 of the draft paper could raise questions about the remuneration of members, on which the Government has not yet reached a view.

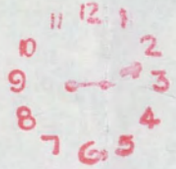
The Chief Secretary would like officials to discuss how best the draft might be amended to meet his concerns.

Mr Heseltine's proposals for the restructuring of the English water authorities are to be discussed at E(EA) Committee on Tuesday. Since that discussion could be germane to the Welsh proposals, the Chief Secretary suggests that detailed drafting amendments might be deferred until the outcome of Tuesday's meeting is known.

I am copying this letter to the recipients of yours.

Yours ever,
Terry Matthews

T F MATHEWS 20 July 1981



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Local Govt.

10 DOWNING STREET

From the Private Secretary

17 July 1981

Dear Tim.

Constitution of the Welsh Water Authority

I have shown the Prime Minister your letter of 15 July with which you enclosed a draft consultation paper and a draft Parliamentary reply to a PQ on the above subject. The Prime Minister has noted that your Secretary of State wishes to issue the consultation paper before Parliament rises for the recess; she has no comment on either draft.

I am sending copies of this letter to the Private Secretaries to members of E, Murdo Maclean (Chief Whip's Office) and David Wright (Cabinet Office).

Yours ever.

Tim Lankester.

J.F. Craig, Esq.,
Welsh Office.

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FROM THE PRIVATE SECRETARY
TO THE SECRETARY OF STATE
FOR WALES

Prime Minister

You have approved the policy decision on this. The attached drafts seem alright. Can I say that we have no comments? Yes MT

G Prime Minister

15 July 1981

Dear Tim

CONSTITUTION OF THE WELSH WATER AUTHORITY

In your letter of 29 June you said that the Prime Minister was content with my Secretary of State's proposals for reorganising the WWA, subject to the options for consumer representation being kept open for the time being.

... I now enclose a copy of our draft consultation paper and of a draft parliamentary reply to a PQ. My Secretary of State wishes to issue the consultation paper before Parliament rises for the Summer Recess.

/ I am copying this letter to the Private Secretaries of the Members of E Committee, Murdo Maclean and David Wright and I would be grateful for comments by midday on Monday 20 July.

Yours ever
John Craig

J F CRAIG
Private Secretary

T Lankester Esq
Private Secretary
10 Downing Street
LONDON

REORGANISATION OF THE WELSH WATER AUTHORITY
CONSULTATION DOCUMENT
INTRODUCTION

1. The way in which Water Authorities operate is a matter of great public concern, and in recent years has been the subject of mounting criticism.

2. The 10 water authorities in England and Wales are responsible for the management of a major industry which was organised before the 1973 Act by over 1,400 separate authorities.

3. The authorities are responsible for sewerage, sewage treatment, land drainage, recreation and amenity as well as water supply. In addition there are 28 statutory water companies responsible only for water supply within their own areas.

4. These important functions are vital for every household and every business. They involve major capital works, the maintenance of large and often old facilities and the provision of a wide range of services. In the past the public have often tended to take these services for granted and to assume that because water is an abundant resource it is also cheap. The introduction of direct billing in the last few years has made consumers aware for the first time since reorganisation of the full cost of the water services and has also led to increasing criticism of the authorities.

5. Though the criticisms are sometimes unfair, and the increase in domestic charges has been kept within the increase of the RPI in recent years, the public are fully entitled to know that this vital industry is being managed and organised in the most efficient way possible and that adequate arrangements exist for consumer consultation and for involving the local authorities in decisions that affect them.

6. Public interest in the way the industry operates has been particularly strong in Wales; and a number of proposals have been made in recent years for improving the performance of the Welsh Water Authority which was established by the 1973 Act and which is responsible for most of Wales, Herefordshire and part of Cheshire, but not for part of the Montgomery District which falls in the Severn/Trent catchment area.

7. The Welsh Water Authority is directly responsible to the Secretary of State and the statutory provisions enable organisational changes to be made, subject to the consent of Parliament, independently of any alterations that may be considered for England and without the need for primary legislation.

8. The Secretary of State believes that there should be a reorganisation of the Authority to improve the effectiveness of the management structure in order to obtain tighter financial control and greater efficiency while giving the public a more effective way of making their views known to the authority. He believes that there is now overwhelming evidence on the basis of experience since 1974 that the present structure is cumbersome and that the general public regard the present arrangements for their involvement as inadequate; and equally that while the present arrangements were designed to involve local government in the management of the industry, the method adopted has not proved satisfactory. The proposals that follow are designed to rectify these faults and in particular to make sure that local authority members and consumers have an effective line of communications to the authority both at divisional and board level. They are designed also to produce a board with the necessary business skills and experience that is not so large that the task of decision making is hindered.

9. At present, the Secretary of State appoints 14 part-time members, of whom 10 are required to be persons who appear to him to have had experience of, and shown capacity in, some matter relevant to the functions of water authorities, and 4 to have had experience, and shown capacity in, agriculture, land drainage or fisheries. The Authority also has 20 members from county and district councils in its area.

10. When water reorganisation took place in 1973-74 it was hoped that this type of Authority would be able to take effective decisions on the running of the industry while providing for adequate safeguarding of consumer interests through the local authority representatives, with their majority on the board. But there is evidence that in practice the Authority, with its complex committee structure, has been too large and unwieldy for maximum efficiency. Those with necessary expertise and experience are increasingly reluctant to serve with an authority organised in this way. Quick decision-taking has been inhibited, and responsibility between the full-time paid officials and the part-time unpaid board members has been blurred. Moreover, since there are only 2 members from each county, there is no clear link between the nominated members and the local electorates, particularly in counties as extensive as Dyfed and and Gwynedd. Lines of accountability are blurred. As the Monopolies and Mergers Commission (MMC) has recently found in the analogous case of the Severn-Trent Water Authority, this type of structure does not appear to have fulfilled the hope that it would enable consumer interests to be fully protected.

11. Water authorities are large and important bodies with very substantial incomes and capital investment programmes, and since 1974 the need to

make water authorities subject to the same disciplines as the nationalised industries has been increasingly recognised. The thinking behind the White Paper on the Nationalised Industries (Cmnd 7131) is accordingly now being applied to the water industry; the Authorities are being required to meet current cost accounting financial targets, performance aims are being set, and borrowing is now controlled through external financing limits. The aim is that water authorities should be efficient enterprises providing an essential service in a cost effective way. The Welsh Water Authority should be fully accountable to the Secretary of State and Parliament.

12. The Secretary of State takes the view, therefore, that there is a strong case for reorganising the WWA, on the basis of a small board chosen for their expertise and business experience, with the consumer and local authority interest being represented by separate arrangements. The Secretary of State is reinforced in this view by the recent Report of the MMC on the Severn-Trent Water Authority, which recommended a much smaller membership, no longer based predominantly on local government representation.

13. While constitutions of the Regional Water Authorities in England are laid down by Section 3 of the Water Act 1973, and cannot therefore be changed without primary legislation, the constitution of the WWA is separately prescribed by an Order (admitting of variation) under Section 3(10) of the Act. It is therefore possible for the Secretary of State, with the approval of Parliament, to change the constitution of the WWA by Statutory Instrument.

Proposed Membership of the Authority

14. The Secretary of State accordingly proposes:

(a) that county and district councils should no longer appoint members to the WWA,

(b) that the Authority should be reduced to about 10 members (including the Chairman and the land drainage and fisheries members), all appointed by him,

with the object of creating a smaller and more efficient body. While

under present legislation, the Chief Executive could not be formally appointed a member of the Authority while remaining a paid officer, the Secretary of State intends to ask the Chairman to invite the Chief Executives to attend every meeting of the Authority and when the opportunity arises the Government will consider legislating to enable the Chief Executive and possibly the Chief Finance Officer to be full members of the Board.

15. Before appointing members, the Secretary of State would carry out informal soundings of the interests who are at present consulted about Government-appointed members - for example, the CBI (Wales), the Wales TUC, the National Farmers Union, the Farmers Union of Wales, the Country Landowners Association, the Wales Tourist Board, Chambers of Commerce, and the Council for the Protection of Rural Wales. In view of the fact that local authorities would not themselves be appointing members, there would also be consultation with the local authority organisations. The present arrangements for the statutory Regional Land Drainage Committee and Regional Fishery Advisory Committee would remain unchanged, as would the requirements that one of the appointees to the Authority must be Chairman of the RLDC and another a member of the Severn-Trent Water Authority. The Secretary of State takes the view that a streamlined Authority operating on the lines indicated above should be able to administer this important Welsh undertaking, with an income of over £115m a year and a capital investment programme of some £35m a year, in an efficient manner; and with clear accountability through him to Parliament.

The consumer interest

16. The interests of consumer and local authorities should be fully safeguarded and indeed strengthened. The Water Authority is a monopoly and it is vital that it should be responsive to local and consumer needs. Efficient arrangements for this purpose should also help to bring about greater cost-effectiveness.

17. Under the present arrangements the local authority members are intended to be, among other things, consumer representatives; but this function is not generally appreciated by the public. There is lack of direct contact between the local authority members and many of the local authorities in their counties, and it is difficult for local authority members to familiarise themselves with conditions in parts of Wales far from their own localities.

18. One way forward that would not require legislation in the first instance would be to base new arrangements on the areas of the Welsh Water Authority's seven multi-purpose divisions or combinations of those areas. The WWA has powers under Section 6(8) of the 1973 Act to appoint advisory committees on any matter relating to their functions and the Secretary of State would ask them to set up such a committee for consumer affairs in each of their Divisions.

19. The membership of each committee would consist of representatives from each County and District Council wholly or partly within the Divisional area and from local industry, commerce, agriculture, Trade Unions, and consumer and amenity organisations within the area. The Secretary of State would not make any appointments himself but would issue guidelines to the Authority to ensure adequate representation of these interests. The result would in each case be a committee of about 15-20 members.

20. The committee would meet (at intervals to be agreed at members' discretion), to discuss with the Divisional Manager and to offer advice on any matters raised by consumers, such as complaints about levels of service and perhaps, also, current and future capital investment in the Division. Although they would not necessarily discuss individual complaints at their regular meetings, each member of the committee would have access to the Divisional Manager or a nominated officer in the Division to take up such complaints as they occur. Publicity would be given to these arrangements, eg through water bills.

21. Once a year - probably shortly before the fixing of the water charges - the Chairmen of the seven committees would meet the Authority for a full exchange of views but each Chairman would, in between annual meetings, have access either to the Chief Executive or to a member of the Authority specifically appointed to look after consumer affairs.

22. At a later stage it would be possible to legislate to make the committee wholly independent of the Welsh Water Authority itself. The committees constituted in this way would be analogous to community health councils which have received wide support during the recent consultations about reform of the health service in Wales.

23. There are of course other ways in which adequate consumer and local authority representation could be achieved: for example, through Authority members appointed specifically for that purpose, through an all-Wales committee, or through arrangements linked with a consumers body for a number of nationalised industries. Whatever arrangements are made it will be essential to draw on the experience of people in local government, industry, commerce and consumers' organisations. Final decisions on the system of local authority and consumer representation will only be taken after completion of this consultation process, and full account will also be taken of the conclusions that emerge from the Government's current review of consumers representation generally. In the meantime the Secretary of State would be glad to receive comments which he will consider in consultation with the Secretary of State for Trade.

24. If following the present consultations, the Secretary of State decided to make changes on the lines proposed he would aim to bring them into effect in 1982.

25. Any comments that interested bodies or individuals wish to make on these proposals should be sent to the Welsh Office (LG Division), Cathays Park, Cardiff by 11 September 1981.

PROPOSED PARLIAMENTARY QUESTION ON THE RESTRUCTURING OF THE WWA

Q. To ask the Secretary of State for Wales whether he has any proposals for improving the efficiency of the Welsh Water Authority.

A. I am today issuing a consultation paper proposing a reduction in the membership of the Welsh Water Authority. This reduction would be achieved mainly by providing that the local authorities would no longer nominate members to the WWA. New arrangements would have to be made to ensure a proper relationship with consumers and local authorities.

I would like to pay tribute to the work done by the WWA, and in particular by the Authority's chairman, Mr Haydn Rees, and his predecessor the late Lord Brecon. But I believe that a smaller Authority, replacing the cumbersome machinery created at the time of reorganisation, would be more suitable for the running of this major industrial enterprise.

A copy of my consultation paper is being placed in the library.

local Govt.

cc Walters
Duguid
Vereker

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From The Secretary of State for Wales

The Rt Hon Nicholas Edwards MP

IN CONFIDENCE

6 July 1981

R 7/7

Dear Leon

CONSTITUTION OF THE WELSH WATER AUTHORITY

Thank you for your letter of 22 June. I am very ready to accept your suggestion that my consultation paper should set out a few options for consumer representation, and my Department will clear the presentation of these options with the other Departments concerned. I agree with you that cost will be a factor that will have to be taken into account before we decide on the exact form of consumer representation to be adopted. The costs of any new consumer arrangements would, of course, be at least partly offset by the savings obtained from removing the 20 local authority members from the Authority.

As regards your point about salaries for members of the proposed new-style Authority, I certainly do not want to commit the Government, before the consultation process, to a scheme involving the payment of salaries to all Board members. My main concern here is that the future Chief Executive of the Authority - who is of course bound to be a full-time salaried officer - should be enabled to become a Board member.

On costs generally, I am confident that the new system I am proposing will be more efficient and economical than the existing one.

As you know the Prime Minister has now indicated that she is content with my proposals subject to the options on consumer representation being kept open. My officials will now clear the terms of my consultation paper with the other departments concerned and I will circulate a copy for colleagues to see as soon as possible.

I am sending copies of this letter to the Prime Minister, E Committee colleagues, Michael Jopling, Sally Oppenheim, and Sir Robert Armstrong.

Yours ever

Nick

The Rt Hon Leon Brittan MP
Chief Secretary to the Treasury
Treasury Chambers
Parliament Street
LONDON

CONFIDENTIAL

FILE

Rth

10 DOWNING STREET

From the Private Secretary

29 June, 1981

Constitution of the Welsh Water Authority

The Prime Minister has now had an opportunity to consider your Secretary of State's minute of 5 June. She has also seen Sir Keith Joseph's minute of 16 June, Mrs Oppenheim's letter of 17 June and the Chief Secretary's letter of 22 June.

The Prime Minister has noted that the Chief Secretary and the Minister of State for Consumer Affairs both have doubts about the proposed arrangements for consumer representation, and have suggested that the options with regard to this particular issue should be kept open for the time being. Subject to this, she is content with the proposals.

I am sending a copy of this letter to the Private Secretaries to the Members of E Committee, Murdo Maclean (Chief Whip's Office) and David Wright (Cabinet Office).

J. P. LANKESTER

John Craig, Esq
Welsh Office

CONFIDENTIAL

Sh

PRIME MINISTER

cc Press Office

Welsh Water Authority

Mr. Edwardes wants to make some changes in the organisation of the Welsh Water Authority, in particular reducing its size, which do not require legislation. He seeks your agreement to his now consulting the various interests concerned.

Other Ministers are content except on one point. Both Trade and Treasury Ministers are unhappy with the proposed arrangements for consumer representation; and they suggest that the options on this aspect should be kept open until the present review of consumer representation in the nationalised industries generally has been completed.

This seems sensible. Subject to it, shall I say you are content?

TPL

Yes mt

26 June 1981

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Nicholas Edwards MP
Secretary of State
Welsh Office
Gwydyr House
Whitehall
London SW1A 2ER

22 June 1981

Dear Nick

CONSTITUTION OF THE WELSH WATER AUTHORITY

Thank you for copying to me your letter to the Prime Minister of 11 June.

I am content that you should press on with abolishing the local authority membership of the Welsh Water Authority, in advance of the similar change for the English authorities, which requires primary legislation.

I am less happy with your proposals on consumer representation. It is important to get these right. If they appear reasonable and effective they will certainly help to forestall criticism of the abolition of the local authority membership, but equally if not more important, consumer reaction to high water rates if brought to bear on the authorities in the right way, can be a very useful weapon in our drive for greater cost consciousness and efficiency in the industry.

I do not think we have reached the stage where we can say your proposals are the best ones judged by the second criterion. The arrangements for consumer representation in the English authorities are still under discussion and John Biffen will very shortly be issuing his consultation paper on consumer representation in the nationalised industries. The same solution certainly need not in the end be adopted across the board, but it would surely be sensible to keep open the options on the Welsh Authority a little longer.

I suggest, therefore, that your consultation paper sets out a few, well defined options, in line with those which are to be set out in relation to the nationalised industries in John Biffen's forthcoming Consultative Document. The two documents could then

cross-refer. The choice can then be left until the end of your consultation period, when the position on the English authorities and the nationalised industries may be clearer. Much the same point was made by John Biffen in his letter to Michael Heseltine of 29 May and by Sally Oppenheim in her letter to you of 17 June; and I think there is a particular need to keep the options open when there is a possibility of Wales ending up with different arrangements from England.

I would also like to see estimates of the cost of the various proposals before a decision is taken. Similarly, there is an implication in your paper that the members of the authority will be paid salaries as soon as the necessary legislation can be passed. This would be in line with nationalised industry Boards, but I can hardly endorse the reference as it stands without some idea of the cost.

I am copying this letter to the Prime Minister, to E Committee colleagues, and to Michael Jopling.

Leon

LEON BRITTAN

Local Gov 3 pgs

DEPARTMENT OF TRADE
1 VICTORIA STREET
LONDON SW1H OET

TELEPHONE DIRECT LINE 01 215 5662
SWITCHBOARD 01 215 7877

From the
Minister of State
for Consumer Affairs
The Rt Hon Sally Oppenheim MP

Rt Hon Nicholas Edwards MP
Secretary of State for Wales
Welsh Office
Gwydyr House
Whitehall
LONDON SW1

17 June 1981

Dear Nick

In John Biffen's absence abroad I have seen a copy of your minute of 5 June to the Prime Minister about the Welsh Water Authority.

I do agree that reform of the water industry is overdue; and I note that much of what you propose is consistent with the approach recommended in the recent MMC report on the Severn-Trent Water Authority. I am however unhappy about one point - the new arrangements you propose for the representation of consumer interests.

In the first place it seems to me quite wrong as a matter of principle to leave the responsibility for establishing special consumer machinery, as you suggest, to the WWA itself: all our experience with the Nationalised Industry Consumer Councils confirms that bodies representing the consumer interest must be - and be seen to be - genuinely independent of the industry with which they deal if they are to make an effective impact on management or indeed on the customers they serve.

Secondly, simply proposing arrangements of the kind you have in mind would prejudice the outcome of the wider review which we currently have in hand on consumer representation in the nationalised industries generally. My concerns on this point are essentially the same as those outlined by John Biffen in his letter of 29 May to Michael Heseltine about changes in the water industry in England: that is, your proposals would effectively rule out the possibility of creating a new "Poly-NICC" covering both the energy and the water industries - an option which many of us favour; and indeed would create the quite unwarranted impression that we may be contemplating arrangements for consumer representation in industries other than water of the kind you have in mind for the WWA.

John Biffen will be writing to colleagues shortly about the handling of the NICC review as a whole. In the meantime it is, I think important to keep our options entirely open in anything we say publicly, on consumer representation in the Welsh water industry.

I am copying this letter to the Prime Minister, members of E Committee, and to Michael Jopling.

Yours Ever
Sally

SALLY OPPENHEIM

JH 290

CONFIDENTIAL

cc Mr Duguid
Mr Walters

Message underneath

PRIME MINISTER

I have seen a copy of Nicholas Edwards' minute to you of 5 June about the reconstitution of the Welsh Water Authority.

2 I support his proposal to reduce the number of members. The new Board should include strong industrial representation and I am sure that Nick already has this in mind. It will help to ensure that the Authority operates in a commercially efficient way and gives a sympathetic ear to the voice of industry as a consumer. The same is also true for the proposed consumer advisory committees.

3 I am sending copies of this minute to the other members of E Committee, to Michael Jopling and to Sir Robert Armstrong.

K J

16 June 1981

CONFIDENTIAL

2 PP's

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH

From the Minister

The Rt Hon Nicholas Edwards MP
Secretary of State for Wales
Gwydyr House
Whitehall
SW1A 2ER

12 June 1981

Dear Nick,

CONSTITUTION OF THE WELSH WATER AUTHORITY

The only comment I should like to make on the proposal outlined in your minute of 5 June to the Prime Minister is that I am pleased to note that you propose to continue to appoint members to the Authority to represent land drainage and fisheries and to retain the Regional Land Drainage and Fishing Advisory Committees. Both these functions are outside the main stream of the water industry and I am sure that it is sensible to treat them separately in this way.

I am copying this letter to the Prime Minister, other members of E Committee, Michael Jopling and Sir Robert Armstrong.

Yours ever

PETER WALKER

CONFIDENTIAL

PRIME MINISTER

CONSTITUTION OF THE WELSH WATER AUTHORITY

For some time I have been anxious to change the organisation of the Welsh Water Authority (WWA) and in particular to reduce the size of the Board by removing the local authority membership. I am convinced that this is an essential measure if we are to improve the efficiency of the Authority, which like those in England, is the subject of considerable public criticism.

On 2 April E Committee considered a paper from Michael Heseltine and asked that he and I should consider reducing or abolishing local authority membership on water authorities, taking account of consumer arrangements. He and I minuted you on 11 and 12 May, and your Private Secretary said, in a letter of 15 May, that you had taken note of the position.

Now that the likelihood of securing a place for the primary legislation needed to reorganise the structure of all the water authorities in England and Wales has faded, I have agreed with Michael Heseltine and Tom King that I should proceed with my proposals for re-constituting the Welsh Water Authority. There is broad agreement between us about the pattern we would like to see in both countries, but as in Wales there are not the same obstacles to early action there is much to be said for pressing on with what needs to be done, while giving England the opportunity to benefit from our experience.

The annex to this minute sets out the proposals which it is possible to achieve without primary legislation, although the necessary order will be subject to affirmative resolution in both Houses.

I am now writing to seek the agreement of members of E Committee to my consulting the National Water Council, the WWA, the local authority associations and other interests concerned, about these proposals.

/ I am copying this to other members of E Committee, and to Michael Jopling, and I would be grateful to know whether you and they are content for me to proceed on these lines.

RNE

RNE
5 June 1981

THE CONSTITUTION OF THE WELSH WATER AUTHORITY

BACKGROUND

1. There is ample evidence that the Welsh Water Authority (WWA) is being hamstrung by its present cumbersome structure and I am convinced that if the Authority is to operate successfully it needs to be run on more business-like lines, by a board much smaller than the present one.

2. While the constitutions of the regional water authorities in England are closely circumscribed by the provisions of Section 3 of the Water Act 1973, the constitution of the Welsh Water Authority is separately prescribed by an Order (admitting of variation) under Section 3(10) of the Act. There is thus considerably more scope for changing the constitution of the WWA without primary legislation, although some aspects of its management and structure are subject to other provisions which cannot be changed by means of a new constitution order.

PROPOSALS

3. My main proposal is to remove from County and District Councils the power to appoint members to the WWA, and to reduce from 15 to 9 (including the Chairman) the number of members appointed by me (including land drainage and fisheries members), with the objective of creating a smaller and more efficient body. I would also ask the Chairman to invite the Chief Executive to attend every meeting of the Authority, although, under present legislation, he could not be formally appointed a member while he is a paid officer of the Authority (a defect I would want to remedy in primary legislation in due course).

4. The 1973 Act provides for the remuneration of the Chairman (and the Chairman of the Regional Land Drainage Committee), but there is no provision for salaries to be paid to other members, nor could such a provision properly be included in a new constitution order. Until primary legislation makes this possible, therefore, these other members will continue to be entitled only to financial loss allowance and travel and subsistence allowances.

5. Since the local authority members are intended to be, inter alia, consumer representatives, it will be necessary to make alternative arrangements to safeguard consumer interests. It will not be possible to make provision for this in a new constitution order, and what I propose to do is to base new arrangements on the areas of the WWA's seven multi-purpose Divisions. The WWA has powers under Section 6(8) of the 1973 Act to appoint advisory committees on any matter relating to their functions and I would ask them to set up such a committee for consumer affairs in each of their Divisions.

6. The membership of each committee would consist of representatives from each County and District Council wholly or partly within the Divisional area and from local industry, commerce, agriculture, Trade Unions, and consumer and amenity organisations within the area. I would not make any appointments myself but would issue guidelines to the Authority to ensure adequate representation of these interests. The result would in each case be a committee (which could be known as Local Water Consumer Advisory Committee) of about 15-20 members.

7. The committee would meet (at intervals to be agreed quarterly, four-monthly or even half-yearly at members' discretion), to discuss with the Divisional Manager and his staff and to offer advice on any matters raised by consumers, such as complaints about levels of service and perhaps, also, current and future capital investment in the Division. Although they would not necessarily discuss individual complaints at their regular meetings, each member of the committee would have access to the Divisional Manager or a nominated officer in the Division to take up such complaints as they occur. Publicity would be given to these arrangements, eg through water bills.

8. Once a year - probably shortly before the fixing of the water charges - the Chairmen of the seven committees would meet the Authority for a full exchange of views but each Chairman would, in between annual meetings, have access either to the Chief Executive or to a member of the Authority specifically appointed to look after consumer affairs.

9. It will not be possible to use the new constitution order to abolish the Authority's statutory Regional Land Drainage Committee (RLDC) or Regional Fishing Advisory Committee, nor to remove the requirements that one of my appointees to the WWA must be Chairman of the RLDC, and another a member of the Severn Trent Water Authority. But these are secondary matters which do not detract from my main objective.

10. I would like these proposals to come into effect in May 1982, when the present Chairman of the WWA is due to retire.

WELSH OFFICE

2 RSL

CONFIDENTIAL

PRIME MINISTER

WATER INDUSTRY STRUCTURE

I should like to indicate my strong support for the proposals put forward by Michael Heseltine in his minute of ~~11~~ TPM May.

I have for some time had the view that the Welsh Water Authority should be streamlined and I have examined the possibility of doing this without primary legislation. In the case of the Welsh Water Authority alone, it is possible to secure some changes - though not all the desirable changes - without primary legislation; but I would prefer that England and Wales keep in step and I support Michael Heseltine's proposal to use the Public Bodies Management Bill as the vehicle for legislation. It would obviously not be possible for us to announce our proposals for changes both at National Water Council and Regional Water Authority levels unless there is the firm prospect of legislation in 1981/82 and I therefore support Michael's proposals.

/ I am copying this minute to members of E Committee, to Michael Heseltine, Francis Pym, Michael Jopling and to Sir Robert Armstrong.

RNE
Approved by the Secretary of State
and signed in his absence

12 May 1981

CONFIDENTIAL

B

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From The Parliamentary Under-Secretary

31 March 1981

Dear Prime Minister,

27387. attached.

Michael Heseltine has circulated to E Committee a paper (E(81)37) about the Water Industry. I am writing to say that I have discussed this paper with Nicholas Edwards, and we are not convinced (at least as far as the Welsh Water Authority is concerned) by the paper's arguments against removing the local authority members from the water authorities. These members are very numerous and constitute a majority on the Welsh Water Authority; they import local government attitudes and methods which are not always suited to the operation of what is in effect a large industrial undertaking. We would therefore like to give further thought to ways of improving the structure of the WWA, and may suggest the transfer of local authority members from Authority to Divisional level. If we decide in favour of changes we will circulate our proposals to colleagues.

We have no objection to Michael Heseltine's proposals for abolishing the National Water Council, provided that the successor statutory body is constituted in such a way as to avoid its being dominated by particular regional interests. We are doubtful about the idea of separate regional pay negotiations, because of the risks of "leap-frogging" and of the unions following a divide and rule policy.

These are the points which I intend to make at Thursday's E Committee meeting.

I am sending copies of this letter to Michael Heseltine and other members of E Committee, and to Sir Robert Armstrong.

Yours ever
Wyn

WYN ROBERTS

Rt Hon Margaret Thatcher MP
The Prime Minister
10 Downing Street
London SW 1