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Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Nigel Lawson MP
Secretary of State
Department of Energy
Thames House South
Millbank
London SW1P 4QJ

30 September 1981

NATIONALISED INDUSTRIES' STATUTORY BORROWING LIMITS:
INCLUSION OF BORROWING BY SUBSIDIARIES AND GUARANTEES .

As you know, where suitable legislative opportunities present themselves we have been seeking to include provisions bringing borrowing by subsidiaries and guarantees within nationalised industries' statutory borrowing limits. I have been considering how to deal with this question in the light of your comments at our meeting on 21 September and the letters of 14 September from Keith Joseph and 15 September from John Biffen.

I am concerned that it always proves difficult to reach agreement on the inclusion in legislation as it comes forward of desirable changes to the financial provisions governing nationalised industries. I appreciate that timing and the constraints of the legislative programme can argue against the inclusion of anything but the most essential measures. On the other hand, we cannot go on year by year allowing the financial framework within which nationalised industries are accountable to Parliament to become more obsolete and diverse. Apart from the intrinsic merits of a degree of standardisation, it becomes increasingly difficult to defend the position to the PAC.

In view of the shortage of time in which to resolve the doubts which you and others have voiced about the particular proposals in relation to statutory borrowing limits, I do not propose to press further for the inclusion of the relevant provisions in legislation in the next Session. I remain of the view, however, that these changes are among a number which it would be useful to make when possible, and in order to forestall in the future the sort of last minute exchanges we are having now I am asking my officials to set in hand, under the auspices of NIP, a review of changes which might be made in the financial provisions governing the nationalised industries. The aim would be to draw up a checklist of such changes, in consultation with your Departments, which I hope we could then agree

should be implemented as and when legislative opportunities presented themselves.

I am grateful to John Biffen for proposing a measure of change in relation to the borrowing limit of British Airways. I think now, however, that it would be best to defer all such changes until the official group I have proposed has completed its work.

the Prime Minister,

I am copying this letter to/members of E(NF) and to Sir Robert Armstrong.

LEON BRITTAN