

Govt. Secy (4)

original filed on :-  
Govt Mach: Review of  
Exchequer + Audit Dept's Pt 2



Prime Minister

Are you content  
with the draft statement?

Treasury Chambers, Parliament Street, SW1P 3AG

MCS 26/11

The Rt Hon John Biffen MP  
Secretary of State  
Department of Trade  
1 Victoria Street  
London SW1H 0ET

24 November 1981

2 John,  
Note  
Told CST's  
office  
by telephone  
MCS 1/12  
Yes  
mt

DEBATE ON THE ROLE OF THE COMPTROLLER & AUDITOR GENERAL

At the meeting of E(NI) last week we agreed that we would use the forthcoming Debate on the role of the Comptroller & Auditor General as the occasion for announcing the Government's proposals for improving the external scrutiny of nationalised industries' efficiency. I was invited to circulate the text of this part of the speech to colleagues on the Sub-Committee.

I now attach the terms in which I propose that the Financial Secretary will announce the Government's proposals during the course of the Debate. The text follows the recommendations of the NIP's Report and reflects the discussions we had in E(NI).

I should be glad if you and other colleagues will let me know quickly whether you have any comments.

I am copying to all Members of E(NI) and to Mr Ibbs and Sir Robert Armstrong.

LEON BRITTON



## DEBATE ON THE PAC REPORT ON THE ROLE OF THE C &amp; AG - NATIONALISED INDUSTRIES

I should now like to turn to the nationalised industries.

2. The Government's reply to the recent PAC Report on the Role of the Comptroller & Auditor General (Cmd 8323) promised a further statement on the question of improving the external scrutiny of nationalised industries' efficiency. In the White Paper the Government made clear - and I emphasise the point again today - that we fully share the PAC's concern about the need to promote the efficiency of the nationalised sector. This is particularly true where competitive pressures are weak or absent. However we were not convinced that it would be fruitful to replace the Monopolies & Mergers Commission as the appropriate body to undertake efficiency investigations so soon after its inception. As recently as last year Parliament legislated to give the Commission new powers to investigate the industries and they have made a promising start in using them. In the 4 studies completed during the last year - into the Inner London letter post, the Severn/Trent Water Authority, the CEGB and British Rail commuter services - they have successfully identified areas of weakness in the industries' operations. In the Government's view, as was explained in the reply to the PAC, the right course is to build on the existing structure not to supplant it.

3. The Government have therefore decided on a number of steps to strengthen and supplement the role of the Commission. First, there will be an increase in the scale of the Commission's operations. The intention is to increase the number of references to 6 in each year. The effect will be that each nationalised industry has at least one major reference every 4 years but that no individual part of an industry will normally be referred more than once every 4 years. The Commission's membership and staffing will be strengthened to deal with the increased workload. The Government will announce the programme of references annually for the year ahead.

4. Second, more effective follow-up - crucial if we are to get the best out of the Commission's reports. Although it is primarily for the industries to act on the reports' findings the Government



is strengthening the procedure for follow-up action. First, we intend to encourage the Commission to identify priorities in their recommendations, to quantify their proposals as far as this is feasible, and to make specific recommendations for action to implement them. The reports would of course continue to be published. But in the interests of accountability to Parliament a statement of the industries' response to the report will be made within 3-4 months of publication and this will be followed up by a further statement of progress after 12 months.

5. Thus the Monopolies & Mergers Commission in its strengthened form will remain the main instrument for the external scrutiny of these industries. But the Commission is not the only external body with a potential contribution to make. In the private sector good use is often made of the skills and expertise of management consultants. They have also been used in the nationalised industries to good effect on occasion on the initiative of either the Government or the industries. The Government believes that greater use could be made of such consultants to supplement references to the Commission wherever this would be appropriate and cost-effective.

6. These measures will supplement the Government's more general policies to encourage efficiency, notably the introduction of greater competition into the industries wherever possible. But this is a difficult area where there are no panaceas. We will continue to learn from our experience and build on it in the future.





*From the Secretary of State*

CONFIDENTIAL

Terry Matthews Esq  
Private Secretary to  
the Chief Secretary  
HM Treasury  
Treasury Chambers  
Parliament Street  
London, SW1P 3AG

27 November 1981

*Dear Terry,*

DEBATE ON THE ROLE OF THE COMPTROLLER AND AUDITOR GENERAL -  
NATIONALISED INDUSTRY EFFICIENCY

The Chief Secretary wrote to the Secretary of State on 24 November. I am writing to confirm that he had no comments on the Chief Secretary's draft statement which reflects the conclusions of E(NI).

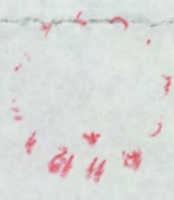
Copies of this letter to to the same recipients as the Chief Secretary's.

*Yours sincerely,*

JOHN RHODES  
Private Secretary

CONFIDENTIAL





12/17/81