

MBPM



2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

21ST February 1983

D. Nich,

FORWARD LOOK

Thank you for copying to me your memorandum of 30 December. It brings out very clearly the difficult problems with which you are faced.

There is only one reference with which I would take issue; that is where you talk about a more equitable system for water charges. We have consistently turned our faces against equalisation, principally on the grounds that money transfers between authorities weaken cost discipline and financial accountability, but also because the degree of centralised direction over the industry that an effective system of equalisation would require smacks more of socialist policy than ours.

The message we are trying to get across to the water authorities is that greater productivity and cost cutting are the way to keep down charges. I know you share this view and are making strenuous efforts to make the Welsh WA more efficient. It would be a great pity if the expectation of outside financial support led the Authority to relax its efforts.

Section 30 of the Water Act 73, with its emphasis on cost related charges, has stood the test of time. The charges of other utilities are also cost related with regional differences for distance related tariffs, although the statutory requirements are not identical. It must surely be right to charge individual customers as closely as possible for the costs of the service they receive. I very much hope that on reflection you agree with this.

I am copying this to the recipients of yours.

Tom King

MPBM



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