Prime Minister (2)

MES 22/12

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

The Rt Hon Nigel Lawson MP
Secretary of State for Energy

21 December 1982

Dear Nigel

E(NI) DISCUSSION OF THE REVIEW OF THE BRITISH GAS GAS CORPORATION'S PERFORMANCE AND CORPORATE PLAN

Thank you for your letter of 15 December. I agree that the submission by you of a paper early in the New Year on the outcome of the Deloittes study of BGC's efficiency was not explicitly discussed by E(NI) at its meeting on 7 December. But you will recall that strong criticism was expressed by a number of Ministers at that meeting of the fact that virtually nothing was said about BGC's performance in the attachment to your paper E(NI)(82)31, in striking contrast to the detailed examination which E(NI) has conducted recently of, in particular, the BAA. The point was also made in E(NI) that such data as were included on present performance in your paper suggested that there might be cause for concern. It seemed to me, therefore, that the sense of E(NI)'s discussion was indeed that colleagues wished to consider in detail BGC's present performance, and that the most sensible approach would be to do so, once the Deloittes' study had been submitted, on the basis of a paper to E(NI) by you. I said as much in my summing up.

2. I accept that your paper should concentrate on the Government's response to the Deloittes' efficiency study rather than on the detailed history of the Corporation's recent performance which your officials have already prepared. You will see that John Sparrow has made a similar suggestion in his letter to me of 17 December. But I am sure from the interest shown at the recent meeting that colleagues would welcome an annex which summarised the comprehensive review of BGC's performance which has been made available to the Treasury and CPRS. If any colleague wanted to see the detailed document, no doubt it could be made available to him.

3. I understand that Deloittes' report should be submitted shortly. I suggest therefore that you should circulate your paper to colleagues by the end of February. It may be that it will be possible for it to be agreed in correspondence.

Nat Ind, Gen Elect, IA 7

4. I am sending a copy of this letter to the Prime Minister, the other members of E(NI), John Sparrow and Sir Robert Armstrong.

GEOFFREY HOWE

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Qa 06194

From: John Sparrow
CONFIDENTIAL

17 December 1982

Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
HM Treasury
SW1

Dear Geoffrey,

E(NI) Discussion of the Review of the British Gas Corporation Performance and Corporate Plan

I have seen a copy of Nigel Lawson's letter to you of 15 December 1982 requesting that conclusion 3(iii) of the minutes of the E(NI) discussion on 7 December should be deleted.

The Department of Energy did in fact produce a very thorough and comprehensive Review of BGC Performance and Corporate Plan. Although only a summary of this Review was discussed at E(NI), I see no need for a further Performance Review when the efficiency study is available, although I would not like the summary treatment to be accepted as an unquestioned precedent for BGC next year or for other industries.

However I suggest that it might be helpful for E(NI) colleagues to discuss the recommendations of the efficiency study at an appropriate opportunity. The study ought to be of considerable assistance not only in improving BGC's planning operations but also in the Department of Energy's assessment of structure and privatisation prospects.

I am sending a copy of this letter to the Prime Minister and other members of E(NI) and also to Sir Robert Armstrong.

Yours sincerely,

John.

John Sparrow

SE JV

(2)

Prime Minister

MRS 15/12

01 211 6402

Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
London
SW1

15th December 1982

E(NI) DISCUSSION OF THE REVIEW OF THE BRITISH GAS CORPORATIONS PERFORMANCE AND CORPORATE PLAN

I have just read the minutes of our discussions on BGC's Performance and Corporate Plan Review at E(NI) on 7 December. They contain one serious inaccuracy.

Conclusion 3(iii) commits me to producing a paper on British Gas' present performance in the light of the forthcoming report on the Corporation's efficiency. I did not agree to this, nor do I recall it even being mentioned, let alone discussed. As I have made clear this Department has already prepared a comprehensive review of BGC's performance, which was made available to the Treasury and CPRS, and will do so again for next year's Performance and Corporate Plan Review. This will need to take account of the Efficiency Study and I see little point in our considering another Performance Review between then and now. I hope you will agree, therefore, that conclusion 3(iii) should be deleted.

I am copying this to our colleagues in E(NI), John Sparrow and to Sir Robert Armstrong.

NIGEL LAWSON