



2010

ZC WO

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON - SW1H 0ET
TELEPHONE DIRECT LINE 01-215 5422
SWITCHBOARD 01-215 7877

JU718

Secretary of State for Trade and Industry

27 October 1983

CONFIDENTIAL

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
London SW1

Prime Minister ①

Agree this programme, subject to colleagues? In particular

Yes (i) dropping BS in 1983
Yes (ii) including Scottish Division of BAA in 1984?

ms.

AT
28/10

D Nigel

NATIONALISED INDUSTRY REFERENCES TO THE MONOPOLIES AND MERGERS COMMISSION

I am writing to consult you and colleagues about the 1984 programme of references of nationalised industries to the Monopolies and Mergers Commission for efficiency audit.

1983 Programme

2 I should perhaps first bring you up to date with progress in carrying out the 1983 programme which Arthur Cockfield announced on 9 March. Since then, the South Wales Electricity Board and London Transport's Bus Maintenance operations have both been referred.

3 The next in line for reference this autumn was the merchant shipbuilding activity of British Shipbuilders. Cecil Parkinson concluded that it would be pointless to go ahead with an investigation of British Shipbuilders at present and I fully endorse that conclusion.

4 The immediate priority for the new Chairman of BS and his senior management must be preparation of the revised Corporate plan, which we are to consider before the end of the year. I am not willing to impose on him and his senior management at this juncture the additional work inevitably entailed in any external scrutiny of the organisation's costs and efficiency. Furthermore, labour productivity in the yards is currently distorted as work is artificially spun out pending the decisions on the future of individual yards that will follow our consideration of the new corporate plan. An MMC efficiency audit conducted at a time when the work pattern is known to be distorted by these factors would



not provide a sensible basis on which to press for productivity improvements in more settled operating conditions. Finally, I am concerned not to supply unnecessary ammunition to those in the European Community hostile to the provision of special assistance to BS.

5 For all these reasons, I do not see any sense in making the planned reference in present circumstances and I therefore intend to postpone it. I also think there is too much uncertainty over BS's future to be able to judge now when it might sensibly be referred to the Monopolies Commission, and thus how long the postponement might run. I suggest we review the situation again next year.

6 I have naturally considered whether the gap in the Commission's workload might be made good by bringing forward one of the scheduled references on which some advance work had been done, including the essential first step of sounding out the Chairman on the idea of a reference. The next in line after BS was the Post Office, and that investigation is going ahead later this month.

7 Following that, we had pencilled in the British Airports Authority, to which I shall return, but a quick reference this autumn to fill the BS gap was not acceptable. BAA was to be followed by a water reference but, with the changes this autumn in the industry's boards resulting from the Water Act, the necessary preliminary soundings could not reasonably get off the ground in time for a reference before the New Year. That applies a fortiori for references pencilled in for later in 1985. I have therefore concluded that there is no available reference to substitute for the BS investigation this autumn.

8 Some of the shortfall in the MCC's workload will however be made good by the Post Office reference mentioned above. It will examine the costs and efficiency and quality of service of the letter post in Cardiff, Belfast and Glasgow; review progress in Inner London since the MMC reported in 1980; and consider in depth the letter mechanisation programme. That is a major exercise which will occupy more MMC resources than recent investigations and may well take until the middle of next year to complete. Both the Chairman and I are confident that, like the 1980 study, it will produce worthwhile results.

1984 Programme

9 The main unresolved issue for 1984 is whether an aspect of the British Airports Authority should be the subject of the first reference. Tom King was prepared to pursue with the BAA Chairman the possibility of a conventional efficiency audit of the loss making Scottish Division, but George Younger is unhappy with that proposal mainly on the grounds that it would renew damaging speculation about the future of Prestwick.



10 I do not believe we can afford for primarily presentational reasons to exempt loss making and prima facie loosely managed organisations from external scrutiny of their costs and efficiency. A report pointing to ways in which the operation could be run more efficiently and cost consciously could only be helpful to us and to BAA in the debate on the future of the Scottish airports which, as I understand it, is bound to revive for external reasons. My own view therefore is that a conventional efficiency audit of the Scottish Division of BAA should be the opening reference of 1984.

11 Agreement has been reached at official level and I propose that the programme thereafter should comprise

- A water authority
- An area electricity board
- The Post Office's counter services
- The Scottish Transport Group's bus operations
- An aspect of British Rail.

12 I hope you and the other members of E(NI) will be able to agree to my proposals by 11 November, so that I can announce the programme for the whole of 1984 later that month. I shall bring forward my proposals for the first half of 1985 in the New Year.

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

22 OCT 1993

10 11 12 1 2 3 4
5 6 7 8 9





file 16

10 DOWNING STREET

From the Private Secretary

31 October 1983

NATIONALISED INDUSTRY REFERENCES TO THE MONOPOLIES
AND MERGERS COMMISSION

The Prime Minister has seen your Secretary of State's letter to the Chancellor of 27 October. Subject to the views of colleagues, she is content with the programme of references proposed, in particular dropping British Shipbuilders from the 1983 programme and including the Scottish Division of BAA in the 1984 programme.

I am sending copies of this letter to the Private Secretaries to the members of E(NI) and to Richard Hatfield (Cabinet Office).

ANDREW TURNBULL

Callum McCarthy, Esq.,
Department of Trade and Industry.

ATB



NDM

MT

14/11

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Norman Tebbit MP
Secretary of State for Trade and Industry
Department of Trade and Industry
1 Victoria Street
LONDON
SW1H 0ET

14 November 1983

Dear Secretary of State,

NATIONALISED INDUSTRY REFERENCES TO THE MONOPOLIES AND MERGERS COMMISSION

Thank you for your letter of 27 October to Nigel Lawson on the programme of references of nationalised industries to the Monopolies and Mergers Commission.

It is disappointing that British Shipbuilders should have to be dropped particularly after we had agreed and announced its inclusion. Although in present circumstances I must reluctantly accept that they should not now be in the 1983 programme, I am anxious that we should keep to the target of 6 references per year. These references to the Monopolies Commission make an important contribution to our efforts to tackle inefficiencies in the nationalised industry sector.

I am glad to see a full programme of references for 1984. I have noted George Younger's reservations about the inclusion of Scottish Airports and Arthur Cockfield's comments on the possible implications for privatisation. In my view the proposed study would be well worthwhile and could lead to improvements in efficiency that would help rather than hinder subsequent privatisation. It would be wrong to exclude an industry simply because it was a candidate for privatisation. Indeed I can see some value in demonstrating to prospective investors that the necessary action is being taken to correct any inefficiencies prior to privatisation.

I am copying this letter to the Prime Minister, members of E(NI) and Sir Robert Armstrong.

yours sincerely

PETER REES
(approved by the Chief Secretary & signed in his absence)

NAT. INDUSTRIES
Policy, Part 5.



14 NOV 1995
11 12 1
5 2 10 10



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

CONFIDENTIAL

The Rt Hon Norman Tebbit MP
Secretary of State for Trade and Industry
1-19 Victoria Street
LONDON
SW1H 0ET :

✓ NO
Prime Minister (2)
Agree allow Ministers
concerned to resolve amongst
themselves?

AT 2/11

2 November 1983

Dear Secretary of State

Yes mt

NATIONALISED INDUSTRY REFERENCES TO THE MONOPOLIES AND MERGERS COMMISSION

I refer to your letter of 27 October.

I am entirely content with the proposed reference during 1984 of the Scottish Transport Group's bus operations.

I am however not at all content with the proposal to refer the Scottish Division of the British Airports Authority. Your letter records that fact, but otherwise fails entirely to do justice to the arguments set out in my letter of 10 October. I repeat these now, for the benefit of the wider audience.

Such a referral would be bound to be interpreted in Scotland as a deliberate threat to the future of Prestwick Airport, and would certainly have the practical effect of re-opening yet again all the speculation about the airport's future. This would be quite counter-productive to the efforts that are now under way to turn Prestwick's fortunes round. It is true, as you hint, that the policy for the Scottish Lowland Airports is bound in any case to be a matter for public debate in view of the public hearing that the CAA is to hold later this month into British Midland Airways' application to operate transatlantic flights from Glasgow. But that is no reason for adding to the difficulties through decisions which are within our own control - particularly since we ourselves (I and your predecessor as Secretary of State for Trade) deplored the climate of uncertainty around Prestwick in our response earlier this year to the Select Committee on Scottish Affairs.

I recognise that these arguments would have less force if the Scottish Division of BAA was indeed, to use your words, "loss-making and prima facie loosely managed". It does admittedly make a trading loss. But it is moving towards financial break-even in accordance with the target Government has set it. I do not know what evidence there is of loose

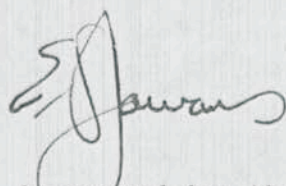
management: no doubt the BAA, like all of us, could do better. But I do not think there is any prime facie case for devoting scarce MMC time to this small matter.

The truth is that BAA was put into the Section 11 programme. It was then realised that BAA Headquarters would have enough on their hands in preparing for privatisation. An investigation of the Scottish Division has been proposed out of undue concern to keep BAA in its place in the programme, and to keep up the quota of six references for the year. I do not think this is the best way to manage this programme. As I said earlier, I also think it will look distinctly odd to be devoting so much of MMC's restricted capacity for Section 11 investigations, to Scotland.

I think this proposal should be dropped.

I am copying this letter to the Prime Minister, to Nigel Lawson and other members of E(NI) and to Sir Robert Armstrong.

Yours sincerely,



Approved by the Secretary of State
and signed in his absence

Nationalized Ind : Policy towards
Nat Ind
PLP

22 NOV 1983





SECRETARY OF STATE FOR ENERGY
THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ

01-211-6402

AT 14/11

2 pp

The Rt Hon Norman Tebbit MP
Secretary of State for Trade
and Industry
1-19 Victoria Street
London
SW1H 0ET

14 November 1983

Norman Tebbit
NATIONALISED INDUSTRY REFERENCES TO THE MONOPOLIES AND
MERGERS COMMISSION

Thank you for sending me a copy of your letter of
27 October to Nigel Lawson.

I am content with the inclusion of an area electricity
board in the 1984 programme of references. I would like
to consider how best to make use of this reference when
we have the MMC report on the South Wales Electricity
Board, which I understand should be available in January.

I am sending copies of this letter to the Prime Minister,
members of E(NI) and Sir Robert Armstrong.

Peter Walker
PETER WALKER

NET
INDUSTRIES
Policy Part 8



11 12 1
11 12 1
11 12 1

17 NOV 1983

CE 110



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

NBPN

AT 1411

The Rt Hon Norman Tebbit MP
Secretary of State for Trade
and Industry
1 Victoria Street
London
SW1H 0ET

10 November 1983

Dear Norman

NATIONALISED INDUSTRIES REFERENCES TO THE MONOPOLIES AND
MERGERS COMMISSION

In view of George Younger's strenuous opposition to a Section II reference of British Airport Authority's Scottish Division to the MMC I think I should make my own position clear.

I share Tom King's reluctance to expose any part of BAA's activities to the MMC whilst we and BAA's senior management are engaged in deciding how best to privatise the Authority. Tom King was quite rightly concerned that the Scottish Airports might not be as efficiently managed as those in the South East, and to that end a reference would have been useful. But I think that neither he nor I would go as far as describing them as being "loosely managed". Despite the poor utilisation of capacity, the Scottish airports as a group do make a positive contribution to the Authority's cash flow.

On balance, I should prefer not to have a BAA reference in 1984. But if E(NI) colleagues to whom I am sending a copy of this letter take the view that we should have one, then, like Tom King, I would accept a reference of the Authority's Scottish Airports, which would be less of a distraction to the Authority's senior management than other possibilities.

I will pursue the possibility with Norman Payne.

Nicholas Ridley

NICHOLAS RIDLEY



1954
MAY 10
10 10 10

10 10 10

CONFIDENTIAL



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

PS/Secretary of State for Trade
and Industry
1 Victoria Street
LONDON
SW1H 0ET

16 November 1983

NBM
AT 17/11

Dear Private Secretary

My Secretary of State wrote to yours on 10 November about Nationalised Industries References to the Monopolies and Mergers Commission.

As relayed to your office on the telephone on Monday, the last sentence of this letter should be deleted. I am sorry for this error and hope it has not caused you any inconvenience.

Copies of this letter are being sent to the Private Offices of E(NI) members.

Yours sincerely

Andrew Melville

ANDREW MELVILLE
Private Secretary

Nat Ind Percy

A+8

17 NOV 1963



C.No



2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

NBPM AT

10/4

My ref: J/PSO/16216/83

Your ref:

November 1983

Dear Norman,

NATIONALISED INDUSTRY REFERENCES TO THE MONOPOLIES AND MERGERS COMMISSION

Thank you for the copy of your letter of 27 October to Nigel Lawson.

I am content with a water industry reference. We intend the Yorkshire Water Authority to be included in the programme and we have been discussing coverage and timing with the new Chairman. My officials are ready to discuss terms of reference with yours.

The timing could be affected by the proposed reference of the BAA's Scottish Division which I believe should go ahead for the reasons you give in your letter. There would be difficulties in bringing the Yorkshire reference forward from its present March slot.

I am copying this letter to recipients of yours.

Yours
Patrick

PATRICK JENKIN

110 NOV 1983



WAT. INDUSTRIES
Perry Park St.

cc NO

NBPM at present
AT VII

CABINET OFFICE,
WHITEHALL, LONDON SW1A 2AS



Chancellor of the Duchy of Lancaster

3 November 1983

cc E(N1)
S.P.A.

Dear Secretary of State,

NATIONALISED INDUSTRY REFERENCES TO THE MONOPOLIES AND MERGERS
COMMISSION

Thank you for copying to me your letter of 27 October to Nigel Lawson.

I must say that I share George Younger's reservations about a reference of the Scottish Division of BAA to the Monopolies Commission. It is I would suggest less than fair to describe BAA as a "loss making and loosely managed organisation". It isn't. BAA as a whole makes substantial profits. Prestwick is admittedly making losses but the reasons stem largely from causes outwith management. There is also the factor that BAA is a prime and early candidate for privatization - with the full support of the Chairman and the Board - and I wonder whether a Monopolies Commission investigation would not obstruct that.

Yours sincerely,

Alex Cockfield

COCKFIELD
(Approved by the Chancellor of the Duchy of Lancaster and signed on his behalf)

The Rt Hon Norman Tebbit MP
Secretary of State for Trade
and Industry
Department of Trade and Industry
1 Victoria Street
London SW1H 0ET

NAT IMP
Policy Page

3 NOV 1983

LIBRARY
OF CONGRESS
SERIALS ACQUISITION
510 RANGELAN DRIVE
ALEXANDRIA, VA 22304