



FUE

207
B/C: N. OWEN

10 DOWNING STREET

From the Private Secretary

13 November, 1984

E(NI):
HMT
DOE
SO
DTI
D. Trans
Chief Sec.
Dept of Energy
Emp
CO
CDL

COMPETITION ACT 1980, SECTION 11 REFERENCES

The Prime Minister has seen Mr. Fletcher's letter of 7 November to the Chief Secretary. She is content with the programme that is now proposed.

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

(Andrew Turnbull)

Ms. D. Griffiths,
Department of Trade & Industry.

rk

Prime Minister ③
To note that DTI have
gone some way to
meeting the points
we raised with them.

CONFIDENTIAL

MR TURNBULL

AT 12/11

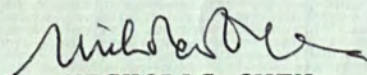
12 November 1984

COMPETITION ACT 1980, SECTION 11 REFERENCES

Alex Fletcher has moved some way to accommodate two
points in the Prime Minister's note:

- suitable emphasis on BSC's investment planning and appraisal in the BSC reference;
- a commitment to a post-audit (British Rail Southern Region in 1986, or 1985 if one of the 1985 references has to be dropped).

A definite commitment to one post-audit in 1985 would obviously have been better but the point of principle has clearly been accepted by DTI. I suggest that the Prime Minister should minute that she is content with what is proposed.


NICHOLAS OWEN

CONFIDENTIAL



B/F
with the response
AT 7/11

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From the Parliamentary Under Secretary of State
for Corporate and Consumer Affairs

The Rt Hon Peter Rees QC MP
Chief Secretary
HM Treasury
Treasury Chambers
Parliament Street
London
SW1P 3AG

7 November 1984

Dear Chief Secretary

COMPETITION ACT 1980, SECTION 11: NATIONALISED INDUSTRY REFERENCES TO THE MONOPOLIES AND MERGERS COMMISSION

I am grateful for the comments and suggestions in response to Norman Tebbit's letter of 18 September on the 1985 programme of investigations by the Monopolies and Mergers Commission.

Since Norman wrote, a further problem has arisen on the 1984 programme. The Post Office Chairman has requested that the reference of counter services proposed for this year should be postponed because of the effects of the DHSS industrial action. This has resulted in a major increase in the counters workload, imposing severe pressures on the relevant top management and creating abnormal conditions which could affect the MMC's ability to analyse the position properly. I do not believe it would be sensible to proceed at this time and propose to defer the reference into 1985 when it would provide the sixth reference to complete the programme. The further depletion of this year's programme is regrettable. But in the circumstances, and in the absence of any readily available alternative reference at this stage of the year, I see no real option.

The Prime Minister raised the question of post-audits to check on the implementation of past reports. Post-audit has always been seen as part of the Section 11 process. The recent report on the Letter Post Service reviewed the extent to which the 1979 report under the Fair Trading Act on the Inner London letter post had been implemented (and reported commendable progress resulting in substantial economies).

Our stated policy is that each nationalised industry will have at least one major reference every four years but that no individual part of an industry will normally be referred more than once every four years. On that criterion, both the CEGB and British Rail commuter services fall for consideration for a post-audit and the NCB will become due in 1986.



However, given that the MMC's capacity is effectively limited to the six investigations a year which we have stated as our target, the inclusion of a post-audit investigation in the 1985 programme would mean dropping one of the other references and I believe it right on balance at this stage of the Section 11 rolling programme to give priority to industries which have not yet been reported on. But as the programme matures, the scope for re-references will increase and I certainly intend to include at least one re-reference in 1986. Moreover if, for any reason, one of the references proposed for 1985 has to be dropped in the course of the year, I would propose to fill the gap by adding BR Southern Region, a re-reference of which later in 1985 would be acceptable to Nicholas Ridley. As regards the other possible post-audit, Peter Walker has set out some cogent reasons for not re-referring the CEGB at present.

The Prime Minister also suggested that British Steel's investment planning and appraisal could form the subject of the MMC's investigation of the Corporation. We shall certainly bear this in mind in formulating the terms of this reference.

--- I now enclose a revised statement incorporating the Post Office postponement and Ian Gow's drafting suggestion. Your own suggested amendment is now unnecessary as we have a full programme. I would be grateful for any further comments by 12 November as I would like to make the statement as early as possible in the new Session. #B/E

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

Yours sincerely

D. P. Cuthbert

P.F.

ALEX FLETCHER

(Approved by the Minister but signed in his absence)

DRAFT WRITTEN QUESTION AND ANSWER

Q. TO ASK THE SECRETARY OF STATE FOR TRADE AND INDUSTRY IF HE WILL REPORT PROGRESS ON THE ROLLING PROGRAMME OF REFERENCES OF NATIONALISED INDUSTRIES TO THE MONOPOLIES AND MERGERS COMMISSION UNDER SECTION 11 OF THE COMPETITION ACT 1980

A. During 1984, reports were published on London Transport bus maintenance, the South Wales Electricity Board and the Post Office letter post service. I have received the Commission's report on the Yorkshire Water Authority and the revenue collection systems of four area electricity boards. These will both be published in due course.

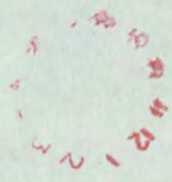
The Commission are currently investigating British Rail property management.

I have concluded that, in the light of the government's proposals for radical reform of the bus industry and the introduction of competition that will result, it would not be appropriate to make the reference of an aspect of public sector bus services in Scotland that was announced as part of this year's programme.

I have also decided in view of the increase in the Post Office's workload caused by the current industrial dispute at the Department of Health and Social Security to defer into 1985 the reference of Post Office counter services that was planned for this year.

Our policy of subjecting the public sector to independent external scrutiny will be carried forward by a full programme of investigations in 1985. An aspect of the British Airports Authority will be referred early in 1985. This will be followed in the course of 1985 by references of aspects of the North of Scotland Hydro-Electric Board, the South of Scotland Electricity Board, the British Steel Corporation and the water industry as well as the postponed reference of Post Office counter services. Details of each reference will be announced as it is made.

NAT IND : Policy Ag



-7 NOV 1984