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MR TURNBULL

8 February 1985

FOLLOW-UP OF MMC REPORTS ON THE NATIONALISED INDUSTRIES

In earlier correspondence on this subject, the Prime Minister commented in favour of follow-up reports by the MMC on nationalised industries' responses to its recommendations.

Norman Tebbit is content with the specific arrangements proposed by Nigel Lawson to secure this follow-up action.

Our one reservation about the proposals is that they allow a period as long as three years for a nationalised industry to report finally on its follow-up action. Allowing six months for an MMC report, three years to respond to it, and possibly a period for a follow-up by the MMC, it could take almost a whole term of office to improve the management performance of a backsliding nationalised industry.

Most MMC recommendations relate to basic, good management practice which a good private sector management would implement quite rapidly. For example, the CEGB was recommended to improve its investment appraisal which was found to be "seriously defective and liable to mislead"; the NCB was recommended to make each pit a business unit; London Transport was recommended to introduce cost accounting into its garages and relate manning levels to measured work requirements.

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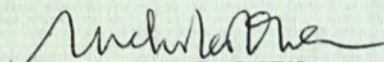


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We recommend that the Prime Minister should ask why nationalised industries should not be expected to report within one year, with a two year maximum.

The correspondence mentions sticks and carrots for the NIs. The stick is clear enough - a published post-audit review by the MMC if progress is not satisfactory. Where is the carrot? Shouldn't the response to MMC recommendations be a factor to be taken into account when considering increases in Board Members' salaries?

  
NICHOLAS OWEN

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