

2

020



Copy 1 of 6

SECRETARY OF STATE FOR ENERGY

THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ
01 211 7214

Rhone
Minister:

Andrew Turnbull Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON SW1

After you

3 May 1985

European Summit
Statement

mt

Dear Andrew,

GAS PRIVATISATION

W 3/5

I attach the text of the Parliamentary statement
which my Secretary of State proposes to make
next Tuesday.

I am sending copies to Rachel Lomax (Treasury)
Martin Hill (Lord Privy Seal's office),
John Mogg (DTI) and Richard Hatfield.

Yours sincerely
Richard Reidy

M F REIDY
Private Secretary



With permission, Mr Speaker, I would like to make a statement about the future of the British gas industry.

Major progress has been made with the Government's privatisation programme. Management and enterprise have been freed from bureaucratic intervention in industries as diverse as aerospace, the ports and cross-Channel services, the oil industry and British telecom.

The Government has
I have decided that the time has come for a further major step in the transfer of state industry to the private sector. I propose to introduce legislation at the earliest opportunity to provide for the transfer to a new private sector company of all the assets of the British Gas Corporation, and for ~~the~~ *appropriate* regulation of monopoly aspects of the gas supply business. Following that legislation the Government intend that the shares in the new company should be sold to those employed in the industry and to the public.

This change, like the earlier ones, will remove state intervention and substitute realistic tests of performance for bureaucratic or political ones. It will create a real ownership by the public and employees in place of the nominal public ownership of the nationalisation statute. It will place new emphasis on efficiency for the benefit of consumers and give employees a new stake in the business.

The legislation will protect the consumer by establishing a regulatory ^{arrangements to} ~~body which will~~ oversee gas prices to the consumer and terms and conditions of supply. The new company will have an appropriate obligation to supply consumers, as has been the case with the British Gas Corporation. The legislation will protect consumers against discrimination and will contain necessary safety provisions, including the obligation on the new company to maintain the emergency services.



The opportunities for greater competition opened up by the Oil and Gas (Enterprise) Act will be maintained and kept under review. In particular it is the Government's intention that competitors should be able to supply not only large industrial consumers but also smaller domestic and commercial consumers in areas not already supplied by BGC, with suitable safeguards for safety.

Outside the ~~regulated~~ ^{able} areas of gas supply, the new company will be ~~free~~ to develop other areas of its business in a competitive environment, subject like any other company to the ~~jurisdiction~~ ^{general framework of} of the Monopolies and Mergers Commission and the Office of Fair Trading. *competitive legislation.*

I intend to provide special opportunities to gas consumers and other small investors to purchase shares, in line with our policy on wider share ownership. All gas consumers will benefit from the emphasis on efficiency which will be built into the regulatory system and from a straightforward system of gas pricing related directly to achieved commercial performance.

In line with practice with previous privatisation;
I propose to make generous provision to enable all who work in the industry to acquire shares and thus to take a new stake in the company's performance and success. There will be new opportunities, as well as new challenges, for management and employees in the new company.

The British gas industry is now nearly two centuries old. It has spent nearly 40 years as a nationalised industry but was developed for a century and a half in the private sector. It has undergone great change in the last two decades with the transition to natural gas, which has linked it to the great expansion of British industry into the North sea. I believe that today's announcement will mark a new and long period of successful development into which the management and all who work in the industry can bring their present talents ~~and advantages~~, and link them with new freedoms in the interests of the nation.