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

7 May 1985

The Rt. Hon. Norman Tebbit MP
Secretary of State for Trade and Industry

Norman

Last May you sent me a report on "The Overseas Role of the Nationalised Industries" (the "Ewbank Report") which had been produced by a Working Party of the British Overseas Trade Board's (BOTB) Overseas Projects Board (OPB). You suggested that our officials, together with the Nationalised Industries' Chairmen's Group (NICG) should consider how its recommendations could be taken forward and arrange for appropriate consultations on them. We agreed that a Steering Group under Treasury chairmanship would undertake the co-ordination of discussions between the Nationalised Industries (NIs) and sponsor Departments. That task has now been completed with the help of your own -- Department and sponsor Departments and I am enclosing, for convenience, a copy of the Steering Group's Report, presenting the outcome of those consultations.

The recommendations contained in the Ewbank Report fell into three main groups:

- (a) the overseas project consultancy activities undertaken by the NIs themselves - where the Ewbank Report favoured collaboration with the private sector rather than competition;
- (b) the NIs' domestic project management policies - where the Ewbank Report argued for more work to be contracted out to private sector contractors in order to improve their track record and increase their ability to bid convincingly for work overseas;
- (c) the NIs' procurement policies - where the Ewbank Report's recommendations were aimed at reconciling the needs of the NIs with the development of products suitable for overseas markets.

All those involved agreed that the most important recommendations are those dealing with the project management issues, and it is clear that more both can and should be done to involve the private sector and delegate larger responsibilities to them. Although the Steering Group's Report is of necessity phrased very diplomatically, it does point to areas in which further progress should be looked for, particularly coal, water, airports and electricity generation, and it provides a useful peg for the further work which needs to be done. Getting the industries to focus on these issues has, I think, been an important gain from the consultation exercise and I hope this effort will be vigorously followed up by sponsor Departments, so that the gains we have achieved so far are not lost. To this end, I think it would be useful if we could aim to review progress in, say, six months' time.

An important lesson which has emerged lies in the very marked differences of perception on many of these issues between the public and private sectors. This



can only serve to damage the prospects for productive collaboration and reduce the overall effectiveness of the UK's export effort. The Government needs to do what it can to bridge these gaps and reduce the potential for misunderstandings. The Steering Group have suggested that wider publication of their Report, including the material on individual industries collected in Volume 2, would help this process and I know that the BOTB and OPB would like to be able to release the Ewbank Report (which is still classified as confidential). While it will not, I think, be necessary to publish either Report formally, I agree that we should now take steps to make both of them available to all those interested, including the NEDO.

As the Steering Group's report makes clear, however, the issues can only be usefully discussed in very specific terms, so we should now aim to see that the individual industries communicate constructively with the private sector interests in their areas. Though it is to a large extent the private sector which must expect to make the running, there is clearly a continuing role for sponsor Departments, and for DTI in its export-promotion role, to see that their overtures are given a proper hearing. As I have said, I attach particular importance to changes in project management in the four industries mentioned in my third paragraph above and here Departments may need to take the initiative.

Although the main focus of the Ewbank Report was on the Nationalised Industries, the issues raised go wider and you will see its recommendations have some bearing on the organisation of Health and Defence projects. The Steering Group did not examine these areas, but I am sending copies to the Secretaries of State for Defence and Social Services (who received copies of the Ewbank Report from you last year) so that the lessons can, if necessary, be applied in these areas too.

I am copying this letter (together with a copy of the report) to the Prime Minister, to the Secretaries of State for Energy, Defence, Scotland, the Environment, Social Services and Transport and to Sir Robert Armstrong.

NIGEL LAWSON

A handwritten signature in dark ink, appearing to read 'Nigel Lawson', with a large, stylized initial 'N' and a long horizontal stroke at the end.

10 MAY 1985





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cc 100

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

5 June 1985

Dear Nigel,

EWBANK REPORT

I have seen a copy of your letter dated 7 May to Norman Tebbit with which you circulated copies of the report of the Treasury led Steering Group which coordinated discussions between the Nationalised Industries and Sponsor Departments on the Ewbank Report. I note that the water industry is identified as one of the industries in which further involvement of the private sector is expected.

Some of the matters raised by the Steering Group are being looked at as we consider the possibility of a measure of privatisation in the water industry. In addition, Ian Gow is discussing with the private and public sectors of the water industry ways of improving water industry exports. In this context he will take forward matters raised by the Steering Group and in doing so will have regard to your request for a progress report in 6 months' time.

A copy of this letter goes to the Prime Minister, to the Secretaries of State for Trade and Industry, Energy, Defence, Scotland, Social Services and Transport to Sir Robert Armstrong.

Yours sincerely
Patrick Jenkin

PATRICK JENKIN

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