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Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Norman Tebbit MP
Secretary of State for Trade and Industry
Department of Trade and Industry
1 - 19 Victoria Street
London
SW1

4 June 1985

NATIONALISED INDUSTRIES MONITORING

I had hoped within the next few days to make my usual quarterly report to colleagues on the financing requirements of nationalised industries as at end March 1985 covering both 1984-85 outturn and prospects for 1985-86. Unfortunately that report will be considerably delayed. As at 29 May, the standard monitoring returns had still not been received in the Treasury for British Steel (1985-86); Post Office (1984-85 and 1985-86); Electricity (England and Wales) (1985-86); British Gas (1985-86); British Airports Authority (1984-85 and 1985-86); British Rail (1984-85) and Water (1985-86).

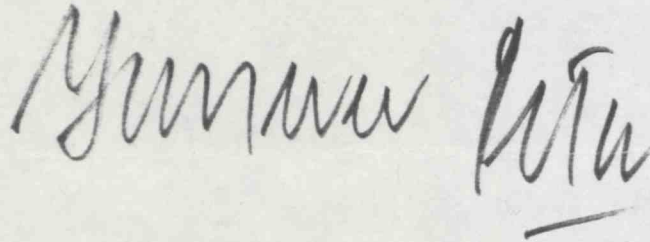
..... As you know, E(NI)(82) 7th Meeting agreed that the deadline for the underlying monitoring returns should be four weeks after the end of the relevant quarter for submissions from industries to sponsoring Departments, with a further two weeks for their transmission, with comments as necessary, from sponsoring Departments to the Treasury. Since then it has been necessary periodically to emphasise to the industries the need for these deadlines to be respected (I attach a copy of the Chancellor's letter of 13 September 1983 to colleagues). Recently, however, the situation has again deteriorated with several industries habitually late. Without timely information our monitoring both of the industries performance and the PSBR becomes markedly less effective.

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I should therefore be grateful if you, and relevant other sponsor Ministers, would make appropriate representations to the Chairman of those of your industries which are failing to meet our collective requirements. I shall circulate my Memorandum and the end March Quarterly Monitoring Report as soon as possible.

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

A handwritten signature in dark ink, appearing to read 'Gumman' followed by a stylized monogram or initials.

PETER REES

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Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

13 September 1983

The Rt. Hon. Cecil Parkinson MP
Secretary of State for Trade and Industry

Ben Carl

NATIONALISED INDUSTRIES BORROWING

A key element in our monitoring of the economy is regular and consistent information about the Public Sector Borrowing Requirement, of which Nationalised Industries' borrowing is a major component. I write to ask your and other sponsor Ministers' help in ensuring that we obtain consistent and timely information from the industries on their borrowing. You will recall that this was a point emphasised in our July Cabinet discussion.

Considerable improvements have been made in monitoring the industries over the last year or so, and I am grateful for the effort that has been put into this area. Central requirements have been streamlined and reduced to the minimum. Some problems remain over consistent outturn data, and the Central Statistical Office will be approaching industries about these.

It is however a constant battle to ensure that returns are filled in promptly and that industries provide realistic estimates of their likely financial requirements. Industries are generally required to submit monitoring returns to sponsor Departments within four weeks of the period to which they relate. The Treasury's deadline for processing the returns is six weeks after the relevant period, which allows two weeks flexibility. Yet, overall, these deadlines are never achieved. A variety of reasons are advanced for failure to provide information. But as long as industries are in the public sector, so that their borrowing enters into the PSBR, they must provide the information we require. It would be very helpful if you and other sponsor Ministers could take a personal interest in ensuring that information is provided on a more timely basis - and that it is so far as possible reliable.

Our PSBR monitoring requires not only information about likely full-year outturn, but also a good indication of the expected profile of borrowing throughout the year. This is the first year that we have managed to establish quarterly profiles for nationalised industry borrowing, and the Quarterly Monitoring Reports to E(NI) will in future regularly compare performance with profile. In fact we have an operational need for timely monthly outturn data and monthly borrowing profiles against which to monitor. However, I recognise that it would be over-ambitious to ask industries to supply these initially. It is sensible first to evaluate the quarterly system before considering whether and when to move on.

As the coming Quarterly Monitoring Report will show, experience in the first quarter was disappointing. The attached table sets out industries' borrowing up



to the end of June 1983 and compares it with profiles. Although many of the profiles were actually prepared while the first quarter was in progress, borrowing in the first quarter turned out to be nearly £500 million below profile. Discrepancies of this order, and the resulting effect on our macro-economic forecasts, clearly make our central task very difficult, and I would be grateful if you could stress to your Chairmen that profiling must be taken seriously.

Industries have been asked to revise their profiles if they consider that changes in underlying circumstances make this appropriate. In the absence of any revision, the assumption will be made that discrepancies in any one quarter will be corrected automatically during the following quarter and that borrowing will return to profile. In cases where this assumption would be wrong, it is important that we are told as soon as possible.

Copies of this letter go to Patrick Jenkin, Peter Walker, George Younger and Tom King. I should be grateful if you and they, and officials in all the Departments concerned, would stress to the industries at every suitable opportunity the importance we attach to timely, consistent information and to profiles. I intend to mention the point when we meet the NICG next month.

NIGEL LAWSON

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DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET

TELEPHONE DIRECT LINE 01-215 5422
SWITCHBOARD 01-215 7877

DW53

Secretary of State for Trade and Industry

20 June 1985

The Rt Hon Peter Rees Esq MP
Chief Secretary to the Treasury
Treasury Chambers
Parliament Street
London
SW1P 3AG

D. Peter.

NATIONALISED INDUSTRIES MONITORING

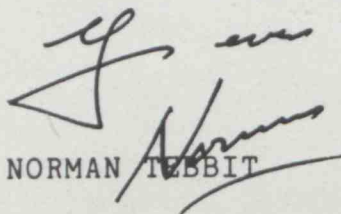
Thank you for your letter of 4 June suggesting an approach to Chairmen of the Nationalised Industries which are failing to comply with Treasury requirements for monitoring returns. I am replying in respect of the Post Office and British Steel.

2. So far as the Post Office is concerned, I should be reluctant to approach Sir Ronald Dearing now on the timing of returns. Officials have recently agreed a new monitoring package with the Post Office which, from the returns due in July, should not only provide improved operational and financial information but also meet the Treasury's requirement both as regards content and timing. In view of this, I would prefer to wait and see how these new arrangements work. If they do not produce the desired results, I will certainly be prepared to approach the Chairman.

3. As to British Steel, I understand that their record of complying with quarterly returns in general has been good over the past few years. However, their planning cycle is such that the required quarterly profile of borrowing for the year ahead cannot be available to meet the Treasury time-table of mid-March.

4. My officials have recently reviewed BSC's planning cycle with them and can see no prospect of persuading the Corporation to alter a practice which meets their planning requirements in every other way.

5. My view is that we would be likely to make better progress if the Treasury were to take up the matter through the Nationalised Industries Chairmen's Group explaining why it is important for industries to meet the Treasury's requirements.


NORMAN TEBBIT

Copies of this letter go to the Prime Minister, other members of E(NI) and to Sir Robert Armstrong

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DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

The Rt Hon Peter Rees QC MP
Chief Secretary to the Treasury
HM Treasury
Parliament Street
LONDON SW1P 3AG

9 July 1985

Dear Peter

NATIONALISED INDUSTRIES MONITORING

Your letter of 4 June to Norman Tebbit recorded that standard monitoring returns had not been received by 29 May for British Rail (1984-85) and British Airports Authority (1985-86).

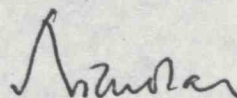
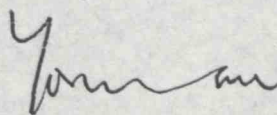
The timing of the year-end returns cause particular problems for both industries, as final figures cannot be determined until the accounts have been audited. The industries quite properly prefer to complete the formal returns only once audited data are available, and inevitably this can cause some delay.

Both industries did however let us have reasonably accurate advance estimates of outturn. These were passed to the Treasury in good time. British Rail's figures for 1984-85 were provided on 16 May, and in the event were almost identical to the final results shown in their end-of-year statement. I understand that your officials are content with these. Outturn estimates for BAA's performance in 1984-85 dealing with the main variables - external finance, capital expenditure, profit and traffic growth - were provided on 8 May, and the figures for 1985-86 were set out in the

Quarterly Profile passed to the Treasury on 18 May. Again, the 1984-85 estimates were close to the actual figures achieved.

In the circumstances I think the industries have met our requirements as well as they can, and that there would be little to be gained from representations to their Chairmen.

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



NICHOLAS RIDLEY



Policy : Nat. Ind.
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2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434
My ref: J/PSO/14547/85

Your ref:

17 June 1985

Dear Peter,

NATIONALISED INDUSTRIES MONITORING

Your letter of 4 June to Norman Tebbit shows the Water Industry among those with information still outstanding. However, I understand that the missing item, the forward forecast for 1985/86, was supplied on 31 May. I do appreciate your concern about timely receipt of monitoring information but I think the water authorities' performance in this respect has been consistently good.

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

Yours ever
Patrick

PATRICK JENKIN

The Rt Hon Peter Rees QC MP

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