



SECRETARY OF STATE FOR ENERGY
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The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

WBM

30 January 1986

Nigel

COMPETITION ACT 1980: SECTION 11 REFERENCES

Leon Brittan's letter of 17^{ar-11ap} January proposed announcing a re-referral of the CEEB as part of the 1986 programme of nationalised industry references.

The electricity industry is somewhat resentful that its federal structure has led to frequent MMC attention. Nonetheless, I accept that the importance and profile of the CEEB is such that there is a case for some aspect of its operations being included in the 1986 programme.

We must, however, avoid any implication that a general re-referral of the CEEB is envisaged, which would imply looking again at some of the investment appraisal problems brought to light by the first study but now so exhaustively tackled in the Sizewell Inquiry. This could have obvious repercussions on the timetable of the rest of the Sizewell Inquiry process and subsequent handling of the Inspector's Report. If we were to contemplate general re-referral that could not be before 1987 at the earliest. I therefore prefer to avoid these difficulties by wording the announcement to refer to "an aspect of the CEEB's operations" rather than a "re-referral". I would then seek to agree a suitable CEEB topic as quickly as possible.

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

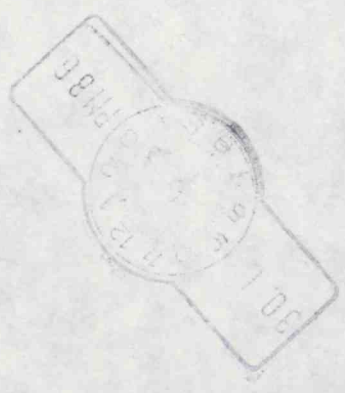
Peter Walker

PETER WALKER

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Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Paul Channon MP
Secretary of State
Department of Trade and Industry
1 - 19 Victoria Street
London
SW1E 6RB

NBM

26 February 1986

Dear Paul,

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

I am writing in reply to Leon Brittan's letter to Nigel Lawson of 17 January. I have also now seen Peter Walker's of 30 January, Kenneth Baker's of 2 February and Nicholas Ridley's of 10 February.

Like you, I was pleased that a full programme of six references was achieved in 1985 and share your view that we should make every effort to consolidate this achievement in 1986 by obtaining a further six references. I am particularly aware that the National Audit Office have included in its programme for this year "an examination to assess the arrangements for identifying topics for references to the MMC, for following up recommendations and establishing whether accepted recommendations have achieved their expected results". It is therefore very important that MMC references are well chosen, kept up and effective.

I am content with your proposals for the 1986 programme. I see no difficulty with Peter Walker's suggestion that the reference to the CEGB in the draft Parliamentary Answer should be amended to "an aspect of the CEGB's operations". But I do not think the potential difficulties he warns of in relation to Sizewell need preclude a more general reference on financial management and I feel strongly that we should work towards such a reference. I would be grateful if my officials could be closely involved in discussing the terms of the reference and its' precise timing.

I do not entirely share Kenneth Baker's view that a reference for the water authorities should be dropped. We are expecting only two or three authorities to be ready for privatisation

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by the end of 1987. I wonder therefore if it might not be possible to choose an authority (e.g. North West) and a top (for example investment appraisal) which would not impinge directly upon the preparation for privatisation?

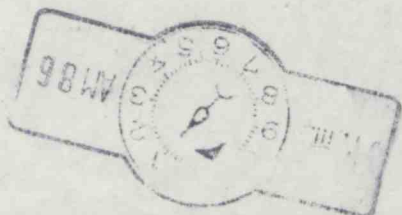
I am therefore content with your proposed Parliamentary Question and Answer.

Yours,

JK

JOHN MacGREGOR

Copies of this letter have been sent to the Prime Minister, members of E(NI) and Sir Robert Armstrong.



cc BGA

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The Rt Hon Paul Channon MP
Secretary of State for Trade & Industry
Department of Trade & Industry
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19 March 1986

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COMPETITION ACT 1980: SECTION II NATIONALISED INDUSTRY REFERENCES TO THE MMC

I have seen John MacGregor's letter of 26 February to you and am glad that he sees no difficulty with my suggestion that the draft Parliamentary Answer should refer to "an aspect of the CEEB's operations". While I note his views on the possibility of working towards a general reference on CEEB financial management, I must reiterate that I could not accept that on this occasion, given (among other things) the high risk that such a reference would cover some of the ground considered by the Sizewell Inspector and therefore complicate the remaining stages of the already long drawn out Inquiry process and the handling of the Report.

The reference I have in mind should however prove to be a fruitful area of scrutiny and will inter alia include some aspects of CEEB financial control. My officials will be discussing the details with yours (and with Treasury officials) in the usual way.

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

el

PETER WALKER

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Secretary of State for Trade and Industry

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8 April 1986

CONFIDENTIAL

The Rt Hon Peter Walker MBE MP
Secretary of State for Energy
Thames House South
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Dear Peter,

NBP7

**COMPETITION ACT 1980 SECTION 11 NATIONALIZED INDUSTRY REFERENCES
TO THE MMC**

Thank you for your letter of 19 March about the inclusion of the CEGB in the 1986 Programme.

As Leon Brittan's letter of 17 January recognised, in proposing a CEGB reference this year we have always accepted the need to take into account the possible impact of an inquiry on the Sizewell issue. While I am, therefore, content to accept your proposed amendment to our draft Parliamentary Answer, my principal concern must be that the terms of reference finally agreed for the inquiry provide the basis for a worthwhile investigation by the MMC and accommodate the Treasury's concerns as far as is feasible. I am, therefore, reassured by your commitment to include some aspects of CEGB financial control in the terms of reference.

I hope that we will be able to agree the terms of reference for the CEGB inquiry soon, and with this in mind, I am asking my officials to begin the necessary discussions with your Department and others.

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

Yours,
PAUL CHANNON

Paul

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