

CABINET

MINISTERIAL COMMITTEE ON ECONOMIC STRATEGY

MINUTES of a Meeting held in the Prime Minister's Room, House of Commons on THURSDAY 2 APRIL 1981 at 11.15 am

PRESENT

The Rt Hon Margaret Thatcher MP
Prime Minister

The Rt Hon William Whitelaw MP
Secretary of State for the
Home Department

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer

The Rt Hon Sir Keith Joseph MP
Secretary of State for Industry

The Rt Hon Lord Soames
Lord President of the Council

The Rt Hon James Prior MP
Secretary of State for Employment

The Rt Hon Michael Heseltine MP
Secretary of State for the
Environment

The Rt Hon John Biffen MP
Secretary of State for Trade

The Rt Hon David Howell MP
Secretary of State for Energy

The Rt Hon Leon Brittan QC MP
Chief Secretary, Treasury

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon George Younger MP
Secretary of State for Scotland

Mr Wyn Roberts MP
Parliamentary Under-Secretary of
State, Welsh Office

Mr J R Ibbs
Central Policy Review Staff

SECRETARIAT

Sir Robert Armstrong
Mr P Le Cheminant
Mr D J L Moore

SUBJECT

THE WATER INDUSTRY: STRUCTURAL CHANGE

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The Committee considered a memorandum by the Secretary of State for the Environment (E(81) 37) on the National Water Council (NWC) and the regional water authorities in England and Wales.

THE SECRETARY OF STATE FOR THE ENVIRONMENT said that the Water Act 1973 had created 10 regional water authorities in England and Wales and the NWC, which had an advisory, co-ordinating and common service role. He recommended that, as soon as the necessary legislation could be introduced, the NWC should be abolished and, subject to further consultations with the industry, a statutory group of the chairmen of the water authorities set up to take over the NWC's co-ordinating functions insofar as they needed to be continued. Pay negotiations could be conducted by the Chairmen's group, or they might be put on a regional basis. Powers should be taken to enable the water authorities and companies to promote exports; and suitable arrangements should be made for the discharge of the NWC's other functions. Under these arrangements it should be possible to carry out the functions at present discharged by the NWC just as effectively, and to achieve a substantial reduction in the staff of about 400 now employed on these duties, with savings of at least £1 million a year. It would be possible to use the legislation to abolish the requirement in the Water Act 1973 on water authorities to have a majority of their members nominated by local authorities; this had led to large and unwieldy water authorities with membership ranging from 16 to 62, and there was a good case for moving to smaller, executive type boards wholly appointed by Ministers. He had reluctantly concluded, however, that this change should not be made: it would be strongly criticised by the local authorities, who were concerned that the regional water authorities should be fully accountable, and it would lead to pressure to introduce statutory consumer councils for each water authority area. If the Committee approved his recommendations, he would put proposals to The Queen's Speeches and Future Legislation Committee (QL) for the inclusion of the necessary legislative provisions in the 1981-82 Session. He would make an early announcement of the intention to abolish the NWC, subject to legislation as soon as practicable, and he would consult further with the other Ministers concerned and with the water industry and other interests on the detailed arrangements.

THE PARLIAMENTARY UNDER-SECRETARY OF STATE, WELSH OFFICE said that he had no objection to the abolition of the NWC provided that the proposed Chairmen's group was constituted in such a way that it was not dominated by particular regional interests. He was doubtful about the idea of separate regional pay negotiations which ran the risks of inviting leap-frogging and of the unions playing off one authority against another. He was not convinced by the arguments against removing the local authority members from the regional water authorities; they held 20 out of the 34 seats on the Welsh water authority, and he would wish to consider further the possibilities for moving to a more compact, management body with local authority members at divisional rather than regional level.

In discussion the following were the main points made -

- a. It was agreed that the NWC's central training functions, on which they currently employed 215 people, could better be carried out locally. It might be possible to get the private sector to take over the NWC's responsibility for superannuation arrangements on which they employed 70 staff. Responsibility for testing water fittings could be transferred elsewhere.
- b. The possibility of breaking up the present national basis for pay negotiations into regional arrangements should be pursued in the course of the further consultations.
- c. The Department of Trade were currently reviewing with other Departments the arrangements for the consumer councils dealing with the nationalised industries, and the possibility of grouping some of them together. If such revised arrangements were to cover the water industry, as had been proposed, it might then be easier to press the case for abolishing local authority membership of the regional water authorities. Even without such changes, further thought should be given to the possibilities for reducing the numbers of local authority representatives on the water authorities so as to make them less unwieldy.

d. It might be that the performance of some of the private sector water companies offered lessons which should be taken into account in changing the public sector arrangements. The Department of the Environment had, however, no convincing evidence that the private sector companies were more efficient than the public sector; comparisons could be misleading because the private sector companies were responsible for the supply of water only, while the public sector authorities dealt also with sewerage, land drainage, and recreation and amenity services.

THE PRIME MINISTER, summing up the discussion, said that the Committee agreed that the NWC should be abolished and its present functions redistributed, as proposed by the Secretary of State for the Environment, with the aim of achieving substantial savings in the 400 staff employed at present. In consultation with the Secretary of State for Wales, the Secretary of State for the Environment should urge the regional water authorities to consider the case for putting their pay negotiations on to a regional basis. He should discuss further with the Secretary of State for Wales the possibilities for reducing, or abolishing, local authority representation on regional water authorities and, in doing so, should take account of the implications of any changes in the present arrangements for consumer councils. The Committee had noted that there might be difficulties in finding time for the necessary legislation in the 1981-82 Session, but that would be a question for consideration by QL Committee.

The Committee -

1. Approved the recommendations in paragraph 15 of E(81) 37.
2. Invited the Secretaries of State for the Environment and for Wales to be guided, in their further consideration of the basis for pay negotiations in the water industry and of the membership of the regional water authorities, by the Prime Minister's summing up of their discussion.

Cabinet Office

3 April 1981