010

V202

✓ NO

Yes. but terms of reference are still very wide ✓

Prime Minister ①

Agree* this Review, as proposed?

* subject to colleagues

MCS 22/7

CONFIDENTIAL

PRIME MINISTER

REVIEW OF ECGD's STATUS

1 This minute is to seek your agreement to the establishment of a small independent committee to review the organisation and functions of the Export Credits Guarantee Department. You may recall that Arthur Cockfield's letter of 1 November 1982 to Geoffrey Howe on the privatisation exercise included this proposal.

2 The case for a review of ECGD's status is strong. ECGD's status as a Government Department is unusual. Its operations are predominantly commercial, and in fulfilling its remit of encouraging trade, it insured over £19 billion of UK exports in 1982 alone. Its status has not been reviewed since 1972, since when the scope and scale of its operations has increased dramatically. The CBI, in a recent report on ECGD, recommended that its status be reviewed, and the Chairmen of the Export Credit Advisory Council, the British Overseas Trade Board, and the Overseas Projects Board agree. The scope for greater private sector input in this area also fits in well with our general policy on privatisation. For all these reasons, both Cecil Parkinson and I think the case for a review is timely. However, let me emphasize that we should not pre-judge its outcome. ECGD has weathered the current international debt crisis (Poland, Iran, Latin America etc) remarkably well to date and has continued to operate at no net cost to public funds while supporting increasing amounts of exports in risky markets. It has performed much better than most of the export credit agencies in other major countries

3 Treasury Ministers agree that the form of enquiry which will best command public confidence would be a small independent committee of outsiders. I propose that the Chairman should be Sir Peter Matthews, Chairman of Vickers and of course a prominent exporter. He would be supported by representatives of the banking and the private insurance sector. The two names I have in mind are Mr P E Leslie, Director and General Manager of Barclays Bank International, and Mr K N Bevins, Director of the Royal Insurance Company, and former (1975-80) part-time Chairman of Trade Indemnity Company which is ECGD's largest private sector "competitor". I attach the relevant c.vs. Nigel Lawson is happy with these names.

CONFIDENTIAL

4 The terms of reference for the Committee should concentrate fairly narrowly on the question of ECGD's status rather than review once more the more general issues of ECGD's services. This has been done on several occasions in the last couple of years, notably by the statutory Export Guarantees Advisory Council under Malcolm Wilcox in 1981. I therefore suggest that the terms of reference should be as proposed in the annex to this minute.

5 On timing, subject to your views and those of colleagues to whom I am copying this minute, I hope that we could be in a position to launch the review before the Summer Recess. The Committee could then invite evidence from the main industrial banking and insurance Associations directly concerned, as well as taking evidence from Departments at official level. I would then hope that the Committee might be in a position to complete its report within about 6 months - I understand that Sir Peter Matthews thinks this timescale feasible. I would intend that the main recommendations of the Committee's report then be published, although we may prefer not to publish the report in full.

6 I should therefore be grateful for your agreement to launch this Review.

7 I am copying this minute to the Chancellor and to Sir Robert Armstrong, who have both been consulted earlier on this proposal, and also to members of E(A), to Geoffrey Howe and Michael Heseltine.

P.C

PAUL CHANNON
22 July 1983

They are very wide - is that the intention?

REIVEW OF ECGD'S STATUS

Proposed Terms of Reference

To review ECGD's structure and functions, and its present status as a Government Department, taking into account in particular:-

(i) the importance to UK exporters of the quality of the credit insurance and financing facilities provided by ECGD, compared with those available to their competitors;

(ii) the taxpayers' interest in containing the actual and potential costs of ECGD's operations;

(iii) the possibility of devolving any functions to the private sector or collaborating with the private sector in carrying them out.

KENNETH MILTON BEVINS, CBE, TD

Director, Royal Insurance Company Limited since 1970
British Aerospace, plc since 1981

Born: 2 November 1918

Secretary, Royal Insurance Company Limited, 1957
General Manager, 1963, Deputy Chief General Manager, 1966,
Chief General Manager, 1970-80

Director, Trade Indemnity Company Limited, 1970-80
(Chairman, 1975-80)

Mutual and Federal insurance Company Limited, 1971-80

Director, Fire Protection Association, 1963-77

Member, Joint Fire Research Organisation Steering Committee, 1966-68

Home Secretary's Standing Committee on Crime Prevention, 1967-73

Executive Committee, City Communications Centre, 1976-80

Board, British Aerospace, 1980-81

Chairman, British Insurance Association, 1971-73
(Deputy Chairman, 1967-71).

Age: 64

SIR PETER ALEC MATTHEWS, AO

Chairman, Vickers Limited since 1980
(Managing Director, 1970-79)

Pegler-Hattersley Limited, since 1979
(Director since 1977)

Director, Lloyds Bank since 1974
(Chairman, Central London Regional Board, 1978)

British Electric Traction Company Limited since 1976

Sun Alliance and London Insurance since 1979

Lead Industries Group since 1980

Born: 21 September 1922

Joined Stewarts & Lloyds Limited, 1946

Director of Research and Technical Development, 1962

Member, for Research and Development, BSC, 1968-70
(Deputy Chairman, 1973-76)

Member, British Overseas Trade Board, 1973-78

Export Guarantees Advisory Council, 1973-78

NRDC, 1974-80

Engineering Industries Council, 1976-
(Chairman, 1980)

continued 2

Advisory Council for Applied Research and Development, 1976-80

Senior Deputy President, Engineering Employers' Federation, 1981

Chairman, Council, University College, London, 1980-

CBIM, FRSA

Age: 60

Prime Minister

I know Mr Leslie. He is an able man. He would have to give up a lot of his Bank work for 6 months to do this effectively.

MCS 22/7

PETER EVELYN LESLIE

Director, Barclays Bank plc

Director and Senior General Manager, Barclays Bank International Ltd

Director, Barclays International Holdings Ltd

Director, Eagle Leasing Ltd

Joined Barclays Bank DCO in 1955; served in the Sudan, East Africa, Israel, Algeria, Zaire, Kenya, the Bahamas.

Returned to the UK in 1971 as Assistant General Manager in Barclays Bank International Ltd. Became General Manager in charge of planning and marketing for Barclays Bank International and Barclays Bank Ltd in 1973.

Became General Manager of Barclays Group Finance in 1973. Became General Manager of Barclays Bank International in charge of European operations in 1977.

Member, City Capital Markets Committee, 1974-77.
Appointed to Executive Committee of the British Bankers' Association, 1973 (Chairman 1978-79).

Member, Export Guarantees Advisory Council, 1978-81.

Date of Birth: 24 March 1931

Age: 52.

22 JUL 1983

V316

Prime Minister (2)

You asked why the terms of reference of the ECGD Review were so wide.

MES 26/7

DEPARTMENT OF TRADE
1 VICTORIA STREET
LONDON SW1H 0ET
TELEPHONE DIRECT LINE 01 215 5144
SWITCHBOARD 01 215 7877

From the Minister for Trade

Michael Scholar Esq
Private Secretary to the Prime Minister
10 Downing Street
London SW1

26th July 1983

Dear Michael,

REVIEW OF ECGD's STATUS

My Minister minuted the Prime Minister on July 22 with MCS? suggesting that we set up an independent enquiry to review ECGD's status. You told me yesterday that the Prime Minister had asked whether the proposed terms of reference were not too wide, and for some explanation of the thinking that lay behind them.

The terms of reference are drafted to cover two main points. First, could ECGD do its job better if its status were changed (eg into a public corporation)? Although two post-war enquiries have on balance favoured retention of Departmental status, ECGD's functions have expanded considerably since the last review in 1972 and the balance may have altered. Secondly, is there now scope for privatising some of the functions, currently carried out by ECGD - eg the possibility for further collaboration with the small but slowly growing private insurance sector? To answer both these questions, Mr Channon believes the terms of reference should enable the Committee to consider not only ECGD's present structure and status, but also the functions which the Department should or should not be expected to continue to perform. However we would intend that the Committee would only look at functions in broad terms, and not go into the details of each of ECGD's facilities, which have as Mr Channon noted, been considered on several occasions in the last couple of years, most recently by the CBI. The references to the taxpayers' interests and to the quality of service to UK exporters were included after discussion with the Treasury, and are designed to establish the general background against which the Committee should work, and in particular to guard against any recommendations favouring greater subsidies for exports.

Finally, I should perhaps add that Mr Rees, when Minister for Trade, discussed in general terms with Sir Peter Matthews, the sort of enquiry which we intended and the proposed terms of reference. Should the Prime Minister agree to this review being launched, Mr Channon would in turn intend to keep in close touch with Sir Peter Matthews to ensure that the review does not range too widely.

I am copying this letter to the Private Secretaries to members of E(A), the Foreign Secretary, the Secretary of State for Defence and Sir Robert Armstrong.

Yours Sincerely,

Jonathan Rees

JONATHAN REES
Private Secretary to the
Minister for Trade (PAUL CHANNON)

26 JUL [illegible]

CONFIDENTIAL

file DA

cc Nick Owen

10 DOWNING STREET

From the Private Secretary

29 July 1983

Dear Jonathan,

Review of ECGD's Status

The Prime Minister has seen your Secretary of State's minute of 22 July, and your letter to me of 26 July, about the proposed review of the organisation and functions of the Export Credits Guarantee Department.

The Prime Minister agrees to the setting up of this review, as proposed.

I am sending copies of this letter to the Private Secretaries to the members of E(A), Brian Fall (Foreign and Commonwealth Office), Richard Mottram (Ministry of Defence) and Richard Hatfield (Cabinet Office).

Yours sincerely,

Michael Scholar

Jonathan Rees, Esq.,
Office of the Minister for Trade.

CONFIDENTIAL

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH

From the Minister

NBPM
MWS27/9

CONFIDENTIAL

The Rt Hon Paul Channon MP
Minister for Trade
Department of Trade and Industry
1 Victoria Street
London SW1H OET

29 July 1983

Dear Paul

REVIEW OF ECGD'S STATUS

Thank you for sending me a copy of your minute of 22 July to the Prime Minister.

with mcs?

I have no points to make on the proposal to hold a review or on the proposed members of the Committee.

Food and agricultural exports have increased in recent years and there have been criticisms from exporters of some of these products that ECGD has not been ready to go far enough to match the terms available to their overseas competitors. I regard this as an extremely important consideration and I am glad to see that it is given prominence in the suggested terms of reference.

I also hope it can be accepted that the Committee will invite evidence from the trade associations which represent the exporters of food and agricultural products as well as those representing industrial exporters.

I am copying this letter to the Prime Minister and other members of E(A), Geoffrey Howe, Michael Heseltine and Sir Robert Armstrong.

Sincerely
Michael

MICHAEL JOPLING

29 JUL 1983

DEPARTMENT OF TRADE 1 VICTORIA STREET LONDON SW1H OET Telephone 01-215 7877

cc PS/All Ministers
PS/Secretary
PS/Secretary, ECGD
Mr Gray
Mr Caines
Mr P A R Brown
Mr Knighton
Miss Lackey, WEG
Mr Blanks, CAP
Mr Bryne, MAR
Mr Eagers, CS
Mr Reid, C
Mr Davis, Pats
Mr Burbridge, OT 3
Mr Mason, WEG
Mr Berry, WEG (with papers

R-G-COP

From the Secretary of State

CONFIDENTIAL

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
HM Treasury
Treasury Chambers
Parliament Street
London
SW1P 3AG

(November 1982

Dear Geoffrey

PRIVATISATION

My colleagues and I have carried out a thorough review of my Department's activities to see what can be transferred to the private sector. I have also reviewed the possibility of abandoning some activities altogether.

I see scope for substantial advance in three areas: British Airways; airports; and export credit insurance.

We have already agreed to privatise British Airways and announced our decision. Enabling legislation - the Civil Aviation Act 1980 - has been passed; I shall shortly put proposals to E(NI) on the necessary capital restructuring, which would require a short Bill; we shall then have to take decisions on the timing of flotation.

On airports, our objective is clear: to minimise Government involvement in their ownership and operation.

I aim to dispose of some or all of the Civil Aviation Authority's aerodromes in the Highlands and Islands of Scotland (with a continuing Scottish Office grant) to the airlines who use them. One or two disposals of this kind may be possible before the Election.

CONFIDENTIAL

From the Secretary of State

We have agreed that we cannot privatise the British Airports Authority's airports in the short-term because of the uncertainties arising from the current litigation by airlines and, to a lesser extent, the public inquiries into the expansion of the South East airports. But we are actively investigating the scope for introducing private sector finance into the Authority's investment programme, starting in this Parliament.

The Authority's airports are, however, clear candidates for privatisation in the next Parliament. This will raise a series of problems, which we have already started to work our way through. We are also looking at the future ownership of local authority airports in connection with Michael Heseltine's exercise on the metropolitan authorities, and considering whether local government should be in the airport business at all.

ECGD provides, in the field of export credits, an insurance and financing service. Although the latter is now largely privatised in the sense of the banks serving exporters with all the funds needed (other than interest rate subsidy) under simple ECGD guarantees, the private sector has developed very little in the way of competitive or supplementary export insurance facilities. Governments cannot escape involvement in the political risks of such insurance; but there should be scope for devolving some of ECGD's operations on the United Kingdom private sector. Also, in contrast to independent enquiries in the mid-50s and early-70s, an E & AD Departmental "efficiency audit" favours ECGD changing from Departmental to public corporation status. These findings are due to come before the PAC shortly. A recently-published CBI report has made similar recommendations.

We shall therefore be undertaking a fundamental review of ECGD's future organisation and functions, which will cover the scope for privatisation. But if substantive changes appeared possible legislation would be needed and implementation would then have to be left to the next Parliament.

In addition to these three major areas, our review has identified several other functions which might be discontinued or substantially devolved to the private sector. Individually they are minor - even very minor - variants on the privatisation theme, whether judged in terms of staff or of expenditure, but collectively they offer promise of a useful slimming down of the scope of the Department's activities. The areas where I am looking for progress, in most cases starting in this Parliament, are:-

- discontinuing film industry controls as rapidly as political considerations allow;

- further reducing our involvement in seamen's conditions of service;

- further devolvement of ship surveys and marine equipment approval to classification societies;

- further devolvement of the actual setting and conduct of seafarers' examinations;

- devolving from the Companies Registration Office the issue of copies of company documents after they have been registered;

- devolving from the Patent Office the publication and distribution of patent specifications;

- devolving to private sector bodies (eg Chambers of Commerce) the administration of the British Overseas Trade Board's Outward Mission Scheme, which organises overseas visits for groups of businessmen to seek export opportunities: and

From the Secretary of State

CONFIDENTIAL

- an expansion of the revenue earning activities of the Simplification of Trade Procedures Board (SITPRO) leading, perhaps three years hence, to its conversion to a private sector body operating on an essentially commercial basis.

I would take this opportunity to mention one other possible candidate for privatisation, namely the Meteorological Office. This falls within John Nott's responsibility but the industries for which I am responsible pay a substantial part of the cost. The industry's principal representative body, the British Civil Aviation Standing Conference (BCASC), has suggested that some or all of the Met Office's activities could be transferred to the private sector. BCASC believe that market pressures would increase the Met Office's cost-effectiveness and accountability to its customers. I have written to John Nott expressing the hope that as the Minister responsible he will take the same view.

I am sending a copy of this letter to the Prime Minister, to the other members of E(DL), to John Nott and George Younger, and to Sir Robert Armstrong.

Yours,

Arthur.

LORD COCKFIELD

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