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EXPORT CREDITS GUARANTEE DEPARTMENT

Peter Rees's paper points out that the cash deficit of ECGD will increase to £2 billion by 1990, with an annual addition to PSBR of some £300 million per annum. More pessimistic figures for developing countries would double the deficit.

Norman Tebbit supports the outcome of the recent management review, with two exceptions:

1. He does not agree with establishing a Board, but suggests recruiting two Under Secretaries from the private sector. This latter is a good suggestion, but is not a Board also needed to provide the guidance the department requires and to eliminate the "vacuum at the top" from which the department, according to the management review, suffers?

2. He suggests that information technology and improved working methods should be sought over four years and not two. This seems too long for a business in trouble, like ECGD.

We welcome the changes in rates on new business and the steps being taken to keep the future of less profitable business under review.

But we urge that:

a. The "vacuum at the top" should be addressed.

b. The reorganisation should be tackled with greater urgency. The business is, on a commercial basis, insolvent, and its bankers need not be too indulgent. Careful monitoring will be needed to see that the new business, which is expected to be profitable, realises this expectation. A banker would, as a minimum, put the business into "intensive care", with quarterly reporting, as an alternative to receivership.

The Treasury were rightly critical of the Bank of England's supervision of JMB. This is a case where bigger sums are at stake and management and its reporting system suspect. The Comptroller & Auditor General has qualified the accounts. The Treasury now has a chance to show its mettle and steer this problem business off the rocks.

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