



with the Secretary
de Lyden

Ann Amis

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You will want to
see other Ministers'
comments on the
proposal at X.

no

PRIME MINISTER

PUBLIC PARTICIPATION IN BRITISH GAS

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I have seen a copy of the Secretary of State for Industry's minute to you of 26 June reporting the discussion in E(DL) on the possibility of obtaining a contribution from the British Gas Corporation towards the target for public sector disposals.

In this context you may be interested to learn of the very interesting Monopolies and Mergers Commission Report on the Supply of Certain Domestic Gas Appliances, which is due to be published shortly. The monopoly enjoyed by the British Gas Corporation in cookers, space heaters and water heaters was found to operate against the public interest, and the more radical of the Report's main alternative recommendations is that BGC should cease to retail these gas appliances. If that were acted on it would probably mean that they would leave retailing altogether and probably divest themselves of a good many of their retail gas appliance outlets.

The Government have yet to decide on action on the Report's findings. The Commission's recommendations will be controversial; and there can be expected to be public debate on them. But, subject to the necessary consultations, both Sally Oppenheim and I tend to favour the recommendation that the BGC should leave retailing. True, the mechanics of any transfer have still to be worked out, and it is unlikely to be an immediate step. It would probably need to be phased. But, over a period, it would allow private sector outlets to expand their operations with a concomitant reduction in the number of BGC outlets. To the extent that these outlets were sold, there could be a worthwhile reduction to the PSBR.

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I am copying this minute to Members of E, E(DL) and to Sir Robert Armstrong.

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1 Victoria Street
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JN

14 July 1980



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