

PRIME MINISTER

cc Mr Gow

Gas Appliances' Statement

Mrs. Oppenheim had a tough time in the House this afternoon. I attach a copy of her statement.

In what seemed to be a co-ordinated campaign, the Opposition benches came close to howling her down on at least two occasions during the statement itself. John Smith then laid into the substance of the decision, claiming that it was part of a vendetta against BGC which included the disposal instruction on Wytch farm, that the abandonment of the retailing role would be disastrous in safety terms, and that vast numbers of school leavers jobs would be jeopardised. He described her statement as a remarkable humiliation for the Secretary of State for Energy ("especially considering the Minister from whom it was delivered"). He warned of the risk of industrial action, and declared that his Party would seek to reverse the decision as soon as they had the power to do so.

In reply, Mrs. Oppenheim said that it was not a Party political issue. A Labour Government had referred the matter to the MMC. Would Labour had done nothing on the report if it had been received when they were in power? Mr. Smith's statement had been designed to inflame the situation.

From the Government backbenches, Anthony Grant, Nigel Forman, and Trevor Skeet joined in helpfully, whilst Arthur Palmer, David Penhaligon and Terry Davis attacked the decision. Arthur Lewis spoke of the alienation of traditionally moderate unions. Tom Ellis asked why the BGC could not stay in the business in competition with the private sector.

John Wilkinson, declaring his interest as a consultant to the representative body for private sector manufacturers, said that many people were unhappy with a salami tactics approach to denationalisation. It would be preferable for BGC to be allowed to raise equity capital on the market. There had been heavy

/investment

investment in recent years by the appliance manufacturers. This decision would lead to serious dangers of significant import penetration. (The import penetration point was frequently audible in the Opposition interruptions throughout the statement.) Mrs. Oppenheim said that Mr. Wilkinson under-estimated the strength of the industry. Bob Brown declaring his interest on behalf of the GMWU asked whether the Government could implement the changes without legislation. Tim Eggar sought confirmation that BGC would be expected to comply with this decision based on an MMC recommendation, in the same way as would be expected by any private sector company which was the subject of an MMC report.

In the closing round, John Smith returned to the question of legislation. Was it required, and if so when would it be introduced? Mrs. Oppenheim said that she would not anticipate the next Queen's Speech, and that consultations between Mr. Howell and Sir Denis Rooke had already started. There followed a series of bogus points of order from the Opposition side. I should perhaps record Arthur Lewis' point, that the broad content of the statement had been pretty thoroughly leaked over about three weeks and yet the Government Minister concerned chose to come and make the statement on a Supply Day. Since it appeared that the decision had been reached some time ago, could not the Government be a little more courteous in its choice of timing for this kind of statement.

MAJ

8 July 1981

MMC REPORT ON GAS APPLIANCES: STATEMENT

With permission, Mr Speaker, I should like to make a statement on the action which the Government has decided to take following the report on the Monopolies and Mergers Commission on the supply of certain domestic gas appliances, published last year.

I told the House on 17 June of the public interest findings made by the Commission in their report.

They considered that the British Gas Corporation's monopoly had acted against the public interest by restricting competition in the retailing of appliances.

This had limited the number of independent outlets, suppressed competition, and possibly had increased prices.

They also considered that the manufacturers' over-dependence on BGC had indirectly led to poor export performance on the part of the manufacturers, reduced incentives to improve efficiency and depressed investment; and that this was against the public interest.

I told the House on 17 June of the options put forward in the MMC report.

The Government has considered these, and others, with great care, bearing in mind that the Government's objective and first responsibility must be to respond to and remedy the adverse findings in the Commission's report in a way consistent with the need to give consumers wider choice, better service, safety, availability and convenience, and at the same time to minimise as far as possible any adverse effects of any changes on our own manufacturing industry and the employees of the British Gas Corporation; and I should like on this occasion to repeat the statement which I made in the House on 17 June that no solution that failed to maintain safety, at least at its present level, that generally inconvenienced consumers, or that was seriously damaging to manufacturers, would be acceptable to the Government.

Having considered carefully and consulted widely, the Government has concluded that in order to remedy the adverse effects identified by the Commission the BGC should withdraw from its current retailing operations but that the timetable of three years in the MMC's first option is too compressed a period.

The Government has decided therefore that the Corporation should be required to cease retailing domestic gas appliances and to dispose of their showrooms over a five year period.

This would be a carefully structured and phased programme of withdrawal, with the Corporation being required to dispose of half their showrooms within two years, a further quarter in the following year, and the remaining quarter in the final two years.

The Government will, if necessary, introduce legislation to give effect to this decision.

As a counterpart to these steps, the Government is also considering measures under the Fair Trading Act to counteract certain adverse effects of the gas appliance manufacturers' monopolies identified by the Commission.

The Government is clearly concerned to minimise the impact of its decision on employment.

In this context I must stress that the Government is not proposing to curtail British Gas's servicing and installation activities.

The decision will therefore only have a direct bearing on those who are employed in appliance retailing, mainly in British Gas's showrooms.

The Government would wish British Gas to maintain some customer contact points and since they have stated that 80 per cent of showroom staff's time is spent on activities other than retailing the number of jobs which could be affected should be minimised.

Nevertheless, the Government recognises that concerns about employment

are deeply felt by Gas Corporation employees although, in the Government's view, these fears are largely unfounded.

The Government will consult British Gas and their unions closely at all stages about the detailed implementation of these decisions so that the impact on employment prospects can be minimised.

The Government is well aware that a change of the kind it has decided upon will represent a radical move away from the gas appliance market as we know it today.

But the Government would not have reached the decision which it has reached if it did not believe it to be right, justified and necessary, and a measure essential to the enhancement of competition in the public interest.

We believe also that as this sector evolves away from its present monopoly dominated structure there will be positive benefits alike to the consumer and to gas appliance manufacturers, as competition between retailers develops to meet consumer needs and satisfy consumer demand, providing, as enhanced competition always does, wider choice and better service.