



PRIME MINISTER

MMC REPORT ON GAS APPLIANCES

I have seen Sally Oppenheim's letter to you of 28 September, and Francis Pym's of 1 October.

You will recall that Cabinet agreed on 24 September that the gas legislation in the next Session should not cover gas safety and that our plans for BGC to cease appliance retailing and dispose of their showrooms would therefore have to be postponed. Sally is worried that the Government will be criticised for delaying action on the MMC Report and she has suggested that my Department should consider whether adequate safety measures could be introduced without recourse to primary legislation. I have considered whether this might be possible but am satisfied that primary legislation cannot be avoided.

The crux of the matter is the standard of servicing, repair and installation. Although BGC would not be directed to forgo installation and servicing, they would expect to lose work to private firms. We have to ensure that all such firms maintain the safety standards at present maintained by BGC. Otherwise we would not be able to honour the assurances which Sally has rightly given that we will not allow safety levels to be reduced. After

After wide consultations the remedy favoured by my Department is to set up a new safety body with statutory powers to license gas installers. This would replace the present voluntary and far from comprehensive system operated by the Confederation for the Registration of Gas Installers (CORGI). Once this body was established it would be a criminal offence for any company or individual to undertake gas installation and servicing work for reward unless licensed to do so. There would be a power of entry to inspect work carried out by licensees and, where necessary, to disconnect appliances. Fees would be charged for the issue of licences and there would be a right of appeal against refusal of a licence.

All this would of course require primary legislation. The only way to shorten that legislation would be to dispense with a statutory body and



operate the new system from this Department. However, this would require more than 100 additional posts, which certainly could not be met from within our manpower ceilings, and I am not sure that it would be as good a demonstration of our concern for safety. What is more, primary legislation would still be needed to give me the necessary powers to operate the licensing system, charge fees, obtain entry to premises and deal with appeals. I am advised that the existing safety provisions in the 1972 Gas Act are not wide enough to cover all this. Whichever route we adopted, the work needed prior to introduction to define the necessary powers and procedures would take up much the same amount of time.

I recognise Sally's concern and I have no doubt that we must take effective action to deal with BGC's monopoly in appliance retailing. But <sup>Equally</sup> I have no doubt that we were right to decide that our first priority, in terms of gas legislation in the coming Session, must be to break the overall gas monopoly/monopsony that lies at the heart of the BGC problem. At the same time, we will be taking general powers of disposal which will enable us to privatise BGC's valuable offshore oil business without further delay, as well as to deal with the showrooms, as originally planned, as soon as the necessary safety legislation is in place - unless in the meantime of course, we have been able to devise some less contentious but equally effective means of dealing with BGC's retailing monopoly. I am sure that politically as well as economically this is the right way to proceed.

I am copying this minute to Cabinet colleagues as well as to the Minister for Consumer Affairs.

A handwritten signature in dark ink, appearing to be 'XR' with a horizontal line underneath.

SECRETARY OF STATE FOR ENERGY

6 October 1981