

NATIONALISED INDUSTRIES POLICY GROUP

Minutes of the meeting held on the  
5th May, 1977, at the House of  
Commons.

Present: The Hon. Nicholas Ridley, MP (Chairman)  
The Rt. Hon. Maurice Macmillan, MP  
Norman Lamont, MP  
Peter Rees, MP  
David Alexander  
John Wood

Adam Ridley  
Nicholas True (Secretary)

Apologies: The Rt. Hon. Sir John Eden, MP  
Paul Channon, MP  
The Rt. Hon. Sir Keith Joseph, MP  
Peter Tapsell, MP  
Sir George Young, MP

1. The Chairman introduced the revised report of the Group. Suggestions had been made that further work could be done on target rates of return, ministerial responsibility and investment control.

His intention was to prepare a further revised paper for Shadow by mid-summer after completing all necessary consultations.

2. The Chairman adhered to the principle that a target rate of return should be constant for all nationalised enterprises and that the enterprises' nominal capital should be adjusted to produce the required annual capital return. A fixed rate of return would enable new capital borrowed to be subjected to the same rate of return demand.

It was remarked that present targets tended to be too soft because of the undervaluation of assets. Replacement cost assessments could be applicable for certain industries.

3. It was recognised that a degree of political control over investment policies was necessary to counteract the tendency of certain monopolies to excessive spending programmes. To help management of public expenditure some discipline was required over the industries' recourse to external finance.

A target rate of return would therefore need to be complemented by a ceiling on capital employed and a collar on access to external funds.

The industries' test discount rate should be the same as the target rate of return.

4. There was a discussion of the varying methods of disposing of public sector assets discussed in the report.

Nicholas True  
Secretary