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My ref:

Your ref:

31 July 1986

*Dear Richard*

*Norm*

Thank you for your letter of 15 July about privatisation and quangos, and for your letter of 25 June to John Patten, concerning particular reservations you have about the consumer consultation arrangements we propose for a privatised water industry.

I certainly agree that our arrangements should be cost-effective and defensible, but there are also a number of reasons why in this particular case the quango count is not the best indication of what we are doing.

*at Har*

You compare the single advisory body being set up for gas and the 6 new advisory bodies created for telecommunications with our proposals for water which involve 20 (and not, as you feared, 40) such bodies. The reasons are by no means arbitrary. Our arrangements reflect the fact that the water industry is regionally based and covers a wide range of different activities. (The 10 water authorities are themselves amalgamations of nearly 1600 different bodies which existed prior to the 1974 reorganisation.)

What my Department is proposing would be a considerable rationalisation of the existing consultative arrangements. There are at present 43 consumer consultative committees (CCCs), 10 regional recreation and conservation committees (RCCs) and 10 fisheries advisory committees (FACs). Under our proposals, the CCCs would be reduced to 10, and the RCCs and FACs combined, so halving their numbers. The total number of committees will therefore be reduced from 63 to 20. Although we are proposing to allow the consumer committees to establish local sub-committees if they wish, this will not affect the quango count.

As you know, John Gummer has expressed reservations about combining fisheries with recreation. However, he has said that he is willing to consider administrative arrangements which would avoid the creation of a further 10 quangos.

The problem arises over the definition of an NDPB. The present committees are appointed by the water authorities themselves and do not count as quangos. The new committees are to be appointed by the Director General of Water Services or Government Ministers, and so will. It is important for the credibility of the new committees that they should be independent of the privatised authorities, and I do not regard continuation of the present arrangements as an option. An alternative might be to leave out of

the quango count the 10 consumer committees, which - unlike the national Advisory Committees on Telecommunications and the Gas Consumers' Council - will be appointed by the Director General rather than Ministers. I understand that it has already been agreed that new public bodies set up to deal with land drainage would not count as NDPBs since they would have a predominantly local authority membership.

Privatisation of the water authorities will transfer £27 bn of assets and 51,000 jobs from the public sector to the private sector. In order to succeed, we must be able to persuade a number of groups that their interests will be protected. Part of this is the establishment of effective and independent consultation arrangements. The technical creation of new NDPB's needs to be set against the overall shift in balance between the public and private sectors that the policy will achieve.

It would be helpful, therefore, if the arrangements for consultative bodies could be considered on their own merits. Once this main issue has been settled, we will be pleased to let you have a detailed response to the points you raised in your letter to John Patten.

/ Copies of this letter go to members of Cabinet and Sir Robert Armstrong.

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NICHOLAS RIDLEY

