

PO - CH / NL / 0261

PART A

Alex  
Lawson

PART A

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PO -CH /NL/0261



PART A

CHANCELLOR'S PAPERS ON  
COMPETITION POLICY

PO -CH /NL/0261  
PART A

DD: 25 years

*[Signature]*  
29/9/95

Begin: 2/4/87

Ends: 6/10/87 (CONTINUED)

*pur*



DEPARTMENT OF TRADE AND INDUSTRY  
1-19 VICTORIA STREET  
LONDON SW1H 0ET  
Telephone (Direct dialling) 01-215) 5422  
GTN 215) .....  
(Switchboard) 01-215 7877

Secretary of State for Trade and Industry

The Rt Hon Nigel Lawson MP  
Chancellor of the Exchequer  
HM Treasury  
Parliament Street  
London SW1P 3AG

2 April 1987

CH/EXCHEQUE ?	
REC.	3-APR 1987 ✓ 3/4
ACTION	FST
COPIES TO	

✓/

*Nigel*

In my letter to you of 1 December, I outlined the progress made by CSP International with the study we had commissioned on the possible benefits of introducing market prices and the price mechanism into the management of the radio frequency spectrum.

I write now to advise you that I propose to publish the Report later this week, and to invite the views of interested parties on it. A copy of the Report in its final form is attached, together with a copy of the press notice by which we shall announce publication. You will see from the latter that we shall make it clear that the views in the Report are those of CSP International and do not necessarily anticipate our future attitude on policies for spectrum management.

*with officials will show you if you wish, but v large*

The principal findings of CSP International remain in line with those forecast in the fourth paragraph of my letter of 1 December. That letter also foreshadowed proposals to E(CP) on how we should proceed to evaluate the practicality and value of the consultants' recommendations. I remain of the view that the recommendations could prove politically controversial unless handled with great care. For this reason, I think it would be preferable to delay decisions on how best to take this work forward until we have reactions to the Report from at least the major players. I would propose to allow a maximum of three months for this.

I am copying this letter and its attachments to members of E(CP), Douglas Hurd, Nicholas Edwards, Tom King, Malcolm Rifkind and Sir Robert Armstrong.

*ms*  
*and*  
PAUL CHANNON

JG2BBV

# DTI Press Notice

Department of Trade and Industry

1 Victoria Street SW1H 0ET

Press Office 01-215 4466

Out of hours: 01-215 7877

Number: 87/198

Date: 2 April 1987

## GEOFFREY PATTIE ANNOUNCES REPORT ON DEREGULATION AND SPECTRUM PRICING

Geoffrey Pattie, Minister of State for Industry and Information Technology, announced today (2 April 1987) the publication of the report by CSP International (CSPI) on Deregulation of the Radio Spectrum in the UK.

Mr Pattie said: "Radio usage and spectrum management have seen some considerable changes in recent years. New services such as cellular radio telephones have been introduced, others such as low powered devices are being deregulated and demand for radio-based services continues to expand all the time."

Following a recommendation of the Merriman Review, the Department commissioned a feasibility study from CSPI in March 1985 on the possible benefits from introducing market forces and the price mechanism into spectrum management. The Department has overseen development of the work, but the views expressed in the CSPI report are those of the independent firm of consultants.

"My Department is still appraising the full implications of the CSPI proposals for radio users and for the future development of spectrum management policy" said Mr Pattie. "Publication of the report at this time will be helpful to that end and we think that the findings of the study will be of interest to a wide range of existing and potential users of spectrum, service providers and the manufacturers of equipment.

"As part of its review of spectrum management policy, my Department would welcome views and comments on the analysis and proposals in the report, particularly the scope for deregulation and frequency planning organisations."

The report by CSP International is published for the Department of Trade and Industry by HMSO at £9.50. ISBN 0 115139796.

MORE/...

Comments on the report should be sent to:

Spectrum Pricing Secretariat  
Department of Trade and Industry  
Room 305  
Waterloo Bridge House  
Waterloo Road  
London SE1 8UA

#### NOTES TO EDITORS

1. CSP International (CSPI), Cavendish Court, 11-15 Wigmore Street, London W1H 9LB, are a firm of management consultants specialising in telecommunications, information technology and radio spectrum usage. In October 1986, CSPI began work on a study on Subscription Television for the Home Office.
2. CSP International have undertaken the work on spectrum pricing for the Department (DTI), following a competitive tender in which eight organisations submitted proposals. The terms of reference for the study were agreed with other interested government departments. A DTI Press Notice (No 150) was issued in March 1985 giving details of the proposed study.
3. Because of the complexities involved and the wide range of radio services to be dealt with, the study was undertaken in three parts. The first concerned the current and future usage of the fixed service ie point-to-point and point-to-multipoint radio links, mostly in the UHF and microwave frequency bands. The second part examined the fixed satellite service. The third and final part of the study looked at all other areas of spectrum usage, including private mobile radio, broadcasting, amateur and CB radio, emergency services and other specialised needs. All three parts are incorporated within the published report.
4. Throughout the study, the work of CSPI has been overseen by a Steering Group which was chaired by a senior economist in the Department. Also on the Steering Group were staff from Radiocommunications Division and two independent consultants with radio engineering and economic expertise. The Group held 14 separate meetings.
5. The Merriman Report on the radio spectrum, (Cmnd 9000, published in July 1983), recommended inter alia the use of certain limited financial incentives to further encourage both spectrum and economic efficiency and also that if spectrum pricing were to be pursued further, a detailed and critical feasibility study, undertaken by economists and experts in radio regulation, should be commissioned. Mention of the study was also included in the press release (No 130, March 1985) on the Government's response to the Merriman Report.

*Paul*



2 MARSHAM STREET  
LONDON SW1P 3EB  
01-212 3434

CHIEF SECRETARY	
REC.	7 APR 1987
ACTION	Mr Revolta
CC	
TO	CX FST MST EST
	Sir Peter Middleton
	Mr Butler Mr Anson
	Mr Burgess Mr Gilmore

My ref:  
Your ref:

The Rt Hon the Lord Hailsham of St Marylebone CH  
Lord Chancellor  
Lord Chancellor's Department  
House of Lords  
LONDON  
SW1A 0PW

7 April 1987

*Dear Quintini*

*Mr Turnbull  
Mr Waller  
Mr Cropper Mr Tyrrie*

Thank you for copying me your letter of 16 March to Paul Channon which enclosed the five sets of rules relating to the Council for Licensed Conveyancers.

I am generally content with these rules, although I note that Paul Channon in his letter to you of 30 March expressed concern over rule 15 of the Licensed Conveyancers' Rules of Conduct, Practice and Discipline. This rule prevents a licensed conveyancer from combining his practice or going into partnership or association with others unless the profession, trade or business is regulated or conducted in a manner acceptable to the Council. Like Paul, I wonder whether this may not be an unnecessary restriction, in view of the recognition rules under section 32 of the Administration of Justice Act 1985 and under schedule 21 of the Building Societies Act 1986. I note that this matter will be discussed further with the Council.

I am copying this letter to Paul Channon, members of 'H' Committee, and Sir Robert Armstrong.

*Yours em  
Nicholas*

NICHOLAS RIDLEY

FROM: R MOLAN

DATE: 7 April 1987

1. MR GRAY  
2. FINANCIAL SECRETARY

The failure to consult in next meeting. Although the consultants' report is helpful it will be important to ensure the consultation exercise does not lead to steps being taken backwards.

RCCG.

cc Chancellor  
Chief Secretary  
Economic Secretary  
Minister of State  
Mr Monck  
Mr Burgner  
Mr Kaufmann  
Mr Stevens  
Mr Cropper  
Mr Ross Goobey  
Mr Tyrie

E(CP): SPECTRUM PRICING

V. G. S.

Mr Channon's letter of 2 April to the Chancellor was intended to forewarn him that DTI proposed to publish the report by the consultants CSP International on the ways in which market forces might be used to allocate the radio spectrum. In fact the report was published on the same day and received some coverage in the following day's papers. The purpose of publication is to seek comments on the proposals, by the end of June. Mr Channon considers this approach to be necessary as the proposals could prove to be politically controversial unless handled carefully.

### Background

2. CSP International were commissioned in March 1985 to examine the possible benefits of introducing market forces and the price mechanism into spectrum management. Treasury Ministers supported an examination of this possibility as the present system of administrative allocation by DTI's Radio Communications Division leaves little scope for market forces and competitive pressures to have any effect.

3. As he has a remit to put a paper to E(CP) on this topic, Mr Channon wrote to the Chancellor in December 1986 providing a progress report on the consultants' work. At that stage CSP were coming to the view that the present regulatory procedures suppress demand for radio services and the job of assigning the right to use the spectrum should be given to the private sector, with DTI remaining as the ultimate authority. Mr Channon said he hoped that to put proposals to E(CP) early in the New Year "on how we should proceed to evaluate the practicality and value of the consultants' recommendations". You replied to Mr Channon on 16 January welcoming the consultants' interim findings but expressing the hope that the proposals eventually put to E(CP) were not unduly inhibited by the possible constraints on deregulation eg radio interference, international agreements, opposition from present users.

## Consultants' Report

4. The report confirms that spectrum capacity is heavily under-used and recommends that the present method of spectrum management should be progressively replaced by one which gives greater scope for the operation of market forces. Licences for specific bands and geographical areas should be issued by private sector Frequency Planning Organisations (FPOs) who would manage the spectrum on a delegated basis and be free to determine the range of services offered to user and the charging structure. The licensee would in turn be free to exploit this allocation commercially or sublicense it to others. BT and Mercury would be allotted no more than 75 per cent of their current block assignment, the remaining 25 per cent being offered on the open market by the FPOs. The BBC and IBA would not however have to buy their spectrum needs on the open market. DTI have indicated that the proposals in the report do not necessarily reflect their future policy on spectrum management.

5. If the proposals were to be implemented primary legislation would be needed.

### Discussion

6. It is clearly satisfactory that the consultants have come out in favour of competition being used as a means of allocating the spectrum. However it is somewhat disappointing that E(CP) are unlikely to have the opportunity of discussing the matter until after the summer recess and indeed irritating that Mr Channon did not give advance notice of his intention to go public before collective consideration by Ministers. Had E(CP) considered the report a different approach may have been agreed. That said there may be a case for public consultation to be conducted given the complex technical issues involved. But this does carry the risk that it will provide an opportunity for the opponents of change to mount a campaign aimed at blocking or diluting the proposals.

7. It is recommended that you reply to Mr Channon by expressing some surprise at the report being published without warning, while acknowledging there may be a case for a consultation exercise to be conducted. On the substance, it is suggested that you welcome the proposals in the report and express the hope that these will not be unnecessary diluted as a result of the consultation exercise. You may also wish to make it clear that you expect the matter to come to E(CP) once the consultation exercise is complete. A draft is attached.



R MOLAN

not  
were  
we  
discussed  
at  
official  
level.  
RCCG



DRAFT

The Rt Hon Paul Channon MP  
Secretary of State for Trade and Industry  
1-19 Victoria Street  
LONDON SW1H 0ET

April 1987

**SPECTRUM PRICING**

Thank you for your letter of 2 April 1987 to Nigel Lawson.

2. While I understand the reasons why you think it prudent to carry out a public consultation exercise over the proposals in the consultants' report, it was surprising to receive notice of your intention to proceed in this way on the same day that the report was published. Your letter of 1 December 1986 indicated that you hoped to put proposals to E(CP) early in the New Year on how we should proceed to evaluate the consultants' recommendations. If this had happened we may have agreed collectively that a different approach be adopted.

3. As regards the substance of the report, I am pleased to learn that the consultants have produced a set of proposals which would give greater scope for the operation of market forces. However, I trust that the consultation exercise will not lead to any unnecessary watering down of the proposals ~~eventually~~ put to E(CP) to consider. I assume that E(CP) will be given the opportunity of examining these as early as possible after the consultation exercise is over.

4. I am copying this letter to members of E(CP), Douglas Hurd, Nicholas Edwards, Tom King, Malcolm Rifkind and Sir Robert Armstrong.

NORMAN LAMONT



DEPARTMENT OF TRADE AND INDUSTRY

1-19 VICTORIA STREET

LONDON SW1H 0ET

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(Switchboard) 01-215 7877

Secretary of State for Trade and Industry

The Rt Hon Nigel Lawson MP  
Chancellor of the Exchequer  
HM Treasury  
Parliament Street  
London SW1P 3AG

2 April 1987

RECEIVED  
- 2 APR 1987

*Dear Nigel*

MR MOLAN  
PPS CST MST EST  
SIR P. Middleton SIR T. Burns  
MR F. E. R. Butler MR Manck  
MR Burnet MR Schlar  
MR Cropper MR Ross Goobey

In my letter to you of 1 December, I outlined the progress made by CSP International with the study we had commissioned on the possible benefits of introducing market prices and the price mechanism into the management of the radio frequency spectrum.

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*Paul Channon*

PAUL CHANNON

JG2BBV

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Department of Trade and Industry

1 Victoria Street SW1H 0ET

Press Office 01-215 4466

Out of hours: 01-215 7877

Number: 87/198

Date: 2 April 1987

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"As part of its review of spectrum management policy, my Department would welcome views and comments on the analysis and proposals in the report, particularly the scope for deregulation and frequency planning organisations."

The report by CSP International is published for the Department of Trade and Industry by HMSO at £9.50. ISBN 0 115139796.

MORE/...

Comments on the report should be sent to:

Spectrum Pricing Secretariat  
Department of Trade and Industry  
Room 305  
Waterloo Bridge House  
Waterloo Road  
London SE1 8UA

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Chancellor of the Duchy of Lancaster

CHEQUER
09 APR 1987
FST

CABINET OFFICE,  
WHITEHALL, LONDON SW1A 2AS

Tel No: 270 0020  
270 0296

9<sup>th</sup> April 1987

The Rt Hon Paul Channon MP  
Secretary of State for Trade and  
Industry  
Department of Trade and Industry  
1-19 Victoria Street  
LONDON  
SW1H 0ET

*quite wgl.*

*D Paul*

**DEREGULATION OF THE RADIO SPECTRUM**

Thank you for the copy of your letter of 2 April to Nigel Lawson, and the enclosed report. As you know, I welcome progress in this direction and the analysis in the report is helpful. Your earlier letter made clear that, not least because of its potential political sensitivity, E(CP) would have a chance to discuss, early in the New Year, how we should proceed with this. My office made clear to your special adviser that I shared your view of the political sensitivity.

It is therefore a pity that the report should have been published without opportunity for comment from members of E(CP); the matter has been given a wider currency and a timetable has been set in motion which will now be more difficult to vary.

I am copying this letter to Nigel Lawson, members of E(CP), Douglas Hurd, Nicholas Edwards, Tom King, Malcolm Rifkind and to Sir Robert Armstrong.

NORMAN TEBBIT



Treasury Chambers, Parliament Street, SW1P 3AG

CC. PPS, CSI, MST, ESI  
 Sir. P. Middleton  
 Sir. T. Burns  
 Mr. F.E.K. Butler  
 Mr. Monch. Mr. BUESNEL  
 Mr. Scholok. Mr. Cropper  
 Mr. Ross. Goobey.

*Paul*

The Rt Hon Paul Channon MP  
 Secretary of State for Trade  
 and Industry  
 1-19 Victoria Street  
 LONDON  
 SW1H 0ET

13 April 1987

*Dear Paul*

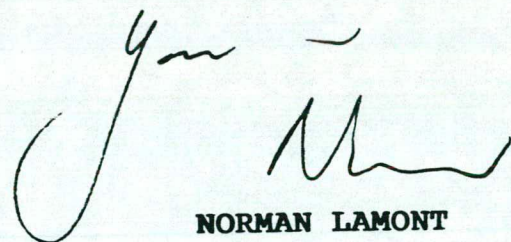
**SPECTRUM PRICING**

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I am copying this letter to members of E(CP), Douglas Hurd, Nicholas Edwards, Tom King, Malcolm Rifkind and Sir Robert Armstrong.

*Yours*  
  
 NORMAN LAMONT



RD

FROM: CATHY RYDING  
DATE: 24 April 1987

PS/FINANCIAL SECRETARY

cc Chief Secretary  
Economic Secretary  
Minister of State  
Mr Monck  
Mr Burgner  
Mr P Gray  
Mr Kaufmann  
Mr Stevens  
Mr Molan  
Mr Cropper  
Mr Ross Goobey  
Mr Tyrie

**DEREGULATION OF THE RADIO SPECTRUM**

The Chancellor has seen the Chancellor of the Duchy of Lancaster's letter to the Secretary of State for Trade and Industry of 9 April, and has commented "quite right".

CR

CATHY RYDING



Secretary of State for Trade and Industry

DEPARTMENT OF TRADE AND INDUSTRY  
1-19 VICTORIA STREET  
LONDON SW1H 0ET

Telephone (Direct dialling) 01-215 5422  
GTN 215 .....  
(Switchboard) 01-215 7877

*Pages 1 & 2*  
*B1F with advice*  
*APP*

The Rt Hon Norman Lamont MP  
Financial Secretary to the Treasury  
Treasury Chambers  
Parliament Street  
London SW1P 3AG

28 April 1987

CH/EXCHEQUER	
REC.	28 APR 1987/4
ACTION	FST
COPIES TO	

*Dear Norman,*

**SPECTRUM PRICING**

Thank you for your letter of 13 April about publication of the report by CSP International. You will be aware that Norman Tebbit has also written to me on the subject.

I regret that you had so little advance notice of the publication of the report. It was circulated to other departments, including the Treasury, forewarning of the publication date as soon as any clean copies of the final text were actually available to us on 31 March. The precise publication date was geared to precede a major conference on spectrum deregulation organised by the mobile radio industry for 7-9 April; this provided a useful opportunity to get the report off to a good start and clear up some of the wilder and potentially damaging speculation that had begun to circulate within the industry.

I remain of the view that publication of the report now on a consultative basis will prove helpful in enabling us to gauge the reaction within the industry and more widely before we have the substantive discussion in E(CP) to which I remain committed. Indeed officials will shortly be in touch about the arrangements for interdepartmental coordination to prepare the ground for our discussion a little later in the year.

I am copying this letter to members of E(CP), Douglas Hurd, Nicholas Edwards, Tom King, Malcolm Rifkind and Sir Robert Armstrong.

*[Handwritten signature]*  
*[Handwritten signature]*

PAUL CHANNON

JG2BDX



FROM: R MOLAN  
 DATE: 5 May 1987

RD

FINANCIAL SECRETARY

cc Chancellor  
 Chief Secretary  
 Economic Secretary  
 Minister of State  
 Mr Burgner  
 Mr Gray  
 Mr Cropper  
 Mr Ross Goobey  
 Mr Tyrie

E(CP): SPECTRUM PRICING

Mr Channon's letter of 28 April confirms that he will put a paper to E(CP) at a later date on spectrum pricing though ducks the question of why, contrary to what he had said previously, he published the report by CSP International for consultative purposes before bringing the topic to E(CP).

2. Mr Channon says that the Treasury were sent a copy of the report on 31 March and were then advised of its publication date (2 April). Thus, by implication, you should not have been surprised to learn of its publication on the day of that event. This defence is a trifle disingenuous. DTI did circulate a copy of the report under cover of a memo to the internal steering group which oversaw the study but this was only copied to a Treasury economist who had no reason to be aware of the E(CP) position. DTI officials had also asked Mr Channon's private office to despatch his letter to the Chancellor and E(CP) members on 31 March so giving (a very short) forewarning of his intentions and, in theory at least, providing an opportunity for colleagues to object. But his office failed to get the letter out until the day of the report's publication.

3. You will wish to consider whether to prolong the present round of correspondence. There is no issue of substance to be pursued at this stage and the issue is whether to continue to criticise the logistics of publication. There is still cause for complaint about this, but we doubt if there is anything to be gained from pressing <sup>Mr Channon</sup> further, so our advice is that no reply is needed.

*R Molan*

R MOLAN

b/f with  
advise A

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD  
WHITEHALL PLACE, LONDON SW1A 2HH



From the Minister

The Rt Hon Nigel Lawson MP  
Chancellor of the Exchequer  
Treasury Chambers  
Parliament Street  
LONDON  
SW1P 3AG

18 May 1987

CH/EXCHEQU	
REC.	19/MAY/87
ACTION	FST
COPIES TO	

REMITTS FROM E(CP)

E(CP) on 24 July 1985 invited me, inter alia, to submit a paper reviewing the competition aspects of the activities of the Agricultural Marketing Boards and certain other bodies for promoting agricultural produce. Since then at its meeting on 16 July 1986 E(CP) endorsed my proposals on milk marketing, which have since been announced. We agreed on 11 December 1986 that the Potato Market Support arrangements would be reviewed by 1989. The Agriculture Act 1986 provided for the abolition of the Eggs Authority and this took effect on 31 December 1986. I have announced my intention to proceed with the privatisation of the National Seed Development Organisation which I hope will be completed later this year.

This leaves for immediate consideration only the future activities of the British Wool Marketing Board. This was also considered by E(CP) on 24 July 1985 when it was agreed that there could be no question of any change in the guarantee arrangements before 1990. However the Committee asked me to look into the downstream activities of the BWMB in order to satisfy myself that there was no cross-subsidy between the Board's different activities; and to encourage the Board to take any suitable opportunity to divest itself of its subsidiaries.

Officials in my Department have taken the lead on this exercise with the co-operation of the Treasury and have now completed the attached report. The conclusion which I draw from the report is that there is no current evidence of cross subsidy. The Board has all but eliminated its financial guarantee to its subsidiaries. The savings which are being achieved through sharing common facilities (pensions, data processing) do not amount to subsidisation.

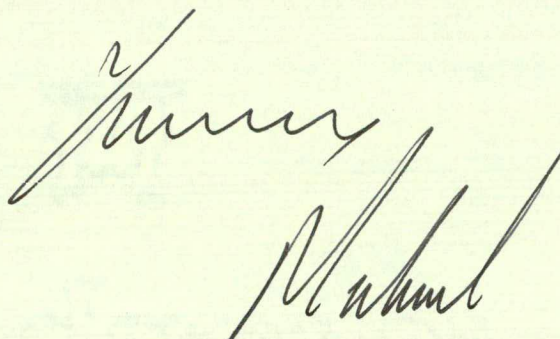
As will be seen, Agriculture Ministers have no powers to require the Board to divest itself of the subsidiaries. The Board and the farmers' unions feel strongly that through their joint efforts -

/and through the ...

and through the subsidiary companies - they have been instrumental in rationalising poorly co-ordinated, fragile and inefficient wool collection schemes; in opening up new markets for British wool; and in helping to cut marketing costs so ensuring that a higher proportion of the guaranteed price for wool reaches the producer. To change the present arrangements would provoke the strongest opposition and, viewed against the highly successful operations of the Board, would be seen as an unwarranted and doctrinaire response.

My colleagues and I would therefore recommend against taking action to require the BWMB to divest itself of its subsidiaries. But we would recommend that we take the opportunity, when the financial agreement between the Board and Agriculture Ministers is reviewed in 1988/89, to confirm that the relationship between the Board and its companies is not having anti-competitive effects.

† I am copying this letter and enclosure to the other members of E(CP), Nicholas Edwards, Tom King, Malcolm Rifkind and to Sir Robert Armstrong.

A handwritten signature in cursive script, appearing to read 'Michael Jopling', written in dark ink.

MICHAEL JOPLING

OK [handwritten signature]



CONFIDENTIAL

Ch  
George Manges has agreed this with Tom Buzner, so say officials content.

Reference No E 0349

CHANCELLOR OF THE EXCHEQUER

Remits from E(CP) post-Election and pre-Recess (see 'x'). Reply to issue?

The Minister of Agriculture wrote to you on 18 May, presumably as Chairman of E(CP), in response to a remit he had received from the Sub-Committee about the downstream activities of the British Wool Marketing Board (BWMB). We understand that, although Mr Jopling has not said so, MAFF hope that the matter can be cleared in correspondence.

JK  
29/5

2. The BWMB buys virtually all fleece wool produced in the UK. It also has major 'downstream' interests. Companies in which it has an interest process around 35% of British wool and control 16% of British wool exports.

3. These arrangements were questioned when E(CP) discussed the BWMB in July 1985. The Sub-Committee decided that the buying monopoly had to continue until 1990 when the present contract between the Government and BWMB ends, but that it should then be reviewed. On the downstream interests the Minister of Agriculture was asked to satisfy himself that there was no cross-subsidisation and to 'encourage the Board to divest itself of its subsidiaries'.

4. Mr Jopling says that he is now satisfied that there is no cross subsidy. He also says that he has no power to require the Board to sell off its subsidiaries, and that any attempt to make it do so would be strongly opposed by the Board itself and the farmers' unions.

5. At first sight, the MAFF paper does show that there is no significant cross subsidy. It accepts however that the downstream companies have advantages from being part of the same group as BWMB (for example by sharing pension schemes, insurance premiums and computer systems). Perhaps an attempt should be made to quantify these advantages, although MAFF may well be right in arguing that they are not substantial.

CONFIDENTIAL

6. More important is Mr Jopling's opposition to any attempt to press the Board to dispose of its downstream interests. It may be right to argue that the political disadvantages would be too great. No doubt he will be supported by the Scottish and Welsh Secretaries. But his line does seem contrary to the general thrust of the Government's policy on privatisation, and also to the presumption by E(CP) at their last discussion that he would 'encourage' the Board to sell off its subsidiaries. I therefore think that the issue should be discussed in E(CP) rather than cleared in correspondence. A meeting of E(CP) is in any case likely to be necessary after the Election and before the Recess.

7. I attach a draft letter accordingly.



G W MONGER

Economic Secretariat  
Cabinet Office  
20 May 1987

CONFIDENTIAL



CONFIDENTIAL

Pl type for  
Chris sig

Draft letter for the Chancellor of the Exchequer  
to send to the Minister of Agriculture

Remits from E(CP)

Thank you for your letter of 18 May about the E(CP) remit on the activities of the British Wool Marketing Board.

I understand the points you make but I think it would be useful for E(CP) to discuss the issue. I shall therefore put it on the agenda for an <sup>its first</sup> ~~early~~ meeting after the Election.

I am sending a copy of this letter to the recipients of yours.

N — L —

CONFIDENTIAL

cc Mr Monger (Cab. Office)  
AS/FST  
Mr Bwanger  
Mrs Imber



Treasury Chambers, Parliament Street, SW1P 3AG  
01-270 3000

*EP*

21 May 1987

The Rt. Hon. Michael Jopling MP  
Minister of Agriculture, Fisheries and Food

*John Michael*

**REMITTS FROM E(CP)**

Thank you for your letter of 18 May about the E(CP) remit on the activities of the British Wool Marketing Board.

I understand the points you make but I think it would be useful for E(CP) to discuss the issue. I shall therefore put it on the agenda for its first meeting after the Election.

I am sending a copy of this letter to the recipients of yours.

NIGEL LAWSON

*Nigel Lawson*

CONFIDENTIAL

Reference No E 0363

CHANCELLOR OF THE EXCHEQUER

E(CP): Work Programme

*Combe 15<sup>th</sup> mtg before summer recess (the after Address); 2<sup>nd</sup> mtg show mtg under Autumn*

As Chairman of the Cabinet Sub-Committee on Competition Policy (E(CP)) you will want to take an early view about the Group's work programme for the period up to the Summer Recess.

2. On 11 December, E(CP) agreed to hold two meetings in the first half of 1987, one in the Spring and one in the Summer (E(CP)(86)-2nd Meeting, Item 2). Before the Election was called, we were preparing for the first of these meetings, to discuss papers on -

- i. Competition in education (DES);
- ii. Competition and employment law (DEmp);
- iii. 'Needle time' for commercial radio (DTI);
- iv. Downstream activities of the British Wool Marketing Board (MAFF). You told Mr Jopling on 21 May that you would put this item on the agenda for the first meeting after the Election.

I recommend that a meeting should now be convened to take these items, in late June or early July if at all possible. The DTI might also be asked to update the Sub-Committee's further work programme for that meeting.

3. That would leave the following items to be taken at a later meeting -

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- v. Follow-up on competition in the professions (DTI);
- vi. Restrictions in the legal profession (LCD);
- vii. Licensing of open-cast coalmining (D.Energy);
- viii. Competition in the pharmaceutical industry (DHSS).

If you wished to hold a further meeting before the Recess, we could probably press Departments to produce at least two or three of these papers. This would be better if it is practical, since it would keep up the momentum of the Sub-Committee's work. But July is bound to be a very busy month again, and the alternative would be to defer a second meeting to the autumn, with a better chance of getting all four items on the Agenda.

4. I would be grateful -

- a. for your agreement to fix an early meeting on items i. to iv. above;
- b. for your view on whether we should try to hold a further meeting in July, or defer it to the Autumn.

Go D

G W MONGER

ch  
2 meetings  
of E(CP)  
before the Recess  
wd be a bit  
much!  
DWK

Economic Secretariat  
17 June, 1987



EXCHEQUER	
30 JUN 1987 30/6	
ACTION	FST
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QUEEN ANNE'S GATE LONDON SW1H 9AT

29 June 1987

Dear David,

DE-REGULATION OF THE RADIO SPECTRUM

I received a copy of Paul Channon's letter of 2 April to Nigel Lawson, with which was enclosed a copy of the report on De-regulation of the Radio Spectrum prepared by CSP International. I have also seen a copy of his letter of 20 April to Norman Lamont, and understand the reasons for wishing to publish at the beginning of April.

As I said in my letter of 13 January, I have a direct interest in all of this in view of my broadcasting responsibilities and the Home Office's use of spectrum for telecommunications purposes. I should certainly want to be involved in consideration of any proposals which may be put to E(CP) and should be grateful if you would ensure that I have the opportunity to contribute. The major broadcasting policy issues touched on in CSP's report and developed more fully in their subscription study, in particular the question of the provision of additional television services in VHF and UHF spectrum, are I think better pursued separately and I shall be putting proposals to interested colleagues in due course.

I am copying this letter to the members of E(CP), Peter Walker, Tom King, Malcolm Rifkind and Sir Robert Armstrong.

Yours,  
Douglas



Secretary of State for Trade and Industry

DEPARTMENT OF TRADE AND INDUSTRY  
1-19 VICTORIA STREET  
LONDON SW1H 0ET

TELEPHONE DIRECT LINE 01-215 5422  
SWITCHBOARD 01-215 7877

01 July 1987

The Rt Hon John MacGregor OBE MP  
Minister of Agriculture,  
Fisheries and Food  
Ministry of Agriculture, Fisheries  
and Food  
Whitehall Place  
LONDON  
SW1A 2HH

CH/EXCHEQUER	
REC.	01 JUL 1987
ACTION	FST
COPIES TO	

**REMITTS FROM E(CP)**

On 18 May, Michael Jopling circulated to the members of E(CP) a report by officials in your Department on the subsidiaries of the British Wool Marketing Board in response to an earlier remit from the Sub-Committee. In replying, Nigel Lawson said that he thought it would be useful for E(CP) to discuss the issue, and intended to put it on the agenda for the first meeting after the Election.

Whilst not necessarily disagreeing with its conclusion, I agree that it would be useful to discuss the paper. You might however like to have my comments in advance; and it would be helpful if some additional information could be sent to my officials.

The paper reviews briefly the activities of the different subsidiary companies and the markets in which they operate, but it would have been helpful to have had more information on their place in these markets, and how their market shares have changed over time. It would also be helpful if my officials could see the inter-firm comparison of the wool sector referred to in paragraph 9. The fact that profitability is comparable with other companies, and has in some cases to satisfy other shareholders, is significant. Nevertheless, the fact that in the handling market the Board is both monopsony purchaser and itself supplies many of the services - and that, as the paper makes clear, it uses this



relationship to gain information on the costs of the handling operations and to force prices down - might give cause for concern, and suggests that there is less than total separation between the activities. It could be interesting to know how the other companies operating in this field view the relationship, and to have some information on how price and service agreements are negotiated.

In the case of the downstream activities, there seems to be little scope for the subsidiaries to distort the market to the benefit of producers; and the question here must be the extent to which it is appropriate for a body such as the BWMB to be engaged in these markets. It is clear that both in the trading companies, and in those companies acquired for their names, the BWMB has been using its acquisitions, funded by producers or by monies borrowed on the strength of producers' funds, to protect parts of the industry from the operations of the market. It may be that these have resulted in benefits to the producers and a net economic benefit to the UK; but as the paper notes, statutory monopolies sit uneasily with our belief in free competition and one should be sceptical about the benefits claimed for intervention compared with letting the market take its course. I am not clear either whether the views of the competitors of these companies are known; do they see their role as beneficial to the UK wool industry as a whole - as the paper would seem to suggest it is - or is there any concern about unfair competition? It is interesting that, despite the absence of overt cross-subsidy and the phasing out of guarantees, the subsidiaries command a marginally favourable rate for borrowing which, as paragraph 8 says, derives from the Board's status; this suggests that lenders at least see an implied guarantee as continuing. I also wonder how the non-trading companies' assets (their names) are used: could they not be licensed to other producers, or is their retention a spoiling tactic?

I do not underestimate the difficulties, even were we to decide that divestment is desirable, of bringing this about. I am merely anxious that any decision not to press for this should be based on as full an understanding as possible of the position of these subsidiaries and their effects on the wider market. I am not clear either, whether as envisaged in the E(CP) minutes of 24 July 1985 you have discussed this with the Board already, and done what you can to encourage them to take a suitable opportunity of divesting themselves of the subsidiaries, or whether any such discussions have been awaiting this paper.

I am copying this letter to the recipients of yours.

DW2BWS

LORD YOUNG OF GRAFFHAM

FROM: R MOLAN

DATE: 7 July 1987

Papes  
Pse

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REC 68

1. MR GRAY
2. FINANCIAL SECRETARY

cc Chancellor  
Chief Secretary  
Paymaster General  
Economic Secretary  
Mr Monck  
Mr Burgner  
Mr Gilmore  
Mr Burr  
Mr Guy  
Mr Kaufmann  
Mrs Pugh (o/r)  
Mr Cropper  
Mr Tyrie

## DEREGULATION OF THE RADIO SPECTRUM

Mr Hurd's letter of 29 June reiterates his department's interest in the report carried out by the consultants CSP International on deregulating the radio spectrum and advises that he wishes the major broadcasting policy issues touched on in the report to be pursued separately by his department.

2. The CSP were commissioned by DTI to study the potential benefits of introducing market forces and the price mechanism into the management of the radio spectrum. In their report CSP found that spectrum capacity is heavily under-used and they recommended that private sector organisations should be given the task, on a delegated basis, of issuing licences for specific bands and geographical areas at market rates. You may recall corresponding with the previous Secretary of State for Trade and Industry about the publication, on a consultative basis, of the report arising from the study. In his letter of 28 April he confirmed that he remained committed to a discussion by E(CP) of this topic.

3. The study included in its coverage those areas of spectrum used for broadcasting. Shortly after the report was published CSP submitted a separate report to the Home Office on the feasibility and desirability of viewers paying by subscription to watch BBC television. The policy for spectrum allocation interacts with this proposal in that the more spectrum space there is available the more scope there is for subscription television to develop. The Home Secretary wishes these issues to be taken together and he intends to put proposals on them to interested colleagues in due course.

4. The Home Secretary's preference for these matters to be taken together appears logical. DTI officials are content for these issues to be handled in this way and will be advising Lord Young accordingly. It is recommended that

you reply to Mr Hurd noting his plan and expressing an interest in the proposals he will be putting forward.

5. HE are content with this submission.



R MOLAN

DRAFT

Rt Hon Douglas Hurd MBE MP  
Secretary of State for the Home Affairs Department  
50 Queen's Anne ~~Cats~~  
LONDON SW1

July 1987

**DEREGULATION OF THE RADIO SPECTRUM**

Thank you for copying me your letter of 29 June to David Young.

2. I note the way in which you wish to handle the broadcasting aspects of the CSP study and look forward to seeing your proposals in due course.

3. I am copying this letter to the members of E(CP), Peter Walker, Tom King, Malcolm Rifkind and Sir Robert Armstrong.

**NORMAN LAMONT**



FINANCIAL SECRE. Y	
REC.	30 JUN 1987
ACTION	MR Nolan G
COPIES TO	PPS CST PMG EST SIR P. Middleton SIR T. Burns MR FER Butler MR Monck MR Burgess MR Scholar MR Cropper

QUEEN ANNE'S GATE LONDON SW1H 9AT

29 June 1987

Dear David,

DE-REGULATION OF THE RADIO SPECTRUM

I received a copy of Paul Channon's letter of 2 April to Nigel Lawson, with which was enclosed a copy of the report on De-regulation of the Radio Spectrum prepared by CSP International. I have also seen a copy of his letter of 20 April to Norman Lamont, and understand the reasons for wishing to publish at the beginning of April.

As I said in my letter of 13 January, I have a direct interest in all of this in view of my broadcasting responsibilities and the Home Office's use of spectrum for telecommunications purposes. I should certainly want to be involved in consideration of any proposals which may be put to E(CP) and should be grateful if you would ensure that I have the opportunity to contribute. The major broadcasting policy issues touched on in CSP's report and developed more fully in their subscription study, in particular the question of the provision of additional television services in VHF and UHF spectrum, are I think better pursued separately and I shall be putting proposals to interested colleagues in due course.

I am copying this letter to the members of E(CP), Peter Walker, Tom King, Malcolm Rifkind and Sir Robert Armstrong.

Yours,  
David





Secretary of State for Trade and Industry

DEPARTMENT OF TRADE AND INDUSTRY

1-19 VICTORIA STREET

LONDON SW1H 0ET

TELEPHONE DIRECT LINE 01-215 5422  
SWITCHBOARD 01-215 7877

9 July 1987

The Rt Hon Douglas Hurd MP  
Secretary of State for Home Affairs  
Home Office  
50 Queen Anne's Gate  
LONDON  
SW1

CH/EXCHEQUER	
REC.	09 JUL 1987 <i>g/f</i>
ACTION	FST
COPIES TO	

**DEREGULATION OF THE RADIO SPECTRUM**

Thank you for your letter of 29 June about the follow up to the CPSI Report on Deregulation of the Radio Spectrum.

I fully understand your interest in this important question and I confirm Paul Channon's assurance in his letter of 28 April to Norman Lamont, that there will be interdepartmental liaison at official level before I put proposals to E(CP). The deadline for response to the CSPI Report has only recently passed, and indeed responses are still arriving. It is, I think, sensible for us to complete our evaluation of these before moving to the process of formulating proposals.

I note your view that the broadcasting policy issues raised in the CPSI Report on spectrum deregulation would be better dealt with in the Report on Subscription Television by the same consultants, where they are dealt with in greater depth. On the assumption that this does not extend to the use made of the spectrum by the broadcasters for ancillary (essentially programme making) purposes, I have no difficulty with this but would in my turn ask that my Department should be kept in touch during the formulation of the proposals you intend to put to colleagues.

I am copying this letter to the members of E(CP), Peter Walker, Tom King, Malcolm Rifkind and Sir Robert Armstrong.

DW3CFV

LORD YOUNG OF GRAFFHAM



DEPARTMENT OF TRADE AND INDUSTRY

1-19 VICTORIA STREET

LONDON SW1H 0ET

TELEPHONE DIRECT LINE 01-215 5422  
SWITCHBOARD 01-215 7877

Secretary of State for Trade and Industry

CONFIDENTIAL

13 July 1987

The Rt Hon Norman Lamont MP  
Financial Secretary to the Treasury  
Treasury Chambers  
Parliament Street  
LONDON  
SW1

CH/EXCHEQUE	
REC.	13 JUL 1987
ACTION	FST
COPIES TO	

*Norman Lamont*

**VOLUNTARY RESTRAINT AGREEMENTS ON IMPORTS**

Thank you for your letter of 24 June. I entirely agree with you about the value and importance of examining critically the benefits of VRAs and their costs to the economy as a whole.

In most instances this discipline has led us to set a firm date for withdrawal of support. In the two particular cases of footwear and numerically controlled lathes and matching centres, we have been satisfied that the VRA continues to serve a purpose, but only so long as progress towards international competitiveness justifies this. We have left the industries in no doubt that they must work actively to achieve such international competitiveness and we are establishing firmly based annual review mechanisms to monitor the progress. The onus must remain in the industries concerned to demonstrate the need for these restraints. They are, of course, well aware that we may decide to withdraw support at any time.

The VRAs on special steels are in some ways different, although there is no intention of allowing them to continue indefinitely. That with Spain is important in terms of adjustment during the period of accession and will lapse at the end of next year when Spain fully accedes to the ECSC (and removes its restraints on UK special steels). The VRA with Japan is an integral part of the Community - wide external steel regime which itself is designed to cope with world-wide overproduction and dumping. The QRs on USSR and GDR (which we mentioned for completeness) are similar in character - having been imposed in the absence of satisfactory arrangements to control the disruption from these quarters. It

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does not make sense for us to consider liberalisation of these arrangements in isolation from the external regime as a whole. The restraints maintain under the regime are reviewed each year and wherever possible we seek some liberalisation. The future of the regime itself will also need to be looked at in the light of developments in the current GATT round and the position of the USA when their VRA with the EC expires in September 1989. We are committed to liberalisation of steel trade but cannot ignore the fact that such trade is at present governed world-wide by VRAs and QRs.

I share your view that it would be helpful to examine where we stand now and I would propose to put a paper to E(CP) looking at the progress so far. I think it is important also to sustain this exercise and will be giving some thought as to how we might best go about this.

I am copying this to other members of E(CP) and to Sir Robert Armstrong.

A handwritten signature in black ink, which appears to be 'Lord Young of Graffham'. The signature is written in a cursive style with a large initial 'L' and 'Y'.

LORD YOUNG OF GRAFFHAM

DW4CHG

120

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD  
WHITEHALL PLACE, LONDON SW1A 2HH



From the Minister

The Rt Hon Lord Young of Graffham  
Secretary of State for  
Trade and Industry  
Department of Trade and Industry  
1-19 Victoria Street  
LONDON  
SW1H OET

CH/EXCHEQUER	
REC.	13 JUL 1987
ACTION	FST
COPIES TO	

13/7

13 July 1987

*New Secretary of State*

REMITTS FROM E(CP)

Many thanks for your letter of 1 July offering some comments in advance on the paper which Michael Jopling circulated before the Election.

I have arranged for my officials to write to yours in response to your request for further information; I enclose a copy of the letter which has been sent.

As regards your last paragraph, I understand Michael Jopling was awaiting the outcome of E(CP) before raising the question of divestment with the Wool Board.

/ I am copying this letter and enclosure to the other members of E(CP), to Peter Walker, Tom King, Malcolm Rifkind and to Sir Robert Armstrong.

*Yours Sincerely*

*John MacGregor*  
JOHN MacGREGOR



MINISTRY OF AGRICULTURE FISHERIES AND FOOD

WHITEHALL PLACE LONDON SW1A 2HH

DIRECT LINE 01-270 **8569**

OR SWITCHBOARD 01-270 3000

Roger Allen Esq  
Department of Trade and Industry  
G P 4 Division  
1-19 Victoria Street  
London  
SW1H OET

CH/EXCHEQUER	
REC.	13 JUL 1987
ACTING	
TO	

13 July 1987

Dear Allen:

**BWMB AND ITS SUBSIDIARIES**

In his letter to our Minister dated 1 July, Lord Young said that it would be helpful if further information on the points he raised on the activities of the British Wool Marketing Board's subsidiaries could be sent to his officials. This letter accordingly fulfils that remit.

Firstly, I attach extracts from the ICC Financial Survey and Directory to which we referred in paragraph 9 of the note for E(CP). These need to be examined against the latest two years' accounts of Woolgrowers (GB) Ltd, the BWMB's holding company which returned a profit before tax on net assets of 13.8% in 1985/86 (14.8% a year earlier). Clearly this cannot be a strict comparison because the Directory accounts cover 1984/85 and 1983/84 but they help to put Woolgrowers accounts into perspective. Of the 22 quoted companies in the Directory, one did not file profit figures in the latest year, 8 produced returns greater than 13.8% and 13 less than that amount. In the previous year again 8 companies had greater and 13 lesser returns than Woolgrowers (GB) Ltd. You may wish to know that we were assisted in preparing the paper on the BWMB's subsidiaries by Treasury officials who have also seen the ICC Survey.

The BWMB has had a shareholding in its wool handling subsidiaries (which comprise half of all its trading subsidiaries) since the early 1960s and the present degree of involvement has remained unchanged since around 1970. Wool handling - that is collecting fleeces from farmers, sorting and grading them prior to sale - is among the prime activities in which the Board is engaged and is an area where it incurs the largest single element of its total marketing costs which are deducted from sale returns before producers are paid. The Board therefore has a key interest in ensuring that the operation is as efficient as possible and explains why it was keen to gain information on the costs of handling operations. The remuneration of handling merchants has, since 1958, been negotiated through the Agents Negotiating

Committee, an advisory committee established by Statutory Instrument (1958 SI No 2125 BWM Scheme (Amendment) Order) comprised of Board nominees and nominees of organisations representing agents who handle wool. None of the latter are from companies in which the Board has an interest though the remuneration determined applies by contract to all handling companies. The advisory Committee meets only when contracts need to be negotiated. However a Joint Committee (set up under the original Wool Marketing Scheme to advise the Board and represent the views of those concerned in the industry at large with marketing, processing and manufacture of wool) provides a quarterly opportunity to raise any difficulties.

Lord Young asked about market share. As the Agriculture Department paper indicated, the Board's wool handling companies handle just over half the fleeces each year a figure which has remained about the same over the last ten years.

Turning to the downstream activities, the Board believes that these are linked firmly to its principal aim of marketing British wool efficiently on behalf of producers and consumers and have been embarked upon only because they have supported the Board's promotional activity on behalf of British wool and only when they are capable of making satisfactory returns on the appropriate investment. Far from distorting the market, the Board claim strongly that, because its subsidiaries bid openly at wool auctions alongside all others, it has helped inject competition into the auctions where formerly a ring was strongly suspected. On topmaking the Board intervened when the textile sector was particularly depressed and, as stated, its efforts - consistent with its major objectives on the promotion of British wool securing an adequate return - helped ensure continuing facility for processing British wool within Britain. Since then, the textiles industry has revived somewhat. But the Board continue to believe that to relinquish its shareholding in processing could put at risk its commitment to British wool and thereby endanger its overall merchandising for home and rapidly growing export markets. It is important to note that while the Board owns Stewart & Ramsden and L J McDonald outright these are relatively small with combined turnover of around £12 m. The larger Woolcombers (Topmakers) Ltd and Bussey-Hewitt Processing Ltd, with combined turnover of around £45 m, are only part owned by the Board (60% and 43% respectively) and the interests of other non-Board shareholders are thus significant.

When the Wool Board first purchased an interest in downstream companies in 1981, questions were raised in the industry about the implications. However, we know of only two instances of complaint - one in 1982 born of uncertainty over the development of the Board's interest and the other in 1984 - about the extent of the Board's power. In both instances the Board took steps to meet the complainants and satisfy them as to their intentions. Since 1981 the Board has widened the membership of its Buyers' Committee making it instead a Users' Committee and a forum for wider and more important discussions, in its efforts to provide an industry voice on the Board's activities. The Board has

appointed the President of the Confederation of British Wool Textiles to the Board of Woolgrowers (GB) Ltd which is the holding company for all the Board's subsidiaries. This has greatly helped to reassure the trade by creating conditions of openness and contact about the Board's plans and activities. We have no evidence that there is any significant criticism by the textile industry toward the Board, its position or its activities through its subsidiaries. Indeed the BWMB is widely respected for the success of its efforts and its scrupulous fairness.

So far as the non-trading companies are concerned, these were acquired incidentally when the Board acquired a majority shareholding in Wool Combers Ltd. All were names formerly trading in Bradford where they had significance. This will diminish in time. We understand that the Board would have no objection in principle to licensing the names for approved purposes subject to suitable and agreed financial arrangements.

Should you require any further information no doubt you will let me know.

*Yours ever,*

*Tony Burne*

A R BURNE  
Sheep Division

M7

FROM: R MOLAN  
 DATE: 17 July 1987

1. MR GRAY *Rec'd 17/7*  
 2. CHANCELLOR

cc Chief Secretary  
 Financial Secretary  
 Paymaster General  
 Economic Secretary  
 Sir Peter Middleton  
 Mr Monck  
 Mr Burgner  
 Mr Gilmore  
 Mr Burr  
 Mr Gilhooly  
 Mr Truman  
 Mr Halligan  
 Mrs Imber  
 Mr S Kelly  
 Mr Perfect  
 Mr Cropper  
 Mr Redley  
 Mr Tyrrie

**E(CP)**

E(CP) is due to meet at 3.15pm on Monday 20 July.

2. There are five items on the agenda (a possible sixth, on needletime, has been deferred):

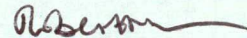
- (i) Competition: DES Policies And Plans - a paper by Mr Baker. A brief prepared by Mr Kelly (HE2) is attached at Annex A.
- (ii) Competition And Employment Law - paper by Mr Fowler. A brief is attached at Annex B which reflects comments from Pay 1 and LG1.
- (iii) The British Wool Marketing Board And Its Subsidiaries - paper by Mr MacGregor. A brief prepared by Mrs Imber (IAE1) is attached at Annex C.
- (iv) Voluntary Restraint Arrangements - paper by Lord Young. A brief prepared by Mr Redley (AEF) is attached at Annex D.
- (v) Action Programme And Future Work of the Sub - Committee - paper by Lord Young. A brief is attached at Annex E.

3. The agenda is a full one and it is suggested that the time available will be most fruitfully spent by concentrating on the first four items. For reasons explained below the sub-committee will need to look again at item (v).



## Future of the Sub-Committee

4. We will be putting a paper to you before the summer break providing an overview of the supply side measures in hand or in prospect. The paper will seek to identify those carrying the most priority and to identify any gaps in the programme for the new Parliament. The question will arise as to whether Treasury Ministers will wish to take the initiative or give a push to particular measures covered in the paper which fall outside of their range of responsibilities. If such are measures identified, E(CP) suggests itself as a suitable forum for Treasury Ministers to bring their influence to bear on the relevant policy decisions where a competition issue is involved. (This should help to ensure that the Sub-Committee meets more frequently than it has in the past.) With this prospect in mind the brief for item (v) recommends that you reserve the right to adapt the Sub-Committee future work programme to accommodate the priorities which are determined by the supply side review.



R MOLAN



PHARMACEUTICAL INDUSTRY: COMPETITION

[Letter to you of 29 September from Social Services Secretary]

DECISIONS

You will wish the Sub-Committee to:

- a. note the measures DHSS have taken and propose to take to increase cost-consciousness among doctors in prescribing drugs;
- b. invite the Social Services Secretary to commission an independent external consultancy firm to do a further study on the procurement of generic drugs (on the basis that Mr Moore will tell the firms who tender that he expects the study to be completed in under 6 months);
- c. [<sup>After Rev</sup>decide whether] the discounts obtained by pharmacists who purchase parallel imported products should be included in the normal arrangements for recovering discounts from pharmacists (as Mr Moore proposes);
- d. decide when the review of arrangements for letting the NHS pharmacy contract should begin, whether it should cover the system of reimbursing and remunerating pharmacists (as the Trade and Industry and Financial Secretaries propose) and whether it should explore the scope for introducing competitive tendering for contracts to act as NHS dispensing pharmacists (as you and the Financial Secretary propose);
- e. [decide whether to] invite the Social Services Secretary to establish early next year a study group (involving officials from other Departments) to review the revised Pharmaceutical Price Regulation Scheme (PPRS) (as the Financial Secretary proposes).

## BACKGROUND

2. After a discussion at NEDC on the pharmaceutical industry in November last year, you wrote to the then Social Services Secretary, Mr Fowler, on 19 November proposing that E(CP) consider ways of procuring drugs for the Family Practitioner Services (FPS) more efficiently as well as action on generic drug prices and the issue of parallel imports. Mr Fowler agreed (his letter to you of 3 December 1986).

3. An inter-departmental group of officials (from the Health Departments, Treasury, Trade and Industry and the Central Unit of Purchasing) have done further work on the issues. Mr Moore's letter to you of 29 September sets out its conclusions.

## ISSUES

4. The issues are:

- a. how to introduce greater cost-consciousness in doctors' prescribing;
- b. procurement of generic drugs;
- c. the handling of discounts on parallel imported drugs;
- d. the review of arrangements for letting the NHS pharmacy contract and the scope for competitive tendering for contracts to act as NHS dispensing pharmacists;
- e. whether the PPRS should be reviewed early next year.

Cost-Consciousness in doctors' prescriptions

5. Mr Moore's letter of 29 September describes the measures DHSS have taken and propose to take to increase cost-consciousness by doctors when prescribing drugs. He does not say how much money

CONFIDENTIAL

these measures have saved, or can be expected to save. You might want to invite Mr Moore to report to the Sub-Committee in, say, a year's time on their effectiveness.

#### Procurement of generic drugs

6. Mr Moore proposes to commission an independent external consultancy firm with a strong financial speciality to undertake a study of the generics market. Its existence and terms of reference (the proposed terms of reference are set out at Annex 2 to Mr Moore's letter) would be public knowledge but its report would be confidential because of the commercial information it would contain. Mr Moore proposes that interested Departments should be represented on the study's Steering Group.

7. This should not be controversial - both the Trade and Industry Secretary and the Financial Secretary (letters of 13 and 23 October to Mr Moore respectively) have welcomed the idea of a study in this area. And Mr Moore has agreed (his letter to you of 10 November) that he should tell the firms who tender that he expects the study to be completed in under 6 months.

#### Parallel Imports

8. Special arrangements introduced by the Health Departments to recover discounts obtained by pharmacists on parallel imported medicine had to be withdrawn following a Court of Appeal judgement that they breached the Treaty of Rome. Mr Moore now proposes (subject to the views of Law Officers) that these discounts should be included in the normal arrangements for recovering discounts from pharmacists; and that his Department should negotiate and, if necessary, impose this change in negotiations with the pharmacists to enable it to take effect from 1 April 1988. This should be acceptable to the Sub-Committee; both Lord Young and Mr Lamont have said they support it.

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## Review of arrangements for letting the NHS Pharmacy Contract

9. On 20 July E(CP) agreed (in approving the Action Programme, E(CP)(87)6) that the Social Services Secretary should in 1988 review the arrangements for letting the NHS pharmacy contract. Both Lord Young and Mr Lamont have stressed that this should cover the system of reimbursing and remunerating pharmacists. Mr Lamont has proposed that the review should begin fairly soon, because the negotiations with the profession that will follow are bound to take time<sup>(1)</sup>. Mr Moore prefers a more relaxed approach. He is likely to contend that the present pharmacy contract only came into effect on 1 April this year, (it is expected to run for around 2 years) and that a review starting now would be premature. DHSS officials say they do not have the resources to embark on such a review at the moment. You will probably want the Sub-Committee to agree, on substance, that the review should cover the system of reimbursing and remunerating pharmacists as Lord Young and Mr Lamont propose, and that, on timescale, the review should be sufficiently soon, say, early next year or by next spring).

10. You (your letter of 23 October to Mr Moore) and Mr Lamont have said you would like the review to explore the scope for introducing competitive tendering for contracts to act as NHS dispensing pharmacists. You felt that Family Practitioner Committees should be asked to invite bids for the award of contracts to provide dispensing services. In the first instance, you had in mind pilot trials in selected areas before such arrangements were introduced more widely. Mr Moore is averse to your proposals on the grounds that a study by management accountants (Binder Hamlyn) nearly 2

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(1) The pharmacists contract was considered internally between 1980 and 1984; the first proposal was put to the pharmaceutical negotiating bodies in August 1984; in September 1985 DHSS said they needed legislation, and the scheme came into effect on 1 April 1987 following legislation.

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years ago said this would probably be more expensive than existing arrangements. You may wish to invite the Minister of State for Health to submit a more detailed paper on the issues involved to the Sub-Committee in early 1988.

#### Review of PPRS

11. In your letter to Mr Fowler of 19 November 1986 you said that you did not wish to re-open as part of the inter-departmental group's work the difficult issues settled in negotiations to continue the PPRS. But this need not constrain the Sub-Committee's freedom of action at this stage, now that the Group has reported, particularly in view of the significance of the PPRS. The PPRS covers the negotiation of costs and profit levels by DHSS with pharmaceutical manufacturers and sets the framework within which prices for medicines supplied to the NHS are set. The existing Scheme is now a year old and the next breakpoint is November 1989. The Financial Secretary has proposed that a review of the PPRS should begin early in 1988 and should consider all options. The review of the PPRS would, like the review of the pharmacy contract, be internal to Government, until the time came for negotiations with the profession. Mr Lamont feels an early review is important because past experience suggests that negotiations with the profession following the review will take 12 months or so to complete (ie the review would need to be completed by November 1988 to allow for negotiations to be over by the breakpoint of November 1989). Again, DHSS officials say they lack the resources to embark on this. It may, however be that Mr Moore will be more forthcoming than his officials both on this issue and on arrangements for letting NHS pharmacy contracts. Given the importance of the PPRS and the length of time it is likely to take to negotiate new arrangements with the profession, you will probably want the Sub-Committee to agree to the Financial Secretary's proposal for a review starting early in 1988.

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HANDLING

12. You will wish to invite the Social Services Secretary to present his proposals. The Secretary of State for Trade and Industry and the Financial Secretary, Treasury will wish to respond. Other Ministers may want to contribute to the discussion.

CHANCELLOR OF THE EXCHEQUER

1987 Programme of Nationalised Industry References to the  
Monopolies and Mergers Commission  
(E(NI)(87)6)

CONCLUSIONS

You will wish the Sub-Committee to agree:-

- a. which further nationalised industry candidates should be selected for referral to the Monopolies and Mergers Commission;
- b. how the programme should be announced; and
- c. whether the Sub-Committee should meet to consider the 1988 programme before the end of this year.

BACKGROUND

2. In 1981 the Government announced its intention of providing the MMC with up to 6 nationalised industry references a year with each industry being referred once every 4 years. Between 1980 and 1984 references averaged 3 a year. There were 6 in 1985 and (because 3 of the 1985 references took 9 months to complete) 3 in 1986.

3. E(NI) last considered this on 6 May (E(NI)(87)1ST Meeting). It agreed there should be a programme of 4 nationalised industry references to the MMC in 1987, but did not identify any further candidates. The Sub-Committee agreed to return to this question at a further meeting.



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4. In E(NI)(87)6 the Chancellor of the Duchy recommends a substantial programme of 4 references. We have 2 firm candidates - London Regional Transport's underground service (for late 1987) and the Welsh Water Authority (agreed in correspondence between the Chief Secretary and the Welsh Secretary in late June). Another agreed candidate is the Scottish Bus Group (SBG) (also for late 1987), provided current enquiries by the Director General of Fair Trading do not lead to a full investigation. These enquiries have only reached a preliminary stage, and there is a major risk that they will not be completed in time for the SBG to be referred. This means that the Sub-Committee needs to identify 2 more candidates.

DISCUSSION

5. A short note on all industries is attached at the Annex to this brief. The Treasury have identified 4 possible candidates:

- a. British Coal;
- b. British Rail Provincial Services;
- c. A water authority; and
- d. Post Office Counter Services.

In addition, you will wish to bear in mind that the Home Secretary wrote to you before E(NI)'s last meeting suggesting there was no overriding reason why the Tote should not be referred to the MMC in 1987. However in 1986 the Prime Minister was very doubtful about the need to refer the Tote (letter of 19 June 1986 from her Private Secretary to the Secretary of State for Trade and Industry's Private Secretary). The reason is not entirely clear. Probably she thought the Tote was too small to be a credible reference, although she may also have had it in mind as a possible candidate for privatisation.

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6. Our soundings are as follows:

a. British Coal. At its earlier meeting, E(NI) noted that the then Energy Secretary would be speaking to the Chairman of British Coal (BC) in the coming weeks and that he would then be able to consider whether BC might be a suitable candidate in the light of those discussions. Mr Walker did not discuss this question with Sir Robert Haslam and Mr Parkinson has not done so since. Mr Parkinson is being briefed simply to reiterate his predecessor's willingness to speak to Sir Robert Haslam and consider the position in the light of this discussion.

b. British Rail Provincial Services. Mr Channon will resist on grounds of overscrutiny of British Rail and because of the political sensitivity of the provincial services. Other British Rail candidates which would not raise political difficulties, and which have not been referred, are Freight and Inter City Services. But a British Rail reference would mean 2 or 3 (if Scottish Bus Group is included) were in the transport field.

c. A Water Authority. At E(NI)'s last meeting, Mr Ridley argued that privatisation precluded a reference of a Water Authority; he is likely to take the same line now, even though Mr Walker has accepted reference of the Welsh Authority.

d. Post Office Counter Services. Mr Clarke has offered no candidates of his own. He will resist a reference of Counters on ground that the Post Office is still heavily involved in work flowing from previous MMC References (1983 on Letter Post and 1985 on Procurement Activities). There has however been some public interest in this area following recent reports by the Centre for Policy Studies and the Adam Smith Institute. Other possible Post Office references are the letter post and giro.

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7. On the assumption that SBG is unlikely to be a candidate we are looking for two more. British Rail or a Water Authority seem second best because the short list already contains one transport reference (two including SBG) and one water reference. The areas to press seem to be:

- British Coal. There is a strong case for referring such a big spender of public money and the line taken so far by the Department of Energy suggests that a good push would get their agreement.

- Post Office. Mr Clarke is in a weak tactical position because he is pressing for four references but has not offered one from his own extensive list of NIs. A way to increase pressure, if he objects for example to reference of the counter services, would be to ask him to choose the Post Office activity which could best be referred.

8. The Chancellor of the Duchy of Lancaster recommends that the new programme be announced as a "further programme" rather than the 1987 programme". This has presentational attractions and should be generally acceptable, but you may wish to make clear that this formulation does not reduce the need to agree a substantial programme of references for 1988. In this context, you may wish to commend to the Sub-Committee Mr Clarke's other proposal, that the Sub-Committee meet before the end of this year to consider the 1988 programme.

HANDLING

9. You will wish to invite the Chancellor of the Duchy of Lancaster to introduce his paper. The Chief Secretary, Treasury will wish to respond. All Ministers responsible for potential MMC candidates will have views.



G W MONGER

Cabinet Office

7 July 1987

## MMC REFERENCES: NATIONALISED INDUSTRIES

## DEPARTMENT OF TRADE AND INDUSTRY

- a. British Shipbuilders. Not a candidate.
- b. British Steel Corporation. Not a candidate. Referred in 1985.
- c. Post Office
- Letter Post. Not a strong candidate. Referred in 1979 and 1983.
  - Procurement Activities. Not a candidate. Referred in 1985.
  - Parcels. DTI oppose a reference because Parcels has only been a separate business since October last year, and areas of overlap with Letters remain.
  - Counter Services Possible candidate. Not yet referred DTI oppose a reference because of burden it would mean for management - the Post Office still involved in implementing recommendations from the 1983 reference of Letter Post, from the 1985 reference of Procurement Activities, and in the MMC's enquiry into its letter franking monopoly.
  - Giro. Not yet referred. DTI oppose a Reference because Giro is in competition with the private sector and is a possible privatisation candidate.
- d. British Technology Group (i.e. National Enterprise Board (NEB), National Research Development Corporation (NRDC)) and English Estates. Not referred, but these are minor bodies and would not meet Mr Clarke's wish for "substantial" topics.

## DEPARTMENT OF TRANSPORT

- a. British Railways Board
- Network South East. Referred in 1980 and 1986.
  - Property Activities. Referred in 1984.
  - Freight. Both possible candidates. The Transport Department says both are undergoing "fundamental change" and operate in competitive environment; BRB is still heavily involved in the Network South East reference of 1986.
  - Inter City Services
  - Provincial Services. The Transport Department believes a reference at present would be politically unwise.
- b. London Regional Transport Underground Services already a definite candidate for 1987. No reason therefore to refer LRT's Bus Services or Bus Maintenance (this last referred in 1983).

- c. Civil Aviation Authority. Referred in 1982.

#### DEPARTMENT OF ENERGY

- a. CEGB. Transmission System referred last year; Generation/Supply referred in 1980.
- b. Electricity Council. Not yet referred,. Mr Parkinson will resist a reference, pointing to privatisation.
- c. Area Electricity Boards. Possible Candidate. Six out of 12 boards not yet referred. Mr Parkinson will resist a reference on grounds of privatisation, and because Area Boards have had more than their fair share of references.
- d. British Coal. Mr Parkinson will agree to discuss with the British Coal Chairman.
- e. Atomic Energy Authority. Mr Parkinson will resist on grounds that the AEA has only been established as a Trading Fund for 1 year; and a reference now would be premature.
- f. Oil Pipeline Agency. A minnow. Employs just 41 people.

#### DEPARTMENT OF THE ENVIRONMENT

- a. Water Authorities. Mr Ridley will resist on grounds of future privatisation. (For your personal information) of a water authority is chosen, Environment officials would choose South West Water (for the end of 1987, when the new Chairman will be in post).
- b. British Waterways Board. Not a candidate. Referred in 1986.

#### SCOTTISH OFFICE

- a. Scottish Transport Group -
- Scottish Buses. A candidate.
  - Caledonian MacBrayne. Last referred in 1982.
- b. South of Scotland Electricity Board and North of Scotland Hydro-Electric Board. Not a candidate. Referred in 1985.
- c. Scottish Development Agency. A minor body. Review of the SDA by Scottish Office, Treasury and outside consultants has just been published.

#### NORTHERN IRELAND OFFICE

- a. NI Transport Holding Company. (i.e. NI Buses, Railways and Airports). All minnows.
- b. NI Electricity Supply Industry. NIO will resist a reference, on grounds that it would be too onerous for management to cope with this while considering possibility of generating electricity from ignite.

WELSH OFFICE

- a. Welsh Water Authority. A Candidate.
- b. Welsh Development Agency. Not yet referred. A NDPB (Non-Departmental Public Body) review was carried out last year.

HOME OFFICE

- a. The Tote. minnow.

MAFF

- a. Agriculture Marketing Boards. (Milk, Potatoes, Wool). Minor topics.

CONFIDENTIAL

Reference No E 0379

CHANCELLOR OF THE EXCHEQUER

Voluntary Restraint Arrangements on Imports

E(CP)(87)7

**CONCLUSIONS**

You will wish the Sub-Committee to:

- a. note progress on the review so far;
- b. decide whether to approve the Trade and Industry Secretary's recommendations on the handling of outstanding Voluntary Restraint Arrangements (VRAs).

**BACKGROUND**

2. E(CP)(85)3rd and 4th Meetings of 22 April and 24 July 1985 invited the then Secretary of State for Trade and Industry to undertake detailed cost benefit assessments of VRAs on a case by case basis. E(CP)(87)7 reports the present position. Its Annex A summarises where we stand on each VRA.

**Proposals**

3. Lord Young proposes:
  - a. to re-examine the 2 inter-industry cutlery and pottery VRAs with a view to fixing definite dates for withdrawal of support, or devising formal review mechanisms for them (last year, E(CP) decided (E(CP)(86)1st Meeting of 16 July) that the pottery VRAs with Japan and Taiwan should be allowed to continue but it is still desirable to re-examine them);
  - b. to monitor on an annual basis the inter-industry VRAs on Japanese machine tools and South Korean footwear and the EC VRAs on footwear with Czechoslovakia, Poland and Romania;

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c. to consider the U.K. special steels VRA (with Japan) - which is part of the EC external steel regime - when that regime is actually reviewed.

d. to report 'in due course' the outcome of his current assessment of the VRA on Japanese cars, etc. (which, oddly, is not listed in Annex A).

**DISCUSSIONS**

4. The Treasury believe DTI are dragging their feet. The Financial Secretary wrote to the Trade and Industry Secretary on 24 June urging action on the machine tool and footwear VRAs and expressing surprise about the (apparently almost indefinite) continuation of the special steel VRAs. Lord Young replied on 13 July. In this letter, he emphasised the annual review mechanisms he had established to monitor progress by the machine tools and footwear industries towards international competitiveness and the external constraints in taking unilateral action on special steel VRAs.

5. There may be substance in Lord Young's contention that unilateral action on the special steel VRAs is not feasible in isolation from the EC-wide external steel regime. But E(CP)(87)7 provides no justification for the continuation of the VRAs on pottery, cutlery, machine tools and footwear. In the case of the 2 inter-industry VRAs on South Korean and Japanese cutlery and Japanese pottery, Lord Young says (paragraph 4) the VRAs do not restrict trade, but that the industry "attaches importance to the reassurance (they) give"; it is difficult to understand why, if they have so little effect on trade.

6. I recommend you invite the Trade and Industry Secretary to put a further paper to the Sub-Committee by early autumn explaining why the existing VRAs cannot be terminated against a specific timescale (Lord Young's letter of 13 July to Mr Lamont recognised the onus of



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proof lay with the industry); and explaining more fully how the annual review mechanisms he envisages would enable remaining VRAs to be terminated as speedily as possible.

**HANDLING**

7. You will wish to invite the Secretary of State for Trade and Industry to present his proposals. The Economic Secretary, Treasury will wish to respond. Other Ministers may wish to contribute to the discussion.

*GD*

G W MONGER

Economic Secretariat  
Cabinet Office.  
17 July 1987

CONFIDENTIAL

Reference No E 0375

CHANCELLOR OF THE EXCHEQUER

*Why not  
ask about the BWMB  
(of the market boards)*

The British Wool Marketing Board and its Subsidiaries

E(CP)(87)4

**CONCLUSIONS**

You will wish the Sub-Committee to decide whether or not to require the British Wool Marketing Board (BWMB) to divest itself of its subsidiaries.

**BACKGROUND**

2. The BWMB operates statutory price support arrangements under which it has the right to buy all British Wool clipped from live sheep at a price guaranteed by the Government and to sell it at international auctions in the U.K. It also owns 'upstream' companies which handle over half the clip before it reaches the auctions, and 'downstream' companies which buy wool at the auctions and process and sell it (a third of the wool processed, and 16% of the wool exported goes through these companies).

3. The BWMB was last considered by E(CP) on 24 July 1985 (E(CP)(85)4th Meeting). E(CP) accepted that the need for a thorough review of the wool guarantee arrangements in 1988 before the expiry of the existing agreement in 1990. In the meantime, the Minister of Agriculture, was invited to satisfy himself there was no cross-subsidy between the Board's different activities and to encourage the Board to take any suitable opportunity to divest itself of its subsidiaries. In E(CP)(87)4 - covering a Note by officials from the agricultural Departments - Mr MacGregor reports to colleagues on the outcome of his enquiries. He says that there is no current evidence of cross subsidy and that the Board should not be pressed to sell off its subsidiaries. He will no doubt be supported by Scottish and Welsh colleagues.

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**ISSUES**

4. The issues are:

- a. Cross-subsidy;
- b. Divestment of subsidiaries; and
- c. the 1988/89 Review.

**Cross-Subsidy**

5. The conclusions of the Note by officials are set out in paragraph 27. They are that there is no significant cross-subsidy, though BWMB subsidiaries enjoy a marginally favourable borrowing rate (about 1/8% lower than others in the trade) and benefit from efficiency savings through the group operation of pension schemes, insurance and computer systems. Mr MacGregor concludes there is no current evidence of cross-subsidy. You could however ask him if the benefits from the common services have been quantified, and if it is really true that the advantage on the borrowing rate is only 1/8%.

**Divestment of Subsidiaries**

6. Mr MacGregor's predecessor was invited by E(CP) in July 1985 to encourage the BWMB to take any suitable action to divest itself of its subsidiaries. Mr MacGregor says that disposals will not be made by the Board voluntarily and that primary legislation would be required (which the BWMB and the farmers' unions would oppose). You will wish to consider whether the pro-competitive arguments in favour of disposals outweigh the political controversy they would involve. If outright disposal of subsidiaries is likely to prove as contentious as Mr MacGregor claims, one possibility would be for Mr MacGregor to discuss with the BWMB the introduction of private capital into its subsidiaries, for example Wool Growers (GB), the 100% owned company through which it holds its interests.

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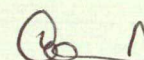
The 1988/89 Review

7. The question of disposal will also need to be tackled in the light of the 1988/89 review of the present wool guarantee arrangements. Mr MacGregor intends to use this Review to establish firm arrangements to ensure no cross-subsidy could occur in the future; but it would be practical to consider privatisation of BWMB subsidiaries at the same time in the light of that review. The primary legislation required would, however, still be contentious and the political difficulties in taking action no less acute.

HANDLING

8. We understand that DTI officials' reservations about the BWMB's monopsony role and its involvement in downstream activities remain. The Trade and Industry Secretary is, however, likely to agree that these, along with all other issues, be considered in the 1988/89 Review. Subject to the discussion, you may wish to invite the Minister for Agriculture, Fisheries and Food to submit a further paper to E(CP) next year covering cross-subsidy and divestment in the light of the review.

9. You will wish to invite the Minister for Agriculture, Fisheries and Food to present his Memorandum. The Trade and Industry Secretary and the Economic Secretary, Treasury will wish to respond. Other Ministers may wish to contribute to the discussion.



G W MONGER

Economic Secretariat  
Cabinet Office  
17 July 1987



Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Douglas Hurd MBE MP  
 Secretary of State for the Home Affairs Department  
 Home Office  
 50 Queen Anne's Gate  
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CC Chancellor  
 Chief Secretary  
 Paymaster General  
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 MR Monck ✓  
 MR Burgner  
 MR Gilmore  
 MR Butt  
 MR P.R.C. Gray  
 MR Guy  
 MR Kaufmann  
 MR Molan  
 MRS Pugh  
 MR Cropper  
 MR Tyrie.

17 July 1987

*Dear Douglas*

**DEREGULATION OF THE RADIO SPECTRUM**

Thank you for copying me your letter of 29 June to David Young.

I note the way in which you wish to handle the broadcasting aspects of the CSP study and look forward to seeing your proposals in due course.

I am copying this letter to the members of E(CP), Peter Walker, Tom King, Malcolm Rifkind and Sir Robert Armstrong.

*Yours faithfully*

**NORMAN LAMONT**

## CONFIDENTIAL

## COMPETITION IN THE PHARMACEUTICAL INDUSTRY

## PROPOSALS

Mr Moore is seeking to delay, for at least another year, the start of reviews of the pharmacists' contracts and the Pharmaceutical Price Regulation Scheme (PPRS). The papers for this item are the attached letters from Mr Moore to Chancellor (29 September), Lord Young to Mr Moore (13 October), Chancellor and Financial Secretary to Mr Moore (both 23 October), Mr Moore to Chancellor (10 November).

## LINE TO TAKE

Treasury objective. To get agreement to early commencement of reviews of both the pharmacists' contract and the PPRS.

Points to make

(i) Recent correspondence has described some useful progress in particular areas eg moves to introduce greater cost-consciousness into doctors' prescribing.

(ii) Also helpful that there is agreement to reviews of the pharmacists' contract and the PPRS but we need to discuss the timing. To aid discussion we have looked back to see how long it took to agree the current arrangements.

(iii) On the pharmacists contract some key dates are:-

1980-1984	-	Internal consideration from time to time.
August 1984	-	First proposal put to pharmaceutical negotiating bodies.
September 1985	-	DHSS discovered that legislation needed.
1 April 1987	-	scheme came into effect following legislation.

(iv) On the PPRS the timing was:-

1983	-	some initial work but then postponed.
November 1984	-	internal consideration recommenced.
July 1985	-	negotiations began with industry
September 1986	-	new scheme agreed
1 October 1986	-	new scheme took effect.

(v) In short, from start to finish it took up to 7 years to introduce the pharmacists contract and up to 3 years for the PPRS.

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(vi) That is why I am proposing that internal preparations should now begin. On past evidence, even if negotiations proved less difficult than last time, we would need to start work now to have any hope of revising the pharmacists contract from April 1989 and the PPRS from October 1989. In particular if we miss the breakpoint on the PPRS it will be another 3 years before any change can be introduced. [There is no such definite length of contract for the pharmacists.]

(vii) I am happy to offer the assistance of my officials, including those in the Central Unit on Purchasing, in initial preparations. I would expect the review of the pharmacists contract to fully explore the scope for competitive tendering for contracts to provide NHS pharmacy services - we should re-examine the view of the management consultants mentioned in John Moore's letter.

(viii) Trust we can now agree that internal preparations for both reviews should start immediately.

[Subject to discussion, your fallback position might be that work, at least on the pharmacists contract, should start no later than April 1988 ie after the PPRS has been operating for 1½ years and the pharmacists contract one year.]

**BACKGROUND**

1. Mr Moore's letter of 29 September reported the outcome of the work of an interdepartmental group on competition in the pharmaceutical industry - set up at the Chancellor's initiative. The outcome included efforts to improve cost consciousness in doctors prescribing and plans for a study by consultants on the procurement of generics.
2. Letters of 23 October from the Chancellor and the Financial Secretary proposed revision of both the pharmacists contract (including the scope for introducing competitive tendering) and the PPRS. Mr Moore's letter of 10 November seeks delay in starting these reviews.
3. The outstanding issue for this meeting is therefore to get the timing of the reviews agreed.
4. On competitive tendering Mr Moore's letter refers to the view expressed by Binder Hamlyn in December 1985 that competitive tendering could prove more expensive than the arrangements now introduced. It seems right to re-examine the case for competitive tendering and to test the validity of Binder Hamlyn's assertion.

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Reference No E 0380

CHANCELLOR OF THE EXCHEQUER

E(CP) 20 July 1987

I attach Chairman's briefs for E(CP) on Monday.

2. The agenda looks formidable, especially bearing in mind that the meeting should be over before H starts at 4:45. But I think there should be no difficulty in getting through the papers by concentrating on those points where E(CP) is most likely to make progress.

3. The first paper is on competition in education. Most of this is about the major changes in education policy already agreed or now being discussed in E(EP). I suggest that E(CP) should concentrate on the other areas, especially on privatisation of school meals and school cleaning. Apparently not much has been achieved on at least the first of these and DES do not even discuss the question whether they could get more done.

4. The second paper on competition and employment law is similar in that most of it is about the major policy changes which have already taken place or are agreed. I suggest that E(CP) should concentrate on Mr Fowler's surprising proposal that specific labour market restrictive practices might be referred to the MMC - surprising because DEm have in the past opposed it. It could be explored, with examples, in a paper for another early meeting.

5. Third is the paper on the British Wool Marketing Board. MAFF have been dragging their feet on this. E(CP) asked them at its last discussion to press BWMB to sell off its downstream subsidiaries. The Minister now opposes such action because it would lead to a row. I have suggested as a compromise introducing a private shareholding, which to start with could be a minority one, into the Board's subsidiaries.

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6. The paper on Voluntary Restraint Arrangements is unsatisfactory in that it does not set out the arguments for and against keeping those that remain, or say when Lord Young expects to reach a definite conclusion about them. I have suggested asking for a further paper which does this.

7. Finally, DTI have proposed a programme of future work. This seems entirely acceptable. In particular the paper on competition in health care, which DHSS have accepted, could be useful in opening up NHS issues which have been too little considered. The programme is a substantial one. There could be some advantage in two meetings in the autumn, but this may involve too great a commitment of time.

*No out mtg  
in @ Park, by way  
to clear within health  
Department  
Covers some*

*Q*

*! (Perhaps  
Ld Young wd  
be prepared  
to chair one  
for you?)*

G W MONGER

Economic Secretariat  
Cabinet Office.  
17 July 1987

Reference No E 0377

CHANCELLOR OF THE EXCHEQUER

Competition and Employment Law

E(CP)(87)5

**CONCLUSIONS**

The points which Mr Fowler asks colleagues to endorse or consider are set out in paragraph 9 of his cover note.

**BACKGROUND**

2. On 11 December last year, E(CP) (E(CP)(86)2nd Meeting, Item 2) invited the Secretary of State for Employment to prepare a paper on Competition and Employment Law. E(CP)(87)5 - a Note by the Employment Secretary, covering a more detailed annex by his officials - is the result.

**DISCUSSION**

3. In proposing a paper on competition and employment law last December as part of E(CP)'s Work Programme, the then Parliamentary Under-Secretary of State (Mr Howard) hoped that the Department of Employment would examine these issues in a fundamental way. The paper is now essentially a factual statement of what has been done since 1979 and what more has already been agreed. DTI officials are disappointed in the outcome. They say that neither they nor the Office of Fair Trading were properly consulted in the preparation of E(CP)(87)5.

4. Mr Fowler's recommendations for future action, as summarised in paragraph 9 of his cover note, are:

Give greater publicity to Government measures or labour market rigidities. This sounds unexceptionable but exhortation is not always effective. What exactly has he in mind? Who should say what when?

Accept that the main responsibility for reducing rigidities rests with employers. Employers may sometimes prefer a quiet life, particularly if they can pass on costs to the consumer. And Mr Fowler is presumably not saying that there is nothing more for the Government to do, for example an union legis

lation. But perhaps this proposition is too general to provide a useful discussion.

Argue that we should erode national collective agreements by education, example and increasing competition. The important point here is that the paper discusses the idea of extending restrictive practices legislation to national collective agreements but rejects it broadly on the ground that this would interfere with employers freedom. You might collect the views of the Sub-Committee, and especially DTI Ministers on this idea. If, despite Mr Fowler's advice they were attracted (although perhaps this is unlikely), it could be explored in more detail in a further paper. The DEm interest in giving an example leads them into a discussion of civil service pay (paras 24-29 of the official paper) which you may not want to encourage.

Note that the Secretary of State for Trade and Industry is further considering restrictions in the professions. DTI are puzzled by this. They are already working on the subject and Lord Young intends to report on it to E(CP) in the autumn. What does Mr Fowler have in mind?

5. But the most interesting idea and perhaps the one to concentrate on, is in Mr Fowler's 9(v), that Ministers should consider whether there are any specific labour market restrictive practices which might be referred to the MMC. The power to refer such practices does exist, but it is very narrowly drafted and DEm until recently have argued against its use. Why have they changed their minds? You could ask DEm to write a further paper, in consultation with other Departments, explaining the idea in more detail and giving examples of practices which might be referred.

#### HANDLING

6. You will wish to invite the Secretary of State for Employment to present his proposals. The Trade and Industry Secretary and the Economic Secretary, Treasury will wish to respond. Other Ministers may wish to contribute to the discussion.

G W MONGER

Cabinet Office  
17 July 1987

CONFIDENTIAL

Reference No E 0376

CHANCELLOR OF THE EXCHEQUER

Action Programme and Future Work of the Sub-Committee  
E(CP)(87)6

**CONCLUSIONS**

You will wish the Sub-Committee to:

- a. endorse the proposals for future work described in paragraphs 5-8 of E(CP)(87)6; and
- b. endorse the revised action programme at Annex A and note the up-dated list of achievements at Annex B of E(CP)(87)6).

**BACKGROUND**

2. The Action Programme has been a regular feature of E(CP) meetings since the Competition Initiative was launched in 1984.

**Proposals**

3. In E(CP)(87)6 the Secretary of State for Trade and Industry reaffirms 4 existing remits:

- a. report on Competition in the Professions (remit given to Parliamentary Under-Secretary of State for Trade and Industry from E(CP)'s last meeting in December last year (E(CP)(86)2nd Meeting Item 3);
- b. Restrictions in the legal professions (remit from E(CP)(86)2nd Meeting, Item 2; the former Lord Chancellor agreed to provide this paper in his letter to you of 8 December 1986);

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- c. Licensing of open-cast coal mining (remit to Energy Secretary from E(CP)(86)2nd Meeting, Item 2); and
  - d. Pharmaceutical procurement (remit to Parliamentary Under-Secretary of State for Health and Social Services from E(CP)(86)2nd Meeting, Item 2).
4. The Trade and Industry Secretary proposes 2 new remits:
- a. a paper on Competition in the health care services from the Secretary of State for Health and Social Services; and
  - b. a paper on the management of the radio frequency spectrum (which he will submit).

The Secretary of State for Health and Social Services will agree to provide a paper on competition in the primary health care sector (family practitioner service, dentists, opticians, community nurses, health visitors, etc) but his officials say it could be difficult to cover the secondary sector (district and regional health authorities).

The Trade and Industry Secretary proposes that these papers be considered by the Sub-Committee in the early autumn. 6 agenda items will mean a congested meeting but, if past experience is any guide, not all the papers will be forthcoming in time.


5. In addition, Treasury officials are giving some thought to measures to enhance competition on the supply side. Proposals should be ready by the autumn. You may wish to mention this at the meeting. It would be possible for E(CP) to consider them either in the early autumn or before the end of the year, depending on progress.

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**HANDLING**

6. You will wish to invite the Trade and Industry Secretary to present his proposals. You will wish to invite those Ministers whom Lord Young is inviting to put papers to E(CP)'s next meeting - the Secretaries of State for Energy and for Health and Social Services - to comment.

7. You may also wish to ask members of the Sub-Committee as a whole whether they wish to volunteer any further papers for the Sub-Committee to consider at a subsequent meeting. (To set an example, you may wish to mention the Treasury's work (paragraph 5 above) on competition on the supply side). In summing up, you may also wish to emphasise the particular importance of having a paper for early autumn from the Lord Chancellor on competition and restrictive practices in the legal profession. (This remit has been around a long time (the Prime Minister first raised it in June last year (letter of 30 June 1986 from her Private Secretary to the Lord Chancellor's) and the Lord Chancellor is dragging his feet).



G W MONGER

Economic Secretariat  
Cabinet Office  
17 July 1987

**E(CP)(87)5 : COMPETITION AND EMPLOYMENT LAW - A NOTE BY THE SECRETARY STATE  
FOR EMPLOYMENT**

**Introduction**

Mr Fowler's paper covers a more detailed note by his officials, which is discussed in the background section below. In his paper he recalls the measures implemented since 1979 to improve the operation of labour market (trade union legislation, Wages Councils reform etc). As to the future, fresh trade union legislation is planned for the autumn and Wages Councils will be reviewed next spring but it is argued that the thrust of the Government's approach should continue to be that the prime responsibility for improving the market lies with employers. In the particular case of collective pay agreements the Government is attempting to break these down by **education** and setting an example in the public service. To go further than this and legally challenge such agreements would be contrary to the approach followed since 1979 and anyway would be impractical.

2. Two areas are suggested though for greater Government intervention: restrictions in the professions which the Director General for Fair Trading is understood to be reporting to Lord Young about and the employment of a, as yet unused, power under the Fair Trading Act to refer restrictive labour practices to the MMC for investigation. Aside from these ideas it is suggested that employers be encouraged to use the freedoms provided to them by Government measures to increase competition in goods and services. Also privatisation and exposing public services to competition help<sup>end</sup> the ability of monopolists to protect existing restrictive practices and national pay rates.

**Treasury Objectives**

(i) To endorse Mr Fowler's view that greater publicity should be given to the steps taken or in hand to improve the labour market - the aim being to encourage employers to use the freedoms they have acquired.

(ii) To secure agreement that national collective agreements are best tackled by education and example and by increasing competition in markets.

(iii) To secure agreement that officials should look for restrictive labour practice which could be referred to the MMC.

(iv) To secure agreement that the scope for further reform in rights of employment - particularly **as** these effect small firms - should be examined.

### Line to take

(i) Agree that ultimately improvements in the labour market will arise from the efforts of employers. Encouragement should be given to make full use of their new freedoms.

(ii) Agree that the arguments for not intervening in pay bargaining are persuasive. Education and setting an example in the public sector remain the appropriate means of tackling national collective agreement. Increasing competition in markets will also help. As regards local authority services, improvements will be best secured by the introduction of fair competitive tendering as set out in the Local Government Bill rather than simply requiring local authorities <sup>to</sup> contract out.

(iii) Profit related pay measures will of course have an important part to play in making pay more flexible.

(iv) Not clear how the DGFT's report to David Young on restrictions in the professions will help. Understand this is primarily a progress report on initiatives already in hand.

(v) Officials should consider scope for referring restrictive labour practices to MMC. If the power is there the possibility of using it should not be ignored.

(vi) There is a case for looking again at employment rights to see if small firms can be relieved to a greater extent of the burdens these bring. Raising exemption thresholds for instance will help free the labour market at that level even more.

(vii) Must bear in mind that the pre-entry closed shop continues to exist. This should be tackled at the earliest opportunity.

### Background

The note by DE officials provides a brief analysis of the main rigidities in the labour market - increases in earnings outpacing inflation and unresponsive unemployment, and a history of restrictive labour practices. Collective pay bargaining is cited as one of the factors fuelling excessive wage rises which in turn have the effect of reducing the level of competition in goods and services markets.



The measures already taken or in hand to ease wage rigidities improve industrial relations are listed. The former category however excludes any reference to profit related pay. The latter includes steps to curb the closed shop which will be the subject of further measures in the forthcoming Bill but no mention is made of the fact that the pre-entry closed shop will remain intact. Although DE's step by step approach to reform may preclude early action on this front the continued existence of this practice, which removes control of the labour supply from employers, should be noted as a target for future reform.

Looking at the options for future policy, the note suggests that there must at least be prima facie grounds for exploring with Departments the scope for using the powers available under the Fair Trading Act 1973 (FTA) to refer restrictive labour practices to the MMC. This power has never been used because we understand officials have failed in the past to identify practices which were suitable for this type of examination or those that were candidates fell outside the ambit of the Act. Matters were not helped by the fact that DE previously have argued that employment law and not competition law was the appropriate means of tackling such issues. However, there may be also practical problems in using the FTA powers as although the MMC could judge that a particular practice was against the public interest there is no mechanism for remedying the adverse effects identified as there is with monopolies and mergers. Nevertheless there is a case in principle for officials to look again at the possibility of using this power.

The paper discusses an idea (originally suggested by DTI) that restrictive labour practices legislation could be adapted to be to curb national collective pay agreements. But it comes down against the proposal on three grounds. (i) First, and most powerfully, it would amount to interference in employment contracts, a step contrary to Government policy until now. (ii) Secondly, some employers have a preference for national bargaining as it gives them collective strength and wage stability. Outlawing national agreements could put smaller firms at the mercy of the trade unions who would subsequently pursue leap frogging claims elsewhere. This is an odd argument as it amounts to a case for doing nothing at all about collective agreements. (iii) Thirdly, it is not clear what criteria the MMC would apply in such cases and who would be the subject of sanctions if an agreement was found to be against the public interest. This is a fair point though it does assume that existing legislation would be used when new, more effective, powers could presumably be created for the purpose in mind.

The paper concludes, rightly that the most fruitful strategy to follow is <sup>to</sup> continue to encourage employers to reform their bargaining procedures and to set an example in the public sector. (IPCS pay deal, plans for regional pay in the civil service etc.).

Privatisation and the contracting out of local authority services are quoted as means of breaking down monopoly power in the labour market as a barrier to efficiency. However, the proposals in the Local Government Bill to encourage fair competitive tendering currently being considered by Parliament are not mentioned. <sup>This legislation will</sup> force local authorities to put six more services out to tender - refuse collection, street cleaning, building cleaning, catering, ground maintenance and repair and maintenance of vehicle maintenance. And it will enable the Secretary of State to extend that list by secondary legislation, and stop work in-house if authorities do not assess the competitive tenders fairly. The emphasis of the Bill is on encouraging fair competitive tendering as opposed to increasing contracting out of services. The Audit Commission believes the best DLOs are competitive; but most are not. In these cases pay will need to be restrained, and/or efficiency increased, for the DLOs to become competitive. If that occurs there will be no reason to contract the work out. Thus the emphasis should be on the competitive tendering approach rather than contracting out.

The prospect of further work on restrictions in the professions referred to in Mr Fowler's paper, is not discussed here. The Director General for Fair Trading (DGFT) is due to make a report to the Secretary of State for Trade and Industry on the removal of such restrictions and a paper reflecting his report is proposed for the Autumn meeting of E(CP). However, this is a progress report on an initiative which commenced in 1985 and which has achieved some worthwhile relaxations in the rules of certain professions removing, for example, advertising restrictions. It is not intended that the DGFT should put forward further candidates for investigation though it is proposed by Lord Young that E(CP) should consider papers in the Autumn about restrictions in the legal profession and competition in health care services.

There is brief reference in the paper <sup>to</sup> certain measures forming part of the deregulation initiative which have contributed to improvements in the labour market but there is no discussion as to how further changes in the law affecting rights of employment could give employers, particularly in the small firms, even more freedom. For example Ministers agreed last year that the size of firm exempted from the obligation to allow employees to return work after maternity absence should be increased from fewer than six to fewer than ten. When MISCL21

discussed this proposal the then Financial Secretary argued, unsuccessfully, that a much larger increase (less than 20-25 employees) was desirable. There is a case for this type of reform to be looked at in again in this term of office particularly as the latest progress report on deregulation ('Encouraging Enterprise') does not put forward any new initiatives of this nature.

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## E(CP) (87)4: THE BRITISH WOOL MARKETING BOARD AND ITS SUBSIDIARIES

## i) Introduction

1 The paper meets a remit from E(CP) on 24 July 1985 when the Minister of Agriculture was asked to review the downstream activities of the British Wool Marketing Board in order to satisfy himself that there was no cross subsidy between the Board's different activities; and to encourage the Board to take any suitable opportunity to divest itself of its subsidiaries.

2 It finds that there is no current evidence of cross subsidy, while admitting that the subsidiaries do derive some benefit in the money markets (0.125 % lower interest rates than others in the trade) from the Board's status which in turn results from the Government guarantee for the wool price. The Board is reported to be unwilling to dispose voluntarily of its subsidiaries, which it regards as major contributors to its success in maintaining an independent market existence for British wool.

## ii) Treasury Objective

To conclude that the position of the BWMB and its subsidiaries be reviewed next year along with the whole of the present wool guarantee arrangements before they come up for renewal in 1990.

## iii) Line to take

Accept the broad conclusions of the report as the best that can be expected given the Board's position as a statutory monopoly backed by Government guarantee. In 1985 E(CP) agreed that legislation to break that monopoly could not be introduced during the last Parliament, but that a thorough review would be needed in 1988 before the current arrangements come up for renewal in 1990. Suggest a deadline of June 1988 for a further ECP paper on the future of the wool guarantee arrangements.

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iv) Background

1 The British Wool Marketing Board was set up under the 1950 Agricultural Marketing Act to operate the price support arrangements under the Agriculture Acts 1947 and 1957. Its principal objective is to maximise the return to the farmer from the sale of British wool by minimising administrative and marketing costs and maximising market price. It has acquired its subsidiaries in pursuit of that aim.

2 Under the current price support arrangements, the BWMB has the statutory right to buy all British wool clipped from live sheep. It does so at a price (currently 129p per kilo) guaranteed by the Government and sells the wool at international auction in the UK. Any loss is made up by the Exchequer in the form of an interest-free loan which is repaid from the net income arising when the market price exceeds the guarantee price. The current outstanding debt to the Exchequer is £20 m. The Board's administrative and marketing activities are financed by a levy (currently 29p per kilo) on the 90,000 wool producers, who elect the representative controlling the Board.

3 The BWMB currently owns 7 of the 15 companies engaged in upstream activities ie woolhandling or the collection, sorting and grading of fleeces prior to sale by the Board. The paper explains that this has helped to rationalise the network and save costs. In real terms marketing expenses per kilo have fallen by just under 20% over the past 12 years.

4 The Board have sought to maximise the price for British wool by promoting it as a specialist product with its own market identity, quality and characteristics. It bought into the seven downstream companies, engaged in primary processing of wool and merchanting to maintain a British presence in the market, and has used these companies to open up the far east (Japan and China) to British wool.

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5 The Board's subsidiaries operate independently of the parent company, Wool Growers GB Ltd, keeping separately and independently audited accounts. There is no evidence of cross subsidy and the guarantees which were underwritten initially by the Board have been reduced to £20,000 in 1986 and should be written off this year.

6 On 1 July, the Secretary of State for Industry wrote to the Minister for Agriculture seeking additional information on the extent to which the Board's subsidiaries are distorting the competitive balance of the industry. He was particularly concerned that they were able to use inside information and preferential terms to gain market dominance, undercut their competitors and make excessive profits relative to other companies in the sector. He asked that his officials be sent additional information. Mr MacGregor's letter covering his officials' response is attached. It makes the following points not specifically covered by E(CP)(87)4:

i. in the two years for which there is information (1983-84 and 1984-85) 8 of the 22 companies covered by the ICC Financial Survey returned a net profit on assets greater than Woolgrowers Ltd profit last year of 13.8 %.

ii. the contract which applies to all wool handling companies is negotiated through the Agents Negotiating Committee, established by Statutory Instrument in 1958) with members nominated by the Board and by the organisations handling wool. None of the latter are from the the companies in which the Board has an interest;

iii. the Board's reserve price for wool at auction is kept strictly confidential and the subsidiaries bid openly in the auctions. The Board believe that their acquisition of their downstream companies has increased competition by breaking a buyers' ring.

iv. The Board non-trading companies were acquired incidentally

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with one of the trading companies (Wool Combers Ltd). The names, which are of significance in the Bradford wool trade, were the companies major assets and the Board is prepared to license use of the names for suitable purposes.

v. There have been only two recent (1982 and 1984) complaints of unfair competition from others in the wool trade and in both cases the complainant has been satisfied.

We gather that Lord Young remains uneasy about the role of the Board's subsidiaries and fears that the 0.125% preferential discount on interest rates and Woolgrowers (GB) Ltd's relationship with the Board may be unfairly squeezing the profits of competitors. He recognises that little can be done in the short run but will press for thorough consideration of these points in next year's review of the wool guarantee arrangements.

7 It could be argued that the Board's acquisition of both upstream and downstream activities have been pump-priming and that responsibility could be transferred back to the private sector where fully independent ownership could increase competition and efficiency. This would currently be opposed by the Board and by the farmers who elected them. They would see disposal of the subsidiaries as reducing future effectiveness. Primary legislation would be required to force them to do so.

8 When E(CP) last considered the wool guarantee two years ago, it concluded that the legislation required to break the Board's monopoly was not feasible within the life of the existing Parliament. The financial relationship between the Board and the Government is reviewed every five years and the current agreement runs out in 1990. In 1985, E(CP) concluded that the next quinquennial review in 1988 should be taken as the opportunity for a thorough study of the wool guarantee scheme. It is time to fix a firm timetable and remit for that study.

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## Voluntary Restraint Arrangements on Imports

### INTRODUCTION

1. The paper for this item is:

E(CP)(87)7 of 16 July 1987 by Secretary of State for Trade and Industry - "Voluntary Restraint Arrangements on imports."

Also useful as background are the Financial Secretary's letter of 24 June 1987 to Lord Young; and the latter's reply of 13 July 1987.

2. DTI's paper provides a list of 35 Voluntary Restraint Arrangements applying to UK industry. It apparently covers all existing VRAs except the special regime for standard steel - which was not part of the original review - and the important VRAs with Japan on vehicles. The vehicles VRAs are mentioned separately in paragraph 8. The paper also gives details of how all VRAs are being handled:

20 have already ended (of which 9 were directly between industries, and 11 involved the EC Commission);

6 have definite dates for termination of support, either this year or next;

6 have no definite termination dates, but are now subject to annual review; and

3 have neither terminal dates nor reviews, though Lord Young has undertaken to look at this again.

3. The paper makes a case for treatment of special steels VRAs outside the above framework. The arrangement with Spain lapses anyway with Spanish accession to the Community. The remaining significant arrangements - with Japan - should - so the paper argues - be regarded as part of the EC framework for dealing with steel over-production and dumping globally. Its future should depend on progress in the GATT Round and the position of the US.



4. Only the inter-industry VRAs with Japan for cars, light vehicles and trucks remain to be reviewed. A report is promised "in due course".

#### TREASURY OBJECTIVES

A. To keep up pressure on DTI to minimise the cost to the economy of GATT illegal trade measures such as VRAs;

B. To shift the burden of proof on to those Ministers arguing for the retention of a VRA;

C. Where adjustment is necessary, to set clear and credible objectives year by year towards a termination date;

D. To secure periodic reports to E(CP) - based on work agreed beforehand between Treasury and DTI officials - on the systematic monitoring of progress towards the elimination of all remaining VRAs;

E. To get an undertaking from Lord Young that a report to E(CP) will be made on vehicles within 12 months; and

F. To get further examination of the alleged special case justifying continuation of the special steels VRA with Japan.

#### LINE TO TAKE

- welcome this comprehensive survey which is also a record of solid achievement;
- real benefits to economy in this exercise. Obviously harder as we reach the more complex and sensitive areas such as vehicles and steels. But important to get the facts out and be clear what these measures are costing;
- as Norman Lamont said in his recent letter, concern that agreed termination dates be accepted by all industries which retain VRAs where at all possible; and that they be required to meet clear and credible targets for adjustment towards

that date. Otherwise no pressure to make appropriate adjustments, and costs to the economy will simply run on.

- Would be glad to know how performance targets are to be couched; and what annual review is to consist of for industries such as machine tools and footwear which are to keep VRAs. Perhaps should consider further in correspondence.
- Would particularly like to press ahead with vehicle study, reporting to E(CP) say in 12 months' time;
- Recognise that special steel VRA is part of wider Community protection on all steel products; <sup>but</sup> would also like clear demonstration that UK interests damaged if it was removed.
- Suggest that we periodically review performance of industry in E(CP) towards elimination of remaining arrangements. My officials should have an opportunity to see work by DTI on setting targets and monitoring the performance of industries so that we can be kept in the picture as the exercise goes forward.

## **BACKGROUND**

1. DTI's paper for E(CP) is the Department's response to Treasury goading. The attached exchange of correspondence between the Secretary of State and the Financial Secretary refers.

2. Like all barriers to imports, VRAs involve costs to the domestic consumer. But VRAs also entail a loss to the national interest in foregone tariff revenues which accrue instead to the exporter in higher prices. These arrangements do not formally involve governments at all. This is their advantage in terms in national GATT obligations. But in fact they could not work without the implicit sanction of governments.

3. A review of VRAs was set in hand by Mr Tebbit as Secretary of State in April 1985. The review proceeded on the assumption that official support would be withdrawn unless the industry concerned could make a strong case for the retention of its VRA.

The department was then to analyse costs and benefits in terms of overall national interest. The only case which Mr Tebbit implied would be accepted was where continued protection was necessary to allow time for industrial restructuring and the attainment of international competitiveness within a reasonable period of time. This suggested that even where a VRA was confirmed pro tem, it would not last indefinitely.

4. The Financial Secretary's letter of 24 June was designed to remind DTI of their earlier undertakings. The paper before E(CP) suggests that DTI still accept that VRAs should be retained only for very limited reasons and subject to constraints. But they also hope to be left to continue with VRAs free from scrutiny where the VRA is otherwise a convenient solution, even if there are economic costs attached to it.

5. Experience shows that DTI's performance has not always matched up to their promise in this area. Reviews have been delayed interminably, and the background work on which the Secretary of State's decisions were based has often been poor. The undertaking to review the performance of industry annually is the only effective safeguard offered for the 9 VRAs which will remain after the end of this year. Yet it has never been spelled out what this undertaking consists of. DTI claim that special steels are a special case. But a study of costs and benefits for special steels failed to address the central question of consequences for the UK industry. <sup>DTI</sup> ~~They~~ have yet to show that abolition of this VRA would adversely effect <sup>industry</sup> ~~its~~ interests.

6. It is therefore important to sustain the pressure. Termination dates should be set in all cases; and continuing reviews of the results of DTI annual monitoring would help to keep E(CP) in the picture. Involvement by Treasury officials will enable us to keep Ministers informed of any slippage. Unless DTI Ministers accept such a right of access as part of E(CP)'s routine for dealing with the subject, their officials will almost certainly feel able to refuse co-operation at working level.

OF



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CH/EXCHEQUER	
REC.	30/07/1987
ACTION	FST
COPIES TO	

*prop*

The Rt Hon Lord Young of Graffham  
Secretary of State for Trade & Industry  
1-19 Victoria Street  
London  
SW1

28 July 1987

*Joan David.*

**COMPETITION AND EMPLOYMENT LAW**

E(CP) on Monday 20 July invited me to bring forward a further paper before the end of the year on possible labour market restrictive practices which might be referred to the Monopolies and Mergers Commission. As a first step towards this I am writing to seek your help and that of other colleagues in sponsoring departments in identifying potential cases.

... Ministerial powers to make references are given by Section 79 of the 1973 Fair Trading Act. For ease of reference I have annexed to this letter a note by my Department's lawyers setting out the relevant provisions. These cover, among other matters, the definition of a restrictive labour practice and factors to be taken into account by the Commission in considering whether it operates against the public interest. As the note also explains the Commission can be required to investigate and report on a reference rather on the lines of its monopoly inquiries. The Act though gives no order-making powers to stop a practice or back an MMC recommendation.

This is of course not the first time that we have looked at the possibility of using section 79, though so far we have never done so.



The absence of order making powers at the end of the process may have been one inhibiting factor - though I personally do not underestimate the value of publicity based on an independent factual report. Perhaps more significant, it seems to have proved very difficult to find suitable candidates despite various trawls by officials. This latest impetus from E(CP) does however offer a challenge to look really thoroughly at the whole field, not excluding areas such as in printing and the motor vehicle industry where restrictive labour practices were once notorious. We must not assume that any sector has been cleared of all past bad practice.

I would welcome any suggestions that you and colleagues in other sponsor departments would wish to make by mid-October.

I am copying this letter to the other members of E(CP) and to Sir Robert Armstrong.

Yours, etc  
Norman Fowler

NORMAN FOWLER

**"RESTRICTIVE LABOUR PRACTICES"**

By section 79 of the Fair Trading Act 1973, the Secretary of State, or the Secretary of State and any other Minister acting jointly, may refer to the Monopolies and Mergers Commission for a report the following questions:-

- (1) Whether a practice of a description specified in the reference exists and, if so, whether it is a restrictive labour practice, and
- (2) If it is such a practice, whether it operates or may be expected to operate against the public interest and, if so, what particular effects adverse to the public interest it has or may be expected to have.

2(1) A "restrictive labour practice" means:-

"....any practice whereby restrictions or other requirements, not being restrictions or requirements relating exclusively to rates of remuneration, operate in relation to the employment of workers in any commercial activities in the United Kingdom or in relation to work done by any such workers, and are restrictions or requirements which -

- (a) could be discontinued without thereby contravening the provisions of an enactment or of any instrument having effect by virtue of an enactment, and
- (b) are not necessary for, or are more stringent than is necessary for, the efficient conduct of those activities " (section 79(5) of the 1973 Act)

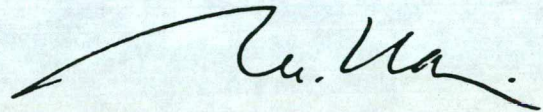
(2) "Worker" is defined generally to mean the same as in section 167 of the Industrial Relations Act 1971: Section 137(2) of the 1973 Act. As you know, that Act was repealed in 1974 but, by virtue of section 17(2)(a) of the Interpretation Act 1978, the reference to the 1971 Act provision is to be regarded as reference to section 30(1) of the 1974 Act.

3/21/1

- 3 Section 84 of the 1973 Act provides for particular matters to be taken into account by the Commission in considering the "public interest". Thus, amongst other relevant factors in the particular circumstances, the Commission is to "have regard to the desirability -
- (a) of maintaining and promoting effective competition between persons supplying goods and services in the UK;
  - (b) of promoting, the interests of consumers, purchasers and other users of goods and services in the UK in respect of the prices charged for them and in respect of their quality and the variety of goods and services supplied;
  - (c) of promoting, through competition, the reduction of costs and the development and use of new techniques and new products, and of facilitating the entry of new competitors into existing markets;
  - (d) of maintaining and promoting the balanced distribution of industry and employment in the UK; and
  - (e) of maintaining and promoting competitive activity in markets outside the UK on the part of producers of goods, and or suppliers of goods and services, in the UK."
- 4 By section 79(4) of the 1973 Act, the Commission is to "disregard anything which appears to them to have been done, or omitted to be done, in contemplation or furtherance of an industrial dispute within the meaning of the Industrial Relations Act 1971 "(SIC) - but see now, by virtue of section 17(2)(a) of the 1978 Act, TULRA 1974.
5. Although the Commission can be required to investigate and report on a restrictive labour practice referred by the Secretary of State, there is no power under the 1973 Act (in respect of Ministerial order relating to a Commission report on a monopoly or merger reference) to "declare it to be unlawful -

".... to make or to carry out, or require any person to terminate, an agreement in so far as, if made, it would relate, or (as the case may be) in so far as it relates, to the terms and conditions of employment of workers, or to the physical conditions in which any workers are required to work:" 1973 Act, Schedule 8, paragraph 3(3).

- 6 Restrictive practices relating to the employment of workers are expressly excluded from the purview of the Restrictive Trade Practices Act 1976: see section 9(6) in relation to goods; section 18(6) in relation to services and section 20 (definition "of services") - copies attached.



SOL

M HARRIS

20 January 1987





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From the Parliamentary Under Secretary of State  
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The Hon Francis Maude MP

The Rt Hon Nigel Lawson MP  
Chancellor of the Exchequer  
HM Treasury  
Parliament Street  
LONDON SW1

483

Chancellors Office	
REC'D.	29 JUL 1987
ACTION	FST

28 July 1987

Dear Nigel,

I have now received from the Director General of Fair Trading a report on progress in implementing the recommendations in his four reports on the professions published last year. (The report also refers back to earlier reports on dentists and vets, and to discussions on doctors' advertising). Copies of the Director General's letter have already gone to those Ministers with responsibility for the relevant professions, but I now attach copies for you and other members of E(CP).

The four reports published last year arose from earlier discussion of the professions in E(CP), and were designed to cover the major restrictions not previously examined by the Monopolies & Mergers Commission or Office of Fair Trading. They recommended a number of changes to the rules of the professional bodies concerned, which Michael Howard asked the Director General to discuss with the bodies in the first instance. However, it was always envisaged that if these discussions failed references to the MMC might be necessary; it is of course only by an Order implementing an MMC recommendation that the bodies could actually be required to change their rules. In several cases the Director General has obtained agreement to rule changes, or still hopes for further progress. In others, however, he has concluded that implementation of the recommendations, which were endorsed by Ministers, will only be achieved by MMC references. This is the case with the consulting engineers and osteopaths, and also dentists, following up the earlier OFT report.

J05BJR



In the case of the physiotherapists and chiropractors, the main resistance to change seems to come from the two Statutory Boards governing those members of the professions working in the NHS, who in practice include many of those belonging to the other bodies. The Director General suggests that an intervention by Ministers might be productive, and avoid the need for an MMC reference. I should be interested in John Moore's views on this; although the Director General suggests I might write, it could be that a letter would be more effective coming from John. This would leave the Boards in no doubt of our commitment to implementing the Director General's recommendations, and make it clear that they cannot look to DHSS for support.

The Director General also refers to a number of recommendations relating to statutory restrictions. We have already announced our acceptance of the main recommendations on patent agents; I can now tell the Director General that it is our intention to permit incorporation by auditors, subject to detailed discussion with the profession. The question of dentists' employment by non-dentists is one which I hope will be covered in the paper on health care to be taken by E(CP) in the Autumn. The question of solicitors mixed practices is being considered, for England and Wales, in the context of the rules under the Building Societies Act for recognising institutions to offer conveyancing, but partnerships with the unqualified for contentious business have been felt to be ruled out by a solicitor's duties as an officer of the court. The matter is being considered separately in Scotland and Northern Ireland, in view of the differing legal provisions governing solicitors.

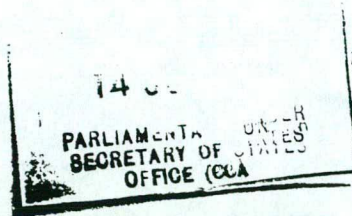
Monopoly references are a matter for the Director General, and I can in any case see no reason to disagree with what he proposes, which is the logical consequence of the work set in hand by Ministers. Subject to any views I may receive by 5 August, I therefore propose to reply to the Director-General agreeing with his proposed course of action on consulting engineers, osteopaths and dentists, and saying that we are considering the possibility of Ministerial intervention with the physiotherapists and chiropractors boards. Depending on John Moore's views, my officials will be in touch with his about the drafting of letters to the Boards.

I am copying this letter with enclosure to the other members of E(CP), to Peter Walker, Tom King and Sir Robert Armstrong, and without enclosure to Michael Havers and Malcolm Rifkind.

A handwritten signature in blue ink, appearing to read 'Francis Maude', written in a cursive style.

FRANCIS MAUDE

J05BJR



Mr Sharpe (cc me)

FIELD HOUSE  
15-25 BREAM'S BUILDINGS  
LONDON EC4A 1PR  
01-242 2858  
TELEX 269009 OFTRIN G  
FAX 01-831 2195

From the Director General of Fair Trading  
Sir Gordon Borrie QC

10 July 1987

The Hon Francis Maude MP  
Parliamentary Under Secretary of State  
for Corporate and Consumer Affairs  
Department of Trade and Industry  
1 Victoria Street  
London  
SW1H 0ET

Dear

*Francis,*

Your predecessor asked me two years ago to review various restrictions on competition in the professions. I understand that this followed collective Ministerial agreement on the need to increase competition in the professions and thereby to encourage efficiency, service and choice. These reviews covered patent agents, the construction and paramedical professions, and mixed and corporate practices; and as a result of them your predecessor last year endorsed my recommendations that certain restrictions should be removed.

Where these were imposed by the professional bodies themselves, Michael Howard agreed that in the first instance I should seek their removal by negotiation. I am now reporting on these negotiations. Details are in the annex to this letter, and fuller reports are with your officials.

I am afraid that the negotiations have not had the results that Ministers and I hoped for, and I have concluded that further action is now needed to achieve Ministers' aims.

Under the competition legislation, the logical next step is to refer these bodies to the Monopolies and Mergers Commission (MMC). The consequence of such a reference is that, if the MMC find a certain practice against the public interest, Ministers thereby acquire the power to remedy the situation by statutory order. Although this can be an effective procedure, it is a lengthy one. However in the case of the advertising restrictions maintained by the professional bodies of consulting engineers, osteopaths and dentists I see no alternative, and I propose to take this step in September. (In the case of dentists, this would be pursuant to an earlier recommendation endorsed by the responsible Ministers.)

As for the advertising restrictions of the chiropodists and

MM2CPX



physiotherapists, I propose to refer them to the MMC at the end of the year, unless the Statutory Boards (whose rules are most restrictive) can be persuaded to accede to the Government's policy meanwhile. Progress has been made with the professional associations but, in the case of these two Statutory Boards, my negotiations have led me to believe that an intervention on Ministers' own part might be helpful. Clearly it would be preferable if our aims could be achieved without incurring the delay inherent in a reference to the MMC. On these grounds you might wish to consider writing to these two bodies, underlining the commitment of Ministers themselves to the objectives which I have been pursuing. This may help matters forward considerably.

To some extent, Ministerial policy on competition in the professions depends upon legislative change, and some of my recommendations last year were directed to this.

I was glad to hear that the proposed patent legislation is to contain provisions in line with my recommendations. I also understand that legislation is proposed to give effect to the EC 8th Company Law Directive on the regulation of auditors; and I hope this opportunity will be taken to implement my recommendation on allowing company auditors to practise in corporate bodies.

An announcement that the Government favours amending the Solicitors Acts, as I recommended, would also be helpful, since this is a necessary precursor to any meaningful discussion on my part with the Law Societies about those of their rules which prevent mixed practices.

Legislation will also be needed to give effect to my recommendation (which was welcomed by the Minister of Health) that dentists should be allowed to practise as employees of non-dentists.

I am copying this letter to the Lord Chancellor, and the Secretaries of State for Scotland, Social Services, Environment and Transport and to the Chairman of the MMC.

Yours sincerely

A handwritten signature in cursive script, appearing to read 'Gordon Borrie'.

Gordon Borrie

## COMPETITION IN THE PROFESSIONS

1. This note describes progress on following up the recommendations in four reports that the Director General published last year about competition in various professions. It also mentions other related work in progress or planned. The four reports concerned were requested by the then PUSS for Corporate and Consumer Affairs in July 1985, as part of the Government's continuing efforts to increase competition in the professions and thus encourage greater efficiency, better service and wider choice. They covered:
  - a) patent agents;
  - b) advertising and charging restrictions in the professions serving the construction industry (architects, surveyors and consulting engineers);
  - c) significant advertising restrictions in other professions (mainly 'paramedicals');
  - d) restrictions on the kinds of organisation through which members of professions may offer their services (for example, restrictions on inter-professional links or mixed partnerships).

The detailed position on each of the four reports and on the other relevant professions is described below, together with the further action the Director General intends to take.

## Patent Agents

2. This report covered both restrictions imposed by the Chartered Institute of Patent Agents (CIPA), the patent agents' professional body, and restrictions on practice which resulted from provisions of the 1977 Patents Act. The recommendations for action by CIPA, which fell to the Director General to follow up, were that CIPA should discontinue issuing its annual guidance on fees; and that CIPA's practice rules should be altered to allow corporate practice with limited liability and to remove restrictions on advertising (subject only to any necessary guidance to avoid conflict with the European Patent Institute (EPI) rules and to the general requirements of advertisements being legal, decent, honest and truthful). The recommendations relating to the Patents Act, accepted by Ministers, were to end the exclusive right of representation in dealing with the Patent Office and the prohibition on mixed practice. These latter recommendations will require legislation, and the Office understands that the Government intends to include this in a bill to implement proposals made in the White Paper "Intellectual Property and Innovation" (Cmnd 9712, April 1986), to be introduced this autumn.

3. Progress has been mixed on the three matters which the Office has been pursuing with CIPA. On the first, CIPA agreed not to issue its 1987 guide to members on fees. Instead it now proposes to issue a guide on practice administration generally, which is intended to include fees charged by the Patent Office but make no reference to specific fee levels to be charged by patent agents themselves. CIPA has promised to provide the Office with a

draft of this general guide and, subject to that, this seems likely to be a satisfactory response to the recommendation on fee guidance.

4. As to the second matter, CIPA has said that it accepts the principle of limited liability practice, with suitable safeguards, but that it is unwilling to change its rules without first seeing details of the Government's proposed changes to the Patents Act, particularly those on mixed practices which it sees, with some justification, as a closely related topic. Further discussion between the Office and CIPA will not therefore yield dividends until the legislative proposals have crystallised, but it would speed the process if the Department would reveal to CIPA details of the relevant proposals in the forthcoming bill to implement the White Paper proposals as soon as they are settled.

5. As regards the third matter, there is considerable support within the profession for liberalising CIPA's very restrictive rules on advertising, but there is great concern among CIPA members about transgressing the similarly restrictive rules of the EPI. This is a serious obstacle to progress since 90 per cent of CIPA's members belong to the EPI, a large and increasing amount of their business is European and so dependent on their membership of the EPI, and the EPI is not only resistant to change but has recently made it clear that for its disciplinary purposes it sees little distinction between national and European advertising. As long as this situation persists, it will remain very difficult to persuade CIPA to change its own advertising rules voluntarily, nor would such change have much practical effect. In these circumstances a reference - or the threat of a reference - to the MMC would not be useful. It seems desirable for the Department and the Office to discuss how pressure might

be put on the EPI to change its rules so as to facilitate change in this country.

#### Professions serving the construction industry

6. This report covered surveyors, architects and consulting engineers. Its most important recommendation was that bodies representing these professions should remove all restrictions on members' advertising which went beyond the general ones that advertising should be legal, decent, honest and truthful. The main body representing consulting engineers (ACE) imposes considerable restrictions on members' advertising and has refused to meet this recommendation. It regards such advertising as unprofessional and contrary to the public interest. Both DTI and DoE Ministers have made clear the importance they attach to competition in meetings with ACE, which has however remained unmoved as regards restrictions on its members' advertising. It is now for the MMC to consider its arguments. The Director General therefore intends to refer to the MMC the advertising rules of all bodies representing consulting engineers. This would cover the Institution of Civil Engineers which restricts members' advertising in a similar way to ACE and also refuses to change its rules. The main architects body (RIBA) imposes few restrictions on advertising, the most significant being that prices may not be advertised. This restriction alone seems insufficient to warrant the expense of a reference to the MMC, but the Office will continue to press RIBA to remove the restriction. Discussions with surveyors are at present taking place under the Restrictive Trade Practices Act, but the main body's restrictions on advertising are not great and a satisfactory outcome seems likely. The report also contained minor



recommendations on information for small users and on ACE's rules on fee competitions and fee scales. The bodies concerned have met all these recommendations except for surveyors' bodies on information for small users, where discussions are taking place under other legislation.

Significant advertising restrictions in other professions ('paramedicals')

7. This report covered the advertising restrictions of the main professional bodies which still imposed such restrictions and had not already been investigated by the MMC or the Office. It concentrated on the paramedical professions of physiotherapy, chiropody and osteopathy, and recommended that the eight bodies concerned should remove all restrictions on advertising (which were generally substantial) which went beyond the requirement to be legal, decent, honest and truthful. The position is clearest as regards osteopaths, the smallest of the three professions, where the two bodies concerned have refused to abandon the major restrictions they impose. They take the view that advertising would be against the public interest and that only the unqualified advertise. They are unlikely to change their position in further negotiation and the Director General therefore intends to refer their advertising restrictions to the MMC. For physiotherapists and chiropodists the position is mixed. Four of the six bodies concerned have largely or fully met the Director General's recommendation. The most restrictive rules remain those of the two statutory Boards, to which professionals must belong if they are to practice in the NHS (as many do in combination with part-time

private practice). The Boards believe that advertising is inappropriate to such professions and is not desired by most practitioners. They also argue that safety standards would be put at risk by a greater emphasis on price which would result from advertising. Any further relaxation which the Boards may implement (which would not take effect until the end of the year at the very earliest) seems unlikely to meet the Director General's recommendation, and he therefore proposes to refer the advertising restrictions of all the bodies concerned to the MMC.

Restrictions on the kind of organisations through which members of professions may offer their services

8. This report concentrated on four professions: solicitors, accountants, architects and barristers. It made three recommendations. Two of these - for amendment to the Solicitors Acts and for a review (since carried out) of the operation of the Companies Act provision relating to partnerships of more than 20 members - directly concerned impediments to the development of inter-professional practices. The third, although aimed at removing an obstacle in the Companies Act to accountants practising in corporate form, also has implications for inter-professional practices. As these recommendations were for action by the Government no immediate follow-up action as such fell to the Director General.

9. The amendments the Director General recommended to the Solicitors Acts are a necessary precursor to alteration of existing Law Society Practice Rules which prevent solicitors from entering

into practice with members of other professions. Without them, discussions between the Office and the English and Scottish Law Societies - which are in any case likely to be time-consuming and difficult - could not lead to an effective conclusion nor, should such discussions fail, could a reference of the Law Societies' Rules usefully be made to the MMC. There is a long history of opposition from the profession to the concept of mixed practices, but there are now some signs of a more progressive attitude emerging. It would be most helpful to the Office to have an early indication that the Government is prepared in principle to amend the Solicitors Acts as the Director General recommended. Without this it would not be justified to devote the Office's resources to discussions with the Law Societies on this question.

10. As to accountants, the Office understands that the response to the Department's consultation paper, issued in August last year, on implementation of the 8th Company Law Directive is still being digested, and that firm decisions on the regulation of auditors and maintenance of their independence have yet to be taken. The Office hopes that in reaching these decisions the Department will allow for accountants to practice in corporate form without consequently losing their qualification to act as auditors of company registered under the Companies Act, as the Director General recommended, and will avoid provisions on auditors' independence which would inhibit accountants practising jointly with other professions.

#### Dentists

11. The General Dental Council has recently relaxed some

restrictions on dentists' advertising but continues to prohibit advertising of specialisms and charges, mainly on the grounds that the NHS contract requires all dentists to offer the full range of NHS treatment and that the charge for private treatment cannot be assessed until the dentist has seen the patient. The Office is unlikely to persuade it to make further significant changes voluntarily and it seems appropriate to refer dentists' advertising restrictions to the MMC to consider both the effects on competition and the public interest arguments advanced by the GDC.

#### Veterinary surgeons

12. In their 1976 Report, the MMC found that the restrictions on advertising by veterinary surgeons contained in the Royal College of Veterinary Surgeons (RCVS) Guide to Professional Conduct were against the public interest. They recommended that veterinary surgeons should be free to advertise when and how they saw fit, provided that advertisements were not inaccurate, did not make unjustified claims about specialisation and were not likely to bring the profession into disrepute. Both the RCVS and the British Veterinary Association (BVA), the professional association representing veterinary surgeons, have been strongly opposed to any relaxation in the rules which would permit individuals to advertise.

13. The RCVS finally amended its rules on advertising in early 1985 following strong pressure from the then Minister (Mr Fletcher) and the Director General. The amended rules now permit advertising but they still do not permit advertising of fees or by direct mail.

14. Monitoring by the Office since then indicates that little use has been made by individual vets of their freedom to advertise and that the profession generally remains hostile to advertising. The BVA has produced a leaflet promoting vets corporately but this is a limited venture and is not designed for individual vets to give details of their fees. Further discussions with the RCVS and the BVA are planned by the Office.

#### Doctors

15. The report on remaining advertising restrictions in the professions did not cover doctors because the DHSS' Primary Health Care review was in progress. Now that the review has been published and the consultation period is over, the Office is looking at the advertising restrictions imposed on doctors. The Director General has been in touch with the Secretary of State for Social Services about this and the Office will keep in touch with DHSS as requested.

FROM: R MOLAN  
 DATE: 31 July 1987

*pmj*

1. MR. GRAY *RECC 3/17*  
 2. FINANCIAL SECRETARY

cc Chancellor  
 Chief Secretary  
 Paymaster General  
 Economic Secretary  
 Mr Monck (1/12)  
 Mr Burgner  
 Mr Wynn Owen  
 Mr Cropper  
 Mr Tyrrie

**E(CP): COMPETITION IN THE PROFESSIONS**

The Parliamentary Under Secretary of State for Corporate and Consumer Affairs' letter of 28 July to the Chancellor covers a report by the Director General for Fair Trading (DGFT) on <sup>his</sup> progress in implementing the recommendations he made last year on removing restrictions in the professions. This foreshadows the fuller paper which DTI are due to put to E(CP) in September.

2. E(CP) initiated in 1985 a review by the DGFT of restrictions in the professions which remained following various MMC investigations which had taken place since 1970. The DGFT submitted four reports to DTI ministers during 1986 identifying anti-competitive restrictions and putting forward recommendations to end these. In most cases he proposed, and Ministers agreed, that he should try to persuade the relevant professional bodies to change the offending restrictions and if that route failed a reference to the MMC should be made. These reports were subsequently circulated to Ministers and E(CP) considered this whole area when it met last December.

3. The action taken so far and the proposals for further action to implement the DGFT's recommendations are generally satisfactory though there are areas where more remains to be done. Subject to any views received by 5 August, the PUSS proposes to tell the DGFT that he agrees with his proposals to refer restrictions operated by construction engineers, osteopaths and dentists to the MMC and that Ministerial intervention is being considered to end restrictions imposed by the statutory Boards for chiropodists and physiotherapists. It is recommended that you reply by saying you are content with this proposed course of action and noting that the discussion at E(CP) will be on the basis of a fuller more detailed report. The details of the DGFT's report are discussed below under the four headings used for investigation purposes.

(i) Patent Agents

4. The forthcoming Intellectual Property Bill will implement the recommendations that (a) patent agents should lose their sole right of representation in dealing with the Patent Office and (b) the prohibition on mixed practices with other professions should end. Discussions between the OFT and the Chartered Institute of Patent Agents (CIPA) have resulted in the CIPA withdrawing their guide to fees. However, the CIPA are not keen on accepting the recommendation that corporate practices with limited liability should be permitted under its rules until they know what the Intellectual Property Bill actually says about mixed practices. Not unreasonably, the OFT judge that nothing fruitful can be done about this until the Bill's provisions become known.

5. The CIPA's advertising ban remains, despite some enthusiasm in the profession for relaxation, because the European Patent Institute (EPI) operates a similar restriction. A breach of the EPI's rules (which recently have been reaffirmed) may cost British patent agents the right of representation before the European Patent Office. The OFT conclude that the way forward is for pressure to be put on the EPI. The European Commission have also been advised of this restriction as <sup>it</sup> may offend EC competition law.

(ii) Professions Serving the Construction Industry

6. The DGFT proposes to refer to the MMC the ban on advertising by both the Association of Consulting Engineers (ACE) and the Institute of Civil Engineers as neither body has yielded any ground in negotiation. However, the DGFT is not proposing to refer the ban by the Royal Institution of British Architects on the advertising of charges. In his judgement the RIBA might be open to persuasion on this issue. Hopefully his judgement is right. But if ultimately RIBA choose to be obstinate the case for reference will need to be considered.

7. The ACE have agreed to make it clear that their published scale of fees are only recommended and not mandatory. Your predecessor had argued that a published 'going rate' was prima facie anti-competitive and the DGFT should reconsider the case for its abolition. The DGFT agreed to look at this again but D'I officials advise he has done this and concluded that there is no evidence of adverse effects on competition. Without such evidence a reference to the MMC is not possible.

(iii) Advertising Restrictions in other Professions

8. The focus here has fallen on physiotherapists, chiropodist and osteopaths. The various professional bodies representing the first two groups are split on the recommendation that advertising should be permitted. Moreover the statutory Boards covering these professions are opposed to a relaxation. The DGFT has suggested, and DTI Ministers have agreed, that Ministerial pressure (preferably by Mr Moore) should be brought to bear on the Boards and if that fails a reference to the MMC should be made. In the case of the osteopaths the relevant bodies have refused to remove their restrictions, as they consider these to be in the public interest, and so a reference to the MMC is proposed.

(iv) Restrictions On The Type Of: Organisation Through Which Professionals May Offer Their Services

9. In the case of solicitors the DGFT had recommended that the statutory ban on members of the profession sharing fees with non-members should be ended so as to facilitate the formation of mixed practices. He is now calling for the Government to announce its intention to amend the appropriate legislation so as to precipitate meaningful discussions with the Law Society. However, it is understood that the new Lord Chancellor is opposed to such a change. In the face of this, DTI's approach is to hold fire until the provision for solicitors to do conveyancing work for building societies is in place and work currently in preparation to end the restriction on mixed practices in Scotland goes forward. This tactic seems sensible. These changes will be helpful to the case for a more general relaxation in England.

10. The DGFT also recommended that barristers should be allowed to practice in partnerships. No progress has been made on this as it is one of the issues being looked at by the Marre Committee who are examining the future of the legal profession and the provision of legal services. The Committee is due to report next year and regretfully it is difficult to disagree with the DGFT's view that is too early to push this issue. There should be an opportunity for E(CP) to consider it though when the Lord Chancellor's paper on restrictive practices in the legal profession is discussed in the Autumn.

11. As regards other professions, legislation is proposed to allow auditors to practice in corporate form, the DGFT proposes to refer restrictions on advertising by dentists to the MMC and the employment of dentists by non-dentists should be picked up in the forthcoming paper for E(CP) on competition in health care.



12. A draft letter is attached reflecting the recommendation in paragraph 3.

*Robert M. Molan*

R MOLAN

**DRAFT LETTER TO:**

The Hon Francis Maude  
Parliamentary Under Secretary of State  
For Corporate and Consumer Affairs  
Department of Trade and Industry  
1-19 Victoria Street  
LONDON SW1H 0ET

August 1987

**E(CP): COMPETITION IN THE PROFESSIONS**

Thank you for your letter of 28 July addressed to Nigel Lawson.

2. I am content for you to reply to the Director General agreeing with the proposed references to the MMC and indicating that Ministerial intervention over the chiropracist and physiotherapist boards is being considered.
3. I look forward to seeing the paper you will be putting to E(CP) which I understand will give a fuller account of the state of the play on restrictions in the profession.
4. I am copying this letter to the recipients of yours.

**NORMAN LAMONT**



DEPARTMENT OF TRADE AND INDUSTRY  
 1-19 VICTORIA STREET  
 LONDON SW1H 0ET 5422  
 TELEPHONE DIRECT LINE 01-215  
 SWITCHBOARD 01-215 7877

Secretary of State for Trade and Industry

**CONFIDENTIAL**

31 July 1987

*Handwritten signature/initials*

The Rt Hon Nigel Lawson MP  
 Chancellor of the Exchequer  
 HM Treasury  
 Parliament Street  
 LONDON  
 SW1P 3AG

CH/EXCHEQUER	
REC.	- 3 AUG 1987
ACTION	FST
COPIES TO	

*Handwritten signature: Nigel*

**COMPETITION INITIATIVE**

E(CP) last week endorsed my proposals for the future work of the sub-Committee in E(CP)(87)(6). It was however clear at the meeting that at least one Minister felt that the present Action Programme did not fully reflect everything that was being done in his area and would have additional proposals to offer. Now, at the start of the new Parliament, is in any case an opportune time for a thorough revision of the Programme. I am therefore writing to you and all Cabinet colleagues to ask you to put forward new items.

Our aim should be to ensure that the Action Programme includes all the measures which the Government is taking or could take - either by direct action, or by example or exhortation - to increase competition in the economy. These could include removing barriers to entry or distortions in the market, the improvement in market mechanisms by reducing rigidities or making better information available for consumers, or the extension of market forces into new areas. Although the most visible benefits will be where consumers - domestic or industrial - are affected directly, the benefits may equally be to them as taxpayers or as a community. The items may stem from a previous E(CP) discussion, or envisage a future one; or they may be related to decisions taken in other fora. It does not follow that items included in the Programme will be discussed in E(CP); equally, it must be open to the sub-Committee to discuss any issue where there is a competition dimension and where we can usefully make a contribution.



CONFIDENTIAL

Once I have colleagues' responses, it might be useful if Francis Maude were to follow these up with discussions with some of the Ministers responsible. To enable me to present a revised action programme to E(CP) by the end of the year, I should be grateful if - despite the holiday period - I could have initial responses by 4 September.

I am copying this letter to the Prime Minister, to Members of the Cabinet and to Sir Robert Armstrong.

A handwritten signature in blue ink, appearing to read 'Lord Young', written in a cursive style.

LORD YOUNG OF GRAFFHAM

JF5CBM

cc

PPS  
PS/CST, PS/EST  
SIR P MIDDLETON  
MR FER BUTLER  
MR MONCK, MR SCHOLAR,  
MR GRAY, MR GUY,  
MR MOLAN, MR CROPPER,  
MR TYRIE



Treasury Chambers, Parliament Street, SW1P 3AG

The Hon Francis Maude **M.P.**  
Parliamentary Under Secretary of State  
for Corporate and Consumer Affairs  
Department of Trade and Industry  
1-19 Victoria Street  
LONDON SW1H 0ET

4 August 1987

Dear Francis,

**E(CP) : COMPETITION IN THE PROFESSIONS**

Thank you for your letter of 28 July addressed to Nigel Lawson. Norman Lamont is responsible for competition policy; I am replying on his behalf as he is on holiday.

I am content for you to reply to the Director General agreeing with the proposed references to the MMC and indicating that Ministerial intervention over the chiropodist and physiotherapist boards is being considered.

We look forward to seeing the paper you will be putting to E(CP), which I understand will give a fuller account of the state of the play on restrictions in the professions.

I am copying this letter to the recipients of yours.

Pm

PETER BROOKE



MINISTRY OF AGRICULTURE, FISHERIES AND FOOD  
WHITEHALL PLACE, LONDON SW1A 2HH

RD

From the Minister

**CONFIDENTIAL**

The Rt Hon The Lord Young of Graffham  
Secretary of State for Trade and Industry  
Department of Trade and Industry  
1-19 Victoria Street  
London  
SW1H 0ET

CH/EXCHEQUER	
REC.	17 AUG 1987
ACTION	FST
COPIES TO	

17 August 1987

Dear Secretary of State,

COMPETITION INITIATIVE

Your letter of 31 July to Nigel Lawson asked colleagues to consider whether the present Action Programme fully reflected all that we are doing under the Competition Initiative. As you know my Department has undertaken major reviews which have been included in earlier stages of the programme and we have further commitments in the current programme up to 1989. These tend to have covered the major areas, and some further reviews are planned for later.

I have considered carefully whether there is anything further I can put forward. Much of our effort is channelled through the European Community and as such largely falls outside the scope of the programme. Nevertheless I have recently announced our intention to simplify the existing national soft drinks regulations and consultations with the industry are in progress. My department is also engaged in initiatives which should lead to the transfer of tuberculin production from our Central Veterinary Laboratory to the pharmaceutical industry in 1988/89 and the setting up of a trial scheme for tendering for fees by Local Veterinary Inspectors in place of the present bilateral negotiations. Neither of these last two proposals is as yet ready to be made public. In a somewhat different context we have announced our intention to transfer over time responsibility to industry for funding our national marketing body, Food From Britain, and the pattern of Government contributions is designed with that end in view.

/ There is one ...

There is one further matter which I feel justifies a marker at this time, namely the future of the National Dock Labour Scheme. The outcome would no doubt be one on which Norman Fowler's Department would want to take the lead overall, but he could count on my full support for any changes, given the adverse effect which the Scheme currently has on the landing of fishing vessels' catches at Grimsby and Aberdeen.

I am copying this reply to the Prime Minister, to Members of the Cabinet, and to Sir Robert Armstrong.

Yours sincerely,

Elizabeth Howe

for JOHN MacGREGOR  
(approved by the Minister  
and signed in his absence)

BIF with  
advice



QUEEN ANNE'S GATE LONDON SW1H 9AT

CH/EXCHEQUER	
REC.	28 AUG 1987 ✓ 28/8
ACTION	FST
COPIES TO	

28 August 1987

Dear Norman

COMPETITION AND EMPLOYMENT LAW

Thank you for sending me a copy of your letter of 28 July to David Young, in which you invited suggestions about labour market restrictive practices which might be referred to the Monopolies and Mergers Commission under section 79 of the Fair Trading Act 1973.

It is widely recognised that inflation in broadcasting costs over the years has owed a lot to restrictive labour practices, principally within ITV, which management has done too little to resist. It was therefore helpful to be reminded about the section 79 procedure, and I have considered whether broadcasting could usefully be referred to the Commission for a report.

I have concluded, however, that there are good reasons against following this course, partly for reasons of timing and partly because of the statutory framework within which broadcasting is carried out.

As to the former, we are as you know committed to a major Broadcasting Bill which I would hope to bring forward for the next Parliamentary Session. One of its central themes will be the encouragement of competition and efficiency within broadcasting. For example, it will propose, as recommended by the Peacock Committee, the replacement of the present system for the award of ITV contracts and of the levy on contractors' profits by a new system based on competitive tender. This will provide strong new incentives to tackle restrictive practices.

We have already, of course, taken a number of important steps in this direction, which will bear on the BBC as well as ITV. As from 1 April next year the television licence fee will be linked to the RPI, which will apply a new squeeze on the BBC's costs. We have asked both the BBC and ITV to contract out 25% of their programme-making to independent producers. The independent sector has a better track record on working practices than the BBC and ITV, and as the initiatives take hold and the sources of supply are diversified the ability of the broadcasting unions to maintain restrictive practices should be undermined. We have also made clear our wish to see the present programme networking arrangements made more competitive. Some of these initiatives may also find a place in the Bill.

We are therefore already well advanced with a programme of action flowing from the work done by the Peacock Committee, and have passed the point at which a further study would be helpful. It would indeed make for a substantial awkwardness in the presentation and handling of the Bill in Parliament if such a study had been commissioned and we were awaiting its outcome. I understand

The Rt Hon Norman Fowler MP

/that any



that any section 79 reference might take the Commission a substantial time to complete.

My second reason for questioning the case for such a reference concerns the extent to which the section 79 provisions themselves would provide the Commission with a handle for an effective study. The Act was not of course drawn up with broadcasting specifically in mind, and the BBC would appear to be excluded from the scope of section 79. Even in the case of ITV the framework for ITV services is of course laid down by statute, and is one in which the ITV companies have exclusive contracts for the supply of programmes to the IBA. Programmes are, at least for the time being, not bought by viewers directly, nor indeed by the IBA. Against this background I am doubtful about the applicability of the public interest tests which the Commission would be required to take into account.

I am sure that the problem of restrictive practices within television broadcasting must be tackled. But for the reasons which I have given I do not believe that a section 79 reference is the best way forward.

I am copying this letter to the recipients of yours.

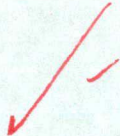
Yours  
D. G. Taylor

FROM: R MOLAN  
DATE: 2 September 1987

*pmj*

FINANCIAL SECRETARY

cc **Chancellor**  
Chief Secretary  
Paymaster General  
Economic Secretary  
Mr Monck o/r  
Mr Burgner  
Mr Gray o/r  
Mr Wynn Owen  
Mr Cropper  
Mr Tyrie



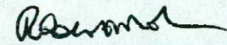
### COMPETITION INITIATIVE

Lord Young's letter of 31 July to the Chancellor invites members of E(CP) to put forward new items for inclusion in the Competition Initiative Action Programme. He asks for initial responses by 4 September. He hopes to put a revised programme to E(CP) before the end of the year.

2. The programme provides an overview of measures the Government is taking or could take to increase competition in the economy. Items included in the programme are potential candidates for discussion at E(CP). At the meeting of E(CP) on 20 July Lord Young tabled a revised programme and it emerged in discussion that there was scope for further additions. There are likely to be candidates which the Treasury can offer but for the reasons given below none can be put forward at present.

3. Mr Monck's submission of 23 July to the Chancellor provided a comprehensive internal survey of supply side measures in hand and in contemplation. Supply side measures were taken to include those designed to markets work better and making the economy more flexible and increasing its underlying competitiveness. Thus, there is considerable overlap between the scope of the survey and the coverage of the Action Programme. The object of the survey is to enable judgements to be taken on whether the measures in hand or in prospect are sufficient, which <sup>are</sup> the most important ones to pursue and whether Treasury ministers should push particular measures which primarily are not their responsibility. The Chancellor has indicated that he wishes to hold a meeting to discuss the exercise and the outcome could be that key measures will be identified some of which may be suitable for inclusion in the Action Programme and discussion at E(CP).

4. As departments do <sup>not</sup> generally know that the supply side exercise is taking place, it is suggested that you simply reply to Lord Young to the effect that you have no particular suggestions to offer at present but in the near future you may wish to put forward some ideas which are being thought about at present. A draft letter is attached.



R MOLAN

DRAFT

Rt Hon Lord Young of Graffham  
Secretary of State for Trade and Industry  
1-19 Victoria Street  
LONDON SW1

September 1987

**COMPETITION INITIATIVE**

I am replying to your letter of 31 July to Nigel Lawson.

2. We do not have any specific proposals to add to the Action Programme at present but we may wish to come back in the near future with some ideas which we are presently giving some thought to.

3. I am copying this letter to the Prime Minister, to Members of the Cabinet and to Sir Robert Armstrong.

**NORMAN LAMONT**

RA



DEPARTMENT OF TRANSPORT  
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

The Rt Hon The Lord Young of Graffham  
Secretary of State for Trade & Industry  
Department of Trade & Industry  
1-19 Victoria Street  
LONDON SW1

- 4 SEP 1987

*New David*

**COMPETITION INITIATIVE**

You asked in your letter of 31 July to Nigel Lawson for new items for inclusion in the Action Programme. I can offer two substantial new policies. We have recently agreed to go ahead with legislation to extend bus deregulation to London in 1990. I also have proposals which I hope to announce this Autumn, to further extend competitive tendering for local authority highway works. I attach a revised list of all Transport items including these two new ones.

Copies of this letter go to the Prime Minister, to Members of the Cabinet and to Sir Robert Armstrong.

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REC.	07 SEP 1987
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COPIES TO	

*✓*  
*ms*

PAUL CHANNON

*Paul*

COMPETITION INITIATIVE - ACTION PROGRAMME

**TRANSPORT ITEMS**

- Establish satisfactory EC competition regime for aviation in 1987, and continue liberalisation in EC aviation.
- Secure abolition of restrictions in EC coastal shipping trades by 1990. (Rules of competition in shipping were agreed by the EC Council of Ministers in December 1986.)
- Objectives set for British Rail include a call for vigorous measures to broaden the participation of the private sector in the provision of services to the railway to facilitate a more cost-effective and competitive customer service, and for specific programmes to this end.
- Extend bus deregulation to London by 1990.
- Maintain initiatives on open period tendering, design and build and fee competition in the highway works programme.
- Further extend competitive tendering for local authority highway works.
- Agree liberalisation of road haulage within EC, by 1992.
- Extend competition in international coach operation by 1988.
- Review taxi and hire car legislation, with a view to liberalisation by 1987.

3 September 1987



pup

SCOTTISH OFFICE  
WHITEHALL, LONDON SW1A 2AU

The Rt Hon Lord Young of Graffham  
Secretary of State for Trade and Industry  
1 Victoria Street  
LONDON  
SW1H 0ET

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8 September 1987

*Dear David,*

Your letter of 31 July asked for additions to the Competition Initiative Action Programme.

The Scottish Office is, of course, mainly concerned with ensuring that UK initiatives are implemented in Scotland. However, there is one particular new Scottish initiative on housing which might be listed separately on the Action Programme. No doubt Nicholas Ridley will be expanding the entry in the Action Programme relating to housing, to give a fuller picture of the various ways in which he is seeking to open up the supply and management of rented housing to greater competition. But I think it is worth mentioning my proposals to create a new agency, Scottish Homes, which will actively promote the emergence of new private landlords, to take advantage of the removal of obstacles to competition which both Nicholas and I are pursuing, and which will expose existing public sector housing to competition in various ways. It will have a promotional role across Scotland as a whole in relation to alternatives to public sector housing, particularly in the context of the exercise by tenants of the proposed new right to transfer to other landlords. It will also take direct action to open up to competition from the private sector both the substantial number of houses which it will take over at its inception from an existing NDPB which it is subsuming and houses owned by other public landlords which it may take over as part of its role in pushing forward my urban regeneration strategy.

The other main current proposal which will further the competition philosophy in Scotland is my plan for legislation on the introduction of school boards. Their gradual acquisition of powers over such things as staffing and resources will give parents a much greater say in the running of schools and will lead to the development of a substantial level of autonomy at school level.

I am copying this letter to recipients of yours.

*Yours ever,  
Malcolm Rifkind*

MALCOLM RIFKIND



CC: . PPS, CST, PNG, EST  
 Sir. P. Middleton  
 Mr. F. E. K. Butler  
 Mr. March  
 Mr. Scholard  
 Mr. Gray  
 Mr. Clappell  
 Mr. Tyrie

Treasury Chambers, Parliament Street, SW1P 3AG

*NP*

Rt Hon Lord Young of Graffham  
 Secretary of State for Trade and Industry  
 1-19 Victoria Street  
 London  
 SW1

8 September 1987

*Dear David*

**COMPETITION INITIATIVE**

I am replying to your letter of 31 July to Nigel Lawson.

We are looking at a number of areas for possible inclusion in the Action Plan and I hope to write to you again in the near future.

I am copying this letter to the Prime Minister, to Members of the Cabinet and to Sir Robert Armstrong.

*Norman Lamont*

**NORMAN LAMONT**





Bifwith  
advice n 2019  
1/10

DEPARTMENT OF TRADE AND INDUSTRY  
1-19 VICTORIA STREET  
LONDON SW1H 0ET  
TELEPHONE DIRECT LINE 01-215 5422  
SWITCHBOARD 01-215 7877

PS/ Secretary of State for Trade and Industry

21 September 1987

Who he? → John Taylor Esq  
Private Secretary to the  
Chancellor of the Exchequer  
HM Treasury  
Parliament Street  
London SW1P 3AG

12219

<b>CH/EXCHEQUER</b>	
REC.	<b>22SEP1987</b>
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Dear John

**SPECTRUM DEREGULATION**

My Secretary of State thought that the Chancellor of the Exchequer and other members of E(CP) would like a progress report on the work being done to follow-up the CSP International Report.

We have now received some 50 responses from interested parties, mostly major users of the radio spectrum or those engaged in servicing the industry. The responses are still being analysed in detail by officials, but certain important conclusions can already be drawn. A majority of those who have responded are in favour of some element of further deregulation even though there is broad appreciation of the progress already made in this direction by my Department in recent years. But even amongst those who press for further deregulation considerable concerns emerge about the dangers of going as far as CSPI recommend in creating commercial frequency planning organisations (FPOs). Some doubt whether in practice sufficient competition could be engineered between FPOs to avoid dangers of monopolistic power and profits. Conversely, others consider that if we create a sufficient number of FPOs to ensure lively competition, each will have too small an allocation of spectrum to be financially viable or to have the operational flexibility to bring about desirable changes of use within particular frequency bands.

JG4BHQ



Within these general trends, a wide range of views has been expressed. There is a considerable scale of options open to us between the status quo and the full-blooded introduction of market forces recommended by CSPI. Indeed a number of those who wrote to us regretted that CSPI had not explored alternative means of achieving deregulation. My Secretary of State believes that we should now explore those options further in a programme of discussions with major interested parties. It is clear that even a modest move to introduce market forces into spectrum management would prove controversial, which makes it important for us to be seen to be consulting very fully with those who would be affected. My Secretary of State hopes that such consultations could be completed by about the end of the year. In the meantime, we have established against the background of this work an interdepartmental committee of officials that is charged with the task of examining the options with a view to having a substantive discussion in E(CP) in the New Year.

Yours

Jeremy Godfrey

JEREMY GODFREY  
Private Secretary

JG4BHQ

12219

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*(Handwritten mark)*

CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01-930 5422 ext ~~5422~~ **X0140**

CONFIDENTIAL

*(Handwritten initials)*

Timothy Walker Esq,  
Private Secretary  
Secretary of State for Trade and Industry,  
Victoria Street,  
LONDON SW1

22 September 1987

*Dear Tim,*

Ministerial Sub-Committee on Competition Policy (E(CP))

As you may know, the next meeting of E(CP) has been arranged for Friday 2 October at 10:00am. That meeting will probably be able to take the following papers: one from the Secretary of State for Trade and Industry on competition in the professions; one from the Lord Chancellor on restrictive practices in the legal profession; one from the Secretary of State for the Environment on the possibilities of greater private sector involvement in local authorities' refuse disposal sites; and an interim report, which the Trade and Industry Secretary may circulate, on radio frequency spectrum management (on which I presume the Home Office have been consulted).

2. I had hoped that this meeting would also be able to consider papers from your Secretary of State on needletime, and from the Secretary of State for Social Services on competition in the pharmaceutical industry. The remit for the needletime paper goes back to March, and that for the pharmaceutical paper to December 1986. It had been the intention to take them at the July meeting of E(CP), if not earlier. They were not in the event ready, but at that meeting the Chancellor asked that they, as well as the other papers, should be ready in September, in time for the next meeting of the Committee. I understand that there is now some doubt whether they will in fact be ready. I think it would be unfortunate if they slipped again. I would therefore be grateful if you and Bruce Calderwood at DHSS, to whom I am copying this letter, could let me know what the prospects are and do what you can to ensure that at least interim papers are available for the Committee on 2 October.

3. I am copying this letter to Jonathan Taylor (Treasury), Bruce Calderwood (DHSS), Philip Mawer (Home Office), Helen Tuffs (Lord Chancellor's Department) and Alan Ring (DOE).

*Yours sincerely,*  
*G W Monger*  
G W MONGER

CONFIDENTIAL



ELIZABETH HOUSE  
YORK ROAD  
LONDON SE1 7PH  
01-934 9000

CH/EXCH/ER	
REC.	25 SEP 1987
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prof

The Rt Hon Lord Young of Graffham  
Secretary of State for Trade and Industry  
1 Victoria Street  
London  
SW1H 0ET

24 September 1987

Dear David

**COMPETITION INITIATIVE**

You asked in your letter of 31 July to Nigel Lawson for additions to the Action Programme.

You will be aware that in parallel to this request a paper produced by my Department was presented to the last E(CP) meeting on 20 July setting out the initiatives which will lead to greater competition in the education service including some major new items. This represented an up-to-date picture in my field and was, I believe, acceptable to colleagues. I see no scope for adding further items at this stage.

I am copying this letter to the Prime Minister, to members of the Cabinet and to Sir Robert Armstrong.

John G. A. S.

*pwp (b.f. for meeting)*



2 MARSHAM STREET  
LONDON SW1P 3EB  
01-212 3434

My ref:

Your ref:

The Rt Hon Nigel Lawson MP  
Chancellor of the Exchequer  
HM Treasury  
Parliament Street  
SW1P 3AG

CH/EXCHEQUER	
REC.	28 SEP 1987 28 September 1987
ACTION	FST.
COPIES TO	

*Dear Chancellor,*

At E(CP) on 20 July, I offered to prepare a paper on the possibility of greater private sector involvement in waste disposal sites.

I have, for some time, believed that the way forward in this area is to restrict the public sector role to setting and regulating standards, while leaving the private sector to carry out the actual operations. In this way, we can expect to achieve better regulation while opening the operational side to private investment and competition. Thus, I envisage the full privatisation of local authority operational functions, albeit with an intermediate stage in which the operational arms of local authorities will be subject to competition. My officials are working up fresh proposals on these lines which, after consultation with Scottish and Welsh colleagues, will form the basis of a paper to H Committee (where the privatisation question has previously been discussed) in due course.

In the circumstances I shall not now be raising waste disposal at E(CP). E(CP) colleagues will however wish to be aware of how I propose to take forward competition policy in this area, and I am accordingly copying this letter to them and Sir Robert Armstrong.

*Yours sincerely*  
*Nicholas Ridley*

PP NICHOLAS RIDLEY  
(Approved by the Secretary of State and signed in his absence)



*[Handwritten initials]*

CH/EXCHEQUER	
REC.	29 SEP 1987
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COPIES TO	

DEPARTMENT OF HEALTH & SOCIAL SECURITY  
 Alexander Fleming House, Elephant & Castle, London SE1 6BY  
 Telephone 01-407 5522

*From the Secretary of State for Social Services*

The Rt Hon Nigel Lawson MP  
 Chancellor Of The Exchequer  
 Treasury  
 Parliament Street  
 London SW1P 3AS

*bf 8/10*

*99* September 1987

*Dear Nigel,*

PHARMACEUTICAL INDUSTRY: COMPETITION

As you know, following your correspondence with Norman Fowler late last year a group of officials from the Health Departments, Treasury, Trade and Industry and CUP have been examining a number of issues relating to the procurement of medicines for the Family Practitioner Services in Great Britain. I set out below their conclusions, which I hope you and other members of E(CP) will endorse.

Two main areas were outside the remit of the group. There had been a recent revised settlement of the Pharmaceutical Price Regulations Scheme (which regulates the profits manufacturers can earn from sales to the NHS) and in April 1987 a new pharmacists contract had been introduced which covers the conditions, expenses and profits for chemists when dispensing medicines for the NHS. A short note on the practical effects of these arrangements is attached as Annex 1 to this letter. You and Norman accepted that these two agreements would not be re-opened.

The group identified three areas of pharmaceutical supply within its remit in which competition could be enhanced:

- the introduction of greater cost-consciousness into doctors' prescribing;
- the procurement of generic drugs, which were removed from the scope of the Pharmaceutical Price Regulations Scheme when it was re-negotiated last year;
- the way in which discounts on parallel imported drugs should be handled.

Competition between pharmaceutical manufacturers is most likely to occur if doctors are fully aware of relative prices, are given information about their own prescribing costs and how they compare with other doctors' and are put under pressure to look for cost effectiveness in treatment and where appropriate prescribe generic drugs rather than expensive proprietaries.

E.R.

My Department already has in hand a programme designed to achieve this and obtain the desired health outcome at the lowest possible cost. We have secured improvements to the British National Formulary so that cash prices of drugs will be included, we are re-introducing improved Cost Comparison Charts to highlight the savings which can be made by prescribing generically, we are looking at the use of computers by doctors, including recent experience in Scotland, and we are reviewing our publications for prescribers to establish whether or not they provide doctors with the information they need to improve their prescribing. From next year, following the installation of new computer systems at the Prescription Pricing Authority, better more frequent, and targetted information will be provided to general practitioners about their prescribing. This will be backed up by increased numbers of visits by doctors from the Department's Regional Medical Service to discuss with general practitioners ways of reducing costs without detriment to patient care. All these activities have been endorsed by the group of officials.

The group noted that substantial price reductions for prescribed generic medicines have been achieved by direct negotiation between generic manufacturers and my Department. But they also noted that these remained substantially above the prices paid by hospitals. Clearly the two markets are quite different in size and structure, and some price differences may therefore be inevitable. Some manufacturers have represented that they are unable to enter the market for generic medicines because prices are too low. Nevertheless, the group believed that different pricing methods needed to be considered further, including competitive tendering and greater use of hospital pricing.

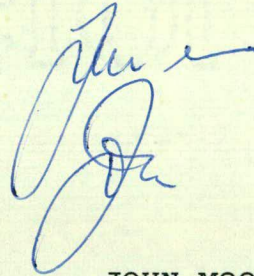
The group concluded that they lacked the information on which to base a considered judgement on generic price levels and alternative pricing arrangements and that the best approach would be to commission an independent external consultancy firm with a strong financial specialty to undertake a study of the generics market as a whole. The group went on to agree terms of reference for such a study, which I attach as Annex 2. If this course of action is agreed, my Department will proceed to let the contract on the basis of limited tender, deciding on duration in the light of the proposals received. There would need to be a steering group for the study, on which other Departments with an interest would be welcome. I envisage that the study and its terms of reference would be public, but that the report would be confidential because of the commercial information it would contain.

The group had extensive discussions on the level of wholesale discounts. There are complex interactions with manufacturers' prices and the discounts offered to chemists. It is uncertain whether a change in the level of discount would be of benefit to NHS costs or have the reverse effect. I intend to write to John Major separately on this issue when officials have taken the matter further.

**E.R.**

The group also looked at the question of parallel imports of medicines. These are medicines on sale in other EC countries at lower prices than the equivalent product of the UK market and brought in by independent importers. Special arrangements introduced by the Health Departments to recover discounts obtained by pharmacists on parallel imported medicine had to be withdrawn following a decision by the Court of Appeal that they were in breach of the Treaty of Rome. The group concluded - subject to confirmation from the Law Officers that this proposal would be unlikely to be successfully challenged as either a breach of the Treaty or contrary to natural justice - that the discounts obtained by pharmacists who purchase parallel imported products should be included in the normal arrangements for recovering discounts from pharmacists. It was recognised that this course of action would undoubtedly lead to complaints from the UK industry and from the pharmacists' representatives, but on the other hand it would encourage competition in the supply of medicines and stop pharmacists obtaining unintended profits. If agreed, my Department will negotiate and, if necessary, impose the change in the course of the next round of negotiations with the pharmacists, so that it takes effect from 1 April 1988.

I am sending a copy of this letter to members of E(CP), Sir Robert Armstrong and Mr Willacy at CUP.



JOHN MOORE



#### The Way Prices are Determined.

The Pharmaceutical Price Regulations Scheme covers the negotiation of costs and profit levels by DHSS with pharmaceutical manufacturers. It provides a framework in which the prices for medicines supplied to the NHS are set. Medicines not covered in these negotiations, in the main unbranded generic medicines, are set in separate consultations and the accepted prices are published in the Drug Tariff. Prices charged to hospital authorities, which may differ from prices for the general pharmaceutical service, start from the same manufacturers list price but are frequently subject to negotiated discounts.

#### The Way Pharmacists are Paid.

Monthly payments are made to chemists for the medicines they supply to NHS patients. The basic cost of the medicine, the operating costs of the pharmacy and target profit levels are met by a combination of allowances, fees and payment for the individual medicine dispensed. Within these arrangements allowances are made for the discount which pharmacists can obtain from wholesalers. A statistical sample is used to construct scales of discount and these are linked to a pharmacist's overall level of turnover. The pharmacist is thus encouraged to seek the lowest net prices which he can obtain from wholesalers. If pharmacists on average are more successful in obtaining discounts this will show up as a lower overall cost to the NHS when the next regular discount enquiry is held.

## ANNEX 2

## STUDY OF THE MARKET IN GENERIC MEDICINES

## DRAFT TERMS OF REFERENCE FOR CONSULTANTS

1. To study the market for generic medicines in Great Britain with particular reference to
  - a. the extent of competition in the supply of generic medicines
  - b. the similarities and differences between the ways in which generic medicines are procured by and distributed to
    - i. NHS hospitals
    - ii. Family Practitioner Service Contractors (retail pharmacists and dispensing doctors)
  - c. the prices paid for generic medicines by
    - i. NHS hospitals
    - ii. Family Practitioner Service Contractors (retail pharamcists and dispensing doctors)and the reasons for any differences in those prices.
  - d. the effectiveness of the systems for setting prices for generic medicines in the Drug Tariffs and recovering from Family Practitioner Service Contractors any difference between the Drug Tariff price and the price actually paid, noting that the system in Scotland differs in certain respects from that in England and Wales
  - e. the relationship between the prices of generic medicines and the extent to which UK and other manufacturers can enter and remain in the market.
2. In the light of the above
  - a. to put forward if possible proposals for improving the arrangements for the procurement, distribution and pricing of generic medicines, with particular reference to Family Practitioner Service contractors, which
    - i. are compatible with our international trading obligations (including EEC and GATT) and the independent contractor status of retail pharmacists and dispensing doctors
    - ii. take account of the range of ownership and management in retail pharmacy and the nature and level of involvement of wholesalers.

- iii. would stimulate further competition
  - iv. would ensure the availability of generic medicines at reimbursable prices throughout Great Britain
  - v. would lead to reductions in the cost of medicines to the NHS as a whole
  - vi. would ideally also further encourage the prescribing of generic medicines, where appropriate
- c. to assess the effect of any proposals on UK and other manufacturers of generic medicines
- c. to report within                      months.



DEPARTMENT OF TRANSPORT  
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

My Ref: C/PSO/7864/87

The Rt Hon Norman Fowler  
Secretary of State for Employment  
Caxton House  
Tothill Street  
London  
SW1H 9NF

*Dear Norman,*

30 SEP 1987

CH/EXCHEQUER	
REC.	01 OCT 1987 ✓ 1/w
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**COMPETITION AND EMPLOYMENT LAW**

You asked in your letter of 28 July to David Young for suggestions for labour market restrictive practices which might be referred to the Monopolies and Mergers Commission.

We have, as you asked, looked thoroughly at the field but can find no candidate which is suitable for investigation. Those which came first to mind have been ruled out for one or another reason. The final paragraph of your lawyers' definition of restrictive labour practices, for example, seems to rule out consideration of the practice of 'registering' seamen, and other investigations by the Monopolies and Mergers Commission suggest that investigation of the labour practices of the Civil Aviation Authority or the UK civil airlines would be inappropriate. The Dock Labour Scheme, which of course is your responsibility, is prescribed by statute and is therefore outside the definition of a "restrictive labour practice" in the Fair Trading Act 1972.

/ I am copying this letter to the other members of E(CP) and to Sir Robert Armstrong.

*[Handwritten signature]*

*[Handwritten signature]*

*[Handwritten signature]*

PAUL CHANNON



Caxton House Tothill Street London SW1H 9NF

Telephone Direct Line 01-213.....64.60.....

Switchboard 01-213 3000 GTN Code 213

Facsimile 01-213 5465 Telex 915564

CH/EXCH/10	
REC.	06 OCT 1987
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*pp. 07*

Lord Young of Graffham  
 Secretary of State for Trade and Industry  
 1 Victoria Street  
 LONDON SW1H 0ET

2, September 1987

*Dear Nigel*

COMPETITION INITIATIVE

Your letter of 31 July to Nigel Lawson asked colleagues to consider whether the present Action Programme fully reflected all we are doing under the Competition Initiative. I have done this and I attach a list of my proposed contributions to the revised Action Programme.

I am copying this letter to the Prime Minister, Members of the Cabinet and Sir Robert Armstrong.

*Norman Fowler*

NORMAN FOWLER

## COMPETITION INITIATIVE: DE CONTRIBUTIONS

1. Following the paper on Competition and Employment Law which was taken by E(CP) on 20 July, DE is consider two further remits:

- (a) whether there are any restrictive labour practices which ought to be referred to the Monopolies and Mergers Commission;
- (b) whether any action should be taken against local authority national collective agreements.

Timing: autumn 1987.

2. Legislation which will:

- (a) remove the remaining legal basis for post-entry closed shops;
- (b) give employers the means to resist industrial action to establish or maintain closed shops in general;
- (c) apply to the Crown the present statutory prohibition on union membership or recognition requirements in contracts for the supply of goods and services.

Timing: The current aim is to introduce a Bill before the end of October 1987.

3. Review of coverage of Wages Councils.

Timing: report to Ministers January 1988.

4. Continue to encourage large organisations, including all Government Departments, to consider the needs and potential of small suppliers in their procurement policies.

Timing: review March 1988.

5. Continue to encourage the development of a viable and competitive small firms sector.

Timing: continuing.

OK.  
2- We need to be fully  
briefed, x v. full, on X. M.

CONFIDENTIAL

Reference No E 0413

CHANCELLOR OF THE EXCHEQUER

Ch / Treasury officials are contact with  
Mr Manger's proposals, intending that you  
should write to Mr Ridley + Lord Young.  
Are you? JF

5/10

E(CP)

As you know, we had unfortunately to cancel the meeting of E(CP) which was fixed for today, 2 October because of the Lord Chancellor's illness.

2. Subject to your agreement, we will aim to fix a new date for the Sub-Committee as soon as possible after the Autumn Statement. Meanwhile you may wish to deal in correspondence with two of the items which E(CP) might have discussed -

i. Private Sector Involvement in Waste Disposal. Mr Ridley's letter of 28 September explained that he now proposed to recommend full privatisation of local authority operations to the Committee with direct policy responsibility (probably E(A) rather than H Committee as he proposed). That seems the appropriate way to proceed on this issue. You might therefore like to write recording your agreement.

ii. Radio Frequency Spectrum Management. Lord Young's private secretary wrote to your Private Secretary on 21 September, giving a progress report and explaining that he intended to hold further discussions with interested parties, and report to E(CP) in the New Year. This is disappointing progress. The remit goes back several months and there has already been extensive consultation. Nevertheless, if that is how Lord Young wants to proceed, it may not be worth making an issue of it, especially since a discussion can probably not be held before November anyway. But it would be worth asking him to aim at a full discussion very early in the New Year.

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I attach draft letters on both issues.

3. If you agree to deal with these two items in this way, the agenda for a November meeting would be -

X | i. Restrictions in the legal professions (paper - E(CP)(87)8 - by the Lord Chancellor).

ii. Competition in the professions (paper - E(CP)(87)9 - by the Secretary of State for Trade and Industry).

iii. Pharmaceutical industry: competition (letter of 29 September from the Social Services Secretary).

iv. Needletime: restrictions on broadcasting of commercial recordings (paper to come from the Trade and Industry Secretary).

I understand that the issue of licensing private coalmining, which was due to come to E(CP), is now being pursued separately.

X | 4. The first and third items at least will raise difficult and important issues. The Lord Chancellor's paper on the first item is largely an argument for doing nothing. The Social Services Secretary's paper on the third item seeks to exclude discussion of the Pharmaceutical Price Regulation Scheme, which on the face of it is the main obstacle to competition in the industry.

5. Another meeting of E(CP) would then be necessary as planned at about the turn of the year to discuss the remaining items on the E(CP) work programme for 1987.

G W MONGER

Cabinet Office  
2 October 1987

CONFIDENTIAL



  
CONFIDENTIAL

*Be typed*

DRAFT LETTER FOR THE CHANCELLOR OF THE  
EXCHEQUER TO SEND TO THE SECRETARY OF  
STATE FOR TRADE AND INDUSTRY

SPECTRUM DEREGULATION

Your Private Secretary wrote to mine on 21 September, to give a progress report on work on radio frequency spectrum management.

As you know, the meeting of E(CP) which was fixed for 2 October, and at which your letter might have been discussed, had to be cancelled. I am however content, subject to the views of other colleagues on E(CP), for you to proceed on the basis set out in your letter. Since this subject has been on E(CP)'s agenda for some time, I hope that the full discussion you mention can be held very early in the New Year.

I am copying this letter to the other members of E(CP) and to Sir Robert Armstrong.

CONFIDENTIAL

  
CONFIDENTIAL

*Pre type / sig.*

DRAFT LETTER FOR THE CHANCELLOR OF THE EXCHEQUER TO SEND TO THE  
SECRETARY OF STATE FOR THE ENVIRONMENT

**E(CP): PRIVATE SECTOR INVOLVEMENT IN WASTE DISPOSAL**

Thank you for your letter of 28 September, in which you set out your thinking about the possibility of achieving greater private sector involvement in waste disposal. As you know, the meeting of E(CP) which was to have taken place on 2 October, and at which we might have discussed your letter, had to be cancelled. Nevertheless I am content, subject to the views of other colleagues, to accept your proposal to work up fresh proposals to be considered by another Committee which has direct responsibility for this area of business.

I am copying this letter to members of E(CP) and to Sir Robert Armstrong.

CONFIDENTIAL



175

# CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01-938 5422

Reference No: E 0412  
Jeremy Godfrey Esq  
Private Secretary  
Department of Trade and Industry,  
Victoria Street,  
LONDON SW1

CH/EXCHEQUER	
REC.	02 OCT 1987
ACTION	FST
COPIES TO	
	2 October 1987

*Dear Godfrey,*

### E(CP): NEEDLETIME FOR COMMERCIAL RADIO

I wrote to Timothy Walker on 22 September about the paper which your Secretary of State is committed to preparing for E(CP) on the subject of needletime. In a subsequent telephone conversation, you explained that the paper could not be prepared in time for the meeting of E(CP) which was due to take place today, 2 October, but that it would be ready shortly, and certainly in time for the next E(CP) meeting. Colin Miller in the Home Secretary's Private Office told me the same.

2. As you know, the E(CP) meeting which was scheduled for today has had to be cancelled. We will of course be seeking to fix a new date as soon as reasonably practical. But given the intervention of the Conservative Party Conference and Star Chamber that is unlikely to be possible before late October. I trust that a paper on needletime, cleared with the Home Office as necessary, will definitely be available for that meeting.

3. I am copying this letter to Jonathan Taylor in the Chancellor of the Exchequer's office, and to Colin Miller in the Home Secretary's Office.

*Yours sincerely,*  
*George Monger*

G W MONGER

CONFIDENTIAL



FROM: J M G TAYLOR  
DATE: 6 October 1987

*pmf*

MR MONGER (CABINET OFFICE)

cc: Mr Wynn Owen

**ECP**

The Chancellor has seen your minute of 2 October. He agrees with your proposals. He has written to Mr Ridley and Lord Young, as suggested.

2. The Chancellor has commented that he will need to be fully briefed, and very tough, on the issues raised by the Lord Chancellor's paper.

*JMG*

J M G TAYLOR



Treasury Chambers, Parliament Street, SW1P 3AG  
01-270 3000

6 October 1987

The Rt. Hon. Lord Young of Graffham  
Secretary of State for Trade and Industry

A handwritten signature in dark ink, appearing to read 'Nigel Lawson'.

**SPECTRUM DEREGULATION**

Your Private Secretary wrote to mine on 21 September, to give a progress report on work on radio frequency spectrum management.

As you know, the meeting of E(CP) which was fixed for 2 October and at which your letter might have been discussed, had to be cancelled. I am however content, subject to the views of other colleagues on E(CP), for you to proceed on the basis set out in your letter. Since this subject has been on E(CP)'s agenda for some time, I hope that the full discussion you mention can be held very early in the New Year.

I am copying this letter to the other members of E(CP) and to Sir Robert Armstrong.

NIGEL LAWSON

A handwritten signature in dark ink, appearing to read 'Nigel Lawson'.

CONFIDENTIAL

*Handwritten initials*



QUEEN ANNE'S GATE LONDON SW1H 9AT

6 October 1987

*Ch/ You may be interested to see this correspondence.*

*✓* *27/10*

CH/EXCHEQUER	
REC.	07 OCT 1987
ACTION	FST
COPIES TO	

*7/10*

Dear David,

**COMPETITION INITIATIVE**

I am sorry not to have replied sooner to your request for new items to include in the Action Programme.

I am committed to introducing and enhancing competition throughout the Home Office's realm of influence, wherever this can be done without jeopardising our main objectives. In particular, on the purchasing front generally, we have stepped up our pursuit of competition in an attempt to achieve better value for money for the public sector. Under the head of Public Procurement in the Action Plan, you will see that I am proposing a new entry relating to the installation and maintenance of police and fire services' communications equipment. Similarly, on the prison side, Malcolm Caithness's recent visit to the United States and the new work on the Prisons Building Board which I have announced are all moves towards opening up sectors of the economy to market forces.

I have considered a number of fairly radical possibilities, including opening up the issue of British Visitors Passports, but have concluded that for security and others reasons this would not be practicable. Discussions with Woodrow Wyatt on the privatisation of the Tote also include the possibility of removing their statutory monopoly. These are still at a preliminary stage; and it may not be possible to reconcile this with other objectives in the betting field.

Our main contribution is, of course, on the broadcasting side. I have updated our entries on this; and included a new initiative in line with commitments in the manifesto and the discussions held at the Prime Minister's seminar and in MISC 128.

Copies of this letter go to the Prime Minister, to Cabinet colleagues and to Sir Robert Armstrong.

*Yours,  
Douglas*

The Rt Hon Lord Young of Graffham

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COMPETITION INITIATIVE - ACTION PROGRAMME

HOME OFFICE ITEMS

DOMESTIC MARKET

<u>Action</u>	<u>Timing</u>
- Introduce legislation on reform of liquor licensing hours	Legislation 1987
- Review shop opening hours with a view to possible legislation	1987
- Introduce competitive tendering for ITV contracts; consider reconstitution of Channel 4; allow new radio services (subject to Green Paper consultation)	Legislation ? 1988
- Examine scope for subscription television/new programme networking procedures/provision of data transfer services by broadcasters/new television services to compete with cable to existing broadcasters	1987/88
- Taking account of matters raised at the Prime Minister's seminar and MISC 128 discussions, consider the scope offered by new technology (in particular Multi Microwave Distribution Systems) for increased competition; and the possibility of a fifth channel	Technical studies in hand
Implement 25% independent programme production target	Continuing

PUBLIC PROCUREMENT

- Examine scope for introduction of private sector management or ancillary services to prisons	1987
- Extend opportunities for private sector to install and maintain police and fire services' communications equipment and widen the options for the procurement of	1989

equipment.

CONFIDENTIAL



*pm*

Treasury Chambers, Parliament Street, SW1P 3AG  
01-270 3000

6 October 1987

The Rt. Hon. Nicholas Ridley AMICE MP  
Secretary of State for the Environment

*N Ridley*

**E(CP): PRIVATE SECTOR INVOLVEMENT IN WASTE DISPOSAL**

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NIGEL LAWSON

*Nigel Lawson*