

MR C A WHITMORE

SELECT COMMITTEE ON INDUSTRY AND TRADE

You asked for my advice on the letter of 29 February from the Secretary of State for Trade's Private Secretary about the Industry and Trade Committee's request for evidence on the merits of merging the Departments of Trade and Industry. You also asked me to consider how requests from Select Committees in general for evidence about the machinery of government might be handled.

2. First, however, there is the question whether machinery of government matters are within the Committee's scope. The House decided the Committees' terms of reference and questions about what is or is not within their scope can, ultimately, be settled only by the House. But my own view is that Committees can, if they wish, legitimately examine aspects of the machinery of government to the extent that they affect the "expenditure, administration and policy" of the departments they mark.

3. I am aware of no modern precedent for a Prime Minister while still in office giving oral or written evidence to a Select Committee on machinery of government. You may recall that the Expenditure Sub-Committee on the Civil Service examined the boundary between the CSD and the Treasury. But the Prime Minister of the day (Mr Callaghan) did not give evidence, although former Prime Ministers and senior officials answered questions on this topic.

4. In my view, it would be undesirable for the Prime Minister to give oral or written evidence to Select Committees. There are three reasons. First, the allocation of Ministerial responsibilities is decided by Prime Ministers by reference not only to policy and organisational considerations but also to personalities and politics. Second, it seems to me that the Prime Minister is answerable only to the House itself for her decisions on the selection of Ministers and the allocation of responsibilities between them. Third, if the Prime Minister were to give evidence to the one Committee, the others would be likely to make similar calls upon her and it might prove difficult to confine any oral questioning to machinery of government matters.

5. I suggest, therefore, that as a general rule:

(a) every effort should be made to dissuade Select Committees from examining machinery of government questions;

(b) the Prime Minister should decline to give oral or written evidence to Select Committees;

(c) if a Select Committee requests evidence on machinery of government matters, the departmental Minister concerned should respond, making it clear that he does so with the Prime Minister's approval;

(d) any such response should, so far as possible, be made in writing.

Prime Minister.

This is Sir John Bancroft's advice on Mr Nott's suggestion that you might let the Select Committee have a note on the organisation of the Departments of Trade and Industry. I very much agree with his paragraphs 4 and 5. Agree that Mr Nott should write to the Chairman of the Select Committee, as proposed?

Attached.

AMH 7:00

It could be argued that the Treasury and Civil Service Committee represents a special case because the Prime Minister is both First Lord and Minister for the Civil Service. I suggest, however, that those considerations are outweighed by the arguments in paragraph 4 above and that an exception should not be made, therefore, for the Treasury and Civil Service Committee.

6. If the Prime Minister agrees with the general guidelines suggested in the previous paragraph, she might care to inform her colleagues by, say, mentioning them at Cabinet or in a letter copied to all of them. Alternatively, with her approval, a short paper could be put to H Committee.

7. The other question which you asked for advice concerns the response that might be made to the Industry and Trade Committee's request for evidence about the merger of DOT and DOI. The Prime Minister has, of course, made one important change in this field by amalgamating DPCP with DOT.

8. Undoubtedly, there are arguments in favour of recreating a unified Department of Trade and Industry. For example, there is a case for saying that DOT's responsibilities for the protection of shareholders, consumers, creditors and so on should be brought together and reconciled with DOI's responsibilities for the promotion of industrial development and the sponsorship of individual industries. But, on the other hand, it may be better to have these interests represented by different Secretaries of State and to reconcile any conflicts that arise outside the confines of a single department. Similarly, there is a balance to be struck between the arguments for bringing together and for keeping apart the DOT's responsibilities for overseas trade regulation and promotion and DOI's responsibilities for domestic industrial policy and relations with industry. Moreover, the advantages of bringing together shipping and ship building responsibilities or civil aviation and the aerospace industry in one department can be countered by, for example, the case for putting ship building and civil aviation into the Department of Transport.

9. However one strikes the balance between arguments of the kind illustrated in the previous paragraph, there is also the question of the load which would fall on the Ministers and senior officials of a reunited DTI. The experience of the old DTI was that the burden was very heavy because of the wide span of policy responsibility, in many areas of which there is a high degree of political interest. As a consequence, there was a tendency for a number of major "crises" to occur simultaneously and it was difficult for Ministers and senior officials to give, and to be seen to give, the necessary amount of attention to each of them. It was partly as a response to this problem that in the later period of the old DTI, a second Cabinet Minister was appointed. If that device were to be employed again, it would inevitably go some way to undermine the advantages of concentrating responsibility in the hands of a single Secretary of State, which would be the main reason for wishing to re-establish a single department.

10. Finally, there are the inevitable penalties in terms of efficiency which accompany any major organisational change. Ministers, and their staff, are deflected from their strategic and tactical objectives by the task of managing the structural changes.

11. What I have said in the previous two paragraphs illustrates the difficulty and undesirability of discussing machinery of government questions at all with Select Committees. But some response is required to the Industry and Trade Committee's request for evidence. I suggest that it should be handled in line with the proposals made in paragraph 5 above. In that event, the Prime Minister would ask the Secretary of State for Trade to write to the Chairman of the Select Committee along ... the lines of the attached draft letter. While the Committee would be able to treat the letter as "evidence" and to publish it, I think it would be greatly preferable to handle the request in that way rather than by submitting a formal memorandum.

12. I am sending copies of this minute to Sir Robert Armstrong and to Mr John Stevens.

IB

IAN BANCROFT
6 March 1980

DRAFT LETTER FROM THE SECRETARY OF STATE FOR TRADE TO THE CHAIRMAN OF THE SELECT COMMITTEE ON INDUSTRY AND TRADE

As you know, I am eager to help the Committee in any way I can and I have, therefore, asked my department to prepare notes on the matters on which the Committee have asked for further information. If it would be helpful, I should be glad to appear before the Committee again to answer questions on the notes.

There is one matter on which I thought it best to write to you myself rather than to deal with the point in a departmental note. This concerns the question whether the Departments of Trade and Industry should or should not be merged. ~~As this is a question about the machinery of government, I have consulted the Prime Minister about it, since all such questions are a matter for her decision.~~ *Prime and Consumer*

Formerly P.M. would merge with the former Dept of Commerce and Industries as well with Trade, the Department of Trade

~~There are, of course, arguments in favour of a unified department to deal with trade and industry. But for each argument in favour, there are others against. In allocating responsibilities between Ministers, the Prime Minister strikes a balance, taking account of current needs, priorities and policies. It was the Prime Minister's view that the balance of advantage lay with the amalgamation of the Departments of Trade and Consumer Protection. But her conclusion was, and remains, that in current circumstances, the balance of advantage lies with the present allocation of responsibilities between the Secretary of State for Industry and me. The Prime Minister has no plans to change these arrangements but would, of course, review them if circumstances were to change.~~

It was not wished to create very large departments so soon after they had been broken up, Trade and Industry included.

Obviously, there is nothing I can add to what is said above about the Prime Minister's views and, as I am sure you will understand, it would not be profitable, therefore, for the Committee to invite me to appear before them to amplify the contents of this letter.

As I understand that - as it was not wished to create a very large department - so soon after the old DTI had been broken up, the Department of Trade and Industry was left separate. This arrangement is working well, and the P.M. has no plans to change it.