

PRIME MINISTER

Competition Policy

Before minuting out to Mr. Tebbit following your meeting on Wednesday, I consulted the Cabinet Office about the ideas discussed for changes to the machinery of Government. Sir Robert Armstrong's views are set out in the attached minute. He fully endorses the proposal to give Mr. Tebbit a greater role, enabling him to act not just as co-ordinator but as an initiator of policy, even in the area of responsibility of other Ministers. Sir Robert also endorses the idea of a programme identifying areas where competition is weak, with action to tackle these black spots.

Sir Robert has, however, doubts about the wisdom of setting up a new committee.

- (i) He sees problems with a committee which is chaired by the leading protagonist (Mr. Tebbit himself had reservations on this score).
- (ii) There could be problems of overlap with E(A) and E(NI).

Sir Robert therefore suggests that the action programme be routed through E(A). The question of whether to set up a sub committee to handle the individual cases could be considered in due course.

Although originally I was attracted by the idea of a separate committee, I think there is a good deal in what Sir Robert has to say and his suggestions do not really blunt the impact of this initiative. The draft of a minute for you to send to Mr. Tebbit is attached.

Agree Sir Robert's proposals? If so, I will show the minute to Mr. Tebbit's office and explain the reasons behind the modified proposals. *before it is sent out*

AT

Yes please ref

20 January 1984



Ref. A084/240

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Competition Policy: Machinery

I understand that you wish to give the Secretary of State for Trade and Industry the responsibility for giving greater coherence, thrust and emphasis to the Government's competition policy and have been considering how best to do this.

2. The Secretary of State for Trade and Industry already has the general Ministerial responsibility for competition policy; this emerges most clearly from his responsibility for the Office of Fair Trading and the Monopolies and Mergers Commission. But many other Ministers, sometimes more senior, have specific responsibilities which have a major bearing on the achievement of competition in practice. Examples are: the Chancellor of the Exchequer in respect of banks and other financial institutions; the Lord Chancellor in respect of the legal profession; the Secretary of State for Social Services in respect of the professions associated with the National Health Service; and the Secretary of State for Transport in respect of the licensing of buses and of airlines.

3. My understanding is that you want to make changes which will

- (i) draw attention to, and elevate, competition policy in the hierarchy of the Government's policy priorities;
- (ii) reinforce the status of the Secretary of State, as the Minister with general responsibility for competition policy, *visa-a-vis* the Ministers with specific responsibilities, and give him some authority and a position to act not just as a co-ordinator but as a policy initiator in this respect;
- (iii) to ensure that a programme of action is agreed and implemented.

4. Clearly setting up a new Ministerial Sub-Committee under the Secretary of State for Trade and Industry's chairmanship would be a way of doing this. But I doubt whether it would be the best

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way. Putting a Departmental Minister in the chair of a Committee or Sub-Committee which is, or is seen as being, designed to further his Departmental interests rarely works out well in practice, especially where there are potential conflicts of policy and more senior Ministers are involved. Where the problems are intractable or politically difficult (for example conveyancing) they will nearly always have to be resolved in the Cabinet or in some other forum chaired by you. The Ministerial Sub-Committee on the Disposal of Public Sector Assets (E(DL)) is a case in point. It has not been possible to use it as the forum for taking the major policy decisions on privatisation (for example that relating to British Telecom in the last Parliament) or for developing the new overall programme for the new Parliament. That latter task has been done, following a personal minute from you, through bilateral discussions between the Treasury and sponsoring Ministers, under the supervision of E(A) who will be considering the programme on Tuesday. E(DL)'s work will come later in supervising the implementation.

5. Secondly, a Sub-Committee on Competition Policy would overlap responsibilities of other Committees. One of the main areas where competition needs to be developed is as part of the privatisation programme. The Chancellor's paper for discussion on Tuesday (E(A)(84) 3) is indeed titled "Competition and Privatisation", contains specific comment on competition in respect of each industry, and seeks approval for increasing competition and deregulation to be pursued as part of the privatisation programme. These aspects of competition can be and are pursued in E(A) and E(DL). Where industries are likely to remain in the public sector, it is difficult to separate out competition issues from the other issues which Ministers consider when these industries come before E(NI). In the bulk of the private sector where these complications do not arise the Secretary of State for Trade and Industry is already the sponsoring Minister and would not require the Sub-Committee. I suspect therefore that the creation of the new Sub-Committee could lead to confusion and time-wasting manoeuvring and inhibit progress.

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6. An alternative approach, which I think would avoid some of these problems, would be for you to send a personal minute to the Secretary of State for Trade and Industry, copied to other members of the Cabinet, which would:

- (a) give new emphasis to competition policy;
- (b) assign the Secretary of State for Trade and Industry a more explicit general co-ordinating role for competition policy, and in particular invite them, in consultation with Departmental Ministers as appropriate, to draw up a programme for promoting and extending competition, for consideration by the Cabinet or E(A).

This would lead to a series of bilateral discussions between the Secretary of State for Trade and Industry and other Ministers able to contribute to promoting more competition; to a report back to E(A) by, say, end-May; and to a discussion in E(A) leading to an agreed programme of action. The Secretary of State for Trade and Industry could then be charged with responsibility for overseeing the implementation of the action programme; and at that stage we could consider again whether there would be any advantage in setting up a Sub-Committee to progress the agreed plan of action, or whether to do it in E(A).

7. In order to illustrate this alternative approach I attach a draft of the kind of personal minute which you might wish to send out to set the exercise in motion.

8. I am sending a copy of this note to the Secretary of State for Trade and Industry.

Re
Approved by
ROBERT ARMSTRONG
and signed in his absence

20 January 1984

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DRAFT PRIME MINISTER'S PERSONAL MINUTE

SECRETARY OF STATE FOR TRADE AND INDUSTRY

COMPETITION POLICY

The promotion of competition is one of the Government's most central and fundamental policies. It can bring lower prices, better services for the consumer, products better able to hold their own in world markets and ultimately more jobs. Your department has the general responsibility for competition policy, although many other Ministers have sponsoring, regulatory or other responsibilities which provide opportunities for promoting more competition in the economy. Some of these opportunities will arise as part of the privatisation programme. [~~The Ministerial Sub-Committee on Economic Affairs (E(A)) agreed at its meeting on 25 January that increasing competition and deregulation should continue to be dominant themes of the privatisation programme.~~] In addition however the time has now come to seek out, wherever we can, opportunities for fostering more competition and to develop a programme of action for bringing this about during the remainder of this Parliament.

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2. I should be grateful if you would assume the general coordinating responsibility for this task. As a first step it would be helpful if all members of the Cabinet would examine their areas of responsibility with a view to identifying what contribution they might be able to make to the promotion of competition, aside from any action which is already in hand as part of the privatisation programme. [I should be grateful if you would then arrange a series of discussions with other Ministers with the aim of ^{preparing} bringing a report before E(A) not later than the end of May. In some areas there may well be a conflict of priorities with other policy objectives which Ministers will have to resolve collectively, and in some areas it may emerge that adequate steps are already in hand. I would hope however that, following the discussion in E(A), we should be able to agree on a programme of action which will make a real contribution to the creation of a more competitive economy within the lifetime of this Parliament.]

3. I am sending copies of this minute to all members of the Cabinet and Sir Robert Armstrong.