

MASTER

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My



bc J. Redwood

## 10 DOWNING STREET

From the Private Secretary

23 January 1984

Dear Callum,

Competition Policy

The Prime Minister held a meeting on 18 January with your Secretary of State and with Mr. Fletcher. The meeting had before it the Policy Unit note of 16 December.

Your Secretary of State strongly endorsed the argument that promotion of competition was a central plank of Government policy. He accepted that where Government had acted, e.g. on the Stock Exchange and on conveyancing, its presentation had often been poor, with the Government failing to earn the credit it should have done. Action was needed to remedy this and he himself would shortly be making a major speech at the OFT Conference, setting out the Government's record.

The meeting then considered how a more systematic approach could be developed for identifying those areas where competition was weak and for mobilising Government action. The way Government was organised meant that responsibility for promoting competition was dispersed amongst many Ministers. The Prime Minister suggested that your Secretary of State should take on a wider responsibility for co-ordinating the Government's search for greater competition. A programme could be established, modelled on the privatisation exercise, for tackling competition black spots. Your Secretary of State favoured such an approach.

The meeting then discussed whether changes in the machinery of Government were desirable to provide a forum for considering such a programme and for tackling the individual cases which were identified. A new Ministerial committee on competition policy was suggested. Both the Prime Minister and your Secretary of State saw attractions in this. It would comprise most of the economic Ministers, though other Ministers could be invited to join the group when issues within their area of responsibility came up for consideration. Your Secretary of State could be in the chair.

/The meeting

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The meeting then turned to particular competition issues. It was noted that though progress had been made in a number of professions, e.g. surveyors, architects and accountants, there was still further progress to be made. Action was also needed in the case of vets.

On car prices your Secretary of State said that the Commission were likely to introduce a directive setting a maximum range for car prices between the different markets within the Community. Though this approach was rather bureaucratic, it would probably represent a significant improvement. He had examined the figures and had concluded that, though differences in prices existed, they were not as great as frequently quoted. Comparison was often made with Belgium which was an unrepresentative market, having no domestic production and a long history of price control. It was possible that most car companies were selling at a loss in all the European markets with the exception of the UK. If this were the case, efforts to bring car prices close together could produce increases abroad rather than reductions in the UK. One effect of this, however, would be to raise the export earnings of UK producers. He wished to make progress on this issue but did not think it should be rushed.

Your Secretary of State said he was anxious to ensure that when privatisation took place, it was done in a way which secured the greatest introduction of competition. This was more important to the health of the economy than maximising receipts from the sale. He would use his remit to take a wider interest in competition to talk to the Ministers concerned. He was particularly anxious to ensure that the privatisation of gas and electricity was done in a way which maximised competition.

Concluding the discussion, the Prime Minister said it was agreed that the Secretary of State for Trade and Industry should take on greater responsibilities for promoting competition across the whole range of Government policies. In particular, he should hold bilateral discussions with colleagues to develop a programme of action. She would write to him, with copies to the other Ministers concerned, setting out this proposal formally, and suggesting how the machinery of Government might be strengthened.

I am copying this letter to Sarah Chambers (Mr. Fletcher's Office) and Richard Hatfield (Cabinet Office).

*Yours sincerely*  
*Andrew Turnbull*

Andrew Turnbull

Callum McCarthy Esq  
Department of Trade and Industry.