



10 DOWNING STREET

Prime Minister ①

Agree I arrange such
a meeting in January
before Parliament returns?

Yes

AT

16/12

I would have
been helpful if this
had been raised
yesterday when
we had to many
minutes present
ms.

16 December 1983
Policy Unit

RIME MINISTER

COMPETITION POLICY

We are in danger of losing the initiative. We believe that competition brings lower prices, better service, more jobs, innovation and better products. We believe in strong government, which should oppose monopoly power whether it be in the NGA or in a producers' cartel. Yet on each issue, like conveyancing and car prices, the press often reports that concessions are wrung out of a government that appears reluctant to pursue its own beliefs.

The difficulty with putting together all the necessary policies is that they run across departments, they involve attacking entrenched producer groups who are good at lobbying, and they require government to use many different devices. In some cases it is necessary to encourage a reference to the Monopoly and Mergers Commission, in some cases an OFT enquiry, and in other cases legislative action.

The following areas are suggested to bring some unity to the policy:

The Home-Buyer

The purchaser of a new home faces many costly obstacles. The high cost and complexity of conveyancing hinders purchasers: we are now tackling this. The other professional services - estate agency, surveying, and architecture for a new home - are expensive and not very competitive on price. The commission structure on insurance-related finance for house purchase, and on lending, is generous. Some action has been taken on these areas. We should spell it out and see what more needs to be done.

The Traveller

Nick Ridley has promised tough action to deal with the bus monopoly. We should hope for early action to combat the economic licensing which guarantees high fares and restricted competition over most of the bus network in this country.

The motorist suffers most from the high cost of new cars. UK prices are some 20 per cent higher on average than prices elsewhere in the EEC. We are under pressure from the EEC Commission to lower the

price differentials between UK and foreign cars. UK customers in aggregate paid £1,000 million more to foreign companies in 1981 than they needed to for the vehicles they purchased, according to an Institute for Fiscal Studies estimate for 1982. Should the position of BL dominate our policy on this important issue? Might we not be forced reluctantly into action to reduce car prices anyway in the end?

The Food Buyer

Any progress that could be made in returning to sensible pricing for European agricultural products will lower the current £4,000 million of additional cost imposed on the British housewife (compared to world prices) as a result of the Common Agricultural Policy. In the meantime, we could also examine the specific cases of the lack of competition in retailing that comes from our domestic marketing boards (exercising caution about the popular doorstep milk delivery) and the production cartels in some food manufacturing activities.

We can regain the momentum. If you like the idea, you could hold a meeting soon with Norman Tebbit and Alex Fletcher to:

- a. stimulate some public statement of our general intention, probably via a speech from a DTI Minister;
- b. spell out the bold initiatives the Government has already taken (eg opticians, solicitors, the Stock Exchange).
- c. organise a programme for dealing with the worst monopolies and cartels throughout the economy;
- d. put in place a mechanism for handling the interdepartmental problems and for reporting back. An exercise like the privatisation bilaterals would be a possible route under DTI ministerial supervision;
- e. resolve the car pricing issue where the DTI are divided themselves on how to proceed.



JOHN REDWOOD