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E(80) 42nd Meeting

COPY NO 56

CABINET

MINISTERIAL COMMITTEE ON ECONOMIC STRATEGY

MINUTES of a Meeting held at
10 Downing Street on
THURSDAY 27 NOVEMBER 1980 at 9.30 am

PRESENT

The Rt Hon Margaret Thatcher MP
Prime Minister

The Rt Hon William Whitelaw MP
Secretary of State for the
Home Department

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer

The Rt Hon Sir Keith Joseph MP
Secretary of State for Industry

The Rt Hon Lord Soames
Lord President of the Council

The Rt Hon Peter Walker MP
Minister of Agriculture,
Fisheries and Food

The Rt Hon Michael Heseltine MP
Secretary of State for the Environment

The Rt Hon John Nott MP
Secretary of State for Trade

The Rt Hon John Biffen MP
Chief Secretary, Treasury

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Francis Pym MP
Secretary of State for Defence

The Rt Hon Sir Ian Gilmour MP
Lord Privy Seal

The Rt Hon George Younger MP
Secretary of State for Scotland

The Rt Hon Patrick Jenkin MP
Secretary of State for Social Services

CONFIDENTIAL

43

45

46

MEMOS.
1

3

5

7

9

CONFIDENTIAL

The Rt Hon Sir Michael Havers QC MP
Attorney General
(Item 2)

Mr Hamish Gray MP
Minister of State,
Department of Energy
(Item 1)

The Rt Hon Norman Fowler MP
Minister of Transport

Mr James Lester MP
Parliamentary Under-Secretary of
Department of Employment

Mr J R Ibbs
Central Policy Review Staff

SECRETARIAT

Sir Robert Armstrong
Mr P Le Cheminant
Mr D J L Moore

CONTENTS

Item No	Subject	Page
1	PUBLIC PURCHASING POLICY	1
2	COMPUTER PROCUREMENT POLICY	4

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CONFIDENTIAL

CONFIDENTIAL

1. PUBLIC PURCHASING POLICY
Previous Reference: E(80) 7th Meeting, Item 2

The Committee considered a memorandum by the Secretary of State for Industry (E(80) 136) on public purchasing policy.

THE SECRETARY OF STATE FOR INDUSTRY recalled that at their meeting on 20 February the Committee had invited him to take the lead in initiating measures aimed at encouraging public purchasers to promote the interests of United Kingdom industry. He was now pursuing this with the Ministers responsible for purchasing Departments; sponsor Ministers had written to public bodies for which they were responsible; and the Ministers concerned would shortly be meeting with representatives of the local authorities. His Department were consulting private sector manufacturers and retailers to seek their views on products and on possible amendments to purchasing procedures which might help them develop their international competitiveness. Although useful progress had been made in some areas, not all Departments were equally aware of the policy or effective in pursuing it. He recognised that it was not always easy to reconcile support of British industry through public procurement with ensuring value for money and complying with international obligations on purchasing practices. The policy could in fact be defended on the ground that it was reasonable to accept tenders with higher initial costs in order to promote the long-term international competitiveness of suppliers through lower cost for longer runs and, as a result, improved value of money for the purchaser. He further proposed that, to stimulate and guide departmental efforts, he should set up a small committee, chaired by a Department of Industry Minister and involving the Treasury, to agree with Departments programmes for enlightened public purchasing and to monitor progress. Together with the sponsor Ministers, this committee would also meet with each of the nationalised industries. It could be disbanded as soon as Ministers were satisfied that implementation of the policy was fully under way.

In discussion the following points were made -

- a. It was important that the policy of supporting British industry should be pursued with full regard to costs, efficiency and international obligations. It was much more difficult for Departments to

CONFIDENTIAL

43

45

46

MEMOS.

1

3

5

7

9

CONFIDENTIAL

accept higher initial costs from purchasing British equipment at a time when public expenditure programmes had been severely cut and they were having to operate within very tight cash limits. In looking at particular cases it would be important to identify any additional public expenditure which might arise; and also to consider whether a decision to award the contract to a British company might have adverse repercussions on potential export orders.

b. The aim of the policy was not to feather-bed British industry but to stimulate it to improved competitiveness. The United Kingdom should be no less vigorous than other Governments in supporting its own industry within the framework of international agreements. The success of the National Coal Board in recent years in working with United Kingdom suppliers of mining equipment showed what could be done by enlightened public purchasing policies. Support should be given to all goods produced in the United Kingdom and not simply those made here by United Kingdom owned companies.

c. It was argued that it should not be necessary to set up new machinery to monitor progress in implementing purchasing policy. Some Departments, such as the Department of Health and Social Security, had already taken steps to improve their purchasing procedures and to promote exports, and they should be left to get on with it. On the other hand, it was necessary to ensure that the policy was being generally and wholeheartedly followed, and a new committee, on the lines proposed and operating for a limited period, could help in that direction.

THE PRIME MINISTER, summing up the discussion, said that the Committee endorsed its previous stand on public purchasing policy. The aim was not to "buy British" regardless but to stimulate British industry to be more efficient and competitive. The Committee agreed that a Sub-Committee, chaired by the Secretary of State for Industry, should be set up for a limited time to ensure that the policy was being fully implemented throughout the public sector. She would consider further the membership and terms of reference of

CONFIDENTIAL

CONFIDENTIAL

this Sub-Committee. The Committee agreed that the value for money criterion should be interpreted as proposed in paragraph 7 of E(80) 136. The Secretary of State for Industry should consult her on the terms of a note on the Government's public purchasing policy, and he should then send this to all Ministers inviting them to ensure that all relevant officials were specifically made aware of it.

The Committee -

1. Invited the Secretary of State for Industry, after consultation with the Prime Minister, to circulate a note on public purchasing policy to each Minister for distribution within his Department.

2. Took note that the Prime Minister would direct the setting up of a Sub-Committee, under the chairmanship of the Secretary of State for Industry, with the duty of monitoring and co-ordinating progress in the implementation of the Government's public purchasing policy.

CONFIDENTIAL

43

45

46

MEMOS
1

3

5

7

9

CONFIDENTIAL

CONFIDENTIAL

2. COMPUTER PROCUREMENT POLICY

The Committee considered a memorandum by the Secretary of State for Industry (E(80) 134) on computer procurement policy.

The Secretary of State for Industry said that from 1 January 1981 the Government would be obliged, by the GATT Code on public purchasing and the European Community Public Supplies Directive, to offer for international competitive tendering all civil procurement of computers by central Government where the contract was worth more than £90,000. Major areas of the public sector outside central Government were exempt from these provisions, but they would have the effect of bringing to an end the present policy of giving preference to International Computers Limited (ICL). The provisions of these international agreements were fairly widely drawn, and it should be possible within their constraints to pursue a public purchasing policy in support of computer and information technology equipment manufactured in the United Kingdom. He had set out in his memorandum guiding principles and criteria for public sector computer procurement and he recommended that a committee of officials should be set up to review future requirements and their industrial implications and to advise on the appropriate approach to procurement in the light of international agreements and of the demands of Parliamentary accountability.

In discussion the following points were made -

- a. As part of its general public purchasing policy the Government should use its buying of computers to facilitate the success of British firms in world markets. This was not however an 'over-riding' intention - as proposed in paragraph 5(a) of E(80) 134. It had to have regard to cost and efficiency.

CONFIDENTIAL

43

45

46

MEMOS
1

3

5

7

9

b. It should not be necessary for any new interdepartmental official committee to look at all computer decisions. The decisions on smaller purchases had now been delegated to the user departments, who were free to decide whether they should seek advice from the Central Computer and Telecommunications Agency.

c. The aim was to help goods produced in the United Kingdom and not solely those produced by United Kingdom owned companies.

d. We should use to the greatest extent the flexibility in the international codes governing computer procurement. We should not however break those codes or operate outside their ambit.

e. Guidelines should be drawn up to give clearer guidance to officials who would be considering cases under the new policy.

The Prime Minister, summing up the discussion, said that she would consider the membership and terms of reference of an official committee which would advise on computer procurement policy and major cases and report as necessary to the new Ministerial Sub-Committee which would deal with Government procurement generally (cp Minute 1). This official committee should draft guidelines, taking account of the recommendations in E(80) 134 and the points made in the Committee's discussion of them.

The Committee -

Took note that the Prime Minister would direct the setting up of and official committee with the duty of advising on computer procurement policy and reporting to the new Ministerial Sub-Committee on Government procurement policy.

Cabinet Office
1 December 1980

43

45

46

MEMOS.
1

3

5

7

9