



DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

Secretary of State for Industry

31 July 1980

Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
HM Treasury
Treasury Chambers
Parliament Street
SW1

B. 118

Dear Geoffrey,

- ...
- I enclose a copy of a letter I have received from Derek Ezra about what he calls "positive purchasing" - you may also like to see his earlier letter of 12 June. In effect he is suggesting that we widen into the private sector our public purchasing policy, for which he is a strong supporter. You made this point in your letter of 20 May.
- 2 You will see that he proposes we launch such an initiative on an informal basis in the first instance, and Gordon Brunton, the President of the International Thomson Organisation, is prepared to host lunches on 30 September and 3 October for this purpose. I am free and have accepted the invitation for 30 September and I wonder whether you could manage 3 October. This would give us both an opportunity to assess the likely reaction to such an initiative on a wider scale before we decide on such a course. I imagine that if 3 October is inconvenient, they would be able to select an alternative date if you are willing to attend.
- ✓ 3 I am copying this letter to the Prime Minister since I am sure she will be interested to learn about Derek Ezra's ideas.

Yours,
Kenn

NATIONAL COAL BOARD
HOBART HOUSE
GROSVENOR PLACE
LONDON SW1X 7AE

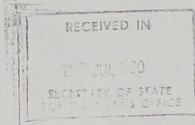
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FOR ADVISE (AND DRAFT REPLY IF APPROPRIATE) PLEASE BY:	13/11/80 Sec Dr Davies MR Muzze MR R Cooper MR I Lightman DR Cooper
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CHAIRMAN

24th July 1980

Rt. Hon. Sir Keith Joseph, Bt, MP,
Secretary of State for Industry,
Department of Industry,
Ashdown House,
123 Victoria Street,
London, SW1E 6RB



Dear Keith,

Thank you for your letter of 7th July in answer to mine of 19th June on the subject of "positive purchasing".

I am glad that you generally favour the views I have put forward and that they are in line with the approach you have recently discussed at the NEDC.

You suggested that I should raise this issue with the Chairmen of the Nationalised Industries at their next meeting. That meeting took place on 10th July, when I made the proposal that, in addition to responding as positively as possible to the approach made to each Chairman through departmental channels, a plan of action (of the sort mentioned in my letter of 19th June) should be put in hand. I am glad to say that this was agreed, and I was invited to set out in detail what was required. I am now doing this; and will speed up the NCB's submission so that this can serve as a guide to the other industries.

I will ensure that you are kept fully informed of the progress we are able to make.

I understand that in the meantime this subject has been taken up with Government Departments and that Mr. Templeman, our Director-General of Purchasing, was able to assist at a meeting on 22nd July. We would certainly be prepared to give any further advice that may be required.

/...

I have been giving some further thought on how a suitable and parallel initiative could be launched in the private sector, divided between manufacturing and distribution. We have done a limited amount of research, and this has revealed the following:

(i) Manufacturing

We have taken the top 50 manufacturing firms, excluding the following:

- (a) Firms whose business is based on imported commodities, e.g. metalliferous mining and foodstuffs.
- (b) International trading and brokerage companies.
- (c) Companies in service industries, e.g. insurance, civil engineering, hotels and catering.
- (d) Firms which are subsidiaries of foreign based multi-nationals, e.g. Ford, IBM, Michelin (these could be tackled at a later date).

Using published statistics we have concluded that the relationship of purchases to turnover in this group is likely to be of the order of 50%. Their combined turnover is nearly £44,000m. and therefore their purchases can be assumed to amount to about £22,000m. Overseas purchases, as a proportion of total purchases, based on the recent documentation prepared by NEDO, probably amounted to at least one third, or say £7,000m. It is this element which needs to be identified in detail and then vigorously tackled by either collective or individual approaches to the firms (listed at Appendix I).

(ii) Distribution

A similar exercise, relating to 14 major concerns shows a combined turnover of £11,000m., purchases in this case being higher, say 60%, or £6,600m. Although there are obvious exceptions (such as Marks & Spencer) it could well be that about half the purchases in this group come from abroad or say £3,000m. The firms in question are listed at Appendix 2, and I suggest the same sort of approach as in (a).

We should bear in mind that a swing of only 10% from the estimated overseas purchasing to home purchasing in these two groups could improve the balance of payments by £2,000m. This would firmly put us in surplus on our visible account, and would be additional to any benefits achieved in public sector purchasing.

I have been informally discussing an approach of this sort with a number of friends in industry and have had a favourable reaction. In particular, Gordon Brunton, the President of the International Thomson Organisation, would like to help, and has kindly offered to give two informal lunches at their offices (Thomson House, 4 Stratford Place, W.1) on 30th September and 3rd October to which a number of the industrialists drawn from the list I have prepared could be invited. This would provide an opportunity for floating these ideas informally to an influential group. We would be delighted if you could attend at least one of the lunches, and I understand from your office that you might be free on 30th September.

I would be glad to have your confirmation of these proposals.

M,

Derek

Derek Ezra

LEADING U.K. MANUFACTURING COMPANIES

<u>Company</u>	<u>Turnover (£m)</u>
I.C.I.	4533
B.L. (1)	3073
G.E.C.	2343
Guest Keen and Nettlefield	1755
Courtaulds	1662
Reed International	1611
Bowater Corporation	1564
Dunlop Holdings	1475
British Oxygen Company	1196
Tube Investments	1106
Rank Xerox	1092
Thorn Electrical (2)	1092
Thomas Tilling	1026
Hawker Siddeley	1007
B.I.C.C.	991
Lucas Industries	971
E.M.I. (2)	873
Beecham Group	866
Metal Box	807
Babcock and Wilcox	778
Phillips Electronics	718
Rolls Royce (1)	704
Coats Paton	679
British Electric Traction	631
Plessey	611
Hanson Trust	605
Glaxo	544
Turner and Newall	541
Massey Ferguson	538
I.M.I.	524
I.C.L.	509
S.T.C.	509
Pilkington Bros.	470
Northern Engineering Industries	451
Delta Metals	449
Blue Circle	437
Dickinson Robinson Group	402
Tootal	401
Vickers	391
B.T.R.	386
Wellcome Foundation	382
Davey Corporation	371
Powell Duffryn	344
Albright and Wilson	342

<u>Company</u>	<u>Turnover (£m)</u>
Fisons	329
Associated Engineering	324
Carrington Viyella	323
Glynwed	316
Mardon Packaging	311
Chloride Group	306
	<hr/>
Total turnover of 50 companies	43,669
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Estimated value of purchase (50% of turnover) -	£22,000 m

- (1) BL & Rolls Royce included although largely state owned
- (2) Thorn and EMI now merged

Information extracted from The Times 1000 1979/80

LEADING U.K. DISTRIBUTION COMPANIES

<u>Company</u>	<u>Turnover</u>
Marks and Spencer	1473
Great Universal Stores	1154
Sears Holdings	1103
Boots	1053
J. Sainsbury	989
Tesco	953
Woolworth	823
Littlewoods	799
House of Fraser	569
John Lewis Partnership	505
Debenhams	496
W. H. Smith	474
United Drapers	395
British Home Store	307
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Total, 14 Companies	11093
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Estimated purchases (60% of turnover)	£6600 m

Information extracted from The Times 1000 1979/80

RECEIVED IN
23 JUN 1980
SECRETARY OF STATE
FOR INDUSTRY'S OFFICE

CHAIRMAN

NATIONAL COAL BOARD
HOBART HOUSE
GROSVENOR PLACE
LONDON SW1X 7AE

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TO MR *newale* Jones
FOR *ADVICE* (AND)
DRAFT REPLY IF
APPROPRIATE)
PLEASE BY:
if app

COMES TO
Mins
Sec
DR Davies
MR Manzie
MR Cooper
MR Leeming
DR Cooper
(MR CASEY TEL/AP 17/80)

19th June, 1980

Rt. Hon. Sir Keith Joseph, Bt, MP,
Secretary of State for Industry,
Department of Industry,
Ashdown House,
123, Victoria Street,
LONDON SW1E 6RB.

Dear Keith,

Positive Purchasing

I was very pleased to have had the chance of a chat with you on the occasion of the CBI dinner on 20th May, when we briefly discussed the need for a positive purchasing policy to reduce the flow of imports and encourage additional exports. I am glad that you subsequently arranged for Mr. Manzie and Mr. Leeming to see me and, as you will no doubt have gathered from them, we had a useful meeting on Monday, 9th June.

My suggestions stem from the substantial current deficit in our visible trade balance (although there was some improvement last month). This deficit is largely due to the increase in the amount of imports of engineering and manufactured goods in the past year to eighteen months.

The question is how to limit the tide of imports without jeopardising the flow of exports. This would appear to rule out any overt measures, such as import controls (other than those consistent with international agreements) and an official Buy British campaign.

So, if there is to be action, what form should it take? I have for long held the view that if the buying policies of the principal purchasing enterprises in the public and private sectors could be suitably motivated by informal approaches, a great deal could potentially be achieved. Buying more from British sources undoubtedly requires a great deal of effort in these difficult times. But there are some, in both the public and the private sectors, who have made the effort with noticeable results. Many more should be encouraged to follow their example. That is the object of my proposals.

Accordingly, at my meeting on 9th June, I suggested the following plan of action:

/...

- (1) Identification of main purchasing organisations in:
 - (a) Public sector - services and non-trading activities;
 - (b) Public sector - nationalised industries;
 - (c) Private sector - manufacturing;
 - (d) Private sector - distribution.
- (2) Under each of these categories the principal buying organisations or enterprises should be identified with indications of the value of their total annual purchases. Some attempt should also be made on the basis of the information available to estimate the proportion of these purchases acquired abroad.
- (3) The Chairmen or chief executives of these organisations or enterprises should be seen in appropriate groups at top governmental level to stress the importance of purchasing policies which minimise imports and maximise exports. Examples of firms or enterprises already doing this could be quoted. The organisations should be invited to nominate one of their directors or senior executives who would personally take charge of a suitable review of their purchasing policy and be in touch with a nominated individual in the Department of Industry. The aim would be to prepare, within a three month period, a plan of action which could lead to an improvement in the impact of their purchasing policy on the balance of payments.
- (4) Finally, there should be regular follow-ups with the enterprises in question.

I believe that an initiative of this sort could yield positive results. The bulk of the buying decisions which influence both imports and also to some degree export promotion are taken in my opinion by a limited number of large enterprises in the public and private sectors. If these are properly identified and motivated I am sure some practical successes could be achieved.

I would be very happy to assist in any way you think appropriate in this work, more especially as the NCB could be used as an example of what could be done.

Our total purchases last year amount to £897m, and out of this we purchased £876m. (over 97½%) in the UK and only £21m. abroad. The total value of the exports of the mining industry, including mining machinery and

Rt. Hon. Sir Keith Joseph, Bt, MP.

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technology as well as products, amounted to £286m. Our contribution to the balance of payments through positive import substitution and export promotion policies is therefore considerable (even leaving out of account the massive import saving through the fuel we produce). This is achieved by continued purposeful contact with our suppliers, both to meet our own needs and to develop overseas markets for their products.

I am sending copies of this letter to John Nott, David Howell, Cecil Parkinson, Pat Limerick, the Duke of Kent and Geoffrey Chandler - with all of whom I have discussed this issue at various times.

addition

M.

addition

Derek

Derek Ezra

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