



LIAISON COMMITTEE

TUESDAY 6 MARCH

AGENDA

1. Current issues and forthcoming events: Bernard Ingham's diary

2. Matters for possible discussion:
 - Last weekend's press
 - David Steel's Freedom of Information Bill
 - Forthcoming announcement on prescription charges (Stephen Sherbourne to report)

 - Mr John Butcher's speech on Church and State
 - Sir Christopher Lawson's paper on unfair competition by multiple retailers

UNFAIR COMPETITION BY MULTIPLE RETAILERS
THROUGH INCREASED CONCENTRATION

1. The share of the packaged grocery market held by those retail outlets owned by a few major retailers (the Multiples) has increased over the last ten years from 50% to 75%. Over the same period the independents' share has fallen from 27% to 12%. In the last four years alone the top three have increased their combined share of the market from 30% to 38% and have all increased their profitability. These three retailers now account for more than half of all sales by the Multiples.

2. Much of this increased concentration comes from a change in consumer shopping habits and reflects the undoubted success of the major multiples in attracting the one-stop car-borne shopper. That success has resulted, however, in a degree of concentration that is now being unfairly exploited, especially by means of discounts not related to costs, at the expense of food manufacturers and to the disadvantage of independent retailers and ultimately the consumer.

The source of these discounts is of course the manufacturer. Their effect is to increase the margin available to the Multiples, thereby enabling them to undercut the prices of the independent retailers thereby increasing their market share still more.

3. The decline of the independent retailer has made food manufacturers dependent on relatively few multiples to provide outlets for a large proportion of their products. If a manufacturer's products are de-listed by a major multiple, the consequences may be dramatic for the manufacturer but are normally only marginal for the multiple. In some cases the multiple sector may account for almost all of the manufacturer's sales, but the same manufacturer's brands will represent an insignificant party of the multiple's sales. This allows the multiple to use the threat of de-listing, either of selected brands or of the manufacturer's full range, to obtain additional discounts and other special terms that are not cost-related. Although this squeeze on manufacturers has forced some to become more efficient by cutting costs and shedding excess capacity, there is now a real danger (as pointed out in a Cabinet Office Report) "that investment in productivity improvements and R & D expenditure suffer thereby affecting the (food manufacturing) industry's innovative capacity in home and export markets". It is also extremely difficult for a small entrepreneurial, growing manufacturer to secure listings in multiples without a disproportionate part of this margin being taken by the retailer. One other effect of reduced manufacturers' margins is of course that it leaves less for new investment.

4. The survival of independent retailers is vitally important to the consumer since they provide a service to the community that the major multiples do not. As small businesses they are normally open for much longer hours and provide a local service to those who do not have access to transport; e.g. the elderly, the infirm, children and in rural areas. The sales potential of the independent retailer is such that he cannot hope to match his local multiple on price; he stays in business because he provides a convenient service to the community.

5. This balance between price and convenience is fundamental to the existence of the independent retailer. Where the major multiples obtain non-cost related discounts and other non cash benefits from manufacturers, that unfairly increases the price disadvantage of the independent and the likelihood that consumers buy more of their goods from the multiple. If this continues, considerations of price will outweigh those of convenience and the viability of the independents will be eroded.
6. The multiples have re-shaped the structure of grocery retailing and, in the process, have established an important role in influencing consumer demand. The independent retailers, however, remain enormously important to manufacturers as well as consumers and society generally, since they provide opportunities for types of purchases and purchasing occasions which the multiple retailers, because of their location and opening hours, do not. Without the existence of small retailers consumers would be severely inconvenienced and the sales of many important consumer products would fall. As long as the role of the multiples is exercised responsibly and results in fair competition between manufacturers and between retailers it should be encouraged; at the moment however this is not what is happening.
7. The multiples' increasing concentration on "own label" products and the promotion of their own brands with initiative packing, together with their demands for discounts and other terms that are not cost-related or cost justified, amount to unfair competition. "Own label" development by large supermarket chains has led to pressure on manufacturers to give greater discounts in order to maintain shelf space. This in turn has exacerbated the situation in that it has led to even wider discounts and a greater disparity between the terms available at the different ends of the grocery trade.
8. It is interesting to note that there has been a more stringent application of the Robinson Patman Act (1936) over the last 5 - 7 years in the USA. Since a more rigid application of this Act it is worthy of note that for the first time in 25 years there has been growth in the smaller retail sector of the grocery market. This development of small self-service stores at street corner level, and in country districts, has been apparent in the figures reported through Government (US) agencies. This is particularly true of franchised stores ("711" and other "convenience" stores).
9. It is the practice in most Western countries to ensure that greater discounts have to be earned by the retailer, either in volume purchases that reduce costs, or in greater effort in display, sampling or sales presentation. The UK is one of the few countries that does not protect either the small retailer, or the consumer who will eventually be the loser if there is continued growth in the misused power of the supermarket chains.
10. The attached reprint from Sunday Times supports the above view. (Appendix A).

Appendix 'A'

Business news

Peter Dunne



A buy-out at the checkout

NEWS of the latest supermarket takeover had the name of Norma Conrad buzzing round the aisles of power in Tesco's headquarters last week.

Norma who? A new leading light in the City? An undercover for Sainsbury's? No, this is the Norma Conrad who has taken over the village supermarket where she has been manageress for six years.

Tesco planned to close the 1,600 sq ft shop at Burscough, Lancashire because it was too small. "It was like a bombshell" says Conrad, pictured above. "I couldn't believe that the village was going to lose the only big food store for miles around."

She wrote to Tesco chairman Sir Leslie Porter, who was so impressed that he offered her a 20-year lease on the premises. Last Tuesday four days after Tesco cleared the shelves,

Conrad reopened the shop, having invested £6,000 redundancy pay and savings in fresh stock.

After three days trading more than 5,000 sales had been recorded at the checkouts. In the first week the takings of £6,000 were higher than average. "The store was profitable in the first place so we had a good start" says Conrad.

"Some items have had to go up a few pence, because with mainly buying through a wholesaler I can't compete with

Tesco's prices, but nobody has objected.

"In fact people have been so pleased we're staying open that they've hugged me and cried. I couldn't let the shop close because old folk would have to travel 10 miles to the nearest town and it's £1 on the bus."

"She kept on five of the original staff of nine, but reckons that more will have to be taken on soon if trade continues as it has started."

Tesco say the shop was closed because it didn't fit in with their superstore image. "We are moving into a different method of trading which means closing our smallest units even if these are profitable. Our image with the public is for hypermarkets with big car parking, in-store bakeries and coffee shops," said the firm's Brian Dobbins.

Julian Desser,



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MR. JOHN BUTCHER, M.P.

Release Time: 11.30 Hours/SUNDAY 155/84
4th March, 1984

Extract from a speech by Mr. John BUTCHER, M.P., (Coventry S.W.), Under Secretary of State, Department of Industry, speaking to Conservatives in Coventry on Sunday, 4th March, 1984.

Bishops should give up politics for Lent.


For a growing number of clergy, pronouncement on quasi-political issues represents a pleasant diversion from their day-to-day business.

As politics is such a harmful and yet pleasant pre-occupation for some clerics, it can be legitimately foregone as their contribution to the spirit of Lent.

This abstinence would have two beneficial effects.

First, it would allow those who suffer from this temptation to concentrate on their major tasks of saving souls and filling churches. Secondly, it would help to reduce the dangerous possibility that members of the public could begin to view the clergy with the same cynicism that they usually reserve for politicians. Bishops who behave like politicians must not be surprised if eventually they are treated like politicians by the Press or by the public.

ENDS

3/3 = 4/00.
Gene Silber
War day
Pony 

Mr Sherbourne

THE NEXT FORTNIGHT

This note sets out the issues for the next fortnight so far as they can be established from returns from Departments.

The main items likely to arise during this period are:

- The political situation - post Chesterfield;
- GCHQ - follow-up to de-unionisation (TUC attitudes);
- Budget Day (March 13); plus Green Paper on longer term public expenditure and taxation;
- Building Societies meet on interest rates (March 16);
- European Community run-up to Euro Council (March 19-20);
- Reply to Argentine initiative on Falklands;
- Scott Lithgow;
- NUM overtime ban -? developments.

Coal mine.
Freedom of information Bill ✓

Analysis - Transcript - Riffen.

March

6

Shrove Tuesday.

NCB meets unions on strategy for industry.

Debate on Government's expenditure plans, House of Commons.

Prime Minister meets Egyptian Defence Minister.

David Steel introduces 10 Minute Rule Bill - Freedom of Information.

Money Supply (February).

EC Foreign Affairs and Fisheries Councils, Brussels.

HO: Boundaries Commission Wales; draft order to implement final recommendations for new European Parliamentary constituencies.

John DeLorean drugs trial scheduled to begin Los Angeles
Italian customs officers due to take further industrial action.

AUEW Women's and Youth Conferences, Eastbourne.

Sir Geoffrey Howe addresses the London Diplomatic Association, London.

Mr Fowler attends Pensions Enquiry and later meets representatives of the BMA.

7

Ash Wednesday

NEDC meeting (TUC boycott).

Prime Minister hosts reception for members of the Conservative Group for Europe.

Thompson
BBC Radio 4 "Analysis" programme: The Frontiers of Thatcherism: Has the Government lost its momentum? (Mr Biffen).

Consultation documents on radio regulations Bands 1 and 3

Treasury minute in reply to Commons Public Accounts Committee Report published.

Equality of Opportunity in Education, one day seminar, Leicester University.

Pay talks: local authority white collar workers; electrical contractors.

Mr Prior lunches with Association of American correspondents.

Mr Ridley bilateral meeting with German Transport Minister.

8

International Womens' Day.

Building Societies Association meets.

EC Internal Market Council, Brussels.

EC Women's Affairs informal meeting, Paris.

Balance of Payments (4th qtr-prov); Vehicle production (Feb-prov).

Department of Employment - consultative document on legislation on payment of workers.

PERSONAL & CONFIDENTIAL

March

- 8 BBC 1 Question Time includes Edward du Cann, Austin Mitchell and Donald Stewart.
Mr Jopling attends Institute of Directors Policy and Executive Committee lunch.
Mr Tebbit visits the London Docklands Development Corporation.
Mr Stewart and Mr Tugendhat sign ECSC Agreement, Glasgow.
- 9 Building Societies' Association meets.
BBC Radio 4 Any Questions? - Sally Oppenheim, Paddy Ashdown, Harriet Harman, Sheridan Morley.
Mr Ridley visits the Driver and Vehicle Licensing Centre, Swansea.
- 10 Prime Minister addresses Conservative Party Local Government Conference, London.
Scottish Labour Party Regional Council meeting, Perth (to March 14).
US Presidential Election: Democrat primary, Wyoming.
Visit of Chief Executive and Attorney-General of the Falkland Islands, London.
One day seminar on the behaviour of children, London University Institute of Education.
- 11 Conservative Party Local Government Conference.
- 12 Commonwealth Day.
Irish Solidarity Movement begins week of protest about Irish prisoners in UK prisons (until March 18).
EC Foreign Affairs, Agriculture and Finance Councils, Brussels (to March 13).
European Parliament meets, Strasbourg (to March 16).
Producer price index; retail sales index (both for February).
Pay negotiations: agricultural workers; water supply manuals; Civil Service industrial grades; Scottish Further Education Teachers.
Mr Heseltine attends Lady Olga Maitland Rally.
Mr Jenkin opens Merseyside Development Corporation Garden Festival Exhibition, House of Commons.
Mr Fowler opens Financial Times Conference on Pensions, Dorchester.
- 13 Budget Day.
Index of production (Jan); output and employment in construction figures (4th quarter).
EC Agriculture Council, Brussels.

PERSONAL & CONFIDENTIAL

March

- 13 HO: Notifiable offences (4th quarter) statistics published.
US Presidential Election: Democrat Primaries; Massachusetts, Alabama, Florida, Georgia and Rhode Island; Democrat caucuses in Hawaii and American Samoa.
Mr Fowler addresses BMA hospital junior staff.
- 14 Commonwealth Day.
Average Earnings index (January).
US Presidential Election: Democrat Caucuses Alaska and Delaware.
Pay negotiations: NHS ambulancemen and administrative and clerical grades.
Sir Geoffrey Howe addresses the Canada Club.
Anglo-Sino talks on negotiations over £1 bn ECGD loan for nuclear power plant scheduled to begin, Guandong, China.
Magistrates' Association Annual General Meeting.
Pay negotiations: NHS maintenance workers.
TUC Women's Conference opens, Torquay (to March 16).
Mr Fowler and Mr Patten meet Royal College of Physicians representatives.
Mr Tebbit addresses the Telecommunications Equipment Manufacturers annual dinner, London.
- 16 US/Soviet MFBR talks scheduled to resume, Vienna.
Opening Session of CDE scheduled to end, Stockholm.
Building Societies' Association meets to discuss interest rates.
Anglo-Sino talks on Hong Kong resume (to March 17).
Dr Fitzgerald, Irish Prime Minister visits United States
Second Reading MacLennan Bill to bring into effect European Convention on Human Rights.
Retail Price Index, and PSBR (both for Feb).
Pay negotiations: bank employees; Further Education Teachers in England and Wales.
Mr Jenkin visits Liverpool
- 17 St. Patrick's Day (New York Parade).
Dr. Fitzgerald in USA.
- 19 European Council, Brussels.
- 20 European Council, Brussels.

THE NEXT FORTNIGHT

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- GCHQ: acceptances of Government's offer by March 1 and follow up;
- Rates Bill guillotine (tomorrow, February 29);
- Chesterfield by-election (unemployment figures same day);
- European Community - Prime Minister's separate meetings with Kohl, Lubbers and Mitterrand;
- Ford strike scheduled for March 5;
- ? New Ireland Forum report;
- Run up to Budget (March 13);
- Argentine/Falklands.

February

- 28 Civil Service half-day strike over GCHQ.
Prime Minister meets Chancellor Kohl.
Insolvency Law Reform White Paper published.
EC Research and Development Councils, Brussels.
EC Economic and Social Committee, Brussels (to March 1).
US Presidential Election: Democrat Primary, New Hampshire.
FT Conference on "Broadcasting and Cable TV" (Mr Brittan).
New vehicle registrations (January).
Sir Geoffrey Howe addresses the Institute of Development Studies.
- 29 Debate on Rates Bill 'guillotine' timetable.
Prime Minister meets Premier Davies of Ontario.
TUC General Council; Labour Party NEC.
Public Accounts Select Committee take evidence on allegations of fraud and corruption in PSA.
Royal Society debates change of rule to ban political appointees.
School teachers' pay negotiations.
National 'No Smoking Day'.
Balance of payments; current account and overseas trade figures.
Companies Handbook (advice to small companies on their dealings with employees) from ACAS.
Consultation document on the "Greater security for the rights and expectations of members of occupational pensions schemes".
Monopolies and Mergers report on the South Wales Electricity Board.
Treasury and Civil Service Sub-Committee on acceptance of outside appointments by Crown Servants. (Witnesses: Confederation of British Industry and Institute of Directors).
Mr Ridley addresses the Association of County Councils' annual conference.

March

- 1 Chesterfield by-election, polling day (Mr Brittan on BBC TV Newsnight).
Deadline for staff at GCHQ to decide on whether or not to opt out of union membership.
Prime Minister meets National Pensioners' Convention.
Unemployment and unfilled vacancies (February-prov.).
EC Environment Council, Brussels.
St David's Day.
Mr King at Association of Further and Higher Education conference, London.
Mr Tebbit visits Rolls Royce, Derby (to March 2).

- 2 Prime Minister meets Prime Minister of the Netherlands.
EC Consumer Affairs Council, Brussels.
Nominations for new general secretary of the TGWU close.
Official Reserves (February).
Company liquidity survey (4th qtr).
"Any Questions", BBC Radio 4, with Clive Thornton, Rt Rev Bill Westwood, Harry Ognall, Sheila McKechnie.
- 3 Chancellor Kohl begins visit to Washington for talks with President Reagan (to March 6).
National meeting of supporters of the campaign against the arms trade, London (to March 4).
Sir Keith Joseph addresses National Council of Women of Great Britain Conference on Peace Studies, YWCA, Gt Russell St., London.
- 4 International RFU meeting, London, to discuss proposals for Rugby Union "World Cup".
US Presidential Election: Democrat caucus, Maine.
Elections to Supreme Soviet of USSR.
European Community President visits Egypt.
- 5 Prime Minister meets President Mitterrand, London.
Ford strike scheduled to begin.
NATO Air Defence exercise.
EC Foreign Affairs and Fisheries Councils, Brussels (to March 6).
Housing starts and completions (January).
AUEW Women's Conference opens, Eastbourne (to March 6).
Mr Raison to Bangladesh (to March 13; tea estates issue).
- 6 Shrove Tuesday.
Prime Minister meets Egyptian Defence Minister.
Prime Minister's reception for Conservative Group for Europe.
EC Foreign Affairs and Fisheries Councils, Brussels.
Monetary supply.
AUEW Youth Conference (to March 7).
Mr Tebbit at London Chamber of Commerce.
NCB meets NUM on strategy for industry.

- 7 Ash Wednesday.
Consultative documents on radio regulations bands one and three.
Electrical contractors' pay negotiations.
NEDC.
- 8 Prime Minister hosts reception for US sponsors of the English National Opera Company.
EC Internal Market Council.
EC Womens' Affairs informal meeting, Paris.
Teachers' pay in Scotland negotiations.
International Women's Day.
Balance of payments (4th qtr-prov).
Vehicle production (Feb-prov).
- 9 Building Societies' Association meets.
Pay talks - electricity supply manuals; National Bus Company staff
- 10 Prime Minister speaks at the Conservative Party Local Government conference, London.
Scottish Labour Party Regional Council meeting, Perth (to March 14).
US Presidential Election: Democrat Primary, Wyoming.
Visit of Falklands Chief Executive and Attorney General, London (to March 20).
- 11 Conservative Party Local Government conference.
- 12 Commonwealth Day Observance Service, Westminster Abbey.
EC Foreign Affairs, Agriculture and Finance Councils, Brussels (to March 13).
European Parliament meets, Strasbourg (to March 16).
Producer price index.
Retail sales index.
- 13 Budget Day.
EC Agriculture Council, Brussels.
Index of production (January).
Output and employment in construction (4th qtr).
Presidential Election: Democrat Primaries - Massachusetts, Alabama, Florida, Georgia & Rhode Island; Democrat caucuses in American Samoa and Hawaii.
Mr Fowler addresses BMA hospital junior staff.

*Liaison
Committee*



10 DOWNING STREET

23rd February, 1984

As requested I have followed up with Ken Clarke the specific point about the proposed increase in the maximum dental charge.

1. The increase is about 15%. But it will have more political impact because it lifts the charge through the £100 barrier (from £95 to £110).
2. The maximum dental charge has been raised in this way to help keep down the more routine charges.
3. The increase in dental charges in general somewhat more than covers the increase in costs. But this is all part of the deal struck in PESC.
4. As part of the defence we would say:-
 - (a) There are many groups of people exempt from charges.
 - (b) After a short initial fall in dental treatment, increases in dental charges of this kind do not discourage dental visits.
 - (c) People are asked to contribute towards expensive dental treatment because more cosmetic work is now undertaken.

STEPHEN SHERBOURNE
Political Secretary

Miss Alison Ward, MBE

10 DOWNING STREET

Personal and Confidential

21st February, 1984

Dear Ken

I am writing to you direct (in the absence of Nick True) at the request of Lord Whitelaw.

He has asked me:-

1. To ascertain the percentage increase being proposed in the ceiling of dental charges for which a patient may be liable.
2. What line of argument will be used to defend this increase?
3. What is the argument for explaining how a dental patient may have to pay such a large amount for receiving expensive dental treatment whereas a patient receiving a form of surgical treatment elsewhere on the body does not have to pay this amount of money on the NHS.

I have promised to go back to Lord Whitelaw. Can I leave it to whatever suits you best whether we talk on the telephone or whether you would like me to come over and see you personally either at D.H.S.S. or at the House.

*Yours
Steven.*

STEPHEN SHERBOURNE
Political Secretary

The Rt. Hon. Kenneth Clarke, QC MP