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the department for Enterprise

CEB

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Our ref

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Date 10 February 1988

1. Mr Gray
2. NBPM

MSR 10/2

Dear Nick,

LOCAL GOVERNMENT BILL : COMPETITION

You copied to me your letter of 1 February to John Wakeham, concerning attempts by local authorities to circumvent the competition provisions by forming their direct labour organisations into separate companies, and the steps you propose to forestall this.

I am in full agreement with what you propose. It is important that local authorities should not be able to avoid the competition provisions, simply by awarding work to companies controlled by them. At the same time, this would I take it apply only where the companies are under the direct control of local authorities. Is there any reason why competition should not apply to the award of any contract to carry out defined activities, whether to a direct labour organisation, a controlled company or one completely independent of the authority? This might avoid the risk of distorting the competitive process, even where work was not being awarded to the DLOs or controlled companies. Even if this goes beyond the scope of the present Bill, you may wish to consider this for the future.

will request if required

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This would also avoid the problems inherent in trying to define "control" or "own company". On that point my officials have been in touch with yours, and will be interested to see the amendment when it is available as our responsibilities for competition and company law give us some experience of provisions of this kind.

I am copying this letter to members of H, Nick Lyell, Henry de Waal and Sir Robin Butler.

A handwritten signature in black ink, which appears to be 'K. Clarke', is written above the typed name. The signature is stylized and somewhat cursive.

KENNETH CLARKE

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