

SECRET

(Circulate under cover and
notify REGISTRY of movement)

PO -CH /GH/0096

PART A

...ing and Key Areas

Briefing

DD: 25 Years

Begins: 3/12/82

Ends: 4/1/83 (CONTINUED)

[Signature]

1/9

COORDINATION OF TREASURY
POLICY: FORWARD LOOK,
STOCKTAKING AND KEY
AREAS BRIEFING

PO -CH /GH/0096

PART A

PART A

CABINET OFFICE
70 WHITEHALL
LONDON SW1A 2AS

Full

cc Mr Kemp - ALSO
cc

3 December 1982

4/12 Mr. Silvester
✓ Mr. Springthorpe
4.1

(PSP)

The Private Secretary

Dear Private Secretary

FORWARD LOOK

I should be grateful if you could let us have for our Forward Look details of business likely to come forward between Christmas and the end of March.

As before, the return should include both Economic and Home and Social Affairs business. It should cover E, EX, MISC 14, MISC 79 and H Committees, and E(EA), E(DL), E(NI), E(PSP), E(PU), E(TP) and H(HL) Sub-Committees, as well as any business for Cabinet itself.

For each item, we should like to know -

- i. Brief title, with a few words to indicate the main issues;
- ii. Relevant Committee or Sub-Committee (or Cabinet);
- iii. When it will come forward;
- iv. Other Departments having a major interest, especially for joint papers;
- v. Reference to previous Committee or Cabinet discussion, where appropriate;
- vi. Any special considerations affecting timing or other relevant information.

It would be helpful if the return were, as usual, to include only those items likely to require collective discussion during the period in question: items which can be cleared in correspondence or which are unlikely to materialise should not be included.

Please send a copy of your reply separately to M S Buckley here. Replies should reach us by close of play on Friday 31 December at the latest, but it would be helpful if you could send them before Christmas. If your Department does not expect to have any business, please send a nil return.

Yours sincerely

D H J Hilary

D H J HILARY



prop

London SW1A 2AH

!! Short!

From the Secretary of State

* is the only
significant
encouraging thing
her

17 December 1982

17 DEC 1982

Dear Margaret

Forward Look

Mr Kemp w -
GRT, FST, EVI, MJSO, MSTR,
Sir D Wain,
Sir K Coners,
Mr L Jellie,
Mrs Hedley-Miller,
Mr Kitchin, Mr Lavelle,
Mr Ridley, Mr French, Mr Harris

In your letter of 16 September to Willie Whitelaw you asked Ministers in charge of Departments to send you a 'Forward Look' at the Department's programmes for the next five years. My contribution is as follows:

1979 Manifesto

1. We can claim to have fulfilled the three major foreign policy undertakings in our Manifesto:
 - (a) an increased defence effort;
 - (b) a positive contribution to the European Community; and
 - (c) a settlement of the Rhodesia problem.

New Initiatives

2. In foreign affairs events are hard to predict, and costs difficult to quantify. Nor do we have much of a legislative programme. But we shall need a positive and coherent strategy for the next Parliament in foreign policy as elsewhere. The following are neither points for a manifesto, nor a list of private priorities. But they seem to me to be areas where some of our hardest thinking will have to be done.

/(a)

The Rt Hon Margaret Thatcher MP

(a) International economic problems

Whether or not we are still part of the problem, we shall want to be active in promoting international solutions. We depend on exports, and must do all we can to end the international recession. Political instability, eg in Africa or Latin America, costs us money, trade and influence. Timely financial and foreign policy action, either bilaterally or (more often) with our friends, can help to keep friendly regimes afloat.

(b) East/West relations and arms control

The Soviet empire, economy and reputation are in decline; but the military menace from Moscow is still growing. The threat can be contained by strong defences and hard bargaining. There is a case for greater British activity on the East/West front:

(i) The domestic financial and political stresses in maintaining our defence posture will increase. Arms control is a political growth industry; but it will also remain desirable for its own sake. Our deterrent helps us to keep our seat at the top table, and we must be seen to be active there. If we are not, the case for our deterrent is weakened.

(ii) American inconsistency, and the European itch to go it alone in dealing with the East, will continue to cause strains in the Alliance. Our partners will look to us to help bridge the Atlantic gap.

But the main purpose of increasing our activity should be to promote Western values and policies, as well as our legitimate commercial interests. In Eastern Europe particularly, we should do more to encourage steady democratization, and to avoid a cycle of crises followed by 'normalisation'.

/(c)

(c) European Community

Enlargement and a crisis over resources could cause major structural changes. We must try to turn these to our advantage, so that we benefit from fairer and more rational economic arrangements in the Community. Carefully prepared initiatives could in some areas (eg energy) increase our return from EC membership.

(d) British commitments

Day-to-day domestic political pressures may focus less on these central issues, and more on our commitments to the Falklands, Gibraltar, Hong Kong, Belize, etc. We must meet our obligations. But the Government, Parliament and the Press must also maintain a clear financial and strategic sense of proportion. Britain's security and commercial interests lie overwhelmingly in Europe, in transatlantic relations, and in the Middle East. Our military, diplomatic and financial resources are already overstretched. We may need to prepare parliamentary and public opinion for some difficult choices, involving the honourable reduction of some of our commitments. The country must keep a main eye on its own central, long term interests.

I am sending a copy of this letter to Cabinet colleagues and to Sir Robert Armstrong.

James Callaghan

John Major

18/12/82

(PW)



RECEIVED
20 DEC 1982
Mr Kemp
EST, FST, EST, MST, MST-R
Sir D Wainwright, Sir A Rawlinson,
Miss Kelley, Mr Postell

PRIME MINISTER

This minute contains the "forward look" for the Home Office which you asked for in your letter to me of 16 September.

POLICE

Lochin

2. After the increases in police manpower since 1979, the prime need now is to increase the efficiency and effectiveness of the police, under these headings:-

- (a) Operational Effectiveness. With the new Commissioner of Police of the Metropolis and the Inspectorate of Constabulary, I am concentrating on securing a more systematic attack on crime, particularly burglary and street crime (though other crime problems, e.g. drugs, cause concern). This more systematic attack on crime will call for a series of positive measures to ensure the right operational policies, effective organisation and planning ability in the police service.
- (b) Training. I shall take a number of steps designed to give training a new direction, style and impetus. Middle management in the police service needs better training in staff work, which is very relevant to (a) above. In the last few years we have raised the status of the Police College and the general level of training there. We shall carry this forward and secure similar improvements in district training centres and training within police forces themselves.
- (c) Community Support. In addition to developing the new consultative arrangements nationally, I consider that specific steps will need to be taken in London to ensure that the Commissioner's accountability to the Home Secretary, and through him to Parliament, is more real and more open, so that the police are exposed to public pressure to get better results.
- (d) Crime Reduction has to be seen as the business of all Government Departments and even more of local agencies. A series of moves needs to be taken to involve local authorities and local agencies in locally co-ordinated moves to reduce crime.

3. We shall need to establish modified arrangements for settling police pay, based on Edmund-Davies principles. Current inter-Departmental discussions will indicate the content and timing of any new arrangements.

4. Some extra money will be needed for training and other new commitments. By the end of the next Parliament the size of the police service could be of the order of 125,000 police officers, giving additional police expenditure of the order of £50 million (at 1983/84 prices).

CRIME

5. We shall need legislation in the next Parliament to set up new arrangements for a Crown Prosecution Service, bringing greater uniformity and professionalism to the prosecution system and increasing the efficiency of the criminal justice system. It is impossible to forecast the resource implications until the nature of the service is known.

6. The efficiency of the criminal justice system needs to be tackled more generally. Delays, the organisation of court hearings, inconvenience to witnesses, inefficiencies in the impact on the police and prison services are all matters which will require attention. The Home Office will need to take specific steps to secure the right response from magistrates' courts.

7. There will be continued opportunity to take measures which will help to improve standards of behaviour and to strengthen parental and individual responsibility. Apart from what might emerge from the Family Policy Group, legislation is needed for the control of video cassettes; action should also be taken on massage parlours and kerb crawling following the expected report of the Criminal Law Revision Committee. I should like to think that the next Parliament will tackle reform of the Obscene Publications Acts, but the first step is to formulate a clear Government position before any commitment is made to legislation.

PRISONS

8. We shall need to make further determined moves to bring about our present objective of securing a better alignment between the essential tasks of the prison service and the provision and deployment of resources in this area. These will include:

- (a) a better control and more effective deployment of prison service manpower;
- (b) a substantial reduction in overtime, which is at present voluntary for the prison officer but essential to the tasks of the system;
- (c) extra manpower (about a further 3,000 prison staff by 1987/88);
- (d) a continued flow of extra resources to sustain the capital programme of new construction and redevelopment of the prisons estate;



- (e) improvements in the management of these and other resources and programmes.

9. One desired result, which (a) - (c) should bring, is the further enhancement of management authority and leadership in the prison service and the better containment of negative POA influences and the enlistment of their positive co-operation.

10. I have deliberately not accorded any individual priority to the elements of this strategy; they are all important and inter-related. The extra public expenditure needed in 1987/88 over 1983/84 will be of the order of £80 - £100 million.

CIVIL DEFENCE

11. We shall need to take measures to resolve the present clash of approach between central Government and local government, but this depends on having a successful and credible Government stance on the nuclear issue overall.

ELECTORAL LAW

12. When the Select Committee on Home Affairs has completed its current study, we shall need to make a forward move towards legislation in the next Parliament on such matters as holiday voting, higher deposits and EEC voting, whatever action is taken about Irish voting. Legislation could be preceded by a White Paper and/or a Speaker's Conference.

IMMIGRATION APPEALS

13. We may need to take action to improve the Immigration Appeals system. We published a review paper two years ago with proposals for modifying rights of appeal in the interests of both justice and efficiency. We will need to consider the response to this before deciding whether legislation is needed, and if so in what form.

THE HOME OFFICE GENERALLY

14. The Home Office has some way still to go in improving its own efficiency. It should develop its Annual Performance Reviews (which were started this year and correspond broadly to the Department of Environment's MINIS) and its work under the financial management initiative (which will sustain the moves by the Inspectorate of Constabulary towards greater police effectiveness).

15. We need to sustain and develop the current programmes for improving efficiency and reducing delays, particularly in the Immigration and Nationality Department, and to make more use of computers where these will help.

OTHER MATTERS

16. There will need to be legislation in the next Parliament on experiments on living animals and on trading hours (Sunday shopping perhaps). Legislation on licensing hours (for which demand is growing) may best be left to a Private Member, but might be suitable for Government.

I have not covered in this minute other areas where I propose no change in our present course (e.g. immigration - where we shall maintain a very strict control - race relations and data protection) or where separate policy discussions are now taking place. As regards broadcasting, the development of cable systems will proceed on the lines I recently announced in the House.

18. We shall probably need, following the Malone case under the European Convention on Human Rights, to legislate in the next Parliament on the interception of telephone conversations.

19. We shall need to take great care to steer our special local authority services (police, the probation service etc.,) through any general changes of organisation or finance which come from the Department of the Environment.

20. I have not thought it helpful to sub-divide this response into the three categories mentioned in the second paragraph of your letter. For the most part, the programme in this minute is concerned with the period of the next Parliament, though it is largely a natural development of our present policies and I am already starting to implement it.

I am sending a copy of this minute to the Chancellor of the Exchequer.

Walls

18

December 1982.



NORTHERN IRELAND OFFICE
GREAT GEORGE STREET,
LONDON SW1P 3AJ

SECRETARY OF STATE
FOR
NORTHERN IRELAND

Prime Minister
10 Downing Street
LONDON SW1

20 December 1982

... Your letter of 16 September asked all Ministers in charge of Departments to prepare a report giving a forward look at the Department's programmes for the next 5 years. I attach a report I have prepared giving such a forward look at the programmes envisaged for Northern Ireland.

KW

FORWARD LOOK

Introduction

The broad strategy for Northern Ireland during the next five years will be to continue the policies to which we have been committed during the present Parliament. Our approach is based on a recognition of the interdependence of the three dominant issues affecting the Province - security, the economy and the political stalemate of recent years.

The essentials of our strategy (discussed in more detail below) will be:-

- (i) To give the highest priority to the restoration of law and order, building upon the growing success of the security forces over the years in reducing terrorism.
- (ii) To establish the clear role which exists under direct rule for the Northern Ireland Assembly to scrutinise and influence the work of the Northern Ireland Departments and to debate issues affecting the Province; and to foster acceptance of the Assembly by both sides of the community with a view to an eventual move towards proposals for devolution under the Northern Ireland Act 1982.
- (iii) To take all practicable measures to reverse the economic decline of the Province; to continue the improvements achieved in the social environment; and to show that our policies deal evenhandedly with both sides of the community.

Security

We shall seek to continue to extend the role of the police, reducing the troop level (as security permits) towards normal garrison proportions. For this purpose the RUC will be expanded to give a total

force (including Reservists) of 10,500 by mid-1984.

We are about to review the Northern Ireland (Emergency Provisions) Act 1978 to determine whether its provision achieve the right balance between the liberties of the individual and the provision of adequate powers to enable the security forces to protect the public from terrorist crime. This might require legislation in the next Parliament

We shall seek to maintain the closer cross-border co-operation with the Republic's security forces which has brought significant successes in recent years; and we shall continue our endeavours on extradition to ensure that terrorists committing offences in the Province do not evade the law by taking refuge in another country.

Constitutional and Political Developments

Our policies have and will continue to give recognition to the deeply held conviction amongst all the main Northern Ireland parties in favour of a resumption of devolved government. We have therefore created a framework which provides for a devolved administration if Assembly members can agree on arrangements which secure cross-community support.

That agreement will not be reached easily or quickly; and the prospects of it are unlikely to be advanced until the constitutional representatives of the minority community take their place in the Assembly. It may be, therefore, that direct rule from Westminster for all aspects of the administration of Northern Ireland will have to continue well into the life of the next Parliament. The need during that period will be to demonstrate to both communities in the Province that the Assembly has an important and effective role in scrutinising the operation of direct rule, and so to encourage all elected representatives who wish to pursue their aspirations through constitutional politics to participate fully in its work.

We could hold a border poll at any time from 1983 onwards, but we have said that there is no intention to hold one in the immediate future.

We shall continue to seek better relations with the Republic, building on the achievements which led to the 1981 Summit with Dr FitzGerald's previous administration, working through the Anglo-Irish Governmental Council, and also seeking closer economic co-operation between the Province and the Republic.

Economic and Social Matters

The Province faces a range of economic, social and environmental problems which make it uniquely disadvantageous among the regions of the United Kingdom. There is little prospect in the foreseeable future of any real recovery in employment. This has important social, security and other implications.

Our attention will focus on measures to alleviate these problems and in particular on measures to stimulate industrial development. The newly constituted Industrial Development Board will be playing an important part in the creation and maintenance of employment in industry.

The Youth Training Programme, which is already in operation offering a wide range of provision including a guaranteed year of training for 16 year olds, will develop towards complete coverage of the age group so that all young people aged 16 and 17 will be either at school, in work (including training) or, if they wish, on a Youth Training Programme scheme.

There will also be changes in the structure of higher education to introduce co-ordinated and complementary provision through Queen's University and a new University to replace NUU and the Polytechnic. There will be substantial progress in improving housing conditions in Northern Ireland, particularly in the City of Belfast - a reduction of unfitness by 1% of the total stock per year (from its 1979 level of 14%) and a reduction of the NIHE urgent waiting list of one third by 1986-87.

On energy, there should be further efforts to explore for indigenous resources in Northern Ireland; and there will also be a decision on the exploitation of the important reserves of lignite now identified

CONFIDENTIAL

in County Antrim, further steps towards a reduction in Northern Ireland's undue dependence upon the use of oil for electricity generation, and subject to completion of the necessary agreements, the piping of Kinsale Gas into Northern Ireland.



MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2BH

From the Minister

CONFIDENTIAL

PRIME MINISTER

20 December 1982

FORWARD LOOK

[Handwritten signature]
In your letter of 16 September to the Home Secretary you asked Ministers in charge of Departments to send you, by 24 December, reports of a forward look at their Departments' programmes for the next five years. I enclose such a report for the Ministry of Agriculture, Fisheries and Food.

I am copying this minute to Sir Robert Armstrong.

[Handwritten signature]

PETER WALKER

FORWARD LOOK : MINISTRY OF AGRICULTURE, FISHERIES AND FOOD

1. This note sets out, for the field covered by the Ministry of Agriculture, Fisheries and Food, such of the commitments with which the Government entered office as remain to be met; major new proposals for carrying forward in the next Parliament reforms started in this; and major new initiatives requiring legislation or structural change.

COMMITMENTS TO BE MET

2. Agriculture and Food The main commitments on agriculture in the 1979 Manifesto have been met. The green pound was devalued to parity with the market rate of sterling during the government's first year; Commission proposals which discriminated against British farmers have been successfully resisted; price increases under the CAP have been reduced to levels lower than under the Labour Government; and a reasonable standard of living has been assured to farmers in the uplands by successive increases in hill livestock compensatory allowances.

3. Two commitments remain to be fulfilled:-

(i) The Manifesto proposed a freeze in CAP prices for products in structural surplus until the surpluses were eliminated. The rate of inflation in the Community made a freeze impracticable: had there been one, net farming income in the UK and other Community countries would have been entirely wiped out. As it is, prices were reduced in real terms and farm incomes throughout the Community have fallen. Experience has shown, however, that surplus production cannot be cured by price policy alone: the immediate response of producers to a price freeze is to increase production; and the prolongation of a freeze would produce irresistible political pressures for relaxation as farm incomes were thereby slashed.

Future policy to be in the case, while including continued advocacy of restraint in increasing prices for commodities in surplus, should therefore supplement this by specific measures intended to deal directly with surplus production, eg the imposition of levies at punitive rates on increases in milk production.

(iii) The Manifesto criticised Labour for undermining the profitability of the agricultural and food industries. Food industry profitability has not suffered as much as that of manufacturing industry generally, but real net farming income is still substantially below the levels attained under the previous Government. Fulfilment of the commitment would require a green pound policy which allowed British agriculture to prosper in competition with its competitors in other member states.

4. Fisheries The Manifesto commitment to work for Community agreement on proper arrangements for fishing has been amply fulfilled by the negotiations which have resulted in agreement on the part of nine member countries and the Commission on all the main elements of a common fisheries policy. In addition substantial operating aid has been given to the industry.

5. Animal Welfare The Government has essentially fulfilled the Manifesto pledges on animal welfare, by setting up the Farm Animal Welfare Council, making good progress in updating the Brambell Report and introducing revised codes of welfare for farm animals, banning the export of cows and ewes recently calved and lambed, and securing the adoption of a further Community directive on safeguards for animals in international transport. Work on animal welfare should continue on the same lines, with particular attention being given to battery hens.

PROPOSALS FOR CARRYING FORWARD REFORMS ALREADY INITIATED

6. Marketing With the passage early next year of legislation now before Parliament, the organisation "Food from Britain" will come into being to give a new impetus to the improved marketing of British agricultural and food products at home and abroad. Its activities will be evident throughout the next Parliament. The Government's role will be to help British primary produce and added-value foodstuffs to compete effectively on both Community and third country markets, notably through negotiations in the Community context.

7. Marginal Land and Uplands One million hectares of agricultural land in the UK suffer a degree of natural disadvantage but are not at present designated as "less favoured areas" under the relevant Community directive. The Government has already notified the European Commission that it wishes to extend the less favoured areas to cover this "marginal land". When this extension has been accepted by Community institutions, the Government should introduce, probably in 1984, measures of assistance within the framework of Community policies for regional assistance and aid to less favoured areas. The annual UK cost might be some £15m. at current prices, of which 25% would be reimbursed from Community funds; and there would be an extra staff requirement of about 25 man-years. At the same time, and in accordance with Section 41 of the Wildlife and Countryside Act 1981, ADAS will advise farmers in the less favoured areas on diversification into other enterprises of benefit to the rural economy; and, with the Forestry Commission, will encourage farmers and landowners to take a commercial interest in timber growing and will promote a closer integration of farming and forestry in the uplands.

MAJOR NEW INITIATIVES

8. Landlord/Tenant Legislation The Government is concerned at the rate of decline in the availability of farms to let and the limited opportunities for young people wishing to farm on their own account. A balanced package of improvements covering tenure, rents and taxation is required. Legislation would therefore be introduced in 1984/85, on the basis of the agreement already reached between the Country Landowners' Association and the National Farmers' Union, to revise the existing arrangements for succession to tenancies and modify the formula for setting rents. Further improvements should be made in the taxation arrangements for private landlords. Such a policy would require no extra manpower, except the 4-5 staff needed for the legislation itself. The only financial cost would be that of the taxation concessions (not yet agreed with Inland Revenue).

9. Restructuring of the Glasshouse Industry The glasshouse industry is in serious difficulties, caused in part by unfair competition from the Netherlands. To help put its potentially viable elements on their feet, so that the industry can maintain and increase its share of the market, a strictly time-limited initiative of 3 to 5 years should be introduced. The industry's main needs are to improve its production structure and its marketing capacity. For the former, some further incentive for capital investment by the potentially viable, particularly in energy saving equipment, may be needed and, if they were shown to be cost effective, for demolition and resettlement grants (which would require secondary legislation) to accelerate the removal of the less viable glasshouses. For the latter, Food from Britain should act as a catalyst to get the more progressive glasshouse operators to organise themselves so as to improve their marketing. Preliminary thinking is that about £15m. spread over

3 to 5 years would provide the pump-priming aid needed to stimulate the industry's recovery. There would be an additional manpower need of some 3 or 4 while the scheme is in operation. It could be introduced in 1983/84.

10. Restructuring of the Fishing Industry The progress towards a common fisheries policy has given the fishing industry a more secure basis on which to plan its future. Parts of the fishing fleet are currently not well-structured to take best advantage of expected fishing opportunities. Government will be working with the industry on plans to restructure and modernise the fleet so that it can operate efficiently and profitably. Provision of £60m. has been made in the PES over the next three years. Manpower implications are expected to be small.

11. Food and Drugs Legislation The Food and Drugs Legislation should be reviewed in consultation with industry, trade, consumer and enforcement bodies. The purpose would be to strengthen the existing provisions on food safety and to modernise those on inspection and sampling, so that legal quality standards can be enforced more efficiently and economically in the interests of the consumer but without unnecessary impediment to the manufacturing and marketing of food. Legislation could be prepared within about 18 months. It would have no significant effect on Government manpower and expenditure.

PERSONAL AND CONFIDENTIAL

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EE



The Rt Hon Margaret Thatcher MP

*This is good, very
important - see below
things in general
the members?*

*Loss of influence
and working*

Dea Margaret

CHEQUER

23 DEC 1982

M23xit

Mr Kemp,

CST, FT, EST, MITE, MSTR

22 December 1982

Mr D Wass,

Mr A Rawlinson, Mr Bailey, Mr Burgess,
Mr Wilding, Mr Mountfield, Mrs Kelley,
Mr Pestell, Mr Ridley, Mr French,
Mr Harris.

FIVE-YEAR FORWARD LOOK

In response to your letter of 16 September I am submitting my report on a "forward look" at my Department's programmes for the next five years.

We have already taken some major steps:

- National Freight Company Limited privatised
- Express bus services deregulated
- virtually all motorway service areas sold
- design of motorway and trunk road schemes transferred to the private sector
- more competitive tendering for local road works

We have action immediately in hand now to:

- privatise British Transport Docks Board
- privatise heavy goods vehicle and bus testing
- privatise British Rail hotels
- contain subsidies to public transport in London and other metropolitan areas, and open the way to more private sector operators

PERSONAL AND CONFIDENTIAL

In the next Parliament we should:

- tackle the major issues of railway policy, following the Serpell report
- set up a new structure for public transport in London and push ahead with the break-up of the large public transport monolith here and in other cities
- introduce private capital into the National Bus Company
- sweep away unnecessary barriers to innovations in rural transport
- bring the ports to stand on their own feet, and tackle the National Dock Labour Scheme.

Throughout the period we must maintain and if possible increase the level of worthwhile investment in roads to meet growing demand. In particular, we should:

- complete the national motorway and trunk road network to satisfactory standards as quickly as possible
- keep up the momentum in building by-passes to take heavy traffic away from communities

These aims will require a commitment of capital funds through the 1980s, with private finance, if possible, providing a source of additional money.



PERSONAL AND CONFIDENTIAL

I attach a more detailed report.

I am copying this to Cabinet colleagues and to Sir Robert Armstrong.

Yours
D. How

DAVID HOWELL

PERSONAL AND CONFIDENTIAL



C O N F I D E N T I A L

FIVE-YEAR FORWARD LOOK

1. We start with a freer market for transport than in any comparable advanced country. The fulfilment of our main Manifesto commitments in transport - the privatisation of the NFC and the relaxation of bus licensing - has opened transport services up further to market disciplines and private initiative. But much more can and should be done. I place particular emphasis on freeing private enterprise to provide services to the public and on sustaining and encouraging British private sector firms in home and export transport markets.

2. Transport problems are all too apparent to the public. They see the problems as: traffic congestion and delays; the difficulty of finding a place to park, the disturbance and danger caused by traffic, especially lorries; high fares on unsatisfactory public transport; fast disappearing bus services, especially in the countryside; and a heavily subsidised railway apparently not run very efficiently and still not putting the customer first.

3. By the best international standards our transport has many failings. People travel abroad and are impressed by the best of what they see. Their expectations are raised, and we are judged by the failure to match the best standards achieved elsewhere. These contrasting standards cannot be wholly explained by our lower levels of public expenditure. Much of our public transport is inefficient and unresponsive to customers. Much of it is provided by public sector monopolies which are slow to adjust and too little concerned with cutting costs. Too much is spent on subsidies with no clear purpose but to prop up existing services on outmoded labour practices and on so-called cheap fares, at the direct expense of investment to improve transport facilities and cut costs. These trends must be, and are now being, reversed.

THE PROSPECT

4. In the last thirty years car travel and lorry transport

have increased rapidly and consistently. Both are wholly private sector activities, now that the NFC has been sold off. Both have made major contributions to economic growth, individual freedom and standards of living. Both create difficult but not insuperable problems of adjustment for society.

5. Car ownership and use will increase probably well into the next century. And when the economy revives, road haulage - on which most UK manufacturing industry is wholly dependent for transport - will expand substantially. So the demand for road space is going to exceed the supply, even more than at present. Already the public is impatient with the noise and pollution which traffic - all traffic - not just lorries - brings to high streets and residential areas. Their concern for the environment and the quality of life is likely to grow.

While using their cars more, people will also increasingly expect a high quality, reliable public transport service to be always on hand. So it will become even more difficult to contain public expenditure support on these services. The financing of the railways will be a major continuing problem.

THE NATIONAL ROAD NETWORK

6. The demand for more road space is clearly there and people are willing to pay for more. We have to see that this demand can be met. So during the next Parliament we must certainly carry forward our plans to complete the national motorway and trunk network and keep it up to standard. We shall then at last have the complete modern main road system which the Conservative Government initiated in the mid-fifties. But we have also to look beyond this commitment, to consider how we can best meet the needs of further traffic growth - in cities as well as between cities. We shall have to provide the roads needed by industry and commerce and do more to get heavy traffic away from people.

7. I believe we will be able to justify a small increase in the total road programme in the mid - 1980s, though we shall

C O N F I D E N T I A L

have to see whether this is physically practicable. This increase will have to be accommodated within total transport public expenditure. Indeed, pressures on public expenditure could prevent us achieving the completion of the road programme as fast as we ought. So it is important to try to find a way of involving private finance in road construction. If our present efforts are successful, they will come to fruition over the next year or so. Thereafter they might provide a source of additional funds which could - and must be made to be seen to - speed up the road programme. The "royalty" approach is the simplest way forward here. Tolls are opposed by the general public and the motoring organisations; would require controversial legislation; and would divert traffic on to other less suitable roads, where it would cause more disturbance and accidents.

8. A good level of investment is needed to sustain our private sector road construction firms and consultants. At the same time, we must see that they get a better share of the available work. Wherever costs can be cut, private firms should take over the work, whether it be for central government or local authorities. We have already handed over the design and supervision of the construction of new trunk roads to private consultants, and reduced to £50,000 the level at which local authorities must go out to tender. In the light of experience, this figure may be further reduced. The next task is to look at the possibility of private firms taking over more supervision of road reconstruction and maintenance, though this is less straightforward than with new construction; and to consider whether we can cut costs by replacing our agency agreement with local authorities - under which they look after trunk roads in their areas - by arrangements with private firms.

PUBLIC TRANSPORT

9. Private enterprise can also help to improve public transport. We came into office with a clear commitment to reform bus licensing. This commitment was honoured in the Transport Act 1980, which began a process of breaking down barriers and opening up opportunities for small enterprises and voluntary effort.

C O N F I D E N T I A L

There are some further steps which should be taken.

NATIONAL BUS COMPANY

10. There is now a good prospect of introducing private capital into the National Bus Company as a whole. This would be a more radical alternative to present plans to privatise the property, Express coach and holiday divisions. This possibility can be actively examined over the next year with the aim of introducing a Bill early in the next session. Expenditure and public sector manpower implications should be beneficial.

BUS LICENSING

11. We must aim, in the light of experience with the 1980 Act, for a further relaxation in bus licensing. The freeing of long distance coach services from unnecessary regulations has been one of our great successes, with lower fares, and more and higher quality services. We should widen the definition of unregulated express coach services, at present limited to services where passengers are set down after a minimum journey of 30 miles. Experience with local bus services so far has been less encouraging. One possibility is the initiation by me, rather than the counties, of the process of designating "trial areas" where the normal licensing of services by the Traffic Commissioners is superseded. More significant and extensive trial areas could then be set up and a serious challenge made to receive orthodoxy. Bus deregulation can open up opportunities for small businesses and entrepreneurs.

12. The pace of deregulation will need careful controlling. Almost all those concerned with buses, including our own supporters in the rural areas, which would certainly feel a major impact, would strongly oppose complete, sudden deregulation. So while there is no doubt about the desirability of change in this direction the best course is to go for steady erosion of the present controls.

C O N F I D E N T I A L

RURAL TRANSPORT

13. Transport in rural areas is of great importance to our supporters. Private cars will continue to meet most transport needs in the countryside, without intervention by Government. But conventional bus services are fast disappearing, and we need to be seen to be taking action to encourage mobility at an acceptable cost. We can do this by making better use of existing resources eg by allowing more general public access to health, social services and school transport and encouraging transfer from those specialised sources to ordinary public transport where this makes good sense; and by positively encouraging the development of more economic alternatives to the traditional stage bus. So we should clear away unnecessary restrictions on minibuses and taxi and hire cars (though the latter is at the moment a Home Office responsibility). The objective should be the minimum quality controls necessary for safety and protection of the public. These measures - which could also help in urban areas - would simplify life greatly for small private businesses and voluntary bodies, and could be introduced early in the next Parliament. Voluntary and self-help groups are already very active in this area, and we should encourage them as much as possible. Expenditure and manpower implications would be slight.

RAILWAYS

14. A big task through the next Parliament will be to shape the national railway to our future needs, under a new BR Chairman, and to encourage initiative and enterprise in the provision of rail services. The Serpell Report will give us the basis for considering the directions of our policy and how we should develop it. We may need to think about providing buses instead of trains for certain services, and how to bring this about. Private companies may take over specific lines on the edges of the system. Many more support services must be contracted out. Stations and passenger facilities generally must be transformed. Better control of costs must make room for a higher level of worthwhile investment. This will certainly

C O N F I D E N T I A L

have to be accompanied by new arrangements for strengthening the railway equipment industry by bringing private capital back into the manufacture of rolling stock.

URBAN TRANSPORT

15. The current Transport Bill will impose greater cost consciousness in urban public transport and increase the opportunities for competition to provide services in the cities. We must see to what extent they can be applied outside the conurbations. I am convinced that there can and should be further measures to open up the provision of public transport and get away from the pernicious belief - so prevalent in transport - that services for the public have to be provided by the public sector. In the next Parliament I want to see big changes in the public transport organisations we have inherited, through breaking undertakings down into smaller units; privatising bus services and ancilliary services; and experimenting with unconventional forms of public transport. Tendering by private operators to provide subsidised services is a promising way of getting private sector disciplines and cost advantages into this area.

LONDON

16. There is an urgent need to re-organise transport in London. I shall be bidding for legislation to bring about major structural change and simplification, with the present GLC/LTE shambles replaced by converting the London Transport Executive into a small Metropolitan Transport Authority for London, which could be in existence within about 2 years. We will also need to re-allocate local government responsibilities for roads and traffic management in London, following up the report of the House of Commons Select Committee on Transport. The sooner we make these changes, the sooner we shall be able to influence the switch of resources towards worthwhile transport investment.

C O N F I D E N T I A L

ROADS IN CITIES

17. Coping with traffic and congestion in urban areas is probably going to be increasingly difficult. There are no agreed long-term urban road programmes. I am now examining the possibilities for relaxing controls and improving parking facilities, on-street and off-street, as well as improving enforcement. There is scope for privatising off-street car parking. It takes a long time to build up urban road programmes. We need to begin work now so that we can make progress in the next Parliament. So I am beginning a review of a 10 year major urban road programme for the conurbations. It is too early to say what the size of an economically and environmentally worthwhile urban road programme would be. We need to reduce the costs of urban road building and reduce its environmental impact.

18. There is the possibility of legislation to reform local government organisation in the Metropolitan Counties. Transport is the most significant of the Metropolitan Counties' present functions. In any reorganisation we must ensure maximum use of private sector resources and disciplines. Greater involvement of the private sector will probably be most practicable in the provision of bus services; we must break down the large, monolithic existing operators; and the structural changes must ensure that programmes for the major strategic roads in the conurbations are planned and executed.

PROTECTING PEOPLE FROM TRAFFIC

19. This is a major problem for cities, towns and villages. Disturbance from traffic comes high on the list of problems with which the electorate expects us to deal. We are already doing a great deal to meet it, particularly by building bypasses. The need for bypasses will continue, beyond the end of the present finite trunk road programme. In some places bypasses cannot do the trick. We have given increased emphasis to lorry routeing; the new idea of lorry action areas; and making vehicles themselves less offensive. More initiatives are going to be needed. Urban road building can sometimes help. There

C O N F I D E N T I A L

is a big potential return for small schemes.

20.. Our national record in road safety is generally good by international standards, but less so for pedestrians. I propose to set in hand a major review of road safety policy. It is too early to anticipate the initiatives I hope to develop from the review.

MEETING NEW REQUIREMENTS

21. Customer interests come before those of the operators. This applies particularly to groups such as commuters and to people who face transport difficulties which the public readily recognise deserve special treatment. People in sparsely populated areas fall into this category. So do disabled people. We have got into the unfortunate position in transport that central Government's instruments have become too blunt to influence the provision of services for these people, to signal the Government's concern about them, or to encourage innovation. There would be a big political return - and better transport on the ground - if we have a specific transport innovation programme with which we could be seen to be assisting transport projects, particularly those with an identifiable social purpose which involve the voluntary sector. We could also use it to encourage innovative services of potential value to all travellers. The cost could certainly be contained to, say, £5-£10 million a year.

PORTS

22. We have abolished the National Ports Council and should shortly privatise BTDB which will then become Associated British Ports PLC. London and Liverpool are being required to live without deficit grants as from 1983. This heavy pressure on the ports to stand on their own financial feet must be continued. It will require reform of the National Dock Labour Scheme. This is of central importance for better flexibility, efficiency and productivity in the ports. The industry itself - employers and unions - has already embarked on preliminary exploratory

C O N F I D E N T I A L

talks. If these succeed, reform will require controversial legislation, which would be for the Secretary of State for Employment.

PUBLIC EXPENDITURE

23. Wasteful current expenditure must be further curbed so that, without increasing overall public expenditure, a greater proportion of resources is available for worthwhile capital expenditure. The roads programme must be vigorously maintained in the light of ever-growing traffic demand and the fact that motorists already pay for the provision of the roads several times over. It would be short-sighted and imprudent to look to the roads capital programme for major savings. Nor is it prudent to cut back significantly on maintenance; though in maintenance, as in construction, we must look for maximum efficiency gains. Most of my measures are aimed at achieving efficiency gains in public transport. They will help to ensure that a greater proportion of expenditure goes on sound investment, although the overall call on public funds is bound to remain heavy.

D H

Department of Transport

21 December 1982

22/12/82



HOUSE OF LORDS, SW1A 0PW

*I should like to see
copying - * - from
LC's mem? - no
before we can!*

CONFIDENTIAL

Prime Minister

CHEQUER
23 DEC 1982
Mr Kemp
CST, EST, EST
MST, MTR

M23Kii.

Sir J. Warr, Sir A. Rawlinson,
Mr. Widdow, Miss Kelley,
Mr. Pestell, Mr. Monger,
Mr. Mountfield, Mr. Rieley,
Mr. French, Mr. Harris

*Some copies for
us to consider this:*

*make for a Supplement
for bill no
Myopia et al*

Forward Look

*(D): Was this ever Raymont?
Is there a case for provision on
creating funds?*

INTRODUCTION

*(f) CST in committee, in which it
has had some work done, which
we will look for a*

1. This is my response to your letter of 16th September. It is a trifle late because I have decided to write some of it myself. This is perhaps not surprising, because, apart from the Prime Minister and the Law Officers, the Lord Chancellor's position differs from all other Ministerial Offices in being sui generis and intensely personal. *major revision here?*
2. You will be glad to hear that neither of the two first categories figure in this minute at all. We have no unhonoured manifesto cheques, and, apart from certain law reform projects which are best dealt with under another head, we own to no unfinished business.
3. The first question which each Lord Chancellor has to ask himself about his ancient office which is unique in the world is why he is there at all. He is a Minister of Justice (but unlike most others without responsibility for prosecutions or penal treatment). He is guardian of the Public Records (but without the funds or officials to carry out all the duties imposed upon him). He is head of the Land Registry (whose failure to complete the task imposed on it in 1925 is a recurring public scandal). He is responsible personally for the Court of Protection (which deals with the properties of those of unsound mind). He is responsible for the law of divorce, but not that of marriage. He is responsible for the civil, but not criminal, procedure (which belongs to the Home Office). He is responsible for the

administration of the courts (but not magistrates' courts). He appoints all magistrates in England and Wales (but not in the Duchy of Lancaster). He is responsible for law reform (but not in commercial or criminal law). He is also automatically President of the highest Courts of Appeal in the UK and in the Commonwealth, and sits as such when other duties permit. But he does not sit as a member of the Court of Appeal or the High Court (where he is also entitled to preside, at least in the Chancery Division). His work has increased enormously since my father held the office, and, in the main, ^{the changes have been} for the better. He is also Speaker of the House of Lords (but without the powers of every other Speaker in the world).

4. The answer is that his office is a pearl of great price to be retained at all costs. The maintenance of the integrity and impartiality of our system of justice in two of the three parts of the United Kingdom (and perhaps to some degree even in Scotland) is his *raison d'être*. A country like ours without a written constitution and with a Parliament possessing the unlimited powers of our own, and an executive normally (and desirably) depending on a majority of a single party, needs a man to protect the judiciary. That man must be a lawyer of sufficient ability to preside as a judge and command the professional respect of bench, bar and solicitors, a Parliamentarian of sufficient experience to occupy the Woolsack, and a politician of sufficient rank to sit effectively in Cabinet. If he succeeds, it is because under him the reputation of justice does not diminish. If it does, he fails, whatever other achievements he may boast. Whether the exact boundaries of his post are ideal or too wide or too narrow (and in some respects I think them both) is a matter for the Prime Minister not the Lord Chancellor's Department.

II POSITIVE SUGGESTIONS

5. It is with these thoughts in mind that I have considered your directive. I am considering my various responsibilities under separate heads.

A. LAW REFORM

6. First, law reform. It is one of the functions of Government to keep the law in good repair. Over the past two years in particular there has been a build up of Reports, from the Law Commission and other agencies of law reform, which make recommendations for revision, improvement and clarification of the general law. These recommendations are not usually controversial, at least not in party political terms, but unless Government time can be spared for them, or some special legislative procedure can be devised, there is a danger that valuable law reforms will be lost. I hope that the next Conservative Government will show a determination to tackle these problems and will commit itself, in advance, to the task.

B. THE JURISDICTION OF THE COURTS

7. Secondly, there is the possibility of merging the High Court and the County Court. Although I am not able to quantify this, it seems likely that a merger of the two separate jurisdictions of the High Court and the County Court could afford some resource savings, as well as simplifying civil court procedures. A number of technical and other problems would need to be resolved, and I am not yet satisfied that to bring forward such a change would justify the legislative and other effort that would be needed to achieve it. Nevertheless I have in mind a consultation paper which would raise the possibility of a merger of the two jurisdictions, and which would provide the Government with the opportunity to assess the support that there would be for such a change.

8. Thirdly, and in parallel with the above, there is the proposal for Family Courts. I hope shortly to issue a consultation paper canvassing proposals for rationalising the family jurisdiction of the High Court and the County Courts. The more radical of the alternative proposals, which I personally tend to favour, is that the jurisdiction of the High Court and the County Courts should be transferred to a new court (to be called a Family Court) manned by High Court Judges, Circuit Judges and Registrars on the analogy of the Crown Court, and that the Family

Division of the High Court as such should be abolished. Such a court would be rather different from that proposed by the Finer Committee in 1974 because it would not take over the domestic jurisdiction of Magistrates' Courts (which would be outside the province of the Lord Chancellor), but it would be a significant step towards the Finer Committee proposals if they were otherwise thought desirable. My proposal would be more convenient for all concerned and might yield some small savings, for example in ensuring that cases are not dealt with at too high a judicial level. If the results of consultation prove favourable, it should be possible to be ready to legislate in the 1983/84 Session.

9. Every Lord Chancellor that I have known has favoured the transfer to the Lord Chancellor's Department of Criminal Procedure (as distinct from substantive law) and at least the administration of the Magistrates' Courts. These are for consideration (the Magistrates' Courts' option was openly canvassed in his presidential address by the present President of the Law Society), but could not be floated without the agreement of the Home Office and other bodies including the magistrates themselves. Responsibility is at present shared between the Home Office, Local Authorities, the Magistrates' Courts Committees and the Lord Chancellor's Department. My own view is that, whoever is ultimately responsible, the administration of these courts certainly needs examination. They are imperfectly located. There is no career structure for the staff. Listing arrangements and jurisdiction as regards listing are unsatisfactory and as regards jurisdiction illogical. But to transfer them to Central Government at all would not be universally popular in the country. They are mainly locally administered by Magistrates' Courts Committees, and, though rather inefficient administratively, give comparatively little trouble.

C. AN ESTATE MANAGEMENT OFFICE?

10. I have long been troubled by the fact that a number of units within the Lord Chancellor's Department do similar work and are separately based. In my mind are the Public Trustee, the Court of Protection, the Court Funds Office, and part of the Office of the Official Solicitor. They all look after other people's money, and they might well benefit from central

organisation. They tend to be financially self-supporting, but only on the basis that the larger properties in fact subsidise the smaller. There may be some scope for privatisation and saving in numbers here, but I would not like to do this if we were left in Central Government with a number of loss-bearing estates. There is however scope for rationalisation and I may well wish to bring forward proposals for legislation to rationalise the different offices within my Department which are concerned with the management of privately-owned assets and estates (the Public Trustee, the Court of Protection, the Court Funds Office and part of the Official Solicitor's office). I see attraction in establishing an Estate Management Office which would look after the administrative (as opposed to judicial) side of all this work. This could produce some resource savings and enable a better service to be offered to the public at lower cost.

D. LAND REGISTRATION

11. It is something of a scandal that one fifth of England and Wales is still outside the compulsory registry. Of course there would be some increase in numbers, but as the service is a money spinner (it makes a profit) I would hope we can make some progress here.

E. THE PUBLIC RECORD OFFICE

12. I was personally rather disappointed with the report of the Wilson Committee. It did not seem to realise that the Lord Chancellor and his staff are really saddled with responsibilities which they are not equipped conscientiously to perform, and they made a number of proposals which in the event (in my view rightly) were not acceptable to the Government. The enthusiasm of some of its members also failed to appreciate that the problem largely consists in the enormous amount of paper retained (although 99% is destroyed) and not in excessive destruction. They also failed to understand that advisory groups or panels cannot perform their function if they are going simultaneously to operate as pressure groups.

F. LEGAL AID AND ADVICE

13. Litigation is now largely paid for by the public. In the nature of things this is so in prosecutions, and litigation by the Revenue, or Customs, or other public offices. Most contract and tort litigation has a hidden subsidy in tax relief. It is also true of the spectacularly rising costs of the three legal aid schemes (Criminal, Civil and "Green form") under the auspices of the Lord Chancellor's Department itself. There is growing pressure for Central Government expenditure on "Law Centres", conciliation schemes and other politically attractive prospects, for which the Lord Chancellor's Department is not, at present, though it is popularly supposed to be, responsible. The Lord Chancellor's Department will have to do its best to contain the worrying rise in existing schemes and contain the element of sheer adventurism in new proposals. It is not going to be easy. I foresee a long period in which we shall have to negotiate with the professions. We must retain their good will. It is vital that we preserve ^{their} ~~the~~ independence and integrity. We need to continue to recruit the best brains and the most upright people. We cannot disclaim total responsibility because the structure of remuneration for legal aid has grown out of, and is bound up with, the pre-existing structures of privately funded litigation. This is emphatically not the stuff of which manifestoes are made. But all high ranking Cabinet Ministers and party officials should be aware of the problems and thinking about them.

G. THE PROSECUTION PROCESS

16. Finally, I hope that we can consider prosecution arrangements as part of this exercise. The lead on this matter rests with the Home Secretary, but I have a strong interest also, because of my responsibility for criminal legal aid and costs. Whatever new system is devised, it is most important that it should be as efficient as possible and should avoid the considerable waste of public funds that exists at present.

17. I am copying this minute to other members of the Cabinet, the Law Officers and to Sir Robert Armstrong.

H: of S: M.
22 Dec 82

CONFIDENTIAL

PRIME MINISTER

FORWARD LOOK

I attach a report on the "forward look"
at this Department's programmes for the
next five years.

I am sending a copy of the report to
Cabinet colleagues and to Sir Robert Armstrong.

KS

22 December 1982

CONFIDENTIAL

FIVE-YEAR FORWARD LOOK
DEPARTMENT OF EDUCATION AND SCIENCE

1. The central commitments to education with which this Government entered office in 1979 were:

"We must restore to every child, regardless of background, the chance to progress as far as his or her abilities allow. ... We shall seek to ensure that the excellence (of much of higher education in Britain) is maintained."

Fulfilment of these commitments is a continuing process. This paper therefore combines the first two of the three subheadings suggested by the Prime Minister, commitments from 1979 and initiatives that will carry forward into the next parliament.

A.+ B. MAJOR COMMITMENTS FROM 1979 TO BE MET IN THE NEXT PARLIAMENT;
PROPOSALS TO CARRY FORWARD IN THE NEXT PARLIAMENT INITIATIVES
STARTED IN THIS

i) Schools and teachers

2. a) The initial teacher training system is to be restructured, starting from the autumn of 1983: significant change in the content of courses is intended, combined with a shift of the balance towards Post-Graduate Certificate of Education courses and towards courses in the universities.

b) Efforts will continue, in conjunction with the employers of teachers, to maintain the quality and effectiveness of the teacher force as it contracts in response to demographic and financial pressures. Main aspects of this action include the provision of in-service training, with emphasis on the training of head teachers; the relationship between the qualifications and training of individual teachers and the teaching they undertake; the salary structure; and arrangements for retirement, redeployment and redundancy.

) The Secretary of State will review in the autumn of 1983 the school curriculum policy of every LEA by reference to a statement of policy made by him in 1981: the aim is to ensure that schools offer a sufficiently broad curriculum which is at the same time more practical and more relevant to adult life and work, at every level of ability.

d) A development programme to improve the education of the least academic will begin in the autumn of 1983.

e) New guidelines are to be developed and published from 1983 onwards for the curriculum in mathematics, science and modern languages.

f) The existing system of examinations at 16+ and 18+ is to be improved.

g) New opportunities will be created for pre-vocational education for those who have completed their period of compulsory education.

h) Fresh impetus will be given to the development of technical and vocational education under the aegis of the MSC scheme.

j) As many school-leavers as possible are to be offered a record of achievement, including (but not limited to) success in public examinations and, it is hoped, graded attainment tests in the case of those for whom public examinations are not designed.

k) The "Parents Charter", as embodied in the Education Act 1980, provides that in due course (with some minor exceptions) every school should have its own governing body and that each such body should have elected parent (and teacher) representatives. So far the Secretary of State has laid down no time-table for bringing these provisions fully into effect; and the process could not now in practice be completed until the next Parliament.

) In all these matters an important consideration will be to protect and restore the esteem of teaching as a profession and a career, so that the schools can recruit and retain the share of able and suitably qualified people that they need for the future.

ii) Further and higher education

3. The contribution of the education service to overall provision for the 16-19 age group will be further developed. Besides the arrangements for the more academic (see para 2.f), steps are actively in hand to secure the introduction of appropriate courses in schools and colleges with an associated qualification (perhaps to be called "Certificate of Pre-Vocational Education"), for numbers of the less academically able who wish to stay on in full-time education. With many youngsters post-16 in the MSC's Youth Training Scheme, links between that Scheme and the education service are being reinforced, and suitable educational provision ensured for participants in the Scheme. Explicitly vocational types of study are being evolved continuously, especially under the auspices of the Business and Technician Education Councils (soon to be merged into a single Council).

4. The Secretary of State intends to push ahead with an increase in continuing education. Subject to review, the DES programme encouraging mid-career provision by education to meet the needs of industry and commerce (PICKUP") will be sustained. We hope to bring fully on stream the Education Counselling and Credit Transfer Information Service, which will promote study through life for qualifications in ways best suited to individual needs.

5. In higher education, the aim is to restructure all sectors in the interests of greater cost-effectiveness, while ensuring their sufficient contribution to the output of the highly qualified manpower required by the economy and to fundamental research, with attention particularly to

a) a continued shift of emphasis towards science and technology;

ensuring the necessary educational input to adequate provision for the new technologies, especially information technology;

c) ensuring the necessary pattern of staffing to achieve quality in research and teaching; and

d) changes in the central management of the system (University Grants Committee and the National Advisory Body for Local Authority Higher Education (NAB)) as a consequence of institutional and funding changes.

e) pruning by the NAB of weak courses of low relevance in local authority higher education.

iii) Inspection

6. The impact of HM Inspectorate on the quality of education has been strengthened by the decision to publish all formal reports from 1 January 1983 and to continue the programme of inspections of whole LEAs. Both publication and systematic follow-up by DES will have a cumulative effect on all providers and all parts of the system, and will enable the system's clients to extend a more informed influence upon it.

iv) Science

7. The Secretary of State will continue to foster the constructive involvement of the higher education system and the Research Councils in overall civil science policy. An initiative has just been taken to increase the availability in the system of able young lecturers and researchers. An enhanced role is being developed for the Advisory Board for the Research Councils: the incoming Chairman will give more time to the Board than did his predecessor and there will be closer collaboration with the Advisory Council for Applied Research and Development.

) Relations with local government

8. In conjunction with Treasury and DOE Ministers, the cash planning and Rate Support Grant systems require to be developed in directions which will encourage systematic planning and effective management in education as well as exercising pressure on spending totals. Within such a framework, the search for better management and "value for money" should continue in all sectors of education. The Secretary of State should acquire an ability to foster developments to which he attaches particular importance through a limited power of direct financial support for specific purposes.

C. MAJOR INITIATIVES REQUIRING LEGISLATION

i) Schools

9. If the Secretary of State's proposals for vouchers and open enrolment are agreed, the next Parliament could see the introduction of a national scheme, fortified by the experience of pilot projects, for enabling more parents to secure for their children either a place at an independent school or at the maintained school of their choice.

ii) Further and higher education

10. Proposals are being developed to introduce loans to replace part of the maintenance support now provided by mandatory student grants. If these are agreed, the new regime could be legislated into being early in the new parliament.

11. Alternative patterns of tuition fees for higher education are being studied. Some changes may be practicable without legislation, but change on a substantial scale, involving re-allocation of responsibilities for the payment of fees, could necessitate legislation.



(mp)

 CC CST
 FST
 EST
 MFC

23/12/82

 MR R
 Sir J Wass
 Mr Barber
 Mr Little
 Mr Middleton
 Mr Quill
 Mr Moore
 Mr Reddy
 Mr French
 Mr Norgrove

Treasury Chambers, Parliament Street, SW1P 3AG
 01-233 3000

PRIME MINISTER

FORWARD LOOK

 Mr Corcoran
 Mr Painter (R)
 Mr Howard
 (C+E)

In your letter to Willie Whitelaw of 16 September you asked for the preparation of Departmental reports on programmes for the next five years. I now attach my report for the Treasury and the other Departments for which I am responsible.

2. I should like to add four points:-

- i. As you asked, the report covers only major matters. It should not be taken as an exhaustive list of everything which might be initiated from within my Departments over the next 5 years!
- ii. Second, it deals for the most part only with matters which are the direct responsibility of my Departments. But the areas of responsibility of other colleagues can - and frequently do - impinge on our overall economic objectives - and the Treasury often has a co-ordinating role. It is important that colleagues should not propose ideas which cut across our overall objectives, eg by involving new public expenditure commitments. I should therefore like to see copies of the other reports to you, though, given the sensitivity of some of the material in it, I am sending out no copies of mine!

/Third



- iii. Third, it is important for our prospects over the next 5 years that none of us should now close options unnecessarily, or create new pledges, or renew old and troublesome ones. We have seen the trouble we have had with (for example) our commitments on health and social security, on defence spending, and our undertakings in respect of Clegg. Particular options that I want to keep open in my own field concern the VAT base, mortgage relief ceilings, life assurance premium relief, fringe benefits and perks, and the abolition (as distinct from reduction) of any significant tax. But other colleagues will have other subjects, possibly more important in political and economic terms, where commitments, negative or positive, ought if possible to be avoided - or at least given only after very careful consideration.
- iv. Finally, as you will see from my response I have not restricted myself solely to "good news", but have also included other initiatives which, although worthwhile and necessary, may not be particularly popular. Examples of these are my proposal to review life assurance premium relief and the taxation of the pensions industry, and to examine the relationship of the personal tax system with the National Insurance Contribution system. I think this approach is in keeping with what you want from this particular exercise, though something different might be necessary in other contexts. We should want in other words, to retain freedom to act in both areas, but not in any way to proclaim our intentions.



3. If you would like to discuss any of this, I should be delighted.

A handwritten signature in black ink, appearing to be "G.H.".

G.H.
23 December 1982



2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

EXCHEQUER	
DATE	29 DEC 1982 29Xii
ATTN	Mr Kemp
COMPS TO	CSTEST MSTR MSTR

My ref:

Your ref:

Sir D. W. Aspinall Sir A. Rowlinson 23 December 1982
Mr Middleton
Mr Mountfield
Mr Widding Miss Kelley
Mr Ridley Mr French Mr Harris

De Rayt

FIVE YEAR FORWARD LOOK

In your letter of 16 September to the Home Secretary you asked Ministers in charge of Departments to send you a Forward Look at Departmental programmes for the next five years.

I enclose a report for the Department of the Environment prepared in consultation with Ministerial colleagues and senior officials. This includes several new initiatives which are in the preliminary formative stages. As our thinking develops I propose to bring forward separate papers, for discussion in the appropriate Ministerial forum, covering proposals set out in Part III on standards in local government, Urban Renewal Agencies, on enhanced roles for housing associations, the future of the planning system, and on environmental pollution control.

I am copying this to members of Cabinet and Sir Robert Armstrong.

This is disappointingly non-fundamental, or to do it often: How does its Big Ben Section Squan with our own home? See #

No doubt new cross-refer to be followed up

you see

MICHAEL HESELTINE

Prime Minister

CONFIDENTIAL

DEPARTMENT OF THE ENVIRONMENT

FIVE YEAR FORWARD LOOK:

REPORT FOR THE PRIME MINISTER

PART I: MAJOR COMMITMENTS WITH WHICH THE GOVERNMENT
ENTERED OFFICE

All the major 1979 manifesto commitments in the Department's areas of responsibility have been fulfilled. The most specific of these were the introduction of a right to buy for public sector tenants and the abolition of the Community Land Act. On rating reform the manifesto said:

"Labour's extravagance and incompetence have once again imposed a heavy burden on ratepayers this year. But cutting income tax must take priority for the time being over abolition of the domestic rating system".

There is thus no firm commitment outstanding on rates, though expectations aroused by the 1979 manifesto and earlier pronouncements remain unfulfilled. Proposals for meeting those expectations are covered in Part II (section 1(a)).

CONFIDENTIAL

CONFIDENTIAL

PART II: MAJOR PROPOSALS TO BE CARRIED FORWARD

II 1. Local Government

II 1. (A) MISC 79 Discussions:

Proposals for the restructuring of local government, for rating reform and the control of local authorities' expenditure (as well as related transport and education matters) are being considered by MISC 79 and final recommendations to Cabinet are expected at the turn of the year. The following paragraphs report the latest position.

CONFIDENTIAL

CONFIDENTIAL

(i) Local Government Structure

If Cabinet agree to MISC 79's recommendations to abolish the Greater London Council and Metropolitan County Councils, major legislation will be needed early in the next Parliament, preferably in the first session. Final abolition of the councils could be completed two years after the enactment of the necessary legislation although their activities would be steadily reducing over that period. Manpower implications for central government are a small division (Bill team plus follow up implementation) in DOE plus substantial legal load and extra pressure on finance divisions, and contributions from many other departments (of significance mainly in DTP, Home Office). Ultimately there would be manpower and financial savings in local government, but there would be transitional costs during abolition.

(ii) Rates Reform

A Green paper, "Alternatives to Domestic Rates", was published in December 1981. Consultation ended in April 1982. Future policy has since been under discussion in MISC 79.

The Group will advise Cabinet that the Government should not pursue the idea of introducing new forms of local tax

CONFIDENTIAL

CONFIDENTIAL

in either the near or distant future. Instead they will propose a number of reforms to domestic and non-domestic rates. Legislation would be introduced in the first session of a new Parliament. The Group has yet to take a final view, but the proposals are likely to include:

(a) Discounts on domestic rate bills for households consisting of a single person. This is intended to distribute rates more fairly than at present in relation to consumption of local services. It would cost about £140m-£170m annually in current terms. This will have to be financed by the Exchequer or the general body of ratepayers.

(b) Rate Bills

(i) A revised form of rate demand note distinguishing more clearly than at present between amounts raised for the purposes of the rating authority and of precepting authorities; and

(ii) Annual rate statements for council tenants.

These measures will enhance the accountability of local authorities to local people by making their spending more perceptible. Manpower and cost implications are small. Legislation is desirable and probably necessary.

CONFIDENTIAL

(c) Statutory Consultation of Non-Domestic Ratepayers
Local authorities would be obliged to consult industry
and commerce before making rates or precepts. Manpower
implications would vary between authorities but could
be substantial in some cases.

(d) Revaluation

A revaluation of non-domestic property would take effect
within the five year period subject to resolution of
the manpower implications for the Valuation Office.
(700 staff if the work is all done in-house, less if
some is privatised). No steps will yet be taken to
prepare a revaluation of domestic property although
this will be needed in due course.

(e) Rating Procedures

Procedural changes to save manpower (up to 300 staff)
in the Inland Revenue valuation Office following a
Rayner Scrutiny report, subject to consultation. In
all cases save (d) above primary legislation would be
needed to give effect to the proposals for implementation
from the start of the financial year following
enactment.

CONFIDENTIAL

(iii) Control of local government Expenditure

A majority of MISC 79 is opposed to statutory control of local government expenditure or to limiting the non-domestic rate. Such measures would certainly require primary legislation and would have implications for central government manpower.

MISC 79 has been concerned about the overall impact of these changes when seen in the context of public expectations arising from earlier commitments on rate reform. Cabinet will be invited to consider the possibility of reopening the issue of enhanced local accountability through more effective democratic control.

II 1 (B) Audit Commission

Legislation providing for the establishment of the Audit Commission was passed in the 1981/2 session and the Commission's major objective will be to bring about a substantial expansion of value for money auditing of local authorities thereby promoting a much needed improvement in economy, efficiency and effectiveness in all areas of local government activity.

CONFIDENTIAL

(C) Contracting out in Local Government

Present initiatives designed to encourage local authorities to contract out services have met with some success and there is reason to believe that local authorities are increasingly considering this option to achieve cost savings or, by using competitive tendering, to promote greater efficiency in in-house operators. Progress has been slower than hoped for, but probably as much as could be expected given the political, trade union and other constraints at the individual local authority level. The immediate course for the present is to publicise the examples of success and to urge others to follow suit.

II 1 (D) Direct Labour Organisations

The Government has achieved very substantial progress in fully exposing DLO's to private sector competition. This is now being taken further. The Minister of Housing announced on 14 december the doubling of small housing repair work to go out to competition and ditto other new building work. All higher value work has to go out to competition already. Ministers are considering changes to put additional small highways work out to competition as from 1.10.83.

The Government also proposes to increase the proportion of building professional services carried out by private firms. The recent changes stemming from the Mergers and Monopolies Commission reports on fees and services give new scope for introducing a greater element of private sector participation. Legislation would probably be necessary.

This Session's Housing and Building Control Bill provides for building control to be carried out by private sector certifiers.

.2

Housing

(A) Further extension of the right to buy

The success of the Right to Buy scheme for public sector tenants must be carried further in this parliament and the next. We estimate that a maximum of about 40% of all tenants (2.6 million) in Great Britain are in a financial position to buy with right to buy discounts. However of these 2.6 million, about 1 million are unlikely to want to buy either because they do not like their present house or flat (one third of all council tenants live in flats), or because they are too old. leaving perhaps 1.6M potential sales to sitting tenants. In this Parliament a total of

CONFIDENTIAL

650,000 sales by April/May 1984 seems likely. There are therefore up to a further million potential sales to sitting tenants. There is also an additional sizeable home ownership demand to meet through our various other low-cost home-ownership initiatives from council tenants who want to buy- but not their present house or flat. The current Housing and Building Control Bill extends the right to buy to some 120,000 council and housing association tenants previously excluded and also opens up shared ownership to many who cannot afford outright purchase.

There are two further changes which could give a substantial stimulus to right to buy sales.

- i. the end of the rule that secure tenants must have completed at least 3 years' tenancy before they can exercise the right to buy;
- ii the extension of the discount scale from the current maximum 50% after 20 years' residence to a maximum of 60% after 30 years' residence.

The combined effect of these measures could be to produce 100,000 extra sales.

Legislation will be necessary. Colleagues are being consulted about the possibility of using the present legislation for this purpose. More sales should produce

CONFIDENTIAL

immediate capital receipts of about £27 million for each 10,000 houses sold, and savings from each 10,000 sales a year would yeild up to £40 million (current and capital combined) in the fifth year. Increased sales will require some extra expenditure on central and local government staff.

Detailed consideration is also being given to the Policy Unit's proposal for a rising repayment mortgage scheme which would reduce the mortgage payments in the early years. This could be adopted under existing legislation as an optional alternative to a conventional annuity mortgage from a local authority under the right to buy.

II 2 (B) Capital Allowances for Private Sector Shared Ownership.

An additional major boost to the extension of low cost home ownership would result from extending the availability of capital allowances to the rented element of private sector shared ownership schemes, undertaken by assured tenancy landlords (see below). This would make it possible for the first time to carry out shared ownership entirely in the private sector without the need for public expenditure to purchase the balance of the equity not bought initially by the shared owner. This vaulable extension of the private sectors contribution to low-cost home-ownership could be achieved in this year's Finance Bill.

II 2

(C) Extension of Assured Tenancies

The 1980 Housing Act introduced assured tenancies. The 1982 Finance Act built on this initiative by giving approved landlords 75% first year capital allowances on the construction expenditure. We now have the means of carrying out new building for rent in the private sector on a viable basis for the first time since the war. There has been an encouraging response and this scheme should be further developed in the next Parliament by enabling approved landlords to let newly converted and improved homes, as well as newly built ones, on assured tenancies. This would enable private builders to take difficult to let local authority accommodation (now totalling 300,000 dwellings) into the private sector for conversion and reletting.

Legislation will be necessary - ideally in the first session of a new parliament. The expenditure implications are difficult to assess but the overall PSBR cost would probably be under £5 million a year - taking no account of the public expenditure savings of getting difficult to let local authority stock into private ownership. There are no significant manpower implications.

II 2

(D) Tax Allowances for Landlords' Repairs

As a further boost to the private rented sector, private landlords should be enabled to offset repair expenditure against all income, rather than just rental income, for tax purposes. ~~This would provide a greater incentive~~

for them to carry out substantial repair works and remove a possible disincentive to their acquisition of run-down public sector dwellings. (The Chancellor of the Exchequer might feel able to make this tax concession - which should cost very little - during the lifetime of this Parliament).

This provision would be covered in a Finance Bill. The expenditure and manpower implications would be insignificant.

II 2

(E) Local Management of Public Sector Estates

In certain urban areas conditions on large public sector estates are appalling. To overcome these problems tenants should be encouraged to take more responsibility for the well-being of their estates by the extension and development of two major initiatives:

- i. to raise authorities' standards and sights by initiating management projects with an injection of incentives and advice from central government. Over the last 3 years the Priority Estates Projects and Community Refurbishment Schemes have shown how run-down and unpopular council estates can be turned round. Authorities generally should be encouraged to apply these lessons. It is proposed to experiment with estate budgets - pooling the resources of different local authority departments for problem areas and to consider the scope for reshaping resource allocation systems so as to stimulate effective locally-based housing management systems.

CONFIDENTIAL

ii. to build on the experience of a radical experiment at Cantril Farm on Merseyside to transfer the ownership of demoralised council estates to private non-profit making trusts created for the purpose of channelling private sector finance into the rescue and subsequent management and development of the community and its assets. This approach calls for imaginative and positive leadership from the local authorities, the financial institutions, developers and local residents, and requires careful negotiation by Ministers and officials but the prize is that of transforming depressing, decaying and costly council estates into mixed tenure, privately financed areas under sensitive and dynamic management. The trusts formed for this purpose should also be able to take advantage of the revised Assured Tenancy provisions proposed above.

Neither of these approaches is likely to require legislation and the initial costs of setting up such schemes will be contained within Housing PESC. But some small increase in DOE staff will be necessary.

II 2 (F) Right to Repair

Tenants should be allowed to carry out certain repairs themselves or have them carried out by their own contractors. The London Borough of Havering have successfully introduced a voluntary scheme which allows for this and for tenants to be reimbursed at 75% of what

CONFIDENTIAL

CONFIDENTIAL

it would have cost the local authority to do the work. The tenant benefits and there is a saving to the local authority. Ministers are now considering going beyond this in order to provide public sector tenants with a right to repair, subject to suitable financial controls. Legislation is being contemplated, possibly in this Session's Bill. Manpower and expenditure implications would depend on the approach to tenants and their response. Ideas are also under review for strengthening the existing common law rights of private sector tenants to secure repairs to their dwellings, but to do so in a way that would not add further to the existing disincentives to landlords.

(g) Empty Council Dwellings

Attacking the problem of empty public sector dwellings has been a priority since 1979. There remains, however a hardcore of some 20,000 owned by local authorities which remain empty for more than a year. Pressure on local authorities will be increased by requiring them to publish details of every house kept empty for more than a year and the reasons for this in each case. But it is necessary to do more Ministers are now examining the use of existing powers of direction to oblige authorities to dispose of individual dwellings where without good reason they have not brought them back into use. Successful use of a direction would produce capital receipts for local

CONFIDENTIAL

CONFIDENTIAL

authorities. Departmental consideration of representations before the power was used in an individual case would be manpower intensive, requiring administrators and lawyers. New, tailor-made powers may have to be sought if the present ones prove too cumbersome to use in practice.

CONFIDENTIAL

II 3. Urban Policy

(A) Introduction

Since 1979 more emphasis in inner city policy has been given to economic aspects and the role of the private sector, in order to stimulate local enterprise and business activity and to attract private investment into these areas. Priority will continue to be given to the areas most in need of assistance - via the Urban Programme and the partnership and programme authorities and the new Urban Development Grant which may need further adaptation. Resources available for the urban programme have been increased in each of the past three years and in 1983/84 will be £348m compared to £165m in 1979/80. Of this some £60m (and £25m of DLG) is earmarked for the Urban Development Grant and is expected to be matched 2½ times by private sector investment. The emphasis will continue to be on joint working between central and local government and other agencies, together with the resources of the private and voluntary sectors. Proposals for major new initiatives are covered in Part III.

II 3. (B) Derelict and Underused Land

Resources available for reclamation of derelict land have been increased: next year a total of £65 million will be available (as against the £45 million originally allocated for this year). This includes provision for the special programme in which reclamation projects by local authorities in urban areas are linked with firm plans for subsequent development by the private sector. Derelict land grant is

available for reclaiming derelict sites identified in land registers. The general policy is to secure the disposal of registered sites and to ensure full and economic use of urban land so as to minimise encroachment on agricultural land and the countryside.

II 3. (C) Land Disposal

More vigorous action is needed to secure the release of vacant public sector land. Although public authorities are required to enter on the land registers comprehensive information about unused and under-used land in their ownership, some appear to be holding back. They must be pursued more rigorously to reveal fully the extent of their vacant holdings, and positive use should be made of the powers in the Local Government, Planning and Land Act 1980 to direct disposal. Legislation appears to be unnecessary, but the manpower consequences of taking a more active role to ensure registration of land and its subsequent disposal could be substantial.

II 3. (D) Operation Groundwork

On Merseyside the first Operation Groundwork Trust has succeeded in involving local industry, landowners and voluntary organisations and local authorities in a co-ordinated effort to convert waste land to productive farming use and to improve access to the countryside. Up to £4 million will be made available in 1983/84 to promote similar Trusts in other areas of the North West. Initiatives elsewhere in the country will be welcomed and supported with grant aid so far as resources permit.

II 4. Planning

Hazardous Installations

Proposals to strengthen planning control over hazardous installations have been published for consultation.

Legislation will be necessary. (Further proposals for planning are presented in Part III).

II 5. Heritage: Commission for Ancient Monuments and Historic Buildings

The major heritage proposals which will be carried forward into next Parliament will be the effective establishment of the Commission for Ancient Monuments and Historic Buildings from October 1983 or April 1984. There will be a continuing effort to see that the Commission is set firmly on its feet during the first year. That will not involve further legislation but there will be organisational changes within DOE, involving the transfer of about 1,000 staff to the Commission.

II 6 Rural Development and Conservation

(A) Rural Development

The continuing aim of the Government is to strengthen and diversify the rural economy, and for that purpose to encourage new initiatives especially through the development of new small businesses. The Development Commission and COSIRA have been given greater independence and freedom of action to select the rural areas in which to concentrate assistance. They will have a wider choice of aid schemes and, when legislation is passed, direct control of expenditure. For example, COSIRA can now help retailers and the Commission can provide workshops in partnership with Local Authorities wherever they identify a need. A more effective and co-operative relationship is being established between COSIRA and the Department of Industry's Small Firms Scheme in advising small businesses in country areas. The Wildlife and Countryside Act provides for farmers to be advised by ADAS on opportunities for diversifying the farm economy; COSIRA and the Development Commission will work more closely with ADAS in this task. These measures should allow rural communities to remain viable in areas where they might be threatened by a decline in traditional employment in agriculture.

II 6

(B) Conservation of the Countryside

The Government's policies are designed to secure the conservation of natural beauty, the protection of features of scientific interest and the promotion of recreation in the countryside. They rest substantially on voluntary co-operation between the statutory agencies (Countryside Commission and Nature Conservancy Council), local authorities (especially National Park authorities) and individual farmers and landowners.

The major measure introduced by the Government, the Wildlife and Countryside Act 1981, emphasises the voluntary principle. The Act provides, among other things, for payments to farmers and landowners who negotiate Management Agreements to forego agricultural improvements in order to safeguard scientific interest and landscape of high scenic value. Virtually all National Nature Reserves have so far been established without any use of compulsory purchase, many of them by agreement with a private landowner. The Government is committed to making the provisions of the Act work, and rejects the extension of planning controls over farming activities as bureaucratic and unnecessary.

II 7

Environmental Protection

(A) Water

The Government are determined to advance the cleaning up of dirty rivers and estuaries. There is a firm programme for the phased implementation of Part II of the Control of Pollution Act 1974. it would bring all discharges to rivers, coastal estuaries and underground waters under control. EC Directives have been negotiated and are being implemented, which will give added protection to rivers and other waters, without imposing undue penalties and costs on British industry. Proposals for cleaning up the Mersey system have been published with the aim of securing faster progress and promoting the better use and enjoyment of its banks.

II 7

(B) Waste

The initiative has been taken to get a better European system of control over the export and import of wastes. Control over the disposal of hazardous wastes in this country will be made more effective following the extensive review of the current system. A Waste Disposal Inspectorate is being set up to improve standards for the disposal of all forms of solid waste. The Government will continue to give strong support to the glass recycling movement, to the reclamation of cans, and to the re-use of waste materials wherever is practicable.

II 7

(C) Air Pollution

The record of dealing with most forms of air pollution is good. The worst problems have been tackled, but decent air quality standards must be observed everywhere. In some places that will mean reducing the level of smoke and sulphur dioxide still further; and possibly taking fresh action on other pollutants. Local authorities need more flexible powers to cope with pollution from different sources, and closer collaboration is necessary between the Government's central air pollution inspectorate and local authority environmental health officers in tackling air pollution problems. The pollution control authorities responsible for clean air, rivers, safe disposal of wastes will be encouraged to work together to achieve the optimum improvement in our environmental conditions.

II 8

Privatisation and Contracting out (DOE(C), PSA and Ordnance Survey and Other Non-Local Government Bodies)

As indicated in a full report to the Chancellor of the Exchequer (19 October), much has already been achieved or set in hand by way of privatisation, contracting out or hiving off to other bodies, functions formerly carried out by the Department and its related public bodies. Further opportunities may be identified in the current MINIS round.

CONFIDENTIAL

In the next Parliament there may be further possibilities for privatisation and contracting out in the water industry. Officials have been instructed to investigate these. An ambitious scheme for cleaning up the Mersey in which the private sector might play a major part has already been announced, others are in preparation.

The Property Services Agency will continue to provide scope for contracting out with consequent reductions in manpower. There will be further developments in the trading arrangements of this Ordnance Survey and the Building Research Establishment. There will also be benefits from having hived off the auditing of local authorities and functions relating to ancient monuments and historic buildings.

CONFIDENTIAL

CONFIDENTIAL

PART III MAJOR NEW INITIATIVES

III 1. Local government

The statutory basis of local government assumes 'neutral' local government officials advising a Council as a whole, and reflects a long-standing convention that local politics will be confined to local issues and be more or less free of national party politics. But local government is now more overtly party-political than ever before. There are clear indications of practices growing up, especially among urban authorities, which put a strain on the institutional framework (ill-adapted for a political way of working) and on the conventions which have traditionally provided protection against over-politicisation. Examples are:

- emergence of the full-time councillor (through use of the allowance system, or on leave of absence from sympathetic employers - usually another local authority);
- the dominance of the party caucus (possibly including outsiders);
- manipulation of standing orders to neutralise Opposition parties;
- pressure on officers (who have no code of conduct to protect their position) to serve the majority party rather than the Council;

CONFIDENTIAL

CONFIDENTIAL

- appointment of officials (in addition to overt political aides) because they are politically sympathetic to the majority party.

These developments could undermine confidence in the local democratic process, and exacerbate difficulties in relationships with central government. This is a highly sensitive area and it is essential that any proposals for change should be put forward against a firm basis of fact. There may be a need for Government action, including legislation, during the next Parliament, but some form of preliminary inquiry is a first essential. Proposals on the most appropriate form for such an inquiry will be put to Ministers collectively soon.

2. Housing

(A) Widening Building Societies' Powers

An important housing reform for the next Parliament would be a widening of the powers of Building Societies. The necessary legislation would be for the Chancellor to promote. Discussions have begun on what changes would be most desirable. These must, however, include provisions that would empower Building Societies to carry out developments themselves, rather than merely finance them on a relatively restricted basis. This would enable societies to act as private landlords, bringing a new vigour and acceptability - and fresh resources - to the private rented sector. It would enable them to build for shared ownership

CONFIDENTIAL

or rent under the assured tenancy scheme thus helping to tackle the underlying problem of the low rate of return to private sector landlords. The legislation should be introduced as early as possible in the new Parliament. There should be no manpower implications and there may be public expenditure benefits by a reduction in the need for public sector housing provision.

- III 2. (B) Housing Association involvement in Urban Renewal
- Housing associations with their increasing expertise in managing the improvement of older housing areas, could play a part in support of urban renewal agencies, and elsewhere in other urban areas. Associations already have limited powers to carry out environmental schemes, but they are not enough to secure the more comprehensive renewal that is often needed. It is proposed, therefore, to examine how best some of the bigger housing associations might contribute to urban renewal, bearing in mind that few of them have substantial funds of their own. They would need to work closely with the private sector (maximising private financial support). Their aim would be to secure the improvement of social and environment facilities in a defined neighbourhood, ie housing improvements, restoring derelict sites, running suitable local training schemes, providing nursery industrial units and minor infrastructure schemes. Legislation would be needed.

3.

Urban Policy

(A) Urban Renewal Agencies

Since 1979 the emphasis of urban policy has been changed and a new impetus given to the regeneration of inner cities by concentrating on economic development and by enlisting the resources of the private sector. Few local authorities are equipped, in terms of resources or experience, to undertake this work on the scale required. Two new types of organisation have therefore been introduced - the Urban Development Corporations (in London Docklands and Merseyside), and the Task Force concept (first on Merseyside and now in the form of Area Task Forces for example in Sandwell and Liverpool) in order to maintain and carry forward these new initiatives, with the emphasis on constructive partnership between the public and private sectors and the leveraging of private finance into urban area regeneration. The roles of the Task Force and the Urban Development Corporation need now to be combined. The result would be an Agency capable of initiating and co-ordinating urban renewal activities, working in co-operation with local authorities and the private sector, and (where necessary) undertaking development themselves.

For the next Parliament it is therefore proposed that:

- (a) provision should be made for the setting up of Urban Renewal Agencies in a few areas where the need for regeneration is most pressing;

CONFIDENTIAL

- (b) these Agencies would combine the main functions of the Urban Development Corporations together with the Task Force approach (this could probably be done under the provisions of the 1980 Act but we should consider the case for some additional provisions - eg to set up subsidiary companies for major projects undertaken in partnership with the private sector);
- (c) The Agencies would work in co-operation with the local authorities and other bodies concerned including housing associations (see III 2 above) and would not take over their statutory functions but could, by agreement, undertake similar work and, exceptionally, carry out such work in cases where the local authority withdrew co-operation or failed to deliver on a scheme already in progress;
- (d) The Agencies would be under the direction of the Secretary of State for the Environment; their staffing and budgets would be set in agreement with the Treasury within the block of expenditure that includes the urban programme.

To be effective, Agencies of this kind would probably involve expenditure and staff on roughly the same scale as the existing Urban Development Corporations (£25 - 40m a year and around 50-80 staff). But the scale of their direct

CONFIDENTIAL

expenditure will be less important than their ability to enlist private sector resources and to make a really effective contribution to urban regeneration.

III 4. The Future of the Planning System

The land-use planning system should not be an oppressive regulatory process or an impediment to desirable development and economic regeneration. At the same time it plays an essential part in the protection of property values and of the countryside. In the past four years we have taken effective action to improve the efficiency of the system. What is needed is not the dismantling of the system but reaffirmation of basic objectives and simplification of machinery and procedures; less detailed control at the local level and less involvement by central government in what are purely local issues, while retaining effective policies on matters that are of more than local significance.

Thus our aims should be to:

- (a) reaffirm basic objectives - proper provision for new development; urban regeneration; bringing back into use wasted and derelict land; conservation of the countryside - efficiency, economy and amenity in the use and development of land;
- (b) confirm basic components of the system (stability important to both developers and property owners)

CONFIDENTIAL

- equitable control of development, based on realistic plans, open to public participation and rights of appeal;

(c) adjust the balance of the system - less involvement by central government in local planning, but more effective policy guidance where it is needed;

(d) improve the efficiency of the system and simplify its procedures.

Given this basis of stability and continuity the ground can be prepared for changes in the system in a way that emphasises improvements in efficiency and more effective operation. In doing so it will be necessary to:

(a) Recognise that planning has an essential but limited role in the development process - there are other important ways of facilitating development and regeneration eg Enterprise Zones, Derelict Land Grant, innovations in housing policy and housing improvement, conservation of the countryside;

(b) Leave the way open for simplifications in the system that are consistent with this general approach and with our emphasis on de-regulation. For example, the following could be proposed:
redefining the status of structure plans as non

CONFIDENTIAL

CONFIDENTIAL

statutory documents; extending the simplified form of control now used in Enterprise Zones; introducing new arrangements for adjudication on minor issues; encouraging architectural quality by removing detailed aesthetic control and letting responsibility for good design rest with the designer of the building.

The changes required to move in this direction would involve legislation, and they could well prove controversial. But most of what is needed to change direction requires a new approach rather than new powers.

CONFIDENTIAL

5 ENVIRONMENTAL PROTECTION

A Environmental Action Areas

There are parts of some of our cities and towns, and some parts of the countryside, which suffer from a concentration of pollution, blight, contamination and dereliction. We need to focus action and money on these hotspots by creating environmental action areas in which the combined efforts of the public and private sectors and the voluntary organisations are brought to bear. In the first instance a few of these areas might be identified by the Government who would act as a catalyst in bringing the various interests together. The pollution control bodies and the planning authorities would be involved as necessary. In some areas the proposed Urban Renewal Agencies would have a major part; in other areas the Civic Trust, housing associations or new environmental trusts would play a leading role. The MSC might have a useful part to play The aim would be to marry public and private enterprise in order to create fresh opportunities for development, housing, employment or leisure activities as the environmental mess is removed. Government financial support would be required principally as leverage to secure private sector participation and to help firms achieve the highest standards of pollution control.

II 5 B Cleaning up the worst rivers, canals and beaches

Only 2 per cent of our rivers are classified as grossly polluted, and a further 8 per cent as highly polluted. The worst is the Mersey, its estuary, tributaries and canals; and a major new initiative has already been announced for cleaning up the river and its banks. Programmes for South Yorkshire rivers and the Tees estuary should be accelerated. There are also beaches which are badly polluted by sewage. Cleaning them up would be a popular move and in some cases we must do it to comply with the EC Bathing Beaches Directive. Some of this pollution can be tackled as part of an environmental action area initiative. But not always. Faster progress will require some increase in capital investment by the particular Water Authorities, and we should consider the possibilities of limited grant aid. We must also consider making available discretionary grants to industry and to agriculture (for dealing with the effluents from intensive livestock units) where exceptional measures are required (see below). For the most part, it should be possible to adjust existing public expenditure programmes to achieve this.

III 5 C Tighter Standards: Benefit to the Equipment Industries

If we lag behind other advanced industrial nations in the standards set for controlling pollution, our manufacturers of pollution control equipment will lose out. They

need a strong home market as a base for competing in export markets. The imposition of higher standards would both improve the environment at home and increase competitiveness in foreign markets. In the past we have stuck too closely to the "Polluter Pays Principle" for our own good. Other Western countries are less afraid to give aid to their industries where special pollution control measures are required. Higher standards in this country might be encouraged, by giving discretionary grants to industry, rather than tax concessions, towards the cost of measures for minimising air and water pollution; and towards the cost of R&D on new pollution control equipment.

III 5 D Acid Rain

There is a growing public international and scientific consensus that action to control sulphur and nitrate emissions from power stations is now justified. Two decisions are called for - first, new fossil-fuel stations should include equipment to reduce these emissions; second a reasonable programme of retrofitting at some existing stations should be agreed.

III 5 E Lead

This is the most notorious pollutant at the moment. It is Government policy to reduce exposure to lead. Much has been done but public concern remains. Lead could be taken out of food cans and paint; and we could step

CONFIDENTIAL

up measures to counter lead in drinking water in areas where the level is too high. Our current policy is to reduce petrol lead to 0.15 grammes per litre by the end of 1985. We can then expect a 80 per cent reduction in lead in the air. Nothing should be done to jeopardise this programme. Any new action must be agreed in Europe and should be compatible with the energy and motor industry policies. We could consider a target date, say 1990, for new cars to run on 92 octane lead-free petrol. The Royal Commission may point this way when they report around Easter 1983.

III 5 E Substitute materials and control over use

There is great concern about the harmful effects of particular toxic substances such as cadmium and asbestos, which are not fully met by traditional methods of pollution control. Grants should be given to speed up R&D into the development of substitutes. In some instances direct controls over the use of harmful materials are needed, and the use of substitutes should be required (a policy already applied to certain uses of lead).

CONFIDENTIAL

23/12/82

FORWARD LOOK

NOTE BY THE CHANCELLOR OF THE EXCHEQUER

This note responds to the request set out in the letter to the Home Secretary of 16 September 1982.

2. It covers the Treasury and other Departments for which I am responsible. It does not cover matters where the primary responsibility lies with other Departments, but it is possible that I shall wish to comment on some of the suggestions put forward in other Ministers' responses.

Broad objectives

3. The broad aims of my Departments over the next 5 years should be to develop and build on the groundwork laid over the past 3½ years. During that period we have introduced prudent and responsible financial policies encapsulated in an authoritative Medium-Term Financial Strategy, made major structural changes in the tax system designed to encourage enterprise, started to bring public expenditure under control, and begun to remove a large number of controls and rigidities which inhibit our economic performance and frustrate personal choice.

4. Our task over the next 5 years will be to carry forward and develop these policies so as to secure a sustained recovery in the economy, bringing with it improved standards of living and above all a lasting reduction in the level of unemployment.

5. So far as my Departments go, this should be achieved principally through:-

- continuing our responsible monetary and fiscal disciplines so as to secure further reductions in inflation and interest rates;
- containing and restraining public expenditure;
- reducing the total tax burden so that businesses and individuals may prosper;

SECRET

- further reducing the size and improving the efficiency of the public sector, including the Civil Service, the NHS and Local Government.

6. These lie mainly within my present responsibility. But we shall also continue to take a very close interest in progress in certain other important areas, including:-

- continued pursuit of privatisation and contracting-out, with a view to encouraging competition, efficiency and choice;
- the pensions system, including in particular transferability of pension rights, solvency of pension funds and reconciling both with the need to ensure that undue burdens are not placed on future generations.
- further action to reduce rigidities in the social and industrial structure, with particular reference to Trade Union reform; and the encouragement of deregulation where appropriate in all its forms;
- development of regional policy to shift the emphasis away from capital investment towards employment creation;
- easing so far as possible of the effects of transition on those adversely affected, notably the unemployed;
- continued regard for the needs of the family as an essential element of social cohesion.

Detailed response

7. A note on progress on our 1979 commitments is attached.

8. So far as major new proposals and major new initiatives go, the main field in which I have direct responsibility is that of taxation. In most other fields the formal initiative lies with other Departments, though we shall continue to take a strong interest in their overall economic affect. For present purposes, I set out below matters relevant to immediate Treasury responsibilities, divided between non-taxation matters and taxation matters.

Non-taxation matters

9. We should look to the following major developments or initiatives over the next 5 years :-

a. Public spending and the public services.

To help achieve the goal already described of containing public spending and reducing its share of GDP, particular attention will be paid to the new targets for the reduction of manpower; promotion of efficiency; contracting-out suitable services to the private sector; and the further improvement of financial management in Government Departments. I foresee significant manpower savings in all this, and little legislation.

b. Civil Service pay and public service pensions.

We need new and stable long-term arrangements for determining the pay of the Civil Service (both industrial and non-industrial), and implementation of decisions on pensions following Scott. These should be generalised throughout the public sector, which will be no easy task. Manpower implications should be minimal, though legislation might be needed.

c. Building Society reform.

New legislation is needed to give building societies more scope, within prudential limits, to extend home ownership by increasing the range of flexibility of the housing finance services they are able to provide. Expenditure and manpower implications are not expected to be significant.

d. NEDC

I would like to find ways of developing NEDC and its sector Committees into a more effective apparatus for promoting practical measures to improve industrial performance. Some SWPs are achieving useful results, but the Council needs to give them a stronger lead and a better framework for their efforts. There are no manpower or expenditure effects.

e. International Finance

We face a difficult and perhaps long process of world-wide recovery from recession. We need to promote international action and influence other major countries, to stave off some dangers and encourage robust recovery. The first and major initiative will be the intended IMF replenishment package (a substantial increase in quotas, accelerated implementation and enlarged General Arrangements to Borrow). Other developments will be needed to strengthen and deepen the cooperation between the IMF and other international institutions, leading creditor countries, and countries in difficulties, during the period of transition from high inflation. We shall also wish to influence the development of economic policies in all leading countries, in the balanced way best calculated to open up prospects for recovery, whilst making secure the gains which we are achieving and aiming for in reducing inflation. There are no manpower implications but some modest legislation will be involved in 1983 to cover IMF and related developments, including contingent liabilities for loan assistance. So long as it lasts, my own position as recently-elected Chairman of the IMF Interim Committee will provide valuable opportunities in all these fields.

f. European Community Budget

We need to continue the hitherto unsuccessful search for a durable solution to the problem of imbalance in the British contribution to the EC budget, through wider restructuring of the Community's expenditure patterns and financing system; we shall also seek improvements in the present unsatisfactory divisions and conflicts of

authority in the Community between Parliament, the Commission and the Council.

Taxation matters

10. Initiatives in this field will develop the aims set out in paragraph 5 above. Thus we must :-

- a. Further reduce the inhibiting effects of taxation on workers, managers, investors and wealth creators.
- b. Spread the burden of taxation as fairly as possible over all the different groups in our society.
- c. Make the system as simple and intelligible for the taxpayer, and as cheap to administer, as possible.

11. The main specific objectives are as follows :-

a. Incentives for people

- i. Reduce the burden of income tax and also reduce the poverty and unemployment traps in the first instance by raising thresholds (which will also help to reduce staff numbers) and then, as resources permit, by further reducing tax rates.
- ii. Ensure a proper balance between taxes on earning and taxes on spending.

b. Incentives for enterprise and risk taking

- i. Reduce the general burden of tax.
- ii. Further develop measures to promote a healthy and expanding small firms sector - in particular the Business Start-Up Scheme, insofar as it is not developed further in this Parliament.

SECRET

- iii. Further ease the burden of capital taxes.
- iv. Move towards abolition of the Investment Income Surcharge.
- v. Encourage the spread of profit sharing and employee share schemes.
- vi. Encourage the individual saver to invest directly in equities rather than to save through institutions. To this end, review life assurance premium relief and the taxation of the pensions industry.
- vii. Encourage "portable pensions" by tax sanctions if appropriate.

c. Incentives for business

- i. Move towards abolition of the National Insurance Surcharge.
- ii. Continue to review and to adapt Corporation Tax to meet the changing needs of business. [Note: the main structure may be settled in this Parliament.]
- iii. Keep under review the burden on business of indirect taxes, and also their impact on individual incomes.
- iv. Keep under review the North Sea fiscal regime to ensure that it continues to provide sufficient incentives for new developments while securing a fair share of revenues for the Exchequer.

d. Simplification of the tax system

- i. Implementation of computerisation of PAYE by 1988 will improve efficiency, with staff savings of several thousands, and facilitate possible future changes in the administration of personal tax.

SECRET

- ii. Further examine the scope for simplifying the personal tax structure, including its relationship with the National Insurance Contribution system.
- iii. Depending on progress in current trials, introduce more economical methods of collecting taxes from companies, including the possibility of self-assessment for Corporation Tax.
- iv. Consult on reform of arrangements for taxing the self-employed, partnerships and unincorporated businesses, so possibly opening the way to income tax self-assessment.

e. Fairness in the tax system

- i. Ensure a balanced approach to countering abuse in the tax system and the burden of compliance on the taxpayer, taking account of the recommendations of the Keith Committee.
- ii. Bring forward proposals on the taxation of husband and wife.

12. The timing of fiscal changes must depend on developments in the economy over the next 5 years. In some cases specific manpower implications are noted; in general the Revenue Departments' manpower objectives over this period will be considered in the context of the Government's manpower objectives for the Civil Service as a whole. Most of the measures mentioned above will require legislation, generally in Finance Bills.

PROGRESS ON OUR 1979 COMMITMENTS

Our fundamental aims were to reverse our relative economic decline, restore the health of the economy and sound growth, and to master inflation. Our policies were almost all means to those ends. This note covers all our significant 1979 commitments.

Relative decline

2. No firm view is yet possible; but our output performance this year and next - probably as good as or better than the OECD average - could be a harbinger of success.

Restoration of the economy

3. The rot has been stopped and most adverse trends reversed. But there is still some way to go :-

- inflation and inflationary expectations are dramatically down, with further progress still possible;
- output is poised for gentle if fragile growth;
- productivity is rising fast and wage claims are still moderating;
- but unemployment remains disturbingly high and is still rising;
- competitiveness is about 20 per cent better than its worst but still weak by past standards;
- real profitability is rising but still very low;
- many encouraging "supply-side" responses with overall private sector investment still very high and rising despite weakness in the manufacturing sector;

Major policy objectives

4. Our record is patchy in fulfilling most major specific policy objectives :

- Public Sector Borrowing, Expenditure and Taxes

We have cut the GDP burden of public borrowing, but not prevented the shares of spending and taxes from rising, despite major economies.

- Incentives

The cuts in higher income tax rates and changes in Capital Gains Tax, Development Land Tax and Capital Transfer Tax have transformed incentives for entrepreneurs, managers, self-employed and the better paid. But we have had no resources to raise thresholds, or simplify the tax/social security tangle. The poverty and unemployment traps remain serious problems. And although we have much simplified some taxes, shortage of resources has forced us to hedge many concessions with further legal complexity.

- Pay bargaining

A start has been made with Megaw and the NHS, abolition of Clegg, liaison with employers, cultivation of public awareness, and employment legislation. But we have not moved to negotiate "no-strike agreements in a few social services".

- Regional assistance

Is not yet related to jobs created.

- The Earnings rule

Is not yet eliminated, though we were pledged to do so by the end of this Parliament.

- The EC Budget

Still calls for lasting reform.

23/12/82



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

CONFIDENTIAL

PRIME MINISTER

FORWARD LOOK

Your letter of 16 September commissioned reports on a "Forward Look" at the work of Departments for the next 5 years. I attach my report on the Scottish Office; this also includes certain matters on which I have incorporated suggestions made by the Lord Advocate.

In submitting this report I would make two points. First, I have avoided any proposals for constitutional change at either central or local government level. As regards the former - the devolution issue which dominated the last Parliament now attracts very little attention in Scotland, despite the best endeavours of some of our opponents; and for us to devote any attention to it now would be to give it a prominence which it does not deserve. At the local government level the problems in Scotland are not organisational but financial, and I have dealt with this in the report.

Secondly, we need to devote more attention to the rural areas, where the bulk of our support in Scotland now lies. I detect a general feeling among backbench colleagues who represent rural constituencies and among our supporters in the country that our policies are not sufficiently attuned to the needs of rural areas. For example, the quest for cost and manpower reductions in the health service, education and transport can often mean that the first casualties are cottage hospitals, village schools and rural bus services on which rural communities depend for survival. We have of course done a great deal for the rural areas since coming to office. We need to register this with the public and at the same time take a more coordinated approach to the overall effect

of our policies. This is a matter which affects the majority of Departments: I certainly intend to give it particular attention in the development of our policies in Scotland for the next Parliament.

I am copying this minute to members of the Cabinet and Sir Robert Armstrong.

A.Y.

G.Y.

23 December 1982

LAW AND ORDER

The commitments in the 1979 Manifesto were mostly in general terms and no major promises remain to be fulfilled. I doubt, however, if we can claim to have reduced "the weight on the police of traffic supervision duties, unnecessary administration and paper work"; but we can say that police manpower has been kept up to strength and resources have been made available for a realistic attack on crime across the board.

I suggest that our general objectives on law and order for the next Parliament should take the form of giving top priority to protecting the citizen, reducing crimes and improving the efficiency of the police and the courts. I would like to see a commitment to increased resources for the police, including better training, coupled with improvement in the efficiency with which these resources are used, for example through greater use of computers. I would also like to see measures aimed at improving the cooperation between the public and the police and promoting voluntary effort. Chief Constables should be enabled and encouraged to make much greater use of special constables.

Improvements in the framework for control of legal aid expenditure will need to be implemented in the next Parliament. I am determined to find ways to speed up court procedures, in particular to reduce the present level of delay and inconvenience to witnesses and jurors. Some changes would probably require legislation.

There is justifiable pressure for a programme of modernisation of prisons in Scotland. We must make further progress with this; but I also want to develop alternatives to imprisonment - on which a study is being carried out jointly with the local authorities in Scotland covering probation, community service and other provisions for adult offenders. Progress on alternatives to imprisonment would probably require legislation. There might be resource trade-offs between this and the high cost of maintaining the prison service.

The Lord Advocate advises that following completion of Scottish Law Commission reports on the Law of Diligence, which relates to the enforcement of court orders, and the Law of Evidence we must deal in the next Parliament with the long-standing problem of warrant sales. I strongly agree with this. We should also undertake to consider improvements in methods of collecting aliment, probably through the machinery of the courts; and there is scope too for improving the law of evidence.

HEALTH

We have not made much progress towards our 1979 aim of providing "a coherent system of cash benefits to meet the costs of disability, so that more disabled people can support themselves and live normal lives"; but apart from this there are no Manifesto commitments on health in Scotland which are unmet or require continuing action.

Looking to the future, the first priority on health should be improvement in the management of the service rather than institutional change. We are moving as quickly as resources allow towards a fairer distribution of available resources among the Health Boards in Scotland; and this will continue over the next few years. I am clear that the use of capital resources, and their links with current expenditure, requires further study. A particular point of concern is the trend towards large, integrated centralised hospitals - although it is an inevitable result of advances in medical science that there will be an increase in specialised centres of excellence. A commitment to review the role of the cottage hospital would be very popular. Other areas for review include the management of the ambulance service, to see if economies could be made by separating emergency work from "bus" services. We need to look at the management of hospitals themselves: it is a common impression that competition between professional groups, unclear chains of command, and excessive local trade union power lead to inefficiency. I will also be working towards the abolition of local health councils.

I will continue to press for a substantial increase in the amount of contracting out by the Health Service in Scotland. A prime candidate is laundry facilities where the workload offered by hospitals could form the basis for continued existence of private firms which might otherwise go out of business, leaving local communities bereft of an important service. A second category for consideration is cleaning (where we in the Scottish Office have successfully made savings by contracting out). Other possibilities are maintenance and catering.

For the longer term we may wish to consider whether the dental and ophthalmic services should continue to be part of the NHS or should become completely private.

SOCIAL WORK

We should renew and restate our 1979 Manifesto commitment "to encourage the voluntary movement and self help groups working in partnership with the statutory services". This is a matter on which I think we can only proceed gradually, by encouragement and example, rather than by mounting a major, expensive programme.

There is a particularly strong case for encouraging voluntary organisations and statutory services to co-operate in the action needed to deal with the effect of family breakdown, especially on the children involved.

Other continuing tasks will include the development of alternatives to imprisonment (mentioned under "Law and Order") and further action on the problem of solvent abuse. I propose shortly to initiate a review of policy towards List D schools: implementing the results of this review will be a matter for the next Parliament.

AGRICULTURE, FISHERIES AND FORESTRY

On agriculture, we need a structured development programme which will reflect the inbuilt disadvantage of many parts of rural Scotland, particularly in the Highlands. We will remain under continuing pressure from agricultural interests to agree to the Agricultural Development Programme approach favoured by the EC Commission. We have to walk a fairly narrow line here: it is perfectly reasonable to express interest and sympathy towards the idea in general terms, the resource implications need careful consideration.

More generally, we need to make sure that the CAP meets the requirements of Scottish farming. In particular, we should continue the present move towards a better balance between support for cereals and for livestock production in favour of the latter, especially quality beef.

On fishing the main priority will be to make the CFP work effectively. Immediate follow-up action will comprise restructuring of the industry with grants for scrapping, laying up and modernisation; and consideration of the need for measures of local stock management, a particularly contentious topic at present. A continuing and vitally important need, and one which may make some demand on resources, will be policing the CFP to ensure that its provisions are honoured and that we do not, through abuses by others or indeed by our own fishermen, lose the advantages promised over time through recovery of stocks.

Other fishing matters where action is required are the regulation of inshore fisheries, where the law is now out of date; salmon and freshwater fisheries, where we have so far failed to reach agreement with the interests concerned; and legislation to regulate and develop fish-farming.

Forestry is a sensitive subject. We are requiring the Commission to sell off substantial parts of its estate, but if the rate of sales is forced much above its present level there will be protests from our supporters and indeed the viability of some of the Commission's operations may be undermined. We will need to consider in the longer term whether full scale privatisation might be appropriate, but a commitment to do this at this stage would undoubtedly be unpopular with our supporters.

HOUSING

Substantial progress has been made on 1979 Manifesto commitments, but more must be done in the form of help for first time buyers and innovations such as shared ownership. Our general objectives on housing for the next Parliament should be: to continue to seek an increase in the proportion of owner occupation in Scotland; to improve consumer choice, especially for first time buyers; to meet identified housing needs so far as possible; and to encourage public sector tenant involvement. I envisage a range of policies to meet these objectives including:-

- (i) Enabling developers to provide a variety of choice for potential owner occupiers by concentrating building controls on essentials (a review is under way at present) and ensuring an adequate supply of land in different locations.
- (ii) The development of new forms of tenure such as shared ownership, equity sharing and joint ventures.
- (iii) A review of the Tenants Rights Act to improve the right to buy provisions, for example for children over 16.
- (iv) An extension of the right to buy to Housing Association tenants.
- (v) Consideration of the introduction of a statutory right to consultation on housing management issues for public sector tenants.
- (vi) Continuation of the specialist role of Housing Associations and the SSHA.

The legislative implications of all this would be considerable, calling for one major Bill early in the next Parliament.

A specific proposal which I believe would be popular is to set limits on, with a view to eventually eliminating, the rate fund contribution which local authorities make for housing. The number of authorities receiving housing subsidies is declining, so that our power to influence the decisions of authorities through subsidy will decrease. There would be disadvantages in taking power to control directly the level of rents charged by local authorities but direct control over rate fund contributions has attractions. In particular it would help reduce the general burden of rates, and would be welcomed by our supporters. Legislation would be required. The resource implications are favourable and such a measure could provide the headroom needed to implement some of the other policies mentioned above.

LOCAL GOVERNMENT AND RATES

The relationship between central and local government will remain a focus of political and public attention. The conclusions of MISC 79 will be relevant to the action we need to take in Scotland.

I will wish to resist pressure for reorganisation of local government in Scotland. We do not have the same problems with the larger authorities which have so preoccupied MISC 79 and we have only recently completed the process of readjustment between regions and districts following the Stodart Report and legislation last session.

The main continuing difficulties we will face, as in England and Wales, will be financial. If overspending by Scottish local authorities continues and there is substantial RSG clawback, the results will be seriously inequitable because of the existing statutory framework. My existing powers enable me to protect authorities who meet our targets and to take selective action against those whose expenditure is excessive and unreasonable. But I need more effective powers to ensure that reasonably economical authorities - such as Tayside, Grampian and Strathclyde - are not penalised through the grant system for the policies of high spenders. We must ask Parliament for more effective powers to ensure that economical authorities are not penalised through the grant system for the excesses of high spenders. Also, as mentioned under "Housing", I think that substantial help to ratepayers can be given by setting limits on the contributions which local authorities can make from the rates to housing.

A continuing source of concern in Scotland is apparent anomalies in the methods of valuation of the commercial sector such as hotels, shops, caravans and racecourses. We should give a commitment to bring forward legislation early in the next Parliament to remedy such anomalies. This could be part of the follow-up to MISC 79, but urgent action - confined of course to Scotland - will be necessary.

TRANSPORT

Substantial progress has been made towards our Manifesto commitments on Road Equivalent Tariff (RET) and the A94 trunk road, but public expenditure constraints mean that further commitments on timing on these matters should be avoided. Our objectives should be couched in general terms and should cover improving Scotland's strategic road network; and ensuring the continuation of adequate surface and air transport links in the Highlands and Islands.

We have privatised some of the functions of the Scottish Transport Group. The remainder of the Group's activities are under review by consultants. Privatisation of the whole of the Group, or any of its major constituent parts, would run counter to our rural policy objectives and would seriously undermine support in the rural areas.

EDUCATION

Two items remain from the 1979 Manifesto. Mainly because of financial constraints it has not so far been possible to set "national standards in reading, writing and arithmetic, monitored by tests worked out with teachers and others and applied locally by education authorities". The cost of large-scale testing would be considerable. No step has so far been taken "to give parents the right to be consulted on the running and standards of a school, either by a development of schools councils or by a system of governing bodies"; but we have made a number of other changes which are making schools more sensitive to parents' views.

Major reforms in curriculum and assessment are in prospect to the extent that resources permit the implementation of the Munn and Dunning recommendations. We propose to establish a more coherent pattern for post-compulsory course provision and certification for 16-18 year olds who are not proceeding to higher education and who, under the present arrangements, are offered only a limited choice of educational opportunities. This work will dovetail with the MSCs Youth Training Scheme and the Technical Education Initiative.

We can reaffirm the commitment to move to an all-graduate basis for the primary teaching profession in Scotland. I now have Treasury agreement for the necessary reallocation of resources to cover this, though implementation will take some time. We are committed to improving the quality of the teaching force, reviewing pre-service training and improving the arrangements for in-service training. As part of this it will be necessary to consider further rationalisation of the college of education system in Scotland. The Scottish Microelectronic Development Programme has made a good start and its continuation and expansion has recently been announced.

It remains my firm intention that corporal punishment should be eliminated in Scotland. The present position is that good progress has been made, though voluntary agreement on elimination may not be achieved in all regions. I will be considering the matter further with the Secretary of State for Education and Science.

Decisions will soon be required on the organisation of tertiary education in Scotland, where the Tertiary Education Council has recently recommended a new structure for the allocation of resources to central institutions and other colleges. Implementation will be for the next Parliament. The Council is now considering continuing education for adults and will report next year. A useful programme could be started on a relatively small scale, say £1 million a year initially.

I have announced my intention to establish a Museum of Scotland based largely on existing institutions. I will wish to maintain this commitment and, in due course, find the resources for it.

ECONOMIC AND INDUSTRIAL DEVELOPMENT

The economic needs of Scotland are likely to remain much as they appear at present, with a continuing threat over the future of the older industries which will be shedding labour, generally in areas where unemployment is already high. Our capacity to make a convincing response to this will, of course, depend on the overall state of the economy but for the foreseeable future it is clear that we will continue to be under pressure to provide the maximum possible support for existing firms to grow and develop and for new investment in Scotland. We have been successful in obtaining a number of new microelectronics companies in the last few years, but we owe this very largely to the policies which have provided financial assistance, premises, transport and communications infrastructure, housing, and a trained workforce. We need a commitment to providing a continuation of this sort of level of support, where needed, otherwise our position throughout Scotland will lack credibility. Much will turn on what we decide to do following the report of the Quinlan Group.

Within this general framework there are a number of features of the policy we have built up in this Parliament to which I believe we should attach continuing importance - for example the identification of key growth sectors, industrial innovation schemes and the development of small businesses.

On employment we need to maintain our commitment to the special measures to alleviate particular unemployment problems and, for the longer term, to the provision of training, particularly for young people, where I believe there is considerable scope for an integration between training and education to use the available resources more effectively.

We need to develop a leisure and recreation policy with the SDA, HIDB, STB and local authorities to enhance Scotland as a tourist destination, provide opportunities for sport and recreation in appropriate rural areas on a seasonal or year-round basis and provide planners and developers with guidelines so as to generate confidence in long term investment and infrastructure provision.

PERSONAL AND CONFIDENTIAL



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

23 December 1982

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
HM Treasury
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

EXCHEQUER	
NO.	23 DEC 1982 M23xii
ACCT.	Mr Kemp
COPIES TO	CST, EST, EST,
	MST ^c , MST ^R ,
	Sir D Warr,
	Mr Middleton
	Mr Mountfield

Dear Geoffrey,

... I enclose for your personal use a copy of the "Five Year Forward Look" for the Department of Industry which I sent to the Prime Minister yesterday. Necessarily, the work of my Department and of yours must be closely interlinked if our common aim to help the UK productive sector to become more competitive, profitable and adaptable is to be met; and the specific proposals I make will only come to fruition over the next few years through a closely co-ordinated effort - which you will see would necessarily involve other Departments as well.

*This is an impressive
- + encouraging - piece of
work, which requires careful
study (for a variety of
implications) with HM7
CST, Perm. Secs (etc) will
need to study
I've marked passages of
special interest*

Your
Patrice

Encl

P.S. The only other "5-year Forward Look" which
I have seen (Francis Pyper) was somewhat shorter!
P.



CONFIDENTIAL

PRIME MINISTER

FIVE YEAR FORWARD LOOK FOR DEPARTMENT OF INDUSTRY

At Cabinet on 29 July each Minister was asked to prepare a report on a 'Forward Look' at his Department's programmes for the next five years. Your letter of 16 September elaborated the request, asking for an input to collective thinking for a positive and coherent strategy for the next Parliament. You indicated that the reports should include outstanding commitments and major initiatives anticipated over the five year period, showing resource implications as far as possible.

2 The central aim of our industrial strategy is to help the UK productive sector to become more competitive, profitable and adaptable. Unless we are successful in this, many of our other policies will be frustrated. I see the next five years in terms of continuing to develop and apply a range of policies designed to help achieve this. There will be several 'major initiatives' and many smaller ones, but much of our work will be a steady evolution of the policies that I believe can make the biggest contribution to our central aim. Alongside this there will be a reduction in spending on policies whose contribution is smaller or uncertain, together with a drive to complete the task of returning the state-owned enterprises to the private sector. Our future claims on resources, which I am determined to keep to a minimum, arise from the totality of these changes. I have therefore thought it right to provide a fairly full account of the Department's work - insofar as it can be foreseen - over the five year period.



CONFIDENTIAL

3 As part of our general approach to policy-making in this Department we are trying to be as clear as possible about our objectives. You will see our broadly expressed aims annexed to the report. In the report itself I have expressed our intentions in terms of specific targets wherever possible. I should stress that most of these targets depend heavily on others: on industry itself, on the education and training system, and on the policies of other Departments.

4 Basic to all our policies is a belief that the market knows best. Our most important task therefore is to create a climate in which market forces can work. This is a priority for the Government as a whole. The Department's distinctive role is to understand the needs of industry and to help ensure that wealth creation is accorded high priority by other Departments. To establish the right climate we must work to overcome obstacles of all kinds: inertia; lack of awareness; timidity; inherited attitudes and old habits. Despite the progress of the last three years, there are still far too many rigidities throughout the economy - including those imposed by Government itself. We must play our part in helping to improve industry's competitiveness by reducing its costs wherever possible. All these burdens are often disproportionately heavy on new and small firms; special efforts are required to improve the climate for them.



CONFIDENTIAL

5 There is also a need for more direct action by Government. It is very important that UK companies quickly grasp the opportunities presented by changing technology. We have been very active this last year in raising the level of awareness of information technology. Industry has recently identified the need for large scale research ('Alvey') to lay the foundation for the electronics and computer industries' competitiveness in the 1990s. Industry wants the DOI to take a leading role in this process. More generally, many studies suggest that although we in Britain are excellent at research itself, there are still far too many obstacles to the effective application of research knowledge to commercial purposes. Tackling this subject will be one of our major priorities.

6 Industrial performance in advanced countries depends on the development of 'human capital' just as much as on our investment in modern equipment. Apart from working to improve the performance of the education system, we are devoting an increasing proportion of our resources to supporting private sector management - through providing information and training about new technologies, and ensuring that consultancy services are available. Increasingly we see UK management as our scarcest resource, on whom our future depends. We must ensure that they have the right incentives and every opportunity to learn. This does not mean Ministers or Civil Servants telling



CONFIDENTIAL

managers how to do their job. It means action to ensure that the right kinds of services are available and are used, especially by smaller and medium sized companies.

7 I have included sections on the changes planned in the management of this Department and of the implications for resources of manpower and money. We shall be doing our utmost to switch resources from one activity to another, and to find new opportunities for contracting out wherever this can be done without loss of efficiency. I am in no doubt that understanding and support of the productive sector should be one of the Government's highest priorities. It is therefore essential that we should have enough people to do this properly, and I cannot at present see much scope for reducing total manpower in this Department during the period. As the report explains, much depends upon the outcome of the current regional policy review. If the outcome places increased burdens upon us, then it may be necessary to make a small increase in this Department's provision in order to achieve the targets set out in this report. I believe this would be a price worth paying. (We will have cut by some 23% between 1979 and 1984).

8 Your letter asked for outstanding commitments and major forthcoming initiatives to be identified. We have discharged all the specific commitments in my area of responsibility with which we entered office. The foreseeable major initiatives over



CONFIDENTIAL

Role of SWP/EDC?

the next five years include:

- (1) privatisation of BT and Rolls Royce
- (2) progressive sale of BSC, BS and BL
- (3) creation of a liberal regime for telecommunications and interactive cable services
- (4) mounting a major programme of collaborative research in Advanced Information Technology
- (5) major revision of regional policy
- (6) drive to develop and support more professional management, especially in small and medium sized companies.

*Demands
of Post Office?*

PT

P J

22 December 1982

Department of Industry
Ashdown House
123 Victoria Street
LONDON
SW1E 6RB

CONFIDENTIAL

FIVE YEAR FORWARD LOOK FOR THE DEPARTMENT OF INDUSTRY

1 INTRODUCTION

2 CLIMATE FOR ENTERPRISE

3 INNOVATION

3.2 Key Technologies

3.3 Transfer of Technology

3.4 Research for Industry

3.5 Standards

3.6 Public Purchasing

4 EFFICIENCY

4.2 Human Resources

4.3 Management

4.4 Nationalised Industries

4.5 Regional Policy

4.6 Inward Investment and Collaboration

4.7 Tactical Support in World Markets

5 DEPARTMENTAL MANAGEMENT

6 IMPLICATIONS FOR RESOURCES

6.2 Expenditure

6.3 Manpower

FIVE YEAR FORWARD LOOK FOR THE DEPARTMENT OF INDUSTRY

1 INTRODUCTION

1.1 The central aim of the Department of Industry is to help the UK productive sector to be competitive, profitable and adaptable. This is primarily the task of UK management, working within a framework of market disciplines. All the policies of the Department are designed to enable these mechanisms to work efficiently, not to usurp the function of the market place. It follows that our first task is to maintain a thorough knowledge of industry itself and its needs. As its needs change, so must we. To pursue this the Department has a range of more specific aims which are grouped under three headings: climate, innovation and efficiency (Annex 1). We see the five year period in terms of making very substantial progress towards achieving these aims.

2 CLIMATE FOR ENTERPRISE

2.1 Our aim here is to create a climate for enterprise in the UK that is at least as favourable as any among OECD countries. Of course this Department has very little direct influence on the climate. Our work in this field is chiefly through our influence on other Departments. There is a great deal still to be done in removing obstacles - some of them Government-imposed - to enterprise at all levels from self-employment through to larger companies.

2.2 It is now recognised that new and small businesses have a very important part to play in providing the dynamic and most adaptable element in the economy. The comparatively small share of UK economic activity in the hands of small and medium-sized enterprises is seen as one source of our poor industrial adaptability. We aim to increase this share. We see improved incentives as the most important single route to encouraging self employment and the creation of new businesses. Measures to improve the provision of risk finance, 'patient money' and suitable premises are also important. Efforts must continue to lighten the legislative burdens that are disproportionately onerous to small companies.

CONFIDENTIAL

2.3 Entrepreneurship is becoming more widely valued. However it is still far too common for our best brains to shy away from wealth creating activity, especially manufacturing. We are working to help change the perception of wealth creation by everyone in the education process from schoolchildren to university teaching. The newly established Engineering Council has an important role to play here. Over the next five years, the Department will support it in every way. (DoI interest in education and training is discussed further at section 4.2.)

2.4 In the short to medium term the business climate for large companies is still more important. Worldwide recession has made it very tough; the return on capital has fallen to historically low levels. In the past few years, fluctuations in interest rates and the exchange rate have played havoc with industry's ability to plan. In future, industry should benefit from a more stable macro-economic framework, with inflation and public spending under control.

2.5 Over the next five years the Department of Industry will continue to speak up for industry's needs in the fields of taxation and regulation. More action is needed to improve personal incentives and mobility; abolish the NIS; contain the rates burden; and to shift the balance of bargaining power further in favour of managers, weakening the power of trade unions to resist change and wage flexibility.

2.6 Together with the Department of Trade, we will work to eliminate barriers to our exports, especially within Europe.

2.7 All specific targets in this field depend on close co-operation with other Departments. They include:

Domestic Climate

- 1 Make the tax treatment of share options and incentive schemes as generous as in the USA
- 2 Eliminate the fiscal bias which favours investment in property and pensions over productive assets
- 3 Ensure the tax treatment of R & D is as favourable as in the USA

CONFIDENTIAL

- 4 Abolish NIS as soon as possible; consider reducing NIC
- 5 Reduce the burden of industrial and commercial rates
- 6 Reduce energy costs to industry through access to all fuels, including coal, at internationally competitive prices
- 7 Remove obstacles to self-employment and to the formation and growth of small firms, particularly by:
 - providing tax relief to investors in Small Firms Investment Companies
 - extending/improving the Business Start-Up Scheme; Loan Guarantee Scheme and Enterprise Allowance Scheme.
- 8 Remove obstacles to mobility, especially those imposed by non-transferability of pensions
- 9 Ensure adequate supply of premises for small companies
- 10 Investigate effects of Corporation Tax and possible fiscal bias against service industries

EC

- 11 Complete the Community's internal market by dismantling non-tariff barriers and opening up public purchasing policies in other member states
- 12 Ensure the Commission uses its powers to outlaw covert aids to industry in other member states
- 13 Reduce EC discrimination in favour of agriculture switching EC support towards innovation in industry

Worldwide

- 14 Resist pressures for protection.

3 INNOVATION

3.1 The climate for enterprise will not become so favourable during the next five years that there will be no need for Government to act in various ways to promote innovation and efficiency. But wherever we act, it must be to support judgements made in the market place.

3.2 Key Technologies

3.2.2 Spreading awareness and application of key technologies is a major task. The success of IT year shows that the Department can play a useful role in raising awareness. But

CONFIDENTIAL

adoption is a much slower process. The MAP programme has helped over five years to raise use among companies of micro-electronics from 5% to 30%. This is still far too low. Project evaluation shows that MAP awareness, consultancy, and project support brings high returns. The Department can increase the rate of diffusion of IT by encouraging its application to areas outside commercial life, where the benefits can be directly apparent to the general public. We have made a start with this through assisting the introduction of micro-computers into general practice and demonstration projects and pre-production orders for systems which use IT to help the disabled.

3.2.3 The application of IT to cable technology represents a major opportunity for the UK and we aim to establish a framework which will enable private enterprise to develop the potential for new services rapidly. We aim to open up the telecommunications market by licensing interactive cable services during the next Parliament. This should lead to Britain being the first country to be served by a complete new 'electronic grid' of interactive services.

3.2.4 Over the next five years the importance of promoting new technologies will increase. Provided companies take the larger part of the risk, we will be ready to consider support for innovative products which covers market assessment; applied research; development; pre-production tooling and investment; prototype developments; and initial marketing. All major projects are subject to advice from outside industrialists through an Advisory Board. This helps to ensure that support follows market place judgements. Support will not be confined to particular sectors of industry. It is vital that we do not fall into the trap of thinking that the new technologies should be supported at the expense of the so-called 'mature' industries. There is abundant scope for applying new techniques to established industries to improve their competitiveness with very high returns. Robots in car assembly provide one example. 'Enabling' technologies with widespread applications will continue to arise in the next five years and we will continue to help the spread of new technology by a variety of methods, including demonstration projects.

CONFIDENTIAL

3.3 Transfer of Technology

3.3.1 Britain's future in a highly competitive world depends increasingly on our ability to generate and use knowledge. Efforts must be stepped up to ensure a sufficient flow of information from the researcher through to the companies that can apply the knowledge, and between companies and sectors.

3.3.2 One way of transferring technology is to increase contact between researchers and companies through seminars etc. Evidence suggests that mobility is the most effective method of all. The Department will be active in seeking out and removing the obstacles to movement of qualified personnel, particularly from public sector institutions, including universities, and Government laboratories to the private sector.

3.3.3 We intend to promote technology transfer through a variety of initiatives. We have put forward proposals for the British Technology Group (BTG) to enable it to play a more positive role in the transfer of technology to the private sector from the public sector and from abroad within the overall framework of the Department's policies for industrial innovation. The BTG will put greater emphasis on searching out new opportunities and making the most of its expertise in licensing and patenting.

3.3.4 In conjunction with SERC we intend to extend a very successful scheme for locating graduate students in companies (The Teaching Company Scheme). We will also help with the establishment of new ventures linked to existing research institutions to exploit in-house research, encourage work in potentially exploitable areas and provide consultancy services and other help to industry. These ventures may take a number of forms such as growth centres for research-based industries, Science Parks, innovation centres for local industry and incubation centres for fledgling high technology companies.

3.4 Research for Industry

3.4.1 In Britain there has been insufficient civil research effort in fields relevant to UK industry. We aim greatly to increase the industrial relevance of the £1.6 billion spent

CONFIDENTIAL

annually by Government on civil research. There needs to be better industry representation on the bodies which control the distribution of research funds in the public sector such as the UGC and the ABRC.

3.4.2 UK industry's own expenditure on R & D remained static in real terms during the 70s. American experience suggests that the level of privately funded R & D can be increased by imaginative use of the tax system. We want to explore this with the Inland Revenue.

3.4.3 We intend to increase the amount of effort in the Department's Industrial Research Establishments devoted to projects designed to yield industrial benefits in the medium to long term, linking science research successes to engineering applications. All efforts to identify areas for longer term research are subjected to the scrutiny of the Department's Research Requirements Boards so that industrial representatives can ensure that the programmes complement the work industry is carrying out itself.

3.4.4 Industry has proposed a large scale collaborative research programme in advanced information technology (the Alvey programme). Industry will be fully involved, but at this 'pre-competitive' stage it will be necessary for Government to meet a large part of the cost. Because many competing companies need to be brought together, alongside universities and other institutions, Government will need to organise the programme. This will be one of the major tasks of the Department during the next five years. Collaborative research is planned on a smaller scale in several other areas.

3.5 Standards

3.5.1 The aims set out in the White Paper on 'Standards, Quality and International Competitiveness' will require a major contribution by the Department of Industry towards the development of a system of standards, certification and approval to improve the quality of British goods. Eventually our system of standards should confer advantages on our industry on the same scale as German companies have benefited from the DIN system.

cf. MS7(R)'s book

3.6 Public Purchasing

3.6.1 We will seek out further opportunities for enlightened public purchasing to support new standards, innovation and high quality British products. In particular we aim to adopt methods used in the US to ensure that small businesses get their fair share of public contracts, notably through 'set-aside' programmes for all public contractors. We will also encourage large private sector companies to do the same. Government should use its power as purchaser to reinforce its policy objectives in other areas even though this may involve hard decisions to forego the cheapest price offered in favour of overall economic value. We must resist pressures to take refuge behind international commitments. We need to develop more coherent policies whereby the public sector identifies its need for new products, initiates the development work in the private sector, pulling through new technologies, and backs this up with volume orders. Office automation is one area where this approach needs to be applied vigorously.

3.6.2 The defence equipment and R & D budgets require special effort to make sure that this Government expenditure contributes to industrial and commercial objectives. 80% of the funds Government provides to industry for R & D is for defence purposes and the civil spin-off from this expenditure needs to be greatly increased.

3.7 Specific targets in support of innovation aims include:

Key technologies

- 1 Raise application of microelectronics from 30% to 50% of firms by 1987
- 2 Establish, with the Home Office, an interim strategy for a national cable network with a limited number of franchises offered in 1983

Technology transfer

- 3 Build up four major growth centres for research based industries

CONFIDENTIAL

- 4 Build up a active local network of innovation centres so that by 1987 no firm in the UK is more than fifty miles from one
- 5 Encourage the development of Science Parks throughout the country
- 6 Treble the number of participants (currently 90) in the Teaching Company scheme
- 7 Remove obstacles of tenure and pensions which deter qualified personnel in public sector research (45,000) from moving into private industry

Research

- 8 Organise and support a major programme of collaborative research on Advanced Information Technology (the Alvey programme)
- 9 Use collaborative ventures and tax incentives at least equal to those in the USA to promote industrially relevant research

Standards

- 10 Treble DoI expenditure on specification standards in Government laboratories and industry
- 11 Use British Standards in legislation and public procurement
- 12 Gain international recognition for UK testing and product certification schemes

Public purchasing

- 13 Identify and remove obstacles to increased civil spin off from defence R & D spending
- 14 Help British firms to establish a major presence in new markets - such as healthcare and office automation - by pilot projects and enlightened public purchasing to achieve volume
- 15 Establish 'set-aside' programmes for small business suppliers by all public contractors

4 EFFICIENCY

4.1 Apart from its role in promoting the right climate for industry and encouraging innovation, the Department uses its influence to promote efficiency in a number of other ways.

4.2 Human resources

4.2.1 Industrial performance in advanced countries depends as much on the development of 'human capital' as on investment in modern equipment. The Department has an important role in helping to ensure that industry's manpower needs are understood and met by the educational and training systems at all levels.

4.2.2 The 1979 Manifesto committed the Government to review the relationship between school, further education and training to see how better use can be made of existing resources. Although this is primarily a matter for DEm and DES, this Department is uniquely concerned about the implications for industrial competitiveness. A low proportion of the working population is vocationally qualified in comparison with our industrial competitors.

4.2.3 The Department supports the objectives set as part of the New Training Initiative for developing and implementing by 1985 standards for training. We want to end unnecessary time-serving conditions and age barriers by that date. We support the MSC in its new initiative for vocational education for the 14-18 year old age group and the Engineering Council's efforts to give greater emphasis to technician education in engineering.

4.2.4 More action is needed to remedy the unbalanced attitude to industry and commerce which in many institutions ranges from indifference to contempt. This change should encourage young people to choose vocationally relevant courses throughout education. More and better industrial representation is required at all levels of education from the NAB and the UGC down to the governing boards of primary schools. Direct liaison between firms, schools and colleges is also vital. The Department's Industry/Education unit will continue to be very active in this area. Clear and authoritative information is required about industry's education needs.

CONFIDENTIAL

4.2.5 Where a rapid response is required to a new training need over the next five years the Department may collaborate directly with the MSC. One example is the programme to establish at least 150 Information Technology Education Centres (ITECs) over the next year. The Department is reviewing the implications for training and qualifications of the increasingly close links between mechanical and electrical engineering which advanced manufacturing technology requires.

4.2.6 The Department will fund some projects directly to give a clear and early signal to the system of industrial needs. The successful micros in schools initiatives are examples of this kind of action. Further initiatives may include sponsoring lectureships, fellowships and studentships in key subject areas.

4.2.7 Just over 60% of students in higher education are estimated to be in science, technology and other vocationally orientated subjects. Since the early sixties the proportion of arts and social studies students in higher education increased markedly. The UGC has said that it intends that by 1983/84 the balance between arts and science and technology should shift in favour of the latter by 2% and that there should be an absolute increase of 2% in the number of engineering students over the levels in 1979/80. We believe that this degree of adjustment is not sufficient to meet the needs of ^{the} economy over the rest of the century or the likely demands of prospective students as the importance of the new technologies becomes more widely appreciated. Not only does the balance have to shift more dramatically but the relevance of science and technology courses to industrial and commercial needs must be improved, for example by the inclusion of modules on topics such as operational research, statistical quality control and management accounting. Given the long lead times needed to modify higher education provision, action needs to begin as soon as possible.

4.3 Management

4.3.1 Evidence has accumulated suggesting both that UK executives are less highly qualified than their continental, US and Japanese counterparts and that the education and training

CONFIDENTIAL

UK managers receive is not sufficiently related to their future careers. The lower status of engineering and manufacturing in the UK are symptoms of the overall problem. General management in UK manufacturing has also been criticised for lack of market orientation and its neglect of medium and longer term considerations.

4.3.2 The Department has responded to this by developing a number of programmes designed to promote the awareness and adoption of advanced manufacturing techniques such as computer aided design, flexible manufacturing systems and robotics. More effort is required to support UK management - especially in small and medium-sized companies - to increase their capacity to take on their international competitors. Advisory services need to be developed not just in connection with the new technologies but also for those aspects of management which apply to almost all enterprises such as management accounting, stock control, buying, marketing and statistical quality control.

4.3.3. The Department itself has no special expertise to offer but it can bring about changes. Increased industrial relevance of education is part of the solution. The Engineering Council has an important role to play in this and other aspects of the problem. Increased mobility for executives, promoted by the removal of obstacles to mobility such as non-transferable pension rights needs to be encouraged. The spin-off effects of inward investment by foreign companies who introduce best management practices into the UK can be substantial. We shall also encourage the appointment of suitably qualified and experienced non-executive directors.

4.3.4 The Department can also help by meeting the costs of consultancy in specialised fields through services like the highly successful Manufacturing Advisory Service or Design Advisory Service. In general these schemes involve much less expenditure than the more traditional role of contributing directly to project costs. But they generate very high returns in terms of improved efficiency. There is scope for a much bigger role for DoI in making services available to management, who are in the front line in bringing about improvements in performance.

CONFIDENTIAL

4.3.5 Our specific targets in these fields are:

Education and Training

- 1 Establish at least 150 ITECs by the end of 1983, in collaboration with the MSC. Aim at 400 by 1987
- 2 Improve the quality and availability of information about industry's requirements from education
- 3 Encourage more and better industrial representation at all levels of the education system and better liaison between firms and schools. Every teacher should be offered a short period (eg a fortnight) in an industrial or commercial company
- 4 Improve the vocational relevance of courses throughout higher education. Specifically:
 - accelerate the shift towards science and engineering so that by 1987 the proportion of students taking non-vocational arts degrees is reduced from its present level of 40% to 25%
 - all scientific and technical education should include modules on business subjects such as accountancy, design, marketing, statistical quality control
 - all arts courses should include some exposure to numerical, technical and commercial subjects
- 5 Ensure that all craft and technical level training includes material on basic business principles
- 6 Increase exposure by students at all levels to modern production techniques and equipment
- 7 Improve the industrial content of teacher training and re-training, if necessary with pump-priming finance
- 8 Support the New Training Initiative, including the Open Tech, and press the MSC to eliminate time-serving by 1985

Management

- 9 Increase provision in adult education for management education - if necessary, by direct Departmental financing of projects eg through the Open University
- 10 Extend the Department's funding of advisory services to management to cover all specialist fields with availability to all small and medium-sized companies
- 11 Establish local enterprise agencies involving the private sector to provide advice to small firms in every centre of population in the country, with back up support from the Small Firms Service
- 12 Provide a computer-based information service linking all enterprise agencies and other bodies providing advisory services for new and small firms throughout the country.

CONFIDENTIAL

4.4 Nationalised Industries and State-owned Companies

4.4.1 Wherever feasible, the Department aims to return productive activity to the private sector. Legislation to turn BT into a Companies Act company and to sell shares is before the House. October 1983 is the target date for BT to lose its 'exclusive privileges' and obtain a licence to provide a telecommunications service in the UK. A competitor has already been licensed. The regulation of this growth industry will be an important task for the Department, through Oftel, in the years ahead.

4.4.2 Legislation to permit the introduction of private capital into the activities carried out by British Shipbuilders is before the House. The precise timing will depend on market conditions.

4.4.3 Over the next five years the following measures should have taken place:

British Telecom	sale of 51% of company to the private sector
British Steel Corporation	disposal of businesses peripheral to steel-making virtually complete by 1984; joint ventures with private sector (operating transparently) in areas of overlap eg cold narrow strip, springs and engineering Steels by 1984; privatisation of major steel making businesses as they are returned to viability after 1984
British Shipbuilders	privatisation of shiprepair activities during 1983/4 and Vickers, Yarrow and Vosper warship builders after the election
National Enterprise Board (BTG) ..	disposals of all subsidiaries
British Leyland	introduction of private equity into Jaguar and possibly Unipart and Land Rover (with or without Leyland Group) by 1985
Rolls Royce	return to the private sector by 1988

A challenge program

CONFIDENTIAL

4.4.4 For all NIs and state-owned companies the Department will continue to set challenging objectives, including financial and performance targets. Chairmen of the highest calibre will be appointed, linking their remuneration to performance in relation to agreed objectives.

4.5 Regional Policy

4.5.1 Regional policy is the subject of an interdepartmental review. The results will be for implementation in the next Parliament. Although we cannot anticipate the outcome, we hope to cut back on automatic capital aids and to make future policy more in tune with the Department's other aims: stimulating new enterprise, promoting innovation and developing human resources. There is also a strong case for integrating this Department's regional work more closely with that of DoE and DEM and for securing a fair balance between Scotland, Wales and the disadvantaged regions in England.

*Add to
our own
objectives*

4.6 Inward Investment and Foreign Collaboration

4.6.1 Successive Governments have recognised the benefits to the UK from direct inward investment, especially when it is located in the assisted areas. We shall continue actively to encourage companies to locate here - especially those of American and Japanese origin who can substitute local production for imports and use the UK as a base from which to supply the rest of Europe. Joint ventures with foreign companies can be another means to gaining access to technology, expertise and world markets. We shall be actively encouraging them, especially with Japanese companies. Our specific target for inward investment is:

to maintain and if possible increase the UK's 1982 share of US and of Japanese direct investment in Western Europe by 1987

4.7 Tactical Support in World Markets

4.7.1 Because other Governments are active in the field of supporting major export contracts or in international agreements to reduce pressures from low cost producers, the Department

Cave! must be ready to take essentially tactical action in support of British industry. That does not mean we should always match subsidies or import restrictions. But the impact of our competitors' policies has to be considered when formulating our own. It will often be necessary for the Government to ensure that British industry is not placed in a disadvantageous position. No targets are expressed for this essentially tactical work, because it is much affected by developments elsewhere.

5 DEPARTMENTAL MANAGEMENT

*To consider & include
man & HM?*

5.1 Touche Ross recently examined the adequacy of the Department's financial and planning control systems. A number of their recommendations are being implemented:

- a A single Resource Management Group (RMG) chaired by the Permanent Secretary has been established to be responsible for the planning and allocation of the Department's resources
- b The RMG has proposed some priority areas for action for the Department in drawing up Divisional plans, including PES
- c The calibre of financial accounting and internal audit staff is being improved, as are audit procedures
- d Pilot studies of responsibility cost centres are under way at three locations within the Department
- e A strategy for improving management information systems is being prepared.

5.2 A thorough review of Departmental aims has taken place and a Policy Planning Unit has been set up to co-ordinate this work. The aims have recently been published. Within the Department the aims are being used as a framework for planning at the Divisional level through the formulation of policy objectives and operational targets. (This work represents part of the Department's programme to implement the Financial Management Initiative, on which a fuller report will be made shortly.)

CONFIDENTIAL

5.3 The Department intends to increase its managerial competence over the next five years in a number of other ways. It is planned to:

- 1 Conduct annual reviews of performance against plans for every Division
- 2 Set clear objectives at the outset of all new schemes of assistance, with early evaluation of results
- 3 Make the marketing of the Department's awareness campaigns and schemes more professional and coherent
- 4 Increase the number of exchanges of Departmental staff with those in industry and commerce
- 5 Increase training effort in modern management techniques
- 6 Increase professionalism in monitoring nationalised and state-owned industries
- 7 Integrate more closely the work of administrators and specialists.

*Again work
checking up on
our Agiles?*

6 **IMPLICATIONS FOR RESOURCES**

6.1 The Department's spending, excluding the nationalised industries, is planned to be around £1 billion per year for the next two years. By 1 April 1984 it will employ 7,300, including Common Services shared with DoT - approximately 1% of the Civil Service. This follows a reduction of 23% since May 1979.

6.2 Expenditure

6.2.1 To increase the rate of innovation in industry, we intend to give very high priority to maintaining a steady expansion of our programmes for research (Alvey and others) and its application to new products. Since our spending is tied to spending by industry itself, there is a substantial gearing effect. Continued expansion of these programmes should pay big dividends in the competitiveness of UK companies in the 1990s. In the last four years, spending under the Science and Technology Act has increased from £106m in 1978/9 to an allocation of £249m in the present year.

CONFIDENTIAL

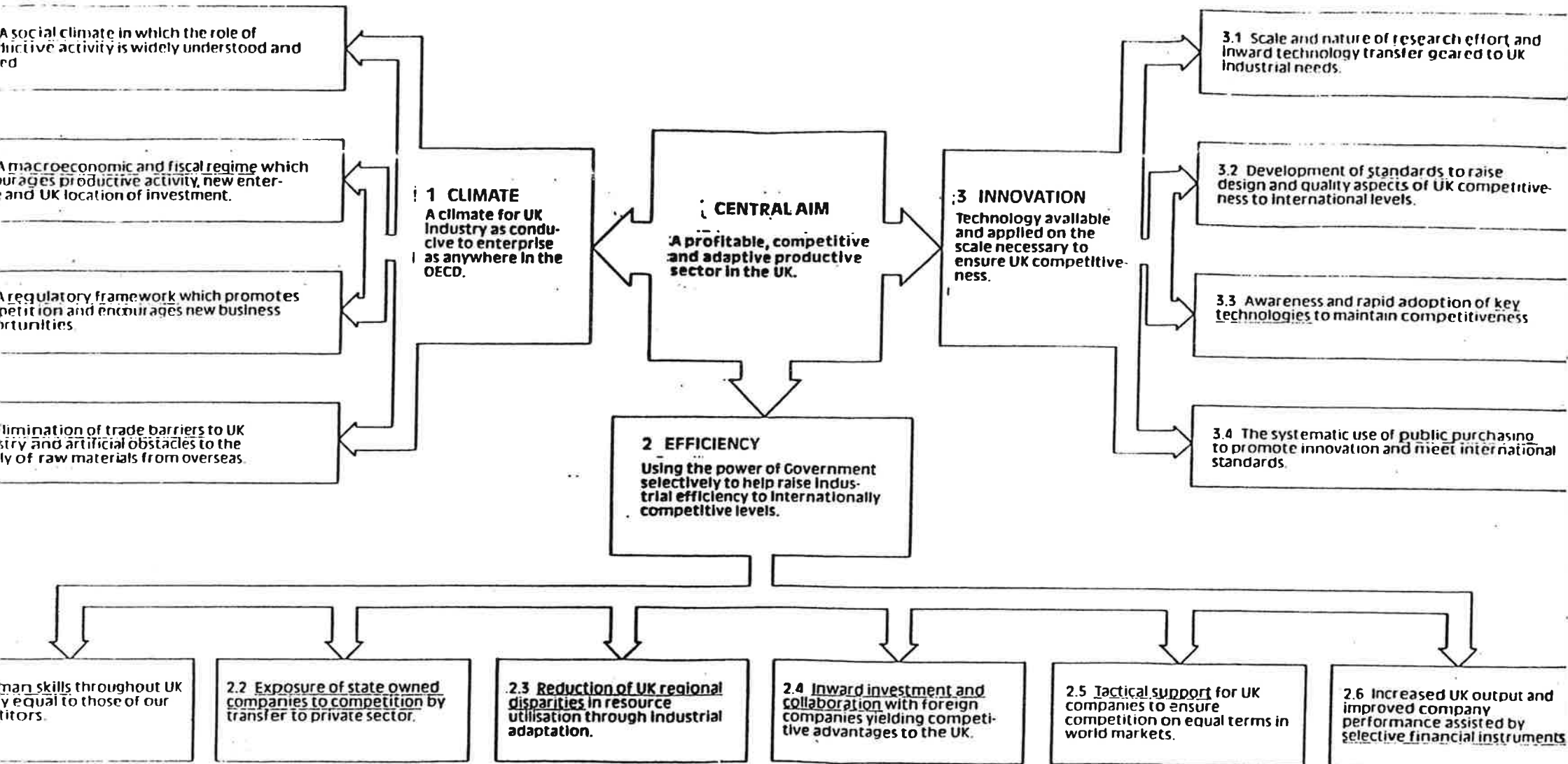
6.2.2 Departmental spending on support for management has grown rapidly due to the expansion of advisory services to small firms, but is still quite modest at £40m per year. We intend that this should occupy a much larger share of our total expenditure within five years.

6.2.3 These increases can be accommodated within present levels of total Departmental spending provided that we continue to contain and reduce spending on the state-owned companies and industries and that there are some savings in regional policy as the result of the present review.

6.3 Manpower

6.3.1 It will be more difficult to meet the increased need for manpower in our high priority activities - R & D and management support - by reductions elsewhere. Reduced spending on the state-owned enterprises will not release many people. Liberalisation will make increased demands in some cases. (Approximately 50 extra staff will be needed for Oftel.) There is a risk that future forms of regional policy will be more sophisticated and therefore more labour-intensive to administer. We shall be pursuing every opportunity to contract out wherever this can be done without loss of efficiency. The picture should become clearer during the forthcoming exercise on manpower. However much will depend on the outcome of the regional review. If there are new tasks to perform, a small increase in the Department's provision may become necessary in order to carry out our high priority activities.

DOI STRATEGIC AIMS





mp



ARCHIVER

30 DEC 1982 1730Xii

Mr Kemp

CST, FIT, EST, MST, MST^{RS}

Sir A Watt, Sir A Rawlins

Sir K Conzen, Mr Bailey

Mr Lither, Mr Traynor

Mr Wilding, Mr Mountie

Mr Riedley

Mr French

Mr Harris

h

PRIME MINISTER

I attach a report looking forward at my Department's programmes over the next five years, as you asked in your minute to the Home Secretary of 16 September.

I am copying my report to all members of the Cabinet and Sir Robert Armstrong.

NT

NT

23 December 1982

F WARD LOOK : DEPARTMENT OF EMPLOYMENT GROUP

1. The major strategic commitments in the 1979 Manifesto of concern to the Department were:-

(a) to build towards the creation of genuine new jobs in an expanding economy;

(b) to restore responsible pay bargaining;

(c) to strike a fair balance between the rights and duties of the trade union movement;

(d) to improve efficiency and eradicate waste.

2. These are continuing tasks and no major specific commitment has still to be met.

3. The prospects for unemployment over the next five years give extra emphasis to the commitment on jobs. The course of the world economy and the competitiveness of our industries (assisted by our economic and industrial policies) will remain the major factors in enhancing or depressing the prospects of job creation. Within the limits set by those factors action is needed to improve the labour market by improving the quality of labour (by training), its usage (by reducing restrictive practices), its competitiveness (by firm pressures on unit labour costs). Alongside such policies there will be a continuing need for special employment measures to limit the growth of unemployment and to ease the social problems which arise from it.

4. The following proposals for the next five years are primarily directed to the creation of new jobs.

TRAINING FOR WORK

5. Training standards in Britain still lag behind those in our successful competitors. The reform of training set out in Command 8455 in December 1981 must be continued.

6. Training for work starts with education. No training scheme can pick up and in one year prepare youngsters thoroughly for work in a modern economy unless they have been properly orientated beforehand. The vocational and technical education in our schools needs radical improvement. This will no doubt be an object of DES policies. The new initiative of pilot schemes to restore vocational education is an important step forward. To the extent that it is successful it will reduce the scope and demand for the Youth Training Scheme.

7. Nonetheless over the period to 1987 the Youth Training Scheme will play the major role in eliminating unemployment for young school leavers in their first year on the labour market. Beyond that our objective remains to ensure adequate training for all up to 18. The steps to that end would involve first bringing in other unemployed 17 year olds (at a cost of £70m), then 17 year old school leavers in employment (£160m). To give all 16 and 17 year olds a year on the scheme would cost up to £400m. Decisions about such extensions could only be taken in the light of the outcome of the study of funding industrial training (see paragraph 10 below) and it would be unacceptable for the taxpayer to assume permanent responsibility for such a large sector of industrial training.

8. Outdated restrictions on entry to apprentice training must be ended. Both for apprenticeship and adult skill training recognised standards for all the main skills in place of time serving and age-restricted apprenticeships must be attained by the target date of 1985. TOPS should be increasingly directed to up-grading for new skills required for the upturn and to encourage provision by employers themselves.

The development of the Open Tech programme has potential for making a significant impact on future methods of training. The results of the initial phase will be carefully monitored.

10. The usefulness of YTS as a special employment measure must not be allowed to bring about a long term transfer of training costs from the users to the taxpayers. A study of the funding of industrial training generally is to be undertaken over the next year and any significant change would probably require legislation.

B. REMOVING MARKET IMPEDIMENTS

11. There is more to be done to remove statutory and other obstacles to the efficient working of the labour market and the promotion of employment.

(i) Pay

12. A number of statutory impediments to efficient working of the labour market remain. The option will arise in the next Parliament to repeal the legislation providing for Wages Councils and this could become effective in 1986 following the necessary renunciation of the relevant ILO Convention. Incidental savings of about £4m pa and 250 staff would arise. (The two Agricultural Wages Boards are the responsibility of the Secretaries of State for Agriculture and for Scotland).

13. The Fair Wages Resolution will cease in September 1983 when the renunciation of the relevant ILO Convention becomes effective.

14. Legislation will be proposed to repeal the Truck Acts and associated legislation which tend to inhibit the payment of wages to manual workers other than in cash. It is the intention to consult on this issue, together with proposals to protect employees from unlawful deductions from wages, early in 1983 and to consult

on the denunciation of the relevant ILO Convention which needs to be effected by September 1983.

(ii) Industrial Relations

15 Trades unions have played a major role in our economic problems and it is essential that their power and influence are harnessed to more constructive tasks than near-blind support of the Labour Party and totally blind pursuit of socialism. Reform so far has begun to limit their destructive power. In the long run the best hope of diverting unions from political posturing is to make the leadership more responsive to the mass membership.

16 To that end the Green Paper "Democracy in Trade Unions" will deal with the possibilities of legislation (not before the 1983/84 Session) on:-

- (a) the election, by secret ballot, of the governing bodies of trade unions;
- (b) secret ballots before strikes;
- (c) the reform of the statutory arrangements whereby trade unions can adopt and finance political objectives, notably by ending "contracting-out".

17 At the same time the objective will be to stimulate and foster demands from trade union members themselves for internal reforms to ensure that unions act in accordance with their members' wishes democratically expressed at all levels.

18 In continuing to follow the step by step approach for the reform of industrial relations law, we should be ready to legislate further to deal with abuses for which there is practical remedy and evident public support. Possibilities might include:-

(a) legislation enabling employers to lay-off their employees without pay when their work is affected by the industrial action of other employees of the same employer or when industrial action in a major dispute in other employment affects the work of a substantial number of all employees;

(b) legislation to remove immunity from all secondary industrial action;

(c) legislation to remove immunity from industrial action in breach of substantive or procedural agreements.

There are however major political or practical difficulties to be overcome before these become practical propositions.

19 On employee involvement, employers should be stimulated and encouraged to improve communications and involvement of all kinds voluntarily, whilst we continue to resist the draft Fifth Directive or the Vredeling Directive.

20 The essential framework for employee protections (ie for redundancy and unfair dismissal and on maternity) needs to be retained. However, we should continue to monitor the effects of these protections and the means by which they are afforded. In particular, consideration is being given to further relieving small and new employers from the unfair dismissal provisions (which could require legislation). A study is underway to examine how the industrial tribunal system might be reformed or wholly recast to make the jurisdiction simpler and less costly.

C DIRECT ACTION AGAINST UNEMPLOYMENT

21 Current plans for the special employment measures (including YTS) envisage their reducing the number of unemployed by about 500,000 by early 1984. TSTWCS and JRS are due to end by early 1984. Decisions on the scope of the employment measures programme

thereafter have yet to be taken. But while unemployment remains high a major programme of such measures is justified in order to improve the chances of employment of those groups most afflicted, notably the young and the long-term unemployed (often unskilled manuals).

22 These measures can hardly be regarded any longer as temporary expedients. As they continue, we shall need to give them forms which support (or least conflict with) the strategic objective of building towards more genuine jobs. YOP is being transformed into a vocational training scheme for young people (YTS). The Young Workers Scheme is assisting in getting more young people into jobs by stimulating adjustment of youth wages to the market. Consideration should be given to the incorporation of the Job Release Scheme into a system of flexible retirement.

23 Increasing employment might be encouraged by assisting the unemployed to open small businesses (through a national Enterprise Allowance Scheme) and by stimulating more flexible work patterns to open up more market jobs (as through job splitting).

24 Special measures concentrating on the long term unemployed seem bound to focus on non-market working opportunities. That should lead to remuneration on a basis nearer to benefit-plus than to market rates of pay.

25 The European Social Fund is currently under review. Our aim is to ensure that young people and the needs of industrial regions with high unemployment have high priority. We will press for a considerable expansion of the Fund in order to remain a significant net beneficiary and no more than a marginal net contributor (at worst) after the accession of Spain and Portugal. Changes in the presentation of Community receipts in public accounts may make the Fund a more salient and significant item in the planning of Government programmes than at present.

2 Apart from the Social Fund, few community initiatives in the employment field are helpful. The draft Directives on employee involvement are certainly not. The Commission has endless ambition and energies to produce initiatives at the best useless and at the worst positively harmful. Where community legislation is not essential to avoid distortions of competition (eg standards of protection against asbestos and lead) it should be resisted in total. The use of EC legislation to give privileges not won in industrial bargaining should be stopped.

27 The Department will reconsider its regional role and responsibilities in the light of Ministers' conclusions on the forthcoming inter-departmental report on regional policy, on the assumption that these conclusions will intensify the job-creation emphasis of regional policy.

D OTHER POLICIES

28 There are other matters, not central to the objective of stimulating productive jobs, which should feature in the Department's plans. These are in the appendix to this report.

APPENDIX

MISCELLANEOUS DE GROUP PLANS

1 Action in this Parliament to provide for equal pay for men and women for work of equal value is required to comply fully with the EC Equal Pay Directive. This will no doubt reduce the number of jobs available for women but is unavoidable.

2 In the ports, employers must continue to be encouraged to establish arrangements with dock workers to enable the statutory dock labour scheme to be ended. The Dock Work Regulation Act 1976 (the substantive provisions of which have not been commenced) will be repealed at a time calculated to minimise the risk of industrial action or to avoid frustrating voluntary agreement.

3 The Government is committed to maintaining the level of assistance for the disabled, but we will continue to seek improvements in efficiency consistent with that, notably with regard to replacement of the statutory quota scheme by a more flexible and possibly voluntary Code of Practice. Changes to the quota scheme would require legislation.

4 It is proposed to take power for the Secretary of State for Employment to amend draft Codes of Practice as they are submitted to him by the Commission for Racial Equality under the Race Relations Act and by the Equal Opportunities Commission under the Sex Discrimination Act. Legislation would be required in the 1983-84 or 1984-85 session.

5 Computer terminals in unemployment benefit offices will be replaced to enable an on-line enquiry service to be introduced in 2-3 years time. This is expected to bring savings of about 2,000 staff and £15 million as well as improving the service to the public. Further improvements in the benefit service might result from review of the DE/DHSS boundaries, eg management responsibility for the NUBS computers.

6 In the course of the next Parliament (1987 at the earliest), it may become technically possible to do away completely with regular attendance to sign on for unemployment benefit with consequential savings of perhaps 700 staff and in expenditure on premises. Exploratory discussions are under way with DHSS and Inland Revenue.

7 Following the introduction of voluntary registration in the Employment Service and the recent Rayner scrutiny, further reviews are expected to lead to developments which should further slim the placement service and improve its efficiency. The MSC will be looking for applications of new technology generally.

8 Relations between the LEA based Careers Service and the Employment Service will be reviewed after a year's experience of the new Youth Training Scheme.

9 There are two potential candidates for privatisation. The MSC's Professional and Executive Recruitment Service is to be placed on a fully commercial basis from April 1983. Its future will be kept under review. Privatisation is only one of a number of options, which include winding the service up and leaving the field clear for private agencies with a saving of 350 staff.

10 Under new arrangements intended to operate from April 1983, it is planned to run the MSC's skillcentres as individual cost centres by managers accountable for their performance. After a year or two's experience of this new organisation privatisation will be considered.

11 Resource control of MSC and handling its political impact will remain a major concern. This and its structure are currently the subject of a desk review under the Pliatzky programme.

12 The Work Research Unit is to continue on its present basis until 1986. It could then become a candidate to be moved out of the Department. Another possibility is abolition. On either course 18 staff and £300,000 pa would be saved.

13 Legislation can be introduced to ensure that the costs of the work permit system are met by fees from applicant employers. A commitment in principle to make this change has been announced. Savings of the order of £1 million a year are involved.

14 The Financial Management Initiative will promote a keener awareness of cost effectiveness and efficiency. Savings will be expected.



DEPARTMENT OF HEALTH & SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Secretary of State for Social Services

The Rt Hon Margaret Thatcher MP
10 Downing Street
LONDON
SW1

23 December 1982

Dear Margaret.

FIVE YEAR FORWARD LOOK

Your letter of 16 September to Willie Whitelaw asked Ministers in charge of Departments to send you a "forward look" of the Department's programmes for the next five years. I enclose a forward look for this Department.

I am sending a copy to Sir Robert Armstrong.

Norman Fowler

NORMAN FOWLER

FIVE-YEAR FORWARD LOOK

I THE DEVELOPMENT OF HEALTH AND PERSONAL SOCIAL SERVICES

CURRENT COMMITMENTS

1. The Government came into office with three broad objectives:
 1. to maintain spending on the National Health Service and to make better use of the resources available by simplifying and decentralising the service and cutting back bureaucracy;
 2. to encourage the growth of private provision;
 3. to improve services for the old, the sick, the handicapped and the deprived and to do more to help people to help themselves and families to look after their own and to encourage the voluntary movement and self-help groups working in partnership with the statutory services.

RESOURCES AND ORGANISATION - THE CURRENT POSITION

2. The record in this area is impressive. The main points are:
 - Health services have grown by more than 5½ per cent since 1978/79 to meet pressures; part of this has been found from efficiency savings.
 - The Service has been reorganised, cutting out two tiers of management, so that the proportion of expenditure spent on 'management' will be reduced by 10 per cent by 1985.
 - The Service has been for the first time made properly accountable through the introduction of annual Regional Reviews, chaired by Ministers, and resulting in an agreed action plan. These are followed up in each Region in District Reviews.

- A new manpower planning and control system has been introduced. Manpower targets related to service plans will have to be approved by the Department and Ministers and the national aggregate with Treasury. There will be a quarterly census of NHS manpower.
- The general arrangements for improving accountability and efficiency are now backed by Rayner scrutinies, development of performance indicators, development of audit including the use of private firms, the establishment of the Supply Council headed by a businessman to improve purchasing and more use of investment appraisal in capital projects and design advice to reduce costs, eg through energy conservation.

RESOURCES AND ORGANISATION - FUTURE WORK

3. Health services need to grow at over 1 per cent a year just to keep pace with the growing number of old people (especially the very old) and to enable the NHS to make more widely available new treatments which save lives and relieve pain and handicap (dialysis and transplants, hip operations are important examples). Not all of these demands will be met by the public sector and I look below at ways of improving the contribution of the private sector. But containment of costs will be a major issue in both sectors.

4. The top priority in the public sector will be to build on the work already done and carry through a number of new initiatives to improve accountability and efficiency.

5. The main new projects are:

- To establish the manpower management enquiry, headed by an industrialist, to help drive through the new arrangements for planning and controlling manpower and improving its efficiency.
- Carry through our proposals to require health authorities to get contractors in to provide a whole range of house-keeping services using competitive tender.

- To mount a major scrutiny of the Works organisation in the NHS and in the Department.
- Act upon the report of the review which has just been completed into under-used and surplus land and buildings, arrangements for disposal and estate management.

6. Work is needed on long term pay arrangements and handling of industrial relations generally in the National Health Service. The immediate task after the settlement of pay for 1982/83 and 1983/84 is the establishment of a review body for nurses, midwives and other professional staff. We have to consider also the arrangements for and content of the discussions promised on long term arrangements for determining pay of other staff.

7. The pay issues are directly linked with management and efficiency. Ministers will be directly involved with both. The recent appointment of a number of new Chairmen of health authorities with wide management experience will assist us with these tasks. Our assumption is that we will be able to carry through these tasks within the structures now established. Indeed the National Health Service urgently needs a period of stability to make the best use of its resources.

8. There are no immediate legislative implications and the manpower costs of the work - including the use of outside people - will be met within our administrative budget. The setting of objectives for staff involved and monitoring progress will be an important element of the Financial Management Initiative in this Department. The resource implications of the new review body for nurses and the discussions on long term arrangements for other health service staff cannot be foreseen but will be handled through the normal machinery.

ENCOURAGING THE PRIVATE SECTOR ON HEALTH CARE

9. We have made important progress. The first commitment was to loosen statutory controls and in particular to reverse the previous Government's policy of taking pay beds out of NHS hospitals. That was done in 1980. We have partially restored tax relief on private medical insurance. Hospital consultants' contracts have been made

more flexible so as to facilitate their undertaking some private work and we have encouraged health authorities to take account of private sector provision in planning their services and capital projects. Over the last three years the private sector has grown quite rapidly so that, for example, over 4 million of the population now have health insurance cover and there are about 15 private hospitals currently under construction. NHS expenditure on private health facilities is now about £30 million.

10. All this is encouraging, but we need to do more. The greatest priority is to achieve much better co-operation between the National Health Service and the private sector. I have asked Arnold Elton to chair a small Party Working Group to look at the scope for co-operation between the public and private health sectors. I shall also be discussing with health authority chairmen practical ways in which they could make wider use of non-NHS facilities. This is an area in which Ministers will be closely involved and where I want to see significant progress over the next two to three years. There are no immediate legislative or resource implications. The Inland Revenue will be looking also at the scope for further tax concessions. This would require legislation and would entail some loss of tax revenue.

THE OLD, THE SICK, CHILDREN AND THE HANDICAPPED

Personal Social Services: Voluntary and Self-help

11. It is a hard challenge to reconcile the need to restrain total local authority spending with our drive towards improved care in and by the community. Within the overall economic policy we have encouraged effective support of the old, the sick, children and the handicapped both by the statutory services and by promoting the voluntary and self-help sector:

- (i) encouragement of voluntary giving by tax reliefs;
- (ii) more direct aid to voluntary bodies: the 'opportunities for volunteering' scheme aimed at the unemployed has been successful and the voluntary bodies are seeking further aid;

(iii) emphasis on care in the community: we have stepped up by 35 per cent to £96m the value of cash transfers from the NHS for local social services projects (the 'joint finance' schemes);

(iv) we have legislated to improve the safeguards for the mentally ill; the first such legislation since 1959;

(v) we are acting in this Parliament to help strengthen community and primary care, and safeguard the elderly in residential homes (the Health and Social Services and Social Security Adjudications Bill).

LOOKING AHEAD

12. The pressures on resources will not remit, and we shall be pressed for higher standards of care. Our policy must be directed at securing these standards through a return to the idea that the supply of social care should be effectively harnessed and co-ordinated by local authority social service departments, but need not be exclusively provided through them. Their social workers' functions need to be developed accordingly. We should be able to pursue these policies without major structural changes or major legislation. There will be a place for centrally funded initiatives such as those now in train (1983/84 planned spend):

- improved primary care in cities (£3m)
- improved action on juvenile offenders (£3m)
- moving mentally handicapped children out of hospitals (£3m)
- demonstration services for elderly people suffering from mental disorder (£2m)
- 'care in the community' schemes (£6m)
- fresh voluntary projects for under-fives (£2m)
- pilot projects with drug abusers (£2m)

13. Prevention of ill-health and related social problems should receive increased attention in our programmes for Government action: immunisation rates, for example, are too low, and other countries are much better than us in this and other aspects of preventive policies.

14. We must pay special attention to the needs of children especially those without a secure family base. We should reject the Labour approach which is to provide creches for every mother who wants to go out to work. Our own policies should focus on supporting mothers who are forced to cope single-handed, by, for instance, revising the conditions of child-minding, which would require legislation in the next Parliament. Further support should be via voluntary sector, rather than state-provided facilities. Also, I expect that the House of Commons Social Services Committee will add weight to the Law Commission in seeking changes in the laws relating to parental responsibilities, and children in care. This may require us to make some carefully balanced plans for legislation.

15. A massive challenge is the growing numbers of elderly people. By year 2000, the group of 75-84 years old will be up one-quarter, from 3.1m to 3.8m; the over 85 group by over one-half from 0.5m to 0.8m; and the incidence of disablement, especially dementia, increases with age. The challenge can be met by our care in the community approach, but only if we can supplement increases in public provision with imaginative new developments. These should call on the support of industry as well as the traditional voluntary bodies. More kinds of residential projects should be tried, for the old to move out of their over-large houses into groups of individual homes rather than into a final "old people's home". We should look to the development of employer-employee funded schemes of old age care, and to more commercial support of local voluntary effort. These are issues we shall be discussing in the Family Policy Group.

II THE DEVELOPMENT OF SOCIAL SECURITY

CURRENT COMMITMENTS

16. We have an impressive record on the specific commitments and

objectives with which we came into office:-

(a) we have maintained the value of pensions in real terms, and protected the standard of living of the most needy, on supplementary benefit;

(b) we have brought unemployment benefit into tax (although the restoration of the 5 per cent abatement of it in lieu of taxation has still to be decided) and changed the repayment of tax refunds during unemployment. We have taken vigorous and highly cost-effective action against fraud and abuse. All these measures have improved incentives to work;

(c) we have brought in a statutory sick pay scheme, transferring to employers the responsibility for making payments during the first eight weeks of sickness;

(d) we have introduced a new supplementary benefits scheme;

(e) we have introduced a new housing benefit scheme to unify the separate systems of help from supplementary benefit and local authority rent and rebate schemes;

(f) we have maintained the value of child benefit at the level set in November 1980 (although we have not fully made good its loss in value from April 1979 to November 1980); we have more than maintained the value of one-parent benefit;

(g) we have continued the Christmas bonus and legislated to make it permanent;

(h) we have reorganised the social security Regional Organisation, from 12 Regions to 7, saving 1,000 Regional staff;

(i) we have reorganised social security audit and are introducing budgetary control of administrative expenses from April 1983.

In all this we have reduced public expenditure on social security by £1.5 billion; and, despite increases needed for rising unemployment, we have reduced staff numbers by 9,000 to date. We are on course for a reduction of 16,000 by April 1984.

17. This leaves outstanding as major commitments:-

(i) the phasing out of the earnings rule for retirement pensions during this Parliament, which has been precluded by financial constraints. Pressure on this point has eased, perhaps because of high unemployment. But there is provision in PESC for phasing the rule out over two years, starting in 1984/85 (£30m in 1984/85, and £132m in 1985/86). Legislation will be needed: there will eventually be a minor staff saving;

(ii) our aim to provide a coherent system of cash benefits for the disabled. We said in the manifesto this would depend on the strength of the economy; and we have not, in the event been able to make significant progress in this Parliament;

(iii) our review of the national insurance contribution and pension position of the self-employed. We have reviewed this with representatives of the self-employed as we promised, but found no agreement among them about the reforms needed. The only prospect for change seems to lie outside social security, in tax relief on the employer's element of their NI contribution, on which I am in touch with the Chancellor.

FUTURE WORK

18. We have a substantial programme of work already in hand in several Ministerial and official groups:-

Pensions

We are considering with the Treasury the future policy on:-

(a) the future development of the new pensions scheme, on which the Government Actuary recently published a report on his Quinquennial Review of the national insurance scheme;

(b) flexible retirement age, on which the Select Committee on Social Services has reported constructively.

Family support, poverty trap and work incentives

We are already studying in the Family Policy and other groups possible changes in:-

(a) provision for unemployment in the national insurance and supplementary benefit schemes (eg early retirement, higher disregards on earnings);

(b) child benefit, including the idea of a taxable second tier;

(c) family income supplement, including changes in scope, and encouragement of take-up.

A decision has still to be taken on the future of death grant, following a recent consultative document; and we are committed to reviewing again maternity benefits and maternity pay.

Benefits for the disabled

We are considering:-

(a) the industrial injuries scheme, on which we published a White Paper earlier this year;

(b) replacement of the war pensions vehicle scheme with a mobility allowance;

(c) a comprehensive survey of the extent of disability in the population, to update the "Amelia Harris Survey" of 1969 (published in 1971/2);

(d) offsetting in full state benefit against compensation which an employer may be liable to pay;

(e) simplification and rationalisation of the procedures for medical adjudication and appeals;

(f) reorganisation of the artificial limb service to instil competition between suppliers and greater response to customer needs.

Simplifying operations and making them more efficient

We shall also be pursuing vigorously during the next Parliament the Operational Strategy proposals which I published in September, to modernise our operations by extensive use of new technology. Building on the largest computer centre in Europe at our Newcastle Central Office, which handles our central recording of contributions and payment of pensions and child benefit, we look to computerise our local offices. Some 14 projects over 15 years, investing some £700m on top of the £900m we shall need to replace existing computers, should give us a return of some £2bn and 20-25,000 staff savings in DHSS and DE. The objectives are

- a better service for the public
- savings for the taxpayer
- more worthwhile jobs for the staff

Equal treatment of men and women

We shall have to make some changes in social security legislation and regulations before the end of 1984 to comply with the EC directive, so as -

- to enable women to claim supplementary benefit and FIS in their own right;
- to remove discrimination against housewives in Non-Contributory Invalidity Pension.

LOOKING AHEAD

19. Looking further ahead, we shall have to plan our strategies on:-

Further contracting-out of State provision

This principle has already been adopted successfully for substantial slices of pension and sickness provision, with public expenditure and civil service manpower savings. Could it be extended further (eg to the rest of sickness benefit)?

Disability benefits

What steps can we take, within available resources, to develop the system of benefits for the disabled so as to make it more coherent?

Further review of supplementary benefits

Will it be necessary to consider further ways of simplifying the supplementary benefit scheme, to adopt it more effectively and economically to its mass role and contain its rising manpower costs? (Well over half our local office staff are now engaged on paying out only 15 per cent of total benefit expenditure.)

Tax credits

We set this as our long-term aim in the last manifesto. The cost has risen since the 1972 scheme was devised, and any progress must await comprehensive computerisation in

the Inland Revenue and the DHSS towards the end of the decade. The objectives of the tax credits approach were

- to bring equal help to families above and below the tax threshold - this has been largely achieved by child benefit;
- to bring unemployment and sickness benefit into tax - this has been achieved for UB, and the new sick pay scheme will have the same effect for short-term sick pay;
- to supersede various forms of means-tested help by a coherent system integrating tax and benefits - a start has been made in our new housing benefit.

We shall need to consider what further progress is feasible towards these objectives.



CONFIDENTIAL

24/12/82

CHEQUE	
- 4 JAN 1983	
ACR	Mr Kemp 4.1
CC	CST, FST, EST, MST, MST ^R
TO	Sir D Warr Sir K Conner Sir A Rawlinson, Mr Bailey, Mr Little, Mr Burgess, Mr Casey, Mr Mountfield

PRIME MINISTER

FORWARD LOOK

In your letter of 16 September to Willie Whitelaw, you asked *Mr Rielley* Ministers in charge of Departments to send you a "Forward Look" *Mr French* at their Departments' programmes for the next five years. I *Mr Harris* attach a note on how I see the work of the Department of Trade and ECGD developing over that period. You may find it helpful, however, if I summarise the conclusions reached under the headings in your letter of 16 September.

Firstly, none of the 1979 Manifesto commitments remain to be fulfilled as far as my Departments are concerned: British Airways' privatisation was not specifically referred to.

Secondly, as regards proposals begun in this Parliament which will remain to be completed in the next Parliament, the obvious example is the privatisation of British Airways. As you know, the precise timing of this must depend on the corporation's return to profitability. The consolidation of the Companies Acts (the first for 35 years); the possibility of privatisation measures at the Companies Registration Office and the reform of investor protection legislation following the current Gower Review probably fall into this category. In many ways, however, the continuation of our trade policies as set out in Part I of the attached paper are equally important aspect of our current policies, even if they do not involve specific legislation.

Thirdly, as regards new initiatives, we need to bear in mind the case for a new Copyright Act (following the Green Paper consultation); a new Insolvency Act reflecting the examination of the Cork Committee (the first substantial reform for 100 years); and the possibility that rapid changes in the market place may force on us the need for new consumer legislation. It may also be that it should fall to the Department of Trade to follow up suggestions



CONFIDENTIAL

for a Pensions Supervision Act. We should perhaps also be thinking about new privatisation proposals, eg the possibility of privatising the airports. Finally, while new legislation is not required, we do need a suitable framework and recognition from all parts of Government of the importance of the overseas dimension and the ways in which the Government as a whole - not only my Department - can usefully and properly help United Kingdom industry and commerce to take advantage of overseas opportunities.

I am sending a copy of this minute to Cabinet colleagues and to Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to be 'Lord Cockfield', written in a cursive style.

RP LORD COCKFIELD

Department of Trade
1 Victoria Street
London, SW1H 0ET

24 December 1982



FORWARD LOCK

I ENCOURAGEMENT OF OVERSEAS TRADE

Exports of goods and services have become increasingly important to the United Kingdom economy. Exports of goods and services now account for some 30% of United Kingdom GDP but our share of world trade in manufactures has declined substantially, and is continuing to do so. Our propensity to import continues to grow, to the point that our traditional surplus on trade in manufactures is now dwindling to the point of non-existence. At a time of industrial and trade recession and high and rising levels of unemployment internationally, the United Kingdom's trade policy and trade promotion activities assume particular importance.

For the future, the Government should:-

- (a) maintain and increase pressure to open up overseas markets;
- (b) remain cautious about demands for protectionism; and
- (c) continue its range of activities to assist exporters.

(a) Opening Up Overseas Markets

We must continue to seek greater parity of access for our exports, especially in those countries whose industries take advantage of the open United Kingdom and EC market. The main targets of these efforts should be Japan, Spain and - on a rather longer timescale - the NICs. Bilateral, EC and GATT initiatives have already been taken. The pressure must be maintained, and intensified. It will be in our interest to work as far as possible through the EC. Quite apart from its trade policy responsibilities, the Community's greater muscle is more likely to gain results without attracting damaging retaliation limited to United Kingdom exports.

Within the EC, pressing on with completing the free working of the internal market will remain a priority. Separately, the enlargement process seems like to proceed. On both counts, close attention will need to be paid to United Kingdom trade interests.

(b) Facing Protectionism

Overseas access will not be gained overnight. Meanwhile domestic sectoral difficulties, import problems, and instances of overseas protection can be expected to continue. We, and the Community, must be prepared to adopt a more robust line in defence of our industry, and to arm ourselves with weapons to counter American protectionism and penetration of our markets by Japan and the NICs. But we will have to work hard to persuade our own people, and other Governments, of the dangers of the world slipping into



widespread protectionism. As the leading trader amongst major industrialised nations, we could have most to lose.

(c) Export Promotion

We have been struggling to retrieve an unprecedented loss of competitiveness at a time when world trade is - at best - stagnant. The prospects for a renewal of expansion are dim. Over the next five years our export promotion activities will take place against a background of yet fiercer competition for available business, and over-capacity in the number of industrial sectors with reluctance by the countries concerned to be the first to eliminate such over-capacity. We are moving closer to the time when North Sea oil will no longer be able to help pay for our import requirements and free our economy from balance of payments constraints.

Reorganisation within the Department of Trade has helped to produce a more cost effective export promotion system. The new organisation needs time to settle down, and for exporters to take advantage of the benefits which flow from the re-shaping and bringing together of a number of previously separate elements. Similar stability should be maintained in the FCO's provision of staff for overseas commercial work, and recognition of the importance of their work. Within this structure, we shall be carrying out a major effort on our information services to make greater use of modern technology in order to improve both the content and the efficiency of export promotion work.

Our export promotion effort has been concerned to concentrate on those tasks which the Government alone could do: for example government-to-government contact and deriving maximum commercial benefit from the existence of diplomatic representation in 200 overseas locations. The Government cannot, however, ignore the special support measures offered by other Governments to its own exporters. We must continue to seek greater order and restraint in the international auction of aid and credit. But we cannot unilaterally disarm our exporters of the support provided by the ECGD and CDA. ECGD should have greater scope to act as an instrument of export promotion: a measure of privatisation could help and allow ECGD's staff levels to be set by commercial possibilities instead of central Whitehall manpower targets. As regards CDA, the aid programme should continue to reflect a greater commercial emphasis.

II PROMOTION OF SERVICE INDUSTRIES AT HOME AND ABROAD

The service sector in the United Kingdom has now grown to a point where its GDP and employment contribution is about twice that of manufacturing. Its exports earnings are now roughly half those of all visible exports, with a regular and substantial balance in our favour. The Government can help these industries to flourish in the later 1980s by:-



CONFIDENTIAL

- (a) reviewing policies which at present discriminate against the services sector;
- (b) ensuring that the sector operates within a more liberalised framework domestically; and
- (c) works towards a liberal international trading system for services.

(a) Ending Government Discrimination

Our policies still do not give sufficient weight to the importance of the service industries, with clear preference being given to manufacturing industry. This is most notable in the fields of taxation and regional assistance. Corporation tax allowances - on plant and machinery and on industrial but not commercial buildings - are plainly of greater benefit to manufacturing than to services. Virtually all service activities are explicitly ineligible for the automatic Regional Development Grants. In theory, services can receive selective regional assistance, but in practice very little money has been spent on them. Indeed, most of our expenditure on non-regional industrial support also goes to manufacturing, rather than to services.

Most sectors of the service industry neither need, nor have asked for, cash assistance. In general, such assistance does not seem justified. But existing policies of assistance and taxation should be fairly balanced between various sectors of the economy, and it is important to ensure that new distortions are not introduced by any new measures. Representations have already been made to the Chancellor as to how the 1983 Budget could give particular assistance to the domestic tourism industry, with its predominance of small firms.

(b) Privatisation and Liberalisation

British Airways will be privatised as soon as adequate progress is made in the return to profitability. Separately, consideration is being given to introducing private capital into some of the British Airports Authority's activities. Beyond this, a wider reconstruction of the management of airports in the United Kingdom with the possibility of later privatisation is being examined.

The Government's general policy is to provide for more competition on air routes where there is sufficient traffic potential. This was reflected in the 1980 Civil Aviation Act. The potential for de-regulation of domestic routes is being closely examined.

CONFIDENTIAL



On shipping. the Department is exploring the scope for devolving more of its survey work to the private sector, Lloyd's Register.

On films. the Department intends to move towards dismantling the remaining special protective and assistance arrangements for the cinema film industry.

On tourism, the Department is concerned to remove unnecessary duplication and improve efficiency in the publicly funded bodies which promote domestic tourism.

(c) International Liberalisation

The GATT does not extend to services, and the application of the EC internal market is, at best, imperfect. The general international competitiveness of our own services sector makes it particularly important to work towards greater international free trade in services. Thus we will:-

- (a) work within GATT, and other multilateral organisations, for freer trade in services;
- (b) press within the EC to extend the internal market to cover more services: insurance is a notable area;
- (c) work within the EC, and bilaterally with other countries for greater freedom in air services;
- (d) resist international protectionist trends in shipping, and within the EC support provisions for strengthening shipping competition.

III FRAMEWORK FOR THE CONSUMER

After the flurry of consumer legislation in the 1970s, there are strong arguments for a period of stability. But some problems persist, and some may be expected to arise in the changing economic and technological circumstances of the second half of the 1980s. Consumers continue to face expense and obstruction in securing redress generally, with special difficulties where services are poorly performed.

A review of the provisions of the Trade Descriptions Act relating to statements on prices might reveal the need to alter the criminal law. Major inputs on civil law aspects may arise from the Law Commission Reports on Merchantability (1985?) and Services (1986?).

Improvements in the working of nationalised industry consumer councils, principally by furthering best practice through guidelines for their operations, are being worked out. More fundamental proposals envisaging legislation in the next Parliament, would bring about a further rationalisation of the Councils' functions, composition etc.



CONFIDENTIAL

In general, the Government's approach should be to continue the emphasis on self-help by consumers within the present framework of law, rather than new legislation which could be poorly understood and require additional enforcement burdens.

IV CLIMATE FOR ENTERPRISE

Although apparently unexciting, much of the Department's regulatory work forms the bedrock of commercial and industrial activity. It is essential, occasionally controversial, and increasingly creaking. The following areas are involved:-

- (a) The Patent Office. The need for modern Trade Mark and Copyright laws is increasingly recognised. Both have a EC dimension, and copyright law is a matter of increasing public and industrial concern. Separately, we need to ensure that London is the site of the EC Trade Mark Office if we are to maintain our international position;
- (b) The Insolvency Service. Legislation, flowing from the Cork Report, is badly needed possibly mid-way through the next Parliament. The present workload on the Service, and criticism of the legislation is unprecedented;
- (c) Company Law. After a recent flurry of legislation, the first pre-occupation must be consolidation - although there is strong public and political expectation of legislation, which is long overdue, on securities trading. Company fraud is also exciting increased concern;
- (d) Insurance. There is domestic pressure, on "consumer" grounds, from a more restrictive supervisory regime. Our present regime provides safeguards for the policy-holder without straight-jacketing the industry. Whilst it is still open to useful technical development, any radical change could only be in the direction of the prescriptive systems inimical to innovation, practised elsewhere in Europe. Consumer pressures could - unjustifiably - grow for a change in the regime (as against the resources applied to it) - should there be a significant collapse. Separately, there does seem to be a need for greater prudential supervision of private pension funds, and Departments - with the CPRS - are in the process of developing new initiatives in this field;

CONFIDENTIAL



CONFIDENTIAL

- (e) The White Paper on Standards, Quality and International Competitiveness is being energetically followed. This Department, other regulatory Departments, and large public purchasers will need to be pressed hard in pursuing its objectives, and there will be a need for a campaign to win over standards makers and users in the private sector;
- (f) Competition Policy. No substantial new legislation is needed, following the 1980 Competition Act. But merger policy has continued to attract criticism, on the ground that the public interest test employed is too wide and ill-defined, giving too much weight to non-competition factors. This is being reviewed, but the answer does not necessarily lie in legislation: but rather the treatment of references to the Monopolies and Mergers Commission.
- (g) Shipping A substantial Bill to continue the revision of the 1894 Merchant Shipping Act, covering registration lights and perhaps historic wrecks, is proposed. Measures to improve the management and efficiency of the lighthouse service are being pursued.

CONFIDENTIAL



30/12/82

CONFIDENTIAL

PRIME MINISTER

FORWARD LOOK

EXC
 - 4 JAN 1983
 Mr Kemp 4.1
 C.P., F.S.T., E.S.T., M.S.C., M.S.T.R.
 Sir D. Warr, Sir A. Rawlinson
 Mr Bailey, Mr Harding,
 Mr Lovell, Mr Mowbray,
 Mr Pestell, Miss Kelly.
 Mr Mountfield
 Mr Harris
 Mr Ridley, Mr French

Your letter of 16 September to Willie Whitelaw asked for reports of a "Forward Look" at Departmental programmes for the next five years.

My report has been prepared on a similar basis to that adopted in the Welsh Manifesto which explained in 1979 our aims and priorities for dealing with the special characteristics and problems of Wales. We accepted then that Wales was part of Britain and that duplication of approaches and commitments common to the United Kingdom or to Britain was best avoided. I have undertaken the present task similarly, reviewing our performance in meeting the previous commitments to Wales and seeking new lines which might be followed to meet perceived Welsh needs in ways which accord with the Government's overall strategy. The outcome, which concentrates on suggestions for future action, is set out below.

Major Commitments Remaining to be met

As far as our UK commitments are concerned, our obvious task unfulfilled is to "cut income tax" and "restore the incentive to work". This must be a continuing priority objective. Turning to our specific Welsh commitments there are few serious failures or significant unfulfilled objectives. The most urgent task identified in 1979 was the need to establish an economic climate in which wealth and jobs could be created. The Government's economic policies have been directed nationally at this objective. In Wales the emphasis has been to encourage small and medium firms to aim for a much more varied economy, and by large scale investment in industrial infrastructure to provide the conditions for job creation. Whilst we must maintain the momentum, we can claim to have nurtured a significant improvement in the reputation of Wales as an industrial location. In addition to having a skilled workforce and a record of good labour relations we have taken major steps to improve the industrial infrastructure. We have had remarkable success in getting factories occupied and new businesses started in the middle of a deep recession.



When discussing in the 1979 Manifesto the structure of Government in Wales we undertook to seek to enlarge the responsibility of local authorities. Whilst conceding that it might be difficult to find agreement within local government in Wales that we have succeeded, I believe that the Government's efforts can here again be defended. Many formal controls were abolished in the Local Government Planning and Land Act 1980 and I and my Department have consistently sought to refrain from intervening in the way both Welsh local and health authorities provide their services from day to day.

I am satisfied that the Government's achievements greatly outweigh our failures in relation to what we offered in our Welsh Manifesto.

New Proposals and Initiatives

We shall need to maintain the general policies which have been followed since 1979 as the bridgehead for our thrust forward in the next five years. Though adjustment to some common policies will be necessary to meet particular Welsh needs and certain special measures may be needed, I have first concentrated attention in my forward look at some of the more important general issues we shall have to consider collectively. My views are summarised below and I would merely add that some of the issues identified certainly need to be subjected to much further thought before our view of the best way ahead can be put to a wider public. Education is a good example.

INDUSTRY AND ECONOMIC DEVELOPMENT

We must continue to stimulate the growth of the wider and more varied industrial base which is developing in industrial South Wales and in North East Wales. Investment will still be required to maintain competitiveness in steel and linked to pit closures in coal; while the importance of other traditional industries must not be underestimated; but a priority will be to secure jobs in the newer growth industries and to promote the take-up of new technology by existing enterprises. Inward investment by overseas firms will be vigorously encouraged, but with proper regard for the cost-effectiveness of the promotional effort. Emphasis will also be placed on ways of furthering the Welsh commitment to innovation and technological advance. The perceptible development of sunrise industries along the M4 corridor is something we must build on and exploit. Established programmes of advance factory building and land reclamation should be matched by improvements in the industrial environment, including the provision of attractive, well landscaped estates providing employment in services and distribution as well as in manufacturing. A major need is to ensure that the factory building and other programmes of the public agencies are used as catalysts to attract private sector investment. The experience of the UDG programme will need to be applied to the WDA and may have to be reinforced by changes in the present statutory arrangements.



Good communications are essential to economic development. The Severn crossing is crucial for economic development in South Wales; strengthening of the present bridge and planning for a new one (when eventually needed) will be a high priority and adequate public commitments will be needed before the election. As investment in the major east-west routes is completed, attention will be turned to selected improvements of other key routes (eg A5) and especially to bypasses of the more congested townships, particularly in rural Wales. We shall need to think further about the problem of public transport in rural areas.

CONTRACTING OUT PUBLIC SECTOR SERVICES

I have already pointed out to my Health Authority Chairmen the opportunities that exist for contracting out a wide range of services which are presently carried out by NHS staff. I intend following this up by requiring action on an experimental basis.

On the local authority front most of our attention has been concentrated on Direct Labour Organisations. Part III of the Local Government, Planning and Land Act 1980 established a regime for them which exposes their true costs and requires them to be opened up to competition. We must consider whether it is feasible to extend this sort of regime to other parts of the local authority empire. In any case I am sure we must increase the political pressure on local authorities to introduce competition in the provision of services. Experience of the element of competition introduced into refuse collection has shown the benefits which can fall out for other authorities' own labour operations. I shall be meeting shortly with colleagues having Ministerial responsibility for various local authority services to discuss this further. It must surely be an area which could yield significant savings in both local government expenditure and manpower.

EDUCATION

Although we hope to see unemployment levels fall, (and I remain far more optimistic about that than is currently fashionable) it would obviously be unwise to plan on the assumption that we can return quickly to low levels. It is essential therefore that we should try to influence the approach of young people to the world into which they will enter, a world full of uncertainties. We want them to emerge ready and willing to make their own way in a world in which they cannot all hope to choose a long lasting career immediately; and in which they may during the course of their lives have to adapt to new environments, to acquire new skills and knowledge. We want them to be resilient and adaptable to change; and we want more of them to be self confident enough to set up their own life styles, to start their own businesses



and occupations. We want as many as possible of the less gifted to be self reliant and able to look after themselves, even if incomes are low, and able to withstand the erosion of morale that can easily happen if they find themselves for a time without work. People have to be taught to survive without relying on someone else to find them a job and home.

This requires a change in the ethos of the educational system. It will call for a radical change of attitude on the part of both the "consumers" (parents, employers etc) and the providers (local education authorities, teachers). Bringing about this change will be a slow process and it will be a difficult one. The role of the family is paramount. You already have work in hand on this.

The present statutory basis of education in England and Wales limits to a very large degree, the direct influence the Secretary of State can have on the educational system. In the performance of his statutory duties his role is mainly a reactive one. As far as what goes on in the classroom is concerned, he has to rely to a very large extent on persuasion and exhortation. The present arrangements do not allow Ministers' priorities to be put into effect; and we need to think how to do it.

At the other extreme it is possible to envisage a far greater degree of decentralisation than exists at the moment, with the responsibility for running schools and colleges taken in the communities which they serve (ie geographical areas much smaller than the present education authorities. This would certainly accord with our policy of involving parents far more in the education process.

The role of the teacher is crucial in effecting any improvement. We need to pay urgent attention to the need to improve the quality of the teacher force. This will mean taking a radical look at initial training and also ensuring that there is an adequate programme of relevant in-service training for teachers already in employment. Furthermore I think we need to seriously consider to what extent periods of in-service training should be obligatory upon all teachers. Allied to this I would wish to consider the desirability of requiring every teacher who aspires to a headship or deputy headship to demonstrate that he had adequate management training.



At the same time as improving the quality of the teacher force, we also need to look at some other factors. While the overall pupil teacher ratio may appear satisfactory, we should not forget that in certain areas, and this is certainly true in Wales, the wide variety in the size of schools leads to a distorted picture. There is clear evidence that despite an overall PTR of 18:1 in Wales there are, particularly in urban areas, far too many over-large classes in the basic subjects, English and Mathematics. Many of the less able pupils find the curriculum offered them in schools uninteresting and irrelevant. Far too frequently they are offered a watered down version of what is suitable for their more academically able colleagues. Teaching methods which are best suited to this ability range call for small teaching groups and a practical and investigative approach. Putting this right will have resource implications.

All this requires much study and thought but I believe that it is an area in which we need a major new initiative, possibly requiring significant structural change, in order to adapt to changing economic and social circumstances.

HOUSING

It is not usually necessary for me to initiate new measures in the field of Welsh housing. Generally speaking, the pattern of need is, mutatis mutandis, similar in England and Wales. However, I have identified one area in which I expect to take specific steps. It is the needs of the elderly occupier of private dwellings. Our recent House Condition Survey shows that 40% of the repair work, in money terms, needing to be done to homes in Wales relates to OAP householders. I am presently conducting a special survey into the problem which I hope will enable me to make proposals for helping the elderly to bring their homes up to a decent standard.

On the wider front, I hope that we shall be able to reach agreement on the points touched on in Michael Heseltine's minute to you of 10 December. I have already taken steps to ensure a greater use of capital receipts in Wales by subsuming 75%, instead of 50%, of expected housing receipts into the housing allocations. But I attach considerable importance to measures such as Michael suggests which will enable local authorities to plan their housing programmes with greater confidence and continuity than our present financial control arrangements permit.



Apart from sport, one area that I would like to see further developed is the use of workshops for the encouragement and exercise of do-it-yourself and similar skills: these workshops might sometimes be in schools, colleges, factories and garages.

Adult education is another area which will, in my opinion, need to be expanded to enable the unemployed and others to develop their intellectual and other interests.

WATER

The recent decision by Michael Heseltine and myself on bulk water supply charges has met with a good deal of criticism in Wales. Although our decision was soundly based it has brought home to people once again the fact that Wales has to pay a high price for water services compared with most of England. Although Wales has such a high rainfall its water supply system is relatively expensive because of the difficult topography and the sparsity of population in much of the Principality. I have already taken measures to improve the efficiency of the Welsh Water Authority (WWA), and we will soon start to see the benefit of these measures. But however efficient the WWA becomes it will suffer from the natural disadvantages to which I have referred. I am sure that there will be increasing pressure not only from Wales but from other high-paying areas too for a new system of common charging for water throughout England and Wales, similar to the practice of the gas, electricity and telecommunications industries. It really is difficult to find completely convincing arguments for such totally different approaches to charging for services which have so much in common. It is not too soon for us to start thinking about how a more equitable system for water charges might be devised, and I have asked my Department to do some work on this, in consultation with other Departments. The Labour Party seem likely to promise such a development and, at the very least, we must decide how to respond.

I am copying this to all members of the Cabinet and to Sir Robert Armstrong.

30 December 1982

L.D.

RNE



FROM: MISS M O'MARA

DATE: 30 December 1982

cc PS/Chief Secretary
PS/Financial Secretary
PS/Economic Secretary
PS/Minister of State (R)
PS/Minister of State (C)
Sir D Wass
Mr Bailey
Mr Middleton
Mr Wilding
Mr Kemp
Mr Lovell
Mr Mountfield
Mr Monck
Mr Moore
Mr Culpin
Mr Hopkinson
Mr Pirie
Mr Ridley
Mr Harris
Mr French
PS/IR

MR PESTELL

DOE FIVE YEAR FORWARD LOOK

The Chancellor has seen the report enclosed with the Secretary of State for the Environment's letter of 23 December to the Prime Minister. He has commented that it appears to be disappointingly non-fundamental and has enquired how its section on the building societies (Part III. 2) squares with our own position. He assumes that officials will be following up other points in the report which cross-refer to Treasury responsibilities.

Mom

MISS M O'MARA



FROM: MISS M O'MARA

DATE: 30 December 1982

cc Chief Secretary
Financial Secretary
Economic Secretary
Minister of State (C)
Minister of State (R)
Sir D Wass
Mr Littler
Mrs Hedley-Miller
Mr Kemp
Mr Kitcatt
Mr Lavelle
Mr Ridley
Mr French
Mr Harris

SIR K COUZENS

FCO FORWARD LOOK

The Chancellor has seen the Foreign Secretary's "Forward Look" contained in his letter of 17 December to the Prime Minister. He has commented that the reference to the preparation of parliamentary and public opinion for the "honourable reduction" of some of our commitments (paragraph 2(d)) is the only significantly encouraging proposal the letter contains.

MOM

MISS M O'MARA



FROM: MISS M O'MARA
DATE: 30 December 1982

MISS KELLEY

cc. Financial Secretary
Economic Secretary
Minister of State (C)
Minister of State (R)
Sir D Wass
Sir A Rawlinson
Mr Wilding
Mr Pestell
Mr Monger
Mr Mountfield
Mr Ridley
Mr French
Mr Harris

Mr Kemp

LORD CHANCELLOR'S DEPARTMENT: FORWARD LOOK

The Chancellor has seen a copy of the Lord Chancellor's minute of 22 December to the Prime Minister. He has asked for some briefing (which might come from the Lord Chancellor's Department itself) on the point which Lord Hailsham makes in paragraph 6 that unless Government time can be spared or some special legislative procedure can be devised there is a danger that valuable law reforms will be lost. He suggests this could be used to support the case he is making for a Supplementary Finance Bill to Mr Higgins and others.

On Land registration (paragraph 11), the Chancellor agrees that the failure of the Land Registry to complete its task is a public scandal. He wonders whether there is scope for a Rayner scrutiny here and whether land registration is an activity which could be handled by a trading fund or even privatised. He would also be grateful if the Chief Secretary would consider, in the context of the present exercise which he is undertaking with the Solicitor-General, whether there is scope for a major review of the current legal aid and advice schemes (paragraph 13).

MOM

MISS M O'MARA

CONFIDENTIAL



JOK to Sec
Ju

pmf

FROM: MISS O'MARA
DATE: 30 December 1982

PS/ECONOMIC SECRETARY

cc: PS/Chief Secretary
PS/Financial Secretary
PS/Minister of State (C)
PS/Minister of State (R)
Sir Douglas Wass
Sir Anthony Rawlinson
Mr Wilding
Miss Kelley
Mr Kemp
Mr Mountfield
Mr Ridley
Mr French
Mr Harris

DES FORWARD LOOK

The Chancellor has seen the DES "Forward Look" attached to Sir Keith Joseph's minute of 22 December to the Prime Minister. He has commented that it is not very specific or encouraging: it contains plenty of proposals for additional expenditure but is weak on cost control and related issues. He notes that at paragraph 5 (d) and paragraph 11, there is the germ of an idea which deserves expansion on the lines of the recent IEA Occasional Paper by Professor Ferns. However, he finds it difficult to understand what is proposed by paragraph 8.

The Chancellor would be grateful if the Chief Secretary and Mr Harris could produce an appraisal of the whole document.

mom

MISS M O'MARA





John

I've minuted our comments
on individual documents
but not pursued the general
questions. You'll see that Peter
Kemp has produced a note
but as

- a) it doesn't say much
- a b) in terms of future landling
it comes with the Chancellor's
ideas

I've not put it in yet.

M

31/12



There is an important
job to be done in
relation to all this
work.

What machinery
for central surveillance
& co. within the PM
has in mind?

And for cutting &/or
cutting back. ideas?

Inside & outside a
manipulative context?

What part does
HM play? When

See also my other
columns on political
programmes.

Do we need
a 75% minimum
effort exercise?

(57% PLE
implications?)

or
MS7(A) ∴ his
protective political role?

John is always
with his D.W?

(There will no doubt
be others for me to see)

Marginalia ppr with you.

CONFIDENTIAL

FROM: E P KEMP
31 December 1982

CHANCELLOR OF THE EXCHEQUER

cc Chief Secretary
Financial Secretary
Economic Secretary
Minister of State (C)
Minister of State (R)
Sir Douglas Wass
Mr Bailey
Mr Littler
Mr Middleton
Mr Moore
Mr Mountfield
Mr Ridley
Mr French
Mr Norgrove

FORWARD LOOK

As you know, the Prime Minister asked that spending Ministers should send her, not later than 24 December last, a report on a "Forward Look" at each Departments programmes for the next five years. Your own report went forward with your minute of 23 December.

2. We are now seeing the returns of some other colleagues. These, as might be expected, vary greatly in length, style and substance. I attach a table showing what we have so far.

3. This leaves a number of returns yet to be seen. These are those from Secretaries of State for Defence, Scotland, Wales, Social Services, Energy, NIO and Trade, and Ministry of Agriculture Fisheries and Food. In addition there may be returns put in by the Lord Privy Seal and the Minister for Overseas Development (insofar as this last is not considered covered by Mr Pym's return.) Some of these may still be in the Christmas post, but others may have been sent directly to the Prime Minister without being copied elsewhere (as indeed your own was). Nevertheless, as you said in your minute to the Prime Minister it would be desirable for you to have sight of all returns, and assuming that there has been no objection to this, your Private Office may like now to take steps to obtain copies of the missing returns. They include, of course, two which are likely to be the most sensitive in terms of commitments or pledges for the future; namely those of the Secretary of State for Defence and Secretary of State for Social Services.

*now
H.C. 1982*

CONFIDENTIAL

4. As you will have seen, and as I say, as well as varying in length the returns vary greatly in style. They range from Mr Pym's short and really highly general note to Mr Heseltine's very detailed return which includes a number of matters which although clearly important might be only doubtfully "major" in terms of the Prime Minister's request. Reading through the returns it seems that on the whole the best balance has been struck by Sir Keith Joseph, Mr Howell, Lord Hailsham (perhaps the most interesting return of all so far) and yourself, in terms of length versus brevity, and major matters versus less major matters. But that is very much a matter of personal opinion.

5. We are arranging to have the individual returns looked at as appropriate to see whether and if so and to what extent they could cause difficulties eg by proposing ideas which involve substantial new public expenditure commitments or suggest creating or renewing troublesome pledges. We will let you have a detailed note as soon as possible. My own first impression is that while a number of ideas do (or could) involve additional public money (whether by way of more spending or reduced tax receipts) generally speaking these are not likely to be too awkward - but as I say this is only a first quick view and important returns such as Defence and Social Security are yet to come.

6. More generally, it seems to me - and this again is a personal view and you will have your own ideas - that the returns in general have a very much a flavour of "carry on with the same and a bit more of it"; most if not all the suggestions have a fairly familiar ring about them, at any rate within Whitehall if not from the point of view of the wider public. There seems to be very little, if anything, which has the sort of radical touch of - for instance - some of the ideas on unemployment which have emerged recently from the CPRS and the No 10 Policy Unit, or on longer-term future of public expenditure (including potential privatisation eg in the social services) which was discussed by Ministers earlier this year.

7. Again more generally, ^{by} the nature of the exercise (individual Ministers putting in their own returns) it is difficult to discern much of an overall pattern of where the Government might be looking to go over the next five years, because so many important matters span Departmental boundaries. These indeed are usually the sort of matters which you referred to in paragraph 6 of your

CONFIDENTIAL

note as other important areas not directly within your present responsibility; thus privatisation and contracting-out; pensions; reducing rigidities in our structure and Trade Union reform; regional policy; the problems of the unemployed (and indeed unemployment itself); and the whole question of social cohesion and the family. This is not to say that these sort of across the board matters are not touched on - most of these points, and others that touch more than one Department eg training and education - do come up in various separate places. But there will be a need at some stage for someone to try to take an "output" look at the returns to see how they stand when viewed "horizontally" by subject rather than by "input" Departmental responsibility; and how they sit against the overall objectives of bringing about a sustained recovery in the economy, improved standards of living, and generally the economic and social condition of the country that is looked for.

8. As I say, we will let you have a detailed note of Treasury points arising on the various returns as soon as possible when we have seen them all.

EPK

E P KEMP

<u>Department</u>	<u>Total pages</u>	<u>Copied to</u>
Chancellor of the Exchequer	11	No one
Lord Chancellor	6	Cabinet and Law Office
Foreign & Commonwealth Secretary	3	Cabinet
Home Secretary	3½	Chancellor only
S of S Education and Science	5½	Cabinet
S of S Industry	24	Chancellor only
S of S Environment	32½	Cabinet
S of S Transport	10½	Cabinet
S of S Employment	10	Cabinet
Minister of Arts and Libraries	2	Cabinet

FROM: E P KEMP
1 January 1983

PRINCIPAL PRIVATE SECRETARY

cc PS/Chief Secretary
Sir Douglas Wass
Mr Middleton
Mr Mountfield
Mr Monck
Mr Moore
Mr Pestell
Mr Norgrove
Mr Ridley

THE FORWARD LOOK EXERCISE

It would be helpful, I think, if we could clarify what the Chancellor wants in respect of other Ministers' inputs into the Forward Look exercise.

2. As you know from my minute of 31 December, what we are doing at the moment is having these other returns (when we see them, and you are making arrangements for us to see the lot) examined by the appropriate Division or Divisions, to check whether they suggest new commitments, or the re-establishment of unattractive old commitments, of a kind which might militate against the Chancellor's general economic strategies; and notably, of course, of a kind which might lead to additional public expenditure or reduced tax revenues. I am asking the relevant Under Secretaries, in conjunction if necessary with others, to let me have a note of any points in the particular return in question which seems unattractive in these terms, or indeed which just looks plain odd from any point of view, and which should be pointed out to the Chancellor. We are starting to get some comments from Groups on this basis, and I thought of putting forward a first tranche to the Chancellor by the end of the week, commenting on the returns which we have seen at that stage. You will see that we are not, therefore, at the moment carrying out any kind of very detailed scrutiny or "audit" of other Ministers returns, but only this quick scan for major points. Nor - at least not without careful consideration beforehand - are we thinking of getting directly in touch with Departments on individual points; this is not just because quite a number of the returns by Ministers are marked "personal", but because as you know while we are seeing other Ministers returns they are not, at any rate at the moment, seeing the Chancellor's.

CONFIDENTIAL

3. It would be helpful to know whether the way we are going about this is what is wanted. I raise this point in the light of some of the comments which the Chancellor has been making, and in particular those in respect of DOE's Forward Look (Miss O'Mara's minute to Mr Pestell of 30 December). Certainly the point about this return being "non-fundamental" should emerge from the way we are tackling the matter, and so should whether or not what Mr Heseltine says about Building Societies, squares up with our own position. But we are not, perhaps, going as far as Miss O'Mara's minute suggests in following up every other point in the report which cross-refers to Treasury responsibilities; but only, to repeat, going for major points.

4. If it would be helpful perhaps we could have a word about how best the exercise should now be carried forward (taking account, perhaps, of the point I make in paragraph 7 of my minute to the Chancellor of 31 December about the possible need for someone to take a "horizontal" look, across Departments, at what the various returns say.)

5. Incidentally, perhaps I could take this opportunity to put a gloss on paragraph 5 of that minute. While the returns we had seen at that stage did not seem to involve substantial new public expenditure commitments or pledges, one or two old ones do reappear - eg the Home Office on law and order. As I said, a number of suggestions made could involve additional public revenue one way or another, but not necessarily on a dramatic scale. However I should have emphasised, perhaps, that even though substantial new pledges etc do not seem to be proposed, the returns show little awareness (save perhaps in Mr Pym's discussion about overseas commitments and, up to a point, Mr Nott's somewhat ambivalent approach to the NATO commitment) that even at the moment public expenditure is too high, and it is not sufficient simply not to add to new commitments; if public expenditure is to be reduced than there must be actual savings.



E P KEMP

FROM: E P KEMP
4 January 1983

ZOK
MP

PS/CHANCELLOR OF THE EXCHEQUER
(MISS O'MARA)

cc PS/Chief Secretary
Sir Douglas Wass
COGPEC
Mr Traynor
Mr Norgrove
Mr Ridley
Mr French
Mr Harris

FIVE-YEAR FORWARD LOOK

I minuted you, and we spoke, about what is now wanted in respect of other Ministers' inputs into this exercise. On the one hand, as you know, what we are doing is simply carrying out a quick scan of these returns for additional public expenditure and other commitments, or anything which seems particularly odd, and which ought to be drawn to the Chancellor's attention. For convenience I am collecting such notes, and I hope to be able to start putting them in batches to the Chancellor very shortly. On the other hand, you are recording a number of rather more detailed observations which the Chancellor has raised on various returns, and you are commissioning a number of additional bits of work which he has asked for. Some of these additional points and bits of work would fall to be covered by the quick scan approach, but a good deal would not. It may help if I record what has been agreed.

2. You told me that the Chancellor was still considering precisely what he wants, beyond this quick scan, and how the work should now be carried forward. We can expect to hear about this shortly. Meanwhile we will carry on with the quick scan, but you do not expect any response on the detailed further points you are recording. You will, however, go on recording them so that those who may be involved in following them up can start thinking about them. But an immediate reply to the Chancellor on them is not looked for.

EPK

E P KEMP



FROM: MISS M O'MARA
DATE: 4 January 1983

MR KEMP

cc: Chief Secretary
Financial Secretary
Economic Secretary
Minister of State (C)
Minister of State (R)
Sir D Wass
Sir A Rawlinson
Mr Bailey
Mr Middleton
Mr Mountfield
Mr Ridley
Mr French

A handwritten signature in dark ink, appearing to be 'M. O'Mara'.

THE DEPARTMENT OF INDUSTRY FORWARD LOOK

The Chancellor has seen the Department of Industry's "Five Year Forward Look" which was enclosed with the Secretary of State's letter of 23 December. He has commented that this is an impressive and encouraging piece of work which has a variety of implications for Treasury policies and thus requires careful study.

On paragraph 8 of the Secretary of State's for Industry's covering minute to the Prime Minister, the Chancellor, has noted the omission of any reference to the role of SWP/EDCs or the de-monopolisation of the Post Office in the list of foreseeable major initiatives. On the accompanying paper, he has marked as passages of special interest paragraphs:

- 2.7. (1-10)
- 3.4.2
- 3.6.1 (with special reference to the Minister of State(R)'s recent note)
- 3.7 (7,9,13-15)
- 4.2.7
- 4.3.5 (4,11-12)
- 4.4.3 - the Chancellor comments that the programme for BSC in particular is a challenging one
- 4.5.1 - the Chancellor suggests that the aims of stimulating new enterprise, promoting innovation and developing human resources could be added to our own objectives

PERSONAL AND CONFIDENTIAL



- 4.7.1 - the Chancellor comments that we should beware of government action designed to ensure that British industry is not placed in a disadvantageous position

- 5.1 - the Chancellor wonders whether we might consider instigating a similar examination within the Treasury

- 5.3 - the Chancellor suggests that it might be worth checking these aims against our own objectives

- 6.2.3

- 6.3 - the Chancellor has questioned the need for a small increase in the Department of Industry's expenditure to cover the undertaking of new tasks.

MSM

MISS M O'MARA