

PO-CH/NL/0083

PART C

Part C

CONFIDENTIAL
(Circulate under cover and
notify REGISTRY of movement)

Begins : 2/2/88

Ends : 18/3/88


PO -CH /NL/0083

PART C

Chancellor's (Lawson) Papers:

**THE NATIONAL ECONOMIC
DEVELOPMENT COUNCIL**

Disposal Directions : 25 Years

D. Phillips

28/7/95

PO -CH /NL/0083

PART C

PART C

Sarah
NEDC PRIVATISATION ?



FROM: S I M KOSKY

DATE: 2 February 1988

A handwritten signature in dark ink, appearing to be "S I M Kosky", written over the date.

MR TURNBULL

- cc: Chancellor
- Mr Anson
- Mr Kemp
- Mr Monck
- Mr Odling-Smee
- Mr Spackman
- Mr Burgner
- Mr Hawtin
- Mr Parsonage
- Mr Allen
- Mr Richardson
- Mr Baker

PRIVATE FINANCE: DISCUSSIONS WITH THE CIVIL ENGINEERING ECONOMIC DEVELOPMENT COUNCIL

The Chief Secretary has read your submission of 29 January and he is content for you to send the revised paper to the EDC.

A large, stylized handwritten signature in dark ink, reading "S I M Kosky".

S I M KOSKY

FROM: M G RICHARDSON
 DATE: 9 February 1988

DEPUTY SECRETARY

cc Chancellor - 12/2
 Mr Anson
 Mr Kemp
 Mr Monck
 Mr Odling-Smee
 Mr Spackman
 Mr Burgner
 Mr Hawtin
 Mr Turnbull
 Mr Parsonage
 Mr Allen
 Mr Baker
 Mr Dyer

mp

PRIVATE FINANCE: DISCUSSIONS WITH THE CIVIL ENGINEERING ECONOMIC DEVELOPMENT COMMITTEE

You agreed last week (Mr Kosky's minute of 2 February) that the revised paper, "Private Finance in Public Expenditure", be sent to the Secretariat of the Construction Industry Group of NEDO (the successor to the Civil Engineering EDC). The secretariat have told us that NEDO will publish the paper on Thursday 18 February under a brief note along the following lines:

The attached note has been prepared by H M Treasury to clarify the Government's approach to private finance for public sector projects, in response to a request by the Civil Engineering EDC. The issues it raises will be discussed at the first meeting of the Construction Industry Sector Group which is the successor to the Civil Engineering EDC.

This is most welcome. It will enable an accurate explanation of the Government's position to be circulated in NEDO, and provide a public statement to which officials can refer when Private Finance questions arise in the future.

2. We also see advantage in making the paper available in the House of Commons Library and drawing Parliamentary attention to it by an arranged PQ. A draft question and answer are attached. This might also appear on 18 February.

3. I shall be grateful for your agreement that Parliamentary Section arrange for the question to be put down recordingly. I shall liaise with them direct about copies of the paper.

M G Richardson
 M G RICHARDSON

DRAFT QUESTION

To ask the Chancellor of the Exchequer, whether he will make available the paper on the role of private finance in public expenditure that was recently sent to the National Economic Development Office.

DRAFT ANSWER

I am arranging for copies of the paper, "Private Finance in Public Expenditure", to be placed in the Library of the House.



H M Treasury

Parliament Street London SW1P 3AG

Switchboard 01-270 3000

Direct Dialling 01-270 4499

*papers pse**M**BF 12/2*A Turnbull
Under SecretaryP R C Gray Esq
10 Downing Street
LONDON
SW1

9 February 1988

*Dear Paul,***PRIVATE FINANCE IN PUBLIC EXPENDITURE**

I attach a copy of the note which the Treasury prepared in response to a request from the Civil Engineering EDC. The NEDO Secretariat will be releasing it to the Construction Industry Group (the successor the Civil Engineering EDC) and to the press on Thursday 18 February. We are proposing to place a copy in the House of Commons and let this be known by a Written PQ on that day.

There are two No 10 interests. First, the paper builds on the earlier exchange with the Civil Engineering EDC when the Prime Minister wrote to the Chairman. This could lead to requests from the press to see the latter. Could you confirm that you see no problem with this? Although the Treasury Press Office would expect to handle most of the enquiries, an approach could be made to No 10.

Secondly, John Wybrew is advertised as speaking at a seminar on private finance in Oxford on 18/19 February organised by the Major Projects Association. He would no doubt welcome a copy of the note.

I am copying this letter to Alex Allan in the Chancellor's Office and Jill Rutter in the Chief Secretary's Office.

Yours sincerely
Andrew

A TURNBULL



Ch/ ^{mpw}
Good news on
importers' details —
Lord Young's office
say Mr Clark has been
squared. They will be
writing to say OK
so long as we review
after 12 months.

good.

mpw.

9/2

PRIVATE FINANCE IN PUBLIC EXPENDITUREBackground

The Prime Minister wrote to Mr David Stevens (now Lord Stevens), the Chairman of the Civil Engineering EDC, in October 1986 setting out the Government's approach private finance for public sector projects. This note explains the thinking behind that approach more fully. In particular, it puts that approach in the context of the increasing role of the private sector.

2. As the Prime Minister's letter made clear, the Government welcomes the use of private sector finance and expertise in improving the enterprise and management efficiency with which services can be delivered. Privatisation, that is transferring the responsibility for providing a service such as telecommunications wholly to the private sector, is the most complete way to secure this. Where the public sector retains responsibility to provide a service, other ways of getting the private sector to provide an input to that service, such as contracting out, can be valuable where they are more cost-effective than provision from within the public sector.

3. Similarly, where the public sector would otherwise have invested in a capital project as part of the provision of a service, the introduction of private finance for the capital project is welcomed, if the proposal is more cost-effective.

4. The Prime Minister's letter raised three issues:

- a) what projects are relevant to the discussion;
- b) how the choice between public or private sector finance should be made;
- c) what are the implications for the Government's existing expenditure plans and limits?

Identification of projects

5. The Prime Minister's letter was directed at privately financed projects of a kind which would otherwise be financed by the public sector. For the foreseeable future, there will be a wide field of such projects in such areas as public health, public education, law and order, roads and many other activities of Government.

6. Schemes in this field may come in a number of different forms. In some cases the private contractor is allowed to levy charges on the private sector so the public sector is not directly involved, as is the case with the Dartford crossing. In others, the private sector acquires or constructs a capital asset which it makes available to the public sector in return for which the public sector accepts a liability to make a flow of payments (or give up a flow of future expenditure savings) in the longer terms. But in each of these cases, the public sector is relieved of an obligation to undertake capital expenditure in the short term, in return for higher payments or lower receipts later on. One characteristic of these schemes is therefore that they are akin to borrowing, in the broadest sense.

7. Although the most obvious cases involve the offer by the private sector to finance a capital investment project, in other cases the contractor may offer a service in which the financing of a capital asset forms a significant part. If so, the nature of the service may need to be examined to see how far the financing element embodied in it can be distinguished from the rest of the activity. Guidance on these lines has been issued to Government departments in respect of contract energy management schemes.

8. At the other end of the spectrum from the continuing activities of Government are the projects and activities that have been or are being transferred entirely into private hands. Telecommunications, gas and many bus companies are instances. In these cases, responsibility for providing the service has been taken entirely out of the public sector.

9. Between these two classes are activities where the boundary between public and private provision is subject to progressive

rather than. *once-for-all* change. Housing is a major example, but there are a number of other areas at the fringe of Government where it is not yet clear either that they could be placed fully in the private sector or that the alternative to private financing is necessarily public sector finance. In some cases services may be supplied by the private sector but supported by a degree of subvention from a public authority. The Government welcomes a greater private sector role in these "grey" areas.

The choice between conventional and private finance

10. The use of private finance instead of public finance for a specific project is justified if, and to the extent that, it provides the most cost-effective solution. Publicly and privately financed investment options should therefore be compared using standard investment appraisal techniques. When comparing publicly and private finance options, the appraisal will take account of differences in financing costs; and the fact that transferring to the private sector the risk of project overruns, or a failure to secure the benefits of investment, may provide a strong incentive to the private contractor to achieve greater efficiency than would be achieved by the public sector. The risk of losses - unprotected by public sector guarantees - is at the heart of market disciplines and the assessment of these extra incentives provided for the private contractor is a key element.

11. These factors lie behind the Ryrie Rules which were drawn up by NEDO in 1981 in the context of nationalised industries - at Appendix A.

Implications for existing plans and limits

12. The use of private finance does not of itself create additional resources. Borrowing by the private sector to finance a public sector project has much the same macro-economic effect as borrowing by the Government to finance conventional public expenditure. The Government's objective is to reduce the proportion of national income pre-empted by the public sector. It is therefore necessary to guard against private finance being

used as a backdoor way to the expansion of public sector activity.

13. Where there is effective market discipline, the market can be expected to redistribute resources to match demand. For those services where supply remains wholly or predominantly the responsibility of the public sector, the Government needs to ensure that the balance of activity between different public expenditure programmes reflects its own priorities. Changes to these priorities should be a deliberate decision, rather than emerging through the addition of private finance in varying degrees to different programmes.

14. For continuing activities of the Government that would otherwise be financed by public expenditure the normal presumption is that projects should be ranked by priorities, and accommodated within existing expenditure provision; unless Ministers deliberately decide they should be additional. This applies whether the finance is public or private. As the Prime Minister made clear, the Government may decide, as in the Dartford case, that the importance attached to a new project and to schemes already in the programme is such that expenditure should be additional. This is a separate question from the finance of such projects.

15. The same presumption applies in a slightly different form in the intermediate category of services referred to in paragraph 9 above. The conventions governing public expenditure remain the same, and any decisions to add to public expenditure are distinct from the question of finance. However, where private suppliers are operating in a competitive market environment, it is not the task of Government to attempt to dictate the level of provision by the private sector. The Government will nevertheless wish to take into account this level in deciding, over a period of time, how much the public sector needs to do in the same area.

Local authorities

16. The arguments in this note apply to the whole of the public sector, including local authorities. Financing proposals, such

As financial leases, which transfer no significant risk out of the public sector are taken into account when determining the overall level of local authority capital expenditure. Other proposals can introduce effective market discipline and may fall outside that constraint. In order to achieve comparability between in-house and external tenders, legislation for compulsory tendering in direct Labour Organisations provides that the in-house tenderer must make a prescribed rate of return on the capital involved.

Nationalised industries

17. The principles also apply to nationalised industries. Where a proposal is classified as a financial lease the principles are already applied through the capitalisation of such leases. Private finance proposals which do not score as financial leases will be taken into account when setting the External Finance Limits and investment approvals by the same means as described above for programmes generally.

H M TREASURY
February 1988

PRIVATE FINANCE FOR NATIONALISED INDUSTRY INVESTMENT:

RYRIE RULES

An NEDC working party on nationalised industry investment was set up in June 1981 under the Chairmanship of Sir William Ryrie (then Second Permanent Secretary to HM Treasury) following NEDC concern that EFLs were frustrating nationalised industry investment and belief that a higher level of investment would benefit the economy. The working party, which presented its report to the NEDC in September 1981, devised the following criteria under which private finance might be introduced:

- (i) decisions to provide funds for investment should be taken under conditions of fair competition with private sector borrowers; any links with the rest of the public sector, Government guarantees or commitments, or monopoly power should not result in the schemes offering investors a degree of security significantly greater than that available on private sector projects;
- (ii) such projects should yield benefits in terms of improved efficiency and profit from the additional investment commensurate with the cost of raising risk capital from financial markets.



[Handwritten signature]

FROM: ZOE EVEREST-PHILLIPS
DATE: 11 February 1988

MR RICHARDSON

cc: Chancellor *2*
Mr Anson
Mr Kemp
Mr Monck
Mr Odling-Smee
Mr Spackman
Mr Burgner
Mr Hawtin
Mr Turnbull
Mr Parsonage
Mr Allen
Mr Baker
Mr Dyer

**PRIVATE FINANCE: DISCUSSIONS WITH THE CIVIL ENGINEERING
ECONOMIC DEVELOPMENT COMMITTEE**

The Chief Secretary has seen your submission of 9 February. He is content for an arranged PQ to be put down as you recommend and would be grateful if Mr Dyer would make the necessary arrangements.

[Handwritten signature of Zoe Everest-Phillips]

ZOE EVEREST-PHILLIPS
Assistant Private Secretary

MOIRA

CONFIDENTIAL

The Rt. Hon. Lord Young of Graffham
Secretary of State for Trade and Industry

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON
SW1P 3AG

Department of
Trade and Industry

1-19 Victoria Street
London SW1H 0ET

Switchboard
01-215 7877

Telex 8811074/5 DTHQ G
Fax 01-222 2629

Direct line 215 5422
Our ref DW3DJW
Your ref
Date 11 February 1988

CH/EXCHEQUER	
REC.	11 FEB 1988
ACTION	Mr Wynn Owen
COPIES TO	PIEST Sir P Middleton Mr Monck Mr Bury Mr Culpin Miss Sinclair Mr Flanagan Mr MacAuslan Mr Frazer Mr Call

Good - at last!
I shall get the
BT but consider if
there is a visit on
an announcement ahead
of the Budget. I will
shake Mr, & see if
Bury kept for
the Budget
as F.B.I.
Mr.

DISCLOSURE OF IMPORTERS' DETAILS

When we met recently you referred to your proposal that Customs and Excise should now prepare to move to a disclosure of importers' names and addresses against commodity codes.

Alan Clark and I still have misgivings about this proposal. However, I know that you are anxious to pursue it, and I am therefore prepared to agree, as an experiment, to the limited additional disclosure proposed by Peter Lilley in his letter of 17 December to Alan Clark - ie. disclosure of names and addresses of importers by commodity codes without finer detail, together with the retention of the "suppressions" system. This is on the basis, which you agreed, that the experiment would be reviewed after it had been in operation for a year.

The legislation and administrative systems which would be involved in the change are Treasury's responsibility and, of course, it was Peter Brooke who announced the intention to consult. I believe it should therefore be for Treasury to



the department for Enterprise

CONFIDENTIAL

announce the decision to introduce the change and thereafter to take the lead in dealing with any questions that may arise.

I am copying this letter to the Prime Minister, the Secretaries of State for Employment, Energy, Transport and the Environment and the Minister of Agriculture, Fisheries and Food and to Robin Butler.

Y. L. J. J. J.

CONFIDENTIAL

pmp

FROM: N G FRAY

DATE: 12 February 1988

- 39
06
1. MR MACAUSLAN *pm 12/2*
 2. MCU
 3. ECONOMIC SECRETARY

cc Chancellor
 Sir P Middleton
 Mr Monck
 Mr Burgner
 Mr Culpin
 Miss Sinclair
 Mr Wynn Owen
 Mr Call
 PS/C&E
 Mr Pratt - C&E

DISCLOSURE OF IMPORTERS' DETAILS: IBM

The Director of Manufacturing and Development of IBM UK Ltd, Mr J Holmes wrote to the Chancellor on 21 January regarding the NEDC's discussion of the Knitting Industry EDC's proposals for the disclosure of importers' details. Mr Wynn Owen's minute of 28 January drew the Chancellor's attention to this letter.

2. Lord Young has now conceded (his letter of 11 February), so it would now seem an appropriate moment to write to IBM, though you will not ^{want to} inform them of the Government's position, which you will probably want to announce to the House during, or around the time of, the Budget debate.

IBM's case

3. IBM agree with the proposal's objective, but are concerned it could increase their UK costs and disclose information of strategic importance to their UK manufacturing operations. They claim to have worked with DTI and NEDO for some years in devoting effort to finding UK suppliers and to avoiding unnecessary imports. They say the DTI regularly review IBM to identify all relevant imports from non-EC sources, and particularly concentrate on items where there is an apparent UK source. IBM are therefore reluctant to agree to information on their imports being made available to a wide range of suppliers and see little benefit to the economy and positive disadvantages to themselves.

4. IBM envisage two main disadvantages:

- (i) first, many British companies which make goods covered by a commodity code will submerge their procurement department, only to discover that their commodities do not meet IBM's requirements, resulting in increased costs for both parties.

(ii) foreign vendors will have equivalent access to the information, resulting in yet more overseas competition. These existing concerns would be further amplified if disclosure were to be made in finer detail.

5. IBM argue for selectivity in terms of the industries to which the disclosure of importers' details might apply and hope that, should the proposal be introduced, an exemption will be made for the electronics industry.

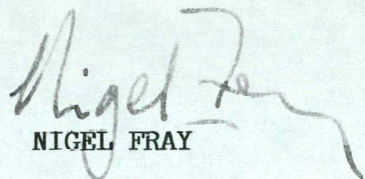
Comment

6. The line taken by IBM is mildly surprising. If their relationship with DTI on UK sourcing is as harmonious as they say, it is hard to see why they should be so concerned by such disclosure. They are an enormous organisation that could easily hold off any threat of further competition caused by such disclosure. They appear merely to be irritated that other potential UK (let alone non-UK) suppliers will begin to knock on their door pestering for supply contracts, rather than being concerned at the more obvious inherent potential threat of competitors funding cheaper sources of supply more quickly.

7. I attach a draft reply which simply acknowledges the points made by IBM and saying that the Government's position will be announced shortly.

On (X) above, I suspect that in truth IBM were put up to writing a by DTI officials who were at the time trying to swing the decision against further disclosure. Hence the reference to DTI at (X) in the IBM letter.

JM 12/2


NIGEL FRAY

DRAFT LETTER FROM ECONOMIC SECRETARY TO:

J B Holmes Esq
Director of Manufacturing and Development
IBM United Kingdom Ltd
PO Box 41
North Harbour
Portsmouth PO6 3AU

Thank you for your letter of 21 January to the Chancellor of the Exchequer regarding disclosure of importers' details. I have carefully noted the points you raise. The Government hopes to announce its position shortly.

[P L]



IBM United Kingdom Limited

PO Box 41
North Harbour
Portsmouth
Hampshire PO6 3AU
Telephone: Portsmouth (0705) 321212
Telex: 86741 (IBMPOR G)

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON
SW1P 3AG

HM TREASURY - MCU	
RECD.	22 JAN 1988
ACTION	Mr MacArthur IAE?
	CC BLESS, Sir P Middleton, CE.
	EST.
	11587/88

21 January 1988

DISCLOSURE OF IMPORTERS' DETAILS

Dear Chancellor,

I read with interest the report of the recent NEDC meeting at which there was discussion of the proposal for disclosure of importers' details, which has been put forward by the Knitting Industry EDC. While agreeing with the objective, we are concerned that the proposal could have the effect of increasing our UK costs and disclosing information of strategic importance to our UK manufacturing operations.

IBM devotes considerable effort to finding UK suppliers and to avoiding unnecessary imports. This is justified commercially by the contribution it makes to shortening the vendor pipeline by moving the vendor closer to the point of manufacture, which is essential to 'just in time' and continuous flow manufacturing concepts. We have worked with the DTI and with NEDO on supplier sourcing for some years, and we have promoted our interest in UK vendors through advertising and exhibitions.

As part of our applications for inward processing relief and duty suspension, the DTI regularly reviews us to identify all relevant imports from non-EC sources. This review concentrates particularly on items where there is an apparent UK source. The DTI has always expressed itself very satisfied with our efforts as a result of their investigation.

We are, therefore, reluctant to agree to information on our imports being made available to a wide range of suppliers, as we see little benefit to the economy and positive disadvantages to ourselves.

A major disadvantage is that which we experienced when we advertised for suppliers; many companies which make goods covered by the commodity code will submerge our procurement department, only to discover that their commodities do not meet our requirements. The result is that both their

21 January 1988

- and particularly our - costs are increased by the unproductive work being undertaken, and expectations are raised only to be dashed.

A further disadvantage, which we understand has already been identified by the DTI, is that foreign vendors will have equivalent access to the information resulting in yet more overseas competition being aware of specific UK markets for their products. (y)

Our existing concerns would be increased if disclosure was made in finer detail. In the case of country of origin data it would be possible for other countries to identify UK manufacturers' critical sources of supply, which we believe would be strategically undesirable. We also have concerns over the possibility that fine detail may enable specific suppliers and volumes to be identified, information which we consider to be commercially confidential.

We would not wish to be disadvantaged by such considerations when bidding for new manufacturing against other IBM plants in Europe.

These views reflect our position as the largest producer and exporter of information technology products in the United Kingdom. We fully appreciate that these views may not be relevant to other industries where procurement activity is not as highly developed as it is in IBM and elsewhere in the information technology industry; there may be a case, therefore, for selectivity in terms of the industries to which such a proposal might apply.

Should this proposal be adopted I hope very much that an exemption will be made for the electronics industry, or that companies would be allowed to opt out under circumstances such as those described above.



J B HOLMES
Director of Manufacturing and Development

CONFIDENTIAL

mpw



FROM: MISS M P WALLACE

DATE: 15 February 1988

PS/ECONOMIC SECRETARY

cc Sir P Middleton
Mr Monck
Mr Burgner
Mr Culpin
Mr MacAuslan
Miss Sinclair
Mr Wynn Owen
Mr Call

DISCLOSURE OF IMPORTERS' DETAILS

The Chancellor has seen Lord Young's letter of 11 February. He has commented: "Good - at last". The Chancellor would be grateful if the Economic Secretary could consider if there is any virtue in an announcement ahead of the Budget. The Chancellor is inclined to think that there is not, and that it should be kept for either the Budget Speech, the Budget Debate, or the Finance Bill.

mpw.

MOIRA WALLACE

RESTRICTED

FROM: N G FRAY

DATE: 15 February 1988

1. MR WYNN/OWEN
2. APS/CHANCELLOR

No need to bother Mr Ridley
with the draft July agenda now,
since this could well change
over time. Pms 15/2

cc PS/Chief Secretary
Sir P Middleton
Mr Monck
Mr Kemp
Mr Burgner
Mr Odling-Smee
Mr Hawtin
Mr Gilhooly
Mr MacAuslan
Mr Potter
Mr Instone
Mr Flanagan
Mr Cropper
Mr Tyrie
Mr Call

Chy OK for me to write,
I take it?
m.p.w. OK
15/2

NEDC - WEDNESDAY 6 JULY

My minute of 14 January sought the Chancellor's views on who, from his Ministerial colleagues on the NEDC should chair the Council meetings in July and September.

APRIL

2. You will recall that Mr Fowler has confirmed his acceptance to chair the meeting in April (his Private Secretary's letter of 27 January). The provisional agenda as agreed by Steering Group, is:

- (i) Skills (papers by DE/MSD, NEDO, CBI and TUC);
- (ii) Sectoral: Cotton and Allied Textiles;
- (iii) Small firms (paper by DE).

JULY

3. Your minute to me of 19 January recorded the Chancellor's inclination to invite Mr Ridley to chair the July NEDC meeting, and Lord Young in September. The provisional agenda as discussed by Steering Group for July is:

- (i) Internationally mobile investment (paper by NEDO);
- (ii) Report by the Electronics Sector Group;
- (iii) Pay, productivity and income distribution (papers by CBI and TUC).

SEPTEMBER

4. Lord Young is now unable to attend the NEDC meeting originally planned for Wednesday 21 September, as this date falls on the Jewish New Year. NEDO

are arranging a date convenient to Lord Young, and we shall keep you informed of progress.

ACTION

5. You have already secured Mr Fowler to chair April. NEDO are still trying to find a convenient date for September. So, for now, I simply attach a draft letter for you to send to Mr Ridley's Private Secretary, formally inviting Mr Ridley to chair the NEDC meeting on Wednesday 6 July.


NIGEL FRAY

DRAFT LETTER FROM APS/CHANCELLOR TO:

PS/Secretary of State for the Environment
Department of the Environment
2 Marsham Street
LONDON
SW1P 3EB

pse type
final for me
to send

M.

NEDC - WEDNESDAY 6 JULY

The Chancellor announced on 1 July 1987 that in future, NEDC meetings would take place four times a year, rather than ten. He also announced that he would be inviting his Ministerial colleagues on the NEDC to chair three of the four meetings.

The Chancellor has asked me formally to invite Mr Ridley to chair the NEDC meeting on Wednesday 6 July at 10.00 am. I should be grateful if you would confirm that Mr Ridley is free to chair this meeting ~~/in due course/~~.

[M P W]



FROM: P D P BARNES
DATE: 16 February 1988

PS/CHANCELLOR *2*

ch/ok?

ok -

mpw 17/2

cc: Sir P Middleton
Mr Monck
Mr Burgner
Mr Culpin
Mr MacAuslan
Miss Sinclair
Mr Wynn Owen
Mr Call

DISCLOSURE OF IMPORTERS' DETAILS

Thank you for your minute of 15 February.

2. The Economic Secretary's view, which Mr Monck shares, is that this measure is not substantial enough for the Budget Speech, but might be introduced by one of the Treasury Ministers during the Budget Debate.

PB

P D P BARNES
Private Secretary



Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

16 February 1988

Deborah Lamb
PS/Secretary of State for the Environment
Department of the Environment
2 Marsham Street
London SW1P 3EB

cc: Chief Secretary
Sir P Middleton
Mr Monck
Mr Kemp
Mr Burgner
Mr Gilmore
Mr Moore
Mr Hawtin
Mr MacAuslan
Mr Potter
Mr M Williams
Mr Instone
Mr Burr
Mr Wynn Owen
Mr Flanagan
Mr Cropper
Mr Tyrie
Mr Call
Mr N G Fray

Dear Deborah,

NEDC - WEDNESDAY 6 JULY

The Chancellor announced on 1 July 1987 that in future, NEDC meetings would take place four times a year, rather than ten. He also announced that he would be inviting his Ministerial colleagues on the NEDC to chair three of the four meetings.

The Chancellor has asked me formally to invite Mr Ridley to chair the NEDC meeting on Wednesday 6 July at 10.00am. I should be grateful if you would confirm that Mr Ridley is free to chair this meeting.

Yours,

Moir.

MISS M P WALLACE
Assistant Private
Secretary

RESTRICTED

FROM: S J FLANAGAN
DATE: 18 February 1988

- 1. MR MacAUSLAN
- 2. CHANCELLOR - 2

- cc PS/Financial Secretary
- Sir P Middleton
- Mr Monck
- Mr Burgner
- Mr Colman
- Mr M L Williams
- Mrs Diggle
- Mr Wynn Owen

JM 18/2

*Ch / Letter to McF OK?
Me to write to PS for
Baker / Ridley or better
from you? And OK to*

consult NICG, other sponsor Mins, or do you want to discuss with PEM?

1 with write

NEDC MEMBERSHIP: DR JAMES MCFARLANE, MR BAKER AND MR RIDLEY, LORD MARSHALL

Dr McFarlane

Dr McFarlane's term of membership of the NEDC expired at the end of January. Sir Peter Middleton's letter of 8 January asked what the CBI wanted to do with this seat, and Mr Banham's letter of 20 January indicates that he wishes to renominate Dr McFarlane for a further term.

I will write to sponsor Min., 'answer' other & Peter can see 'consult' Nieg. M.

mpw 24/2

2. This will be Dr McFarlane's fourth term, but it is normal practice to accept the CBI's nominations. A draft letter to Dr McFarlane is attached at Annex A.

Mr Baker and Mr Ridley

3. The memberships of Mr Baker and Mr Ridley both expire at the end of April. In the past, you have written to your Ministerial colleagues yourself about renewing their memberships, but it would seem equally appropriate for this to be dealt with at private office level. If you agree, Miss Wallace could write as in the draft at Annex B.

(I should have thought it would be better from you - m.)

Lord Marshall

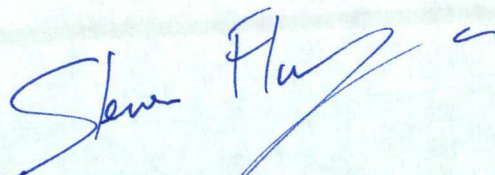
4. You indicated (Miss Wallace's minute of 12 January) that you would wish Sir Bryan Nicholson to replace Lord Marshall as a nationalised industry representative. Lord Marshall's membership has already expired, but PE advise that an announcement is due shortly on the privatisation of the electricity supply industry, and that may alter the terms in which you would wish to write to Lord Marshall. I will therefore submit advice after that announcement.

5. On appointing Sir Bryan Nicholson as a nationalised industry representative to replace Lord Marshall (Sir Bryan is, of course, currently an NEDC member in his own right), you are right to point out that the NICG do not nominate anyone for NEDC. Normally, however, Sir Peter Middleton seeks their views, while making

7

21

it clear the the final decision is yours. You have also usually consulted Ministerial colleagues. To avoid causing possible offence, we would propose to repeat this ^{ese} exercise^s, but pointing to Sir Bryan as the obvious candidate. You may, however, wish to write to Sir Bryan without these intermediate steps, once you have written to Lord Marshall. If so, we would be happy to provide a draft.



S J FLANAGAN

Final~~ANNEX A~~**DRAFT LETTER FROM THE CHANCELLOR OF THE EXCHEQUER TO:**

Dr J S McFarlane
The Engineering Employers' Federation
Broadway House
Tothill Street
LONDON
SW1H 9NG

NEDC MEMBERSHIP

I understand that your latest two-year term on the National Economic Development Council has now expired. After consultation with the CBI, I ^{am now writing} ~~should like~~ to invite you to remain on the Council for a further two-year period. May I take this opportunity to express my thanks for the contribution you have already made to the work of the Council, ~~and~~ I hope you accept this invitation to ~~carry on.~~ ^{continue}

[N L]

2 letters psc
1 each

DRAFT LETTER FROM THE ~~APS/CHANCELLOR~~ TO:

~~PS/SECRETARY OF STATE FOR EDUCATION AND SCIENCE~~

~~PS/SECRETARY OF STATE FOR THE ENVIRONMENT~~

NEDC MEMBERSHIP

I understand

~~As you know~~ your

You will be aware that your Secretary of State's current two year term of membership of the NEDC ^{formally} expires at the end of April. The Chancellor would like to renew the Secretary of State's membership for a further two years, and I would be grateful if you would confirm that he would be content with this. ~~I am grateful~~

I am now writing to invite you to remain on the Council for a further two-year period. I hope you will be able to accept. ~~The invitation is~~

~~combine~~

~~[MPW]~~

NL

I am grateful for the contribution ^{already} you have made to the Council's work and



FROM: MISS M P WALLACE
DATE: 12 January 1988

MR FLANAGAN

- cc PS/Chief Secretary
- PS/Financial Secretary
- PS/Paymaster General
- PS/Economic Secretary
- Sir P Middleton
- Sir T Burns
- Mr Monck
- Mr Burgner
- Mr Gilmore
- Mr Burr
- Mr MacAuslan
- Mr Kaufmann
- Mr Kelly
- Mr Finnegan
- Mr Wynn Owen
- Mr Cropper
- Mr Tyrie
- Mr Call

NEDC MEMBERSHIP

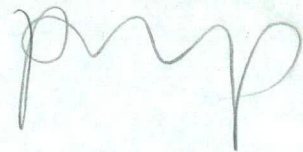
The Chancellor has seen your submission of 7 January, and PS/Paymaster General's minute of 11 January. He has slightly amended your draft Private Secretary letter, so that it does not commit him to letting Sir Bryan Nicholson serve out his present term.

2. On the main issue, the Chancellor has commented that the best thing would be for Sir Bryan Nicholson to replace Lord Marshall as a nationalised industry representative. (The Chancellor thinks that this is a matter for us, and not for the NICG, who do not nominate anyone to NEDC). The membership of NEDC would then be reduced by one, for the time being at least. Whether we decide to put the new Training Commission Chairman on NEDC or not will depend on the calibre of the person we get. In the meantime, it is under consideration whether there are any other strong candidates for the place. The Chancellor is not overwhelmingly attracted by any of the suggestions so far. Although he can see the attraction of the Paymaster General's idea of getting the IOD involved through Mrs Chaplin, he does not think this one is on.

MPW

MOIRA WALLACE

CONFIDENTIAL



FROM: M P WALLACE
DATE: 19 February 1988

PS/ECONOMIC SECRETARY

cc Sir P Middleton
Mr Monck
Mr Burgner
Mr Culpin
Mr MacAuslan
Miss Sinclair
Mr Wynn Owen
Mr Call

DISCLOSURE OF IMPORTERS' DETAILS

The Chancellor has seen your minute of 16 February, and agrees with the Economic Secretary's conclusion that this measure should be introduced by one of the Treasury Ministers during the Budget Debate.



M P WALLACE

CONFIDENTIAL

FROM: P WYNN OWEN
DATE: 19 February 1988

1. MR MacAUSLAN *dm 19/2*
2. APS/CHANCELLOR

PS/Economic Secretary
Sir P Middleton
Mr Monck
Mr Burgner
Mr Culpin
Mr Odling Smee
Miss Sinclair
Mr Call
PS/Customs and Excise
Mr Pratt - C&E
Mr Wood - C&E
Mr Hyett - T Sols

I have signed letter, but understand that Coles will v. unhappy, who returns after 1 yr, at home. Sub. Sec. Mr. Post. Checks higher. See.

Ch/ I wonder if a P. reply is really right after all the bally-hoo with DTI. Letter for you to send behind if you prefer.

DISCLOSURE OF IMPORTERS' DETAILS *mpw 23/2*

Lord Young wrote to the Chancellor on 11 February accepting that we should now go ahead with disclosure of importers names and addresses against commodity codes. This note provides a draft Private Secretary reply.

BACKGROUND

2. Lord Young's letter of 11 February conceded that this should go ahead as an experiment subject to it (i) being without finer detail; (ii) accompanied by the retention of the "suppressions" system; (iii) reviewed after it had been in operation for a year; and (iv) provided the Treasury would be in the lead in announcing, introducing and dealing with questions that arose.

3. Your minute of 15 February recorded the Chancellor's initial views and sought the Economic Secretary's advice on timing of the announcement. Mr Barnes' minute of 16 February recommended introduction by a Treasury Minister during the Budget Debate. Your minute of today recorded the Chancellor's agreement to this course.

4. Mr Pratt (C&E) is submitting separately to the Economic Secretary on Monday with detailed proposals concerning the drafting of the necessary legislation.

COMMENT

5. Lord Young's terms are acceptable, though we will want to work on the assumption that the review of operations after a year does not stop the work.

6. In the circumstances, with the Economic Secretary carrying forward more detailed work with Customs, no more than a brief Private Secretary acknowledgment is required accepting Lord Young's terms, perhaps slightly qualifying the terms of a review after a year, and noting that DTI officials will be kept informed as appropriate.

7. I attach a draft.

Philip Wynn Owen

P WYNN OWEN

DRAFT LETTER FROM APS/CHANCELLOR TO:

Dr T Walker
Principal Private Secretary/The Rt Hon Lord Young of Graffham
Secretary of State for Trade and Industry
1-19 Victoria Street
LONDON SW1H 0ET

DISCLOSURE OF IMPORTERS' DETAILS

The Chancellor of the Exchequer has seen your Secretary of State's letter to him of 11 February and has asked me to write recording his thanks. He accepts the terms noted by your Secretary of State. In particular, he agrees that officials should look again at the system after a year of operation, with a view to seeing if any changes are necessary.

2. The Economic Secretary is now proceeding to more detailed consideration of the necessary legislation with Customs officials and Parliamentary Counsel. The Chancellor intends that a Treasury Minister will announce this measure during the Budget Debate. Customs and Treasury officials will keep your officials informed of developments as appropriate.

[M W]

dti

the department for Enterprise

mmp

The Hon. Alan Clark MP
Minister for Trade

Private Secretary to the
Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON
SW1P 3AG

24/2

CH/EXCHEQUER	
REC.	24 FEB 1988
ACTION	Mr P Wynn Owen
REFERS TO	PS/EST, Sir P Middleton
	Mr Monck Mr Buzno
	Mr Culpin
	Miss Sinclair
	Mr Flanagan
	Mr MacAuslan
	Mr Frazer
	Mr Call

Department of
Trade and Industry

1-19 Victoria Street
London SW1H 0ET

Switchboard
01-215 7877

Telex 8811074/5 DTHQ G
Fax 01-222 2629

Direct line 01-215 5144

Our ref L01AHO

Your ref

Date 22 February 1988

Dear Private Secretary

Ch/ They would say that, wouldn't they... / mmp

DISCLOSURE OF IMPORTERS' DETAILS

Further to Lord Young's letter of 11 February to Mr Lawson, I attach, for your information, a copy of a letter Mr Clark has received from the British Importers Confederation opposing the move to fuller disclosure of importers' details. I also attach a copy of my reply.

mmp 24/2

Yours sincerely
Merjorie Daniel

MISS M DAVIES
Private Secretary

ENCS



the department for Enterprise

The Hon. Alan Clark MP
Minister for Trade

Miss E C Ormond
Secretary
British Importers Confederation
69 Cannon Street
LONDON
EC4N 5AB

**Department of
Trade and Industry**

1-19 Victoria Street
London SW1H 0ET

Switchboard
01-215 7877

Telex 8811074/5 DTHQ G
Fax 01-222 2629

Direct line 01-215 5144

Our ref L01AHN

Your ref

Date 22 February 1988

Dear Miss Ormond

Thank you for your letter of 5 February to Mr Clark about the disclosure of importers' details.

We hope to have a decision on the proposal soon. Please be assured that in reaching a decision full account will be taken of the points the Confederation has made.

I am copying your letter to the Private Secretary to the Chancellor of the Exchequer, because of his Department's interest in the consultation exercise.

Yours sincerely
Marjorie Davies

MISS M DAVIES
Private Secretary

British Importers Confederation



69 Cannon Street, London EC4N 5AB
Telephone: 01-248 4444 Telegrams: Convention London EC4
Telex: LCCI G 888941

5th February 1988

Hon Alan Clark MP
Minister for Trade
Department of Trade & Industry
1 Victoria Street
London
SW1H 0ET

MIN. FOR TRADE'S OFFICE.
TO Mr Allpress | COPIES TO
FOR ADVICE (AND
DRAFT REPLY IF
APPROPRIATE)
PLEASE BY: 17/2/88
(PLEASE PHONE
EXT. 5012 IF
DEADLINE CANNOT
BE MET.)

PS/CDL
PS/Sir Brian Hayes
Mr Roberts
Mr Kierner
Mr Treadgold
Mr Hutton
Mr Corley
Mr Stibbard
Mr Peacock

Dear Minister,

Re: Disclosure of Importers' Details

I am alarmed at the tone of recent press reports which appear to endorse the proposals of the Economic Development Committee of the knitting industry regarding the disclosure of importers' details.

Further to the paper submitted by the Confederation in July I write to urge you to consider these proposals from all angles. I do not see how this information would help British manufacturers to engage in import substitution and a more likely effect would be to assist foreign exporters raise their prices with the consequent effect on the consumer. The people most likely to purchase the information would be the service industries in order to bombard the trade with yet more unsolicited mail or those wishing to bring pressure on UK importers by threatening adverse publicity campaigns or even the squeezing of home supplies.

BIC does not believe that the selling of this information would result in much extra revenue for HM Customs & Excise due to the cost of the extra work involved.

The Confederation further believes that the proposals are an obvious discrimination against one trading sector as it is not proposed that exporters be subject to the same scrutiny and wonders how this would be received by the European Court.

I hope these comments may be of some value when your Department finally gives its reaction to the knitting NEDO's proposals.

Yours sincerely
E.C. Ormond

Miss E.C. Ormond
Secretary



HM CUSTOMS AND EXCISE
 STATISTICAL OFFICE
 PORTCULLIS HOUSE 27 VICTORIA AVENUE
 SOUTHEND ON SEA ESSEX SS2 6AL
 TELEPHONE 0702 36 7155

CONFIDENTIAL

Ch/ We have delayed sending your letter to Lord Y so you can see this. It sets out CTE reservations about announcing review:

- CTE might feel ought to refund agents' sunk costs
- "experimental" basis might encourage wreckers to wreck.

FROM: M E PRATT

DATE: 22 FEBRUARY 1988

- cc. Chancellor
- Chief Secretary
- Financial Secretary
- Paymaster General
- Sir Peter Middleton
- Mr N Monck
- Mr R Culpin
- Miss C E C Sinclair
- Mr MacAuslan, Treasury
- Mr Wynn Owen, Treasury
- Mr Hyett, Treasury Solicitor

EST is to hold meeting with Pratt & Co, to listen & mollify.
 Economic Secretary, Treasury

DISCLOSURE OF IMPORTERS' DETAILS

And Mr Manck was asked if it is part of your agreement, that review should be announced publicly. *with Lord Young*
 mprw 24/2

1. Lord Young, in his letter to the Chancellor of 11th February 1988 confirmed that he is prepared, with some misgivings, to agree to the disclosure of importers names and addresses against Commodity Codes on the basis that the arrangement will be introduced as an experiment to be reviewed after it has been in operation for one year.

- Internal Distribution:**
- CPS
 - Mr B H Knox
 - Mrs Strachan
 - Mr Nash
 - Mr P R H Allen
 - Mr B L Wood
 - Mr J L Railton
 - Mr M Cooper

Thanks. Mr Manck's announcement is important. I don't know if it is agreed that review should be announced. I don't know if it is agreed that review should be announced. I don't know if it is agreed that review should be announced.

*letter to Lord Y sent 25/2/88
 Pratt & Co. have their part.
 Est. meeting with Pratt & Co. 24/2*

2. It seems likely, in the light of earlier Ministerial correspondence, that this proposition will be controversial, some will wish for more disclosure others will object to the limited extension. This, and its introduction as an experiment with review after one year will cause problems for Customs and Excise about which Ministers will wish to be aware. In particular, the Department may not be able to fully recover its costs, although the original proposition was based on the premise that it would and consequently no provision has been made in PES. We are also concerned that if a concerted attempt is made by some importers to discredit the arrangements, and the experimental nature of the proposition could provide some opportunity for this, the actual costs may further escalate to an extent that the viability of the proposal could become questionable. This minute provides background information on how we intend to implement the arrangements and more briefing about the additional problems introduced by Lord Young's stipulation that the arrangements be introduced as an experiment.

Implementation and Cost Recovery

3. It is the intention to seek enabling authority in the 1988 Finance Bill to allow Customs and Excise to disclose the information, which is derived from statutory declarations, to approved marketing agents. Disclosure will be effected monthly by distribution of suitable computer tapes. Contracts for the marketing of the new information will initially be offered to the existing five agents who currently provide detailed statistics for overseas trade to the private sector. The contracts will permit the Department to monitor the new arrangements and, where appropriate, control the way information is disseminated; it is not considered appropriate to seek to control agents' pricing policy through the contract since the costs they incur, and their ability to recover the costs and achieve a return on their investment, will depend on the sophistication of and demand for the final product they offer for sale; market forces should ensure realistic prices.
4. Treatment of this matter as an experiment would cause problems for the Department if after one year it meant an end to disclosure. The proposed policy for charging the marketing agents is based on recovering the capital costs over a three year period, along with the annual running costs. We believe that it will not be feasible to charge each agent more than £20,000 per year and at this stage we have no idea whether this level of cost will deter any of the five from taking up this new business. If disclosure is not proceeded with after the one year experiment a minimum of £120,000 of costs incurred by the Department will need to be written off; the figure could be as high as £200,000 if four of the five agents were to decline to participate in the scheme.

5. The success of the proposal to market through independent agents will depend on convincing them that the venture is viable with prospects of an adequate return on investment within reasonable timescales. The charges made by Customs are likely to be a relatively small part of their outlay, the greater investment is in the computerised data manipulation systems which they will need to develop to provide a comprehensive service. In order to secure the agents' full participation we might in equity have to refund their sunk costs if subsequently the arrangements are terminated before these are fully recovered. Given the existing costs of computer hardware and specialist development resources we think start up expenditure is unlikely to be less than £50,000 for each agent. This provides potential for the Department to incur a further £250,000 nugatory expenditure, £370,000 in all, for which no PES provision has been made. Under these circumstances we should try to establish a presumption that the scheme will continue indefinitely and that changes will only be made if the review after a year shows them to be essential.

Suppressions

6. As there is to be no indication of the value or quantity attributable to importers listed against any particular Commodity Code the risk of any individual's detailed business activities being identified is relatively small and no greater than exists with the present publication of information. Currently where an importer can demonstrate that his share of trade in a particular commodity is such that publication effectively discloses detailed aspects of his business, the commodity concerned is suppressed usually by combining it with information about another similar commodity. It is intended to provide the same facilities for importers who can demonstrate that publication of their names and addresses against specific Commodity Codes reveals, directly or by deduction, the scope of their activities.
7. The new legislation will require the repeal of Section 10 of the Customs and Excise Management Act 1979. This provision was introduced in its original form over 20 years ago in an attempt to meet the needs of marketing intelligence for import substitution while recognising the objections of those concerned with aspects of confidentiality. Section 10 provides scope to disclose on the basis of an individual importation, details of commodity, overseas supplier, and value or quantity, but not both. The importer's name is specifically excluded from being disclosed under the Section. Little and decreasing use has been made of the facility, and none at all in the last 3 years. Its retention, if combined with the new legislation and the publication of commodity information generally, could give the provision a new lease of life providing scope for wholesale breaching of

confidentiality; in which event officials would be inundated with additional work dealing with initial requests for disclosure and subsequent requests for suppression. For this reason the Section should be repealed. We believe this to be the basis on which DTI officials advised Lord Young to sign up, but it may surprise and disappoint the proponents for more substantial change - Sir Ronald Halstead and others.

Claims for damages

8. Given the controversial nature of the proposal and the time limited experimental aspects of the arrangements, there is a real possibility that a significant proportion of importers, many of whom are large and influential, will seek to discredit the published information. With over 400,000 import transactions each month some errors are inevitable. Claims arising therefrom could prove an embarrassment and the Department is likely to incur an additional workload examining and refuting claims where the error is attributable to the importer, or the agent who made the declaration on his behalf. The Department was under the impression that legislation could afford sufficient protection to resist claims arising from such errors but our lawyers have recently advised that they would expect difficulties in the passage of any provision which sought such protection. It appears unlikely that there will be many cases where the Department can be proved to be at fault and even less where a meaningful case for damages could be established so we do not propose to seek any provision. The potential work load and cost of dealing with claims and complaints should however not be underestimated.

Concession

9. The Chancellor's letter to Lord Young of 19 January said, "If pressure for other safeguards were to emerge at the Finance Bill Committee stage, we could consider whether any concessions should be made and, if so, what." An amendment to the Bill could be drafted to give the importers scope to insist that their names and addresses be withheld. Such a provision would be feasible, but would have clear cost implications. Any provision which might lead to a substantial proportion of participants opting out would jeopardise the viability of the whole experiment; experience for example with the disclosure of names and addresses of manufacturing businesses obtained by the Business Statistic Office from the Annual Census of Production indicates that 50% of participants opt out when given the opportunity. The Department would also be vulnerable to claims for damages if importers names are published when they have opted out. We therefore recommend that no provision be made initially for opting out; and

that pressure for such provision be resisted as far as possible. But we will define a possible concession and submit on it separately.

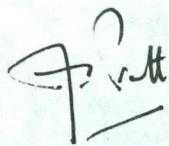
Timing

10. The Paymaster General said in the 1987 budget debate, "the aim would be to legislate in the Finance Act 1988 for implementation at the start of 1989". But given that the legislation is likely to be controversial, and that development and contractual work could not commence before the Finance Bill receives the Royal Assent in July, we consider that it may be safer to adopt April 1989 as the proposed month of implementation.

Conclusions

- X 11. You may agree that at this late hour it would be counter productive to seek to persuade Lord Young to reconsider his qualification that this disclosure is introduced as an experiment. The best for which we can probably hope is to establish a presumption that the scheme will continue indefinitely and that changes will only be made if a review shows them to be essential.
12. If this approach fails and the idea of a time limited trial becomes fixed in the minds of opponents to the proposal there would be concern as to its initial and long term viability. If it proves to be not viable costs will fall on the Department for which PES provision has not been made and for which funds could not be found from existing provision given the Departments current plans. The Department therefore seeks assurances from Ministers that funds will be made available if required.
13. We have asked our solicitor to draft instructions to parliamentary council. We will also prepare a draft passage for the Budget Debate (we see that you have recommended to the Chancellor that announcement be made in the Budget Debate - Mr Barne's minute of 16 February); a Budget Debate press notice; and a draft concession along the lines in paragraph 9 above. We will submit these to you in the near future. If you are happy with them, we would then expect to clear them at official level with DTI.
14. I gather that Mr Wynn Owen is separately submitting a draft for the Chancellor's Office to send in reply to Lord Young's letter of 11 February. This draft promises to keep DTI officials posted as appropriate.

15. I would be grateful for your approval of the proposals in this minute, and for an assurance regarding the possible requirement for funds sought in paragraph 12 above.

A handwritten signature in black ink, appearing to read 'M E Pratt', with a stylized flourish at the end.

M E PRATT

Controller

Statistical Office

City howler

14

IT WILL be a long time before City stockbrokers Hoare Govett are allowed to forget their problems with basic mathematics. In fairness to them it has to be acknowledged that Blue Circle would narrowly have lost its bid for Birmid Qualcast even if its stockbrokers had not double-counted 45,000 shares, since a substantially larger block of shares turned out to have been voted for the bid without due title. Nevertheless Hoare Govett's howler will go down in City folklore.

The outcome of this closely-fought takeover battle raises rather more substantial issues. The revelation that one City institution — Royal London Mutual — was using a pivotal stake in Birmid Qualcast to make a quick turn in the market place will do nothing to diminish concern about "short-termism" among the managers of investment funds which control the destinies of large public companies. More fundamentally, the City Take-Over Panel was surely right to conclude that the calculation of this victory which turned to dust and ashes was "clearly unsatisfactory".

Birmid Qualcast would be unwise to go overboard in celebration of its narrow escape. For Blue Circle is left with what would normally be perceived as a controlling shareholding, and will be at liberty to try again in 12 months' time — always assuming that it itself has not been gobbled up in the interval. But to critics of the City (and this latest incident is unlikely to make them less vocal) what is bound to seem less than satisfactory is the way in which the financial advisers to a bidding company are empowered to count its tally of supporting shares and votes without external scrutiny. That should be changed. In the longer term, though, what is needed, as Bank of England director David Walker pointed out last week, is a more mutually involved relationship between a public company and its substantial shareholders. Disputed takeovers are not the best — and should not be the only — way in which under-performing managements can be improved or changed.

Daily Telegraph
Safe at the house of Warburg

CD 21

THE desperate search for a new chairman of the Securities & Investments Board has reached that most prestigious of investment houses, SG Warburg.

Lord Garmoyle, vice

chairman, has turned down an informal invitation to take over the thankless task from Sir Kenneth Berrill when he comes up for re-appointment at the end of May.

While most merchant banks have viscounts and earls coming out of the woodwork, Warburg has always made a virtue of its equalitarian approach to talent. The legendary Sigmund Warburg even refused his son a job.

Lord Garmoyle, one of the top takeover specialists, led Burton to victory in its bid for Debenhams, now the subject of a Department of Trade and Industry inquiry.

Now Sir David Scholey's right hand man, Garmoyle obviously thinks Warburgs is a safer house than SIB. He would be the obvious choice for the Warburg chair if Sir David became Governor of the Bank of England.

Prop

Hambro and Magan set out their stall

19

THE private bankers ride again. George Magan and Rupert Hambro, two of the most stylish bankers and dealmakers of our day, are joining forces in a new corporate finance company. Hambro Magan.

It will advise on bids, buy-outs and capital issues, become strongly linked to a short list of clients, and be prepared to take stakes in the deals it promotes—the way things used to be, before the banks became so big, and the Bang bigger still.

Rupert Hambro was chairman of Hambros Bank, before pulling out, with his father and brothers, to set up on their own.

He wanted to get away from administrative burdens and cross-currents of a big company and concentrate on what he did best. George Magan has come to know the feeling: he was, with Roger Seelig, the master takeover craftsman of Morgan Grenfell.

The agglomeration of specialist firms into financial service empires, necessarily formal and structured, nowadays more and more regulated, does not always suit their best performers and business-getters.

In New York, this month, the two merger-makers of First Boston, Bruce Wasserstein and Joseph Perella, resigned to set up their own company. They had been bringing in two-thirds of First Boston's profits, and, rather than make money to pay for the losses on the securities side, they decided to make it for themselves. Mr Magan knows that feeling, too.

FINANCIAL TIMES

Morgan Grenfell star to start specialist firm

BY DAVID BARCHARD

MR GEORGE MAGAN, director of corporate finance at Morgan Grenfell, the UK merchant bank, yesterday announced that he was leaving to set up a specialist corporate financial advice company.

The firm will be known as Hambro Magan and will specialise in advice on mergers, acquisitions and management buy-outs.

It involves a three-way partnership of Mr Magan; two directors of the investment company J.O. Hambro, Mr Rupert Hambro and Mr James Hambro, who broke away from Hambros Bank in 1986; and Mr Alton F Irby III. Mr Rupert Hambro is a director of the insurance broker Sedgwick and Mr Irby is a former director of Sedgwick.

Mr Magan, aged 42, was regarded as one of the principal

stars at Morgan Grenfell. Among his triumphs was the successful bid by BTR for Thomas Tilling.

His departure is a blow for the bank, which lost its other corporate finance star, Mr Roger Seelig, in the wake of the Guinness affair in January last year.

Mr Magan's move seems to have been primarily motivated by the desire to forsake the increasingly sedate world of integrated securities houses for the more adventurous role of traditional merchant banking.

Hambro Magan will add a fourth strand to J.O. Hambro's activities of direct investment and turnaround operations, cor-

Continued on Back Page
 Boutiques face feast or famine risk, Page 8; Observer, Page 22

porate communications and private-client portfolio management.

The firm will be based in Queen Anne's Gate, Westminster, London, alongside J.O. Hambro with which it is expected to work closely.

It will concentrate on developing strong relationships with a limited number of clients. As well as advising on mergers and acquisitions, it will handle flotations and the raising of capital in the public and private markets, and will be able to take a stake in transactions it initiates.

Mr Magan has given Morgan Grenfell a commitment that he will not take any members of its corporate finance department with him to the new firm.

His departure was being compared with other high-fliers leaving securities houses to set up their own operations. Two weeks ago in the US the two top merger stars of First Boston investment bank, Mr Bruce Wasserstein and Mr Joseph Perella, left to set up a mergers and acquisitions company.

Mr ACS Allen (personal)

(know you)

didn't win

his gear.

Re.

24/2.

11/3

*Prep.***BANK OF ENGLAND**
LONDON EC2R 8AH

25 February 1988

A C S Allan Esq
Private Secretary to
The Chancellor of the Exchequer
HM Treasury
London
SW1P 3AG

Dear Alan

I enclose the draft of a speech that the Governor will be giving on Monday 29 February to the NEDC conference; the speech will be published for the press. Grateful for any comments you may have by tomorrow please.

*Yours**John*

J R E Footman
Private Secretary
to the Governor

2358A

SPEECH AT NEDC CONFERENCE: MONDAY 29 FEBRUARY

Those unsophisticated investors who assiduously clip out coupons for the latest growth-and-income trust are told, as they try to work out the difference between bid and offer, that "the value of this investment may go down as well as up". There were times during the Autumn of last year when I felt that this warning would have been appropriate for the most sophisticated investors and market analysts - some of whom also needed reminding that market positions usually involve some risk, and that bull markets don't run for ever. Perhaps the most surprising thing about last year's break in the bull market was the surprise it occasioned, among seasoned professionals as well as among those who thought bear markets were something to do with naked options.

I shall leave it to others to explain the causes of the market crash. It is clear enough that the bull market overshot and required correction. At one level, you can find explanations in the persistent current account imbalances between the industrial nations and the perceived implications for policy of a weak dollar. But to account for the scale of the overshoot and the timing of the downturn require more explanation than I have time for today - or indeed that I feel confident even now to provide. In any case, pursuing scapegoats is a game that anyone can play, and one can trace connections between the crash and any one of half a dozen major events or policy decisions of the past few years. I only hope that, whatever other culprit you may identify, you will not pin the blame on the markets themselves.

Markets do not create trends, and beyond a certain very limited extent do not perpetuate them. They may often transmit awkward and unwelcome messages, but in the last resort they are the sort of messengers who ought not to be shot.

Published version start here

The title of this conference - Post-crash Strategies for British Business - carries with it the strong implication that last October's market crash has in some way changed the landscape to such an extent that pre-crash strategies are now obsolete. I am not sure that this is the case. I can see no fundamental change that should have invalidated soundly-based corporate strategies pursued prior to the crash. For a few, however, the crash may have intensified a prior need to adapt or retrench. This has been particularly evident in the City, where low turnover since the crash has emphasised the need to rein in costs, built up in some cases on the back of unrealistic expectations about turnover and market share. For those who are slow to adjust, I do not predict any particularly soft landing.

But elsewhere in the economy, there is little sense of any hard landing: or indeed, of any landing at all. The indicators tell us that output and demand immediately prior to the crash were much stronger than we had earlier thought; and they have continued strong in the ensuing months. Consumer demand still seems to be growing, and business confidence remains robust. Of course, international factors may modify this picture. Already there are signs of slightly less rapid demand growth in the United States. This is not unwelcome in the sense that it encourages hopes of a

reduction in the US deficit and reduces the risk of renewed weakness in the dollar; but combined with sluggish demand growth in other major economies, it does emphasise the importance for UK producers of keeping a strict control over costs. This is perhaps not a new message, and I would have offered it before the crash with equal conviction: but it is important nonetheless, for while our recent price performance has been encouraging, trends in wage bargaining, against a background of slower growth in productivity, are less reassuring.

Industrialists will be concerned about the impact of market developments on their long term financial plans and their relationships with the City. This is an important theme of today's conference, and you are lucky to have David Walker this afternoon to give you the benefit of his extensive experience. I would like to confine myself now to some brief comments on the equity market.

While lower equity prices will undoubtedly affect the cost at which industrialists can raise funds by way of rights issues, in the sense that investors will place a lower value on past or prospective earnings, I would not judge the City's ability to act as a source of equity finance has been significantly impaired by the crash. Similarly, while collateral values may be less than they were immediately before the crash, I do not see any serious reduction in the ability of companies to borrow. The market capitalisation of listed companies still stands well above its level of two years ago.

The primary market is underpinned by an efficient and liquid secondary market in equities. While the Big Bang was to a large extent concerned with the international competitiveness of London, a major domestic feature was the development of new structures for trading domestic equities - to make these markets more open, efficient and liquid. I have no doubt that we achieved that; and I find it very encouraging that without any artificial props, the trading system survived extremely well during the market decline in October. It succeeded, I would judge, in providing more liquidity, absorbing greater selling pressure and handling a larger volume of business during those critical few days than the old jobbing system would have done.

Inevitably there are those who say it could have done better; that telephones should have been answered quicker; that it was sometimes not possible to deal at the price on the screen. But given the immense pressures of the time, I find the market's performance very creditable. We cannot really expect the market makers to provide infinite liquidity in a sharply falling market; and fund managers cannot spend three months piling into equities and then expect to get out, in a single day, at the top of the market. In circumstances such as these there is bound to be some resistance, some widening of spreads.

It follows that I am not inclined to accept suggestions that we should be looking to change the systems introduced in the Big Bang, or to import arrangements of the kind described in some of the American reports on the crash. We need to think very carefully before endorsing artificial arrangements to smooth price movements or to suspend trading; they do not seem to me likely to

promote good order in the markets or the interests of investors. There are long-term improvements to be made - in the technology, in arrangements for handling small orders - but immediate radical change in our new market arrangements seems unnecessary.

But the events of last October do suggest some important lessons for the future, for regulators, for City firms - and perhaps for industry too.

Regulators have to take account of what may be a greater volatility in securities prices than the past. This means that we need to pay the closest attention to the capital adequacy of market intermediaries, and especially those with large positions or client exposures.

It is also very important to identify the ways in which the system itself may add to the risks. For example, in the context of counterparty risk, as well as for other reasons, I have suggested a review of the Stock Exchange account system. I have been encouraged by the response, and I know that this is one of many aspects of the settlement system that the Stock Exchange is examining.

I have also argued for better international co-operation between banking and securities supervisors. Markets are becoming increasingly interconnected; risk to the system can arise anywhere and be quickly transmitted to other markets. Exchanges may need to be more formal; they certainly need to be more frequent. We have made a start in a meeting a few weeks back

between the Bank, the SIB, the Federal Reserve and the SEC; we shall be building on this.

But in this context it is important to remember that while central banks have a responsibility to ensure that sufficient liquidity is provided to the monetary system as a whole at times of strain, it is emphatically not part of their job to stand behind each individual intermediary, and any suggestion that it is, or should be, would in my judgment fatally undermine the financial discipline on which the structure depends. Securities intermediaries obtain their external finance in the market and from the banking system; and while there are arrangements in many centres to compensate claimants on a failed intermediary, or collectively to guarantee the settlement system, these arrangements are generally of a mutual nature and not underwritten by the monetary authorities.

As a central bank we have a close interest in these questions because of their implications for the wider financial system; and during the market crash in October we monitored very closely both general financial conditions and, in conjunction with securities supervisors the position of individual houses. But I want to make it quite clear that our interest lies in the avoidance of systemic risk, and it is because of the potential threat to the system rather than to its individual components that we attach such importance to the regulation of capital adequacy in the securities industry.

For the City, the crash and its immediate aftermath have focussed attention on close management control and discipline that needs to

be exercised in many of the complex and ambitious new organisations that have emerged in the wake of the Big Bang. This is not just a matter of keeping control over costs - although this is important, as the recent period of low market activity has demonstrated; and the picture presented to the outside world by the City's hiring and firing practices is scarcely an attractive one. There is a need, too, for management to take a very close interest in the conduct of business within houses; the preservation of what, for want of a better expression, I have called the ethos of the City. The importance of doing so has been underlined in a number of cases over the past year; and management in our major houses must not underestimate the great damage to their reputation and standing that can flow from the appointment of inspectors to investigate possible contraventions of the law.

For Industry, I suggest that the most important lesson to draw from the market crash - as it was from the industrial recession in the early 1908s - is the importance of relationships with providers of loan and equity finance. The disruption to the markets, both in securities and in derivative products, demonstrates very clearly the risks to all but the very largest companies of reliance on a transactions-based approach to finance - that is, selecting an intermediary or market package on a case by case basis, based on prices ruling at the time, and without any attempt to foster longer term relationships with banks or investing institutions. This is of course a difficult area, capable of misunderstanding on both sides. But the relationship is not to be measured just by the weight of money involved, or by the terms on which it may be provided. Of far greater importance

is the way in which financiers and industrialists work together in the longer term; and it is these arrangements that need attention if the relationship is to be a profitable one.

[Closing pleasantries]

Prop

BANK OF ENGLAND
LONDON EC2R 3AH

25 February 1988

A C S Allan Esq
Private Secretary to
The Chancellor of the Exchequer
HM Treasury
London
SW1P 3AG

Dear Alan

I enclose the draft of a speech that the Governor will be giving on Monday 29 February to the NEDC conference: the speech will be published for the press. Grateful for any comments you may have by tomorrow please.

Yours

Tom

J A E Footman
Private Secretary
to the Governor

SPEECH AT NEDC CONFERENCE: MONDAY 29 FEBRUARY

Those unsophisticated investors who assiduously clip out coupons for the latest growth-and-income trust are told, as they try to work out the difference between bid and offer, that "the value of this investment may go down as well as up". There were times during the Autumn of last year when I felt that this warning would have been appropriate for the most sophisticated investors and market analysts - some of whom also needed reminding that market positions usually involve some risk, and that bull markets don't run for ever. Perhaps the most surprising thing about last year's crash in the bull market was the surprise it occasioned, among seasoned professionals as well as among those who thought bear markets were something to do with naked options.

I shall leave it to others to explain the causes of the market crash. It is clear enough that the bull market overshoot and required correction. At one level, you can find explanations in the persistent current account imbalance between the industrial nations and the perceived implications for policy of a weak dollar. But to account for the crash of the overshoot and the timing of the downturn requires more explanation than I have time for today - or indeed that I feel confident even now to provide. In any case, pursuing scapegoats is a game that anyone can play, and one can trace connections between the crash and any one of half a dozen major events or policy decisions of the past few years. I only hope that, whatever other culprit you may identify, you will not pin the blame on the markets themselves.

Markets do not create trends, and beyond a certain very limited extent do not perpetuate them. They may often transmit awkward and unwelcome messages but in the last resort they are the sort of messengers who ought not to be shot.

Published version starts here

The title of this conference - Post-crash strategies for British Business - carries with it the strong implication that last October's market crash has in some way changed the landscape to such an extent that pre-crash strategies are now obsolete. I am not sure that this is the case. I can see no fundamental change that should have invalidated soundly-based corporate strategies pursued prior to the crash. For a few, however, the crash may have intensified a prior need to adapt or retrench. This has been particularly evident in the City, where low turnover since the crash has emphasised the need to rein in costs, built up in some cases on the back of unrealistic expectations about turnover and market share. For those who are slow to adjust, I do not predict any particularly comfortable landing.

But wherever in the economy there is little sense of any hard landing, or indeed, of any landing at all. The indicators tell us that output and demand immediately prior to the crash were much stronger than we had earlier thought, and they have continued strong in the ensuing months. Consumer demand still seems to be growing, and business confidence remains robust. Of course, international factors may modify this picture. Already there are signs of slightly less rapid demand growth in the United States. This is not unwelcome in the sense that it encourages hopes of a

reduction in the US deficit and reduces the risk of renewed weakness in the dollar: but combined with sluggish demand growth in other major economies, it does emphasize the importance for UK producers of keeping a strict control over costs. This is perhaps not a new message, and I would have offered it before the crash with equal conviction: but it is important nonetheless, for while our recent price performance has been encouraging, trends in wage bargaining against a background of slower growth in productivity, are less reassuring.

Industrialists will be concerned about the impact of market developments on their long term financial plans and their relationships with the City. This is an important theme of today's conference, and you are lucky to have David Walker this afternoon to give you the benefit of his extensive experience. I would like to confine myself now to some brief comments on the equity market.

While lower equity prices will undoubtedly affect the cost at which industrialists can raise funds by way of rights issues, in the sense that investors will place a lower value on past or prospective earnings, I would not judge the City's ability to act as a source of equity finance has been significantly impaired by the crash. Similarly while collateral values may be less than the were immediately before the crash, I do not see any serious reduction in the ability of companies to borrow. The market capitalisation of listed companies still stands well above its level of two years ago.

The primary market is underpinned by an efficient and liquid secondary market in equities. While the Big Bang was to a large extent concerned with the international competitiveness of London, a major domestic feature was the development of new structures for trading domestic equities - to make these markets more open, efficient and liquid. I have no doubt that we achieved that; and I find it very encouraging that without any artificial props, the trading system survived extremely well during the market decline in October. It succeeded, I would judge, in providing more liquidity, absorbing greater selling pressure and handling a larger volume of business during those critical few days than the old jobbing system would have done.

Inevitably there are those who say it could have done better; that telephones should have been answered quicker; that it was sometimes not possible to deal at the price on the screen. But given the immense pressures of the time, I find the market's performance very creditable. We cannot really expect the market makers to provide infinite liquidity in a sharply falling market; and the managers cannot spend three months piling into equities and then expect to get out, in a single day, at the top of the market. In circumstances such as these there is bound to be some resistance, some widening of spreads.

It follows that I am not inclined to accept suggestions that we should be looking to change the system introduced in the Big Bang, or to import arrangements of the kind described in some of the American reports on the crash. We need to think very carefully before endorsing artificial arrangements to smooth price movements or to suspend trading; they do not seem to me likely to

promote good order in the markets or the interests of investors. There are long-term improvements to be made - in the technology, in arrangements for handling small orders - but immediate radical change in our new market arrangements seems unnecessary.

But the events of last October do suggest some important lessons for the future, for regulators, for City firms - and perhaps for industry too.

Regulators have to take account of what may be a greater volatility in securities prices than the past. This means that we need to pay the closest attention to the capital adequacy of market intermediaries, and especially those with large positions or client exposures.

It is also very important to identify the ways in which the system itself may add to the risks. For example, in the context of counterparty risk, as well as for other reasons, I have suggested a review of the Stock Exchange account system. I have been encouraged by the response, and I know that this is one of many aspects of the settlement system that the Stock Exchange is examining.

I have also argued for better international co-operation between banking and securities supervisors. Markets are becoming increasingly interconnected, risk to the system can arise anywhere and be quickly transmitted to other markets. Exchanges may need to be more formal; they certainly need to be more frequent. We have made a start in a meeting a few weeks back

between the Bank, the SIB, the Federal Reserve and the SEC; we shall be building on this.

But in this context it is important to remember that while central banks have a responsibility to ensure that sufficient liquidity is provided to the monetary system as a whole at times of strain, it is emphatically not part of their job to stand behind each individual intermediary, and any suggestion that it is, or should be, would in my judgment totally undermine the financial discipline on which the structure depends. Securities intermediaries obtain their external finance in the market and from the banking system, and while there are arrangements in many centres to compensate claimants on a failed intermediary, or collectively to guarantee the settlement system, these arrangements are generally of a mutual nature and not underwritten by the monetary authorities.

As a central bank we have a close interest in these questions because of their implications for the wider financial system; and during the crisis we have worked very closely both generally and in connection with securities supervision with individual houses. But I want to make it quite clear that our interest lies in the avoidance of systematisation, and it is because of the potential threat to the system rather than to its individual components that we attach such importance to the regulation of capital adequacy in the securities industry.

For the City, the crash and its immediate aftermath have focussed attention on close management control and discipline that needs to

be exercised in many of the complex and ambitious new organisations that have emerged in the wake of the Big Bang. This is not just a matter of keeping control over costs - although this is important, as the recent period of low market activity has demonstrated; and the picture presented to the outside world by the City's hiring and firing practices is scarcely an attractive one. There is a need, too, for management to take a very close interest in the conduct of business within houses; the preservation of what, for want of a better expression, I have called the ethos of the City. The importance of doing so has been underlined in a number of cases over the past year; and management in our major houses must not underestimate the great damage to their reputation and standing that can flow from the appointment of inspectors to investigate possible contraventions of the law.

For industry, I suggest that the most important lesson to draw from the market crash - as it was from the industrial recession in the early 1980s - is the importance of relationships with providers of loan and equity finance. The disruption to the markets, both in securities and in derivative products, demonstrated very clearly the risks to all but the very largest companies of reliance on a transactions-based approach to finance - that is, seeking an intermediary or market package on a case by case basis, based on prices ruling at the time, and without any attempt to foster longer term relationships with banks or investing institutions. This is of course a difficult area, capable of misunderstanding on both sides. But the relationship is not to be measured just by the weight of money involved, or by the terms on which it may be provided. Of far greater importance

is the way in which financiers and industrialists work together in the longer term: and it is these arrangements that need attention if the relationship is to be a profitable one.

[Closing pleasantries]

CC PS/EST
 Sir P Middleton
 Mr Monck
 Mr Burgner
 Mr Culpin
 Mr Odling Smee
 Mr MacAuslan
 Miss Sinclair
 Mr Wynn Owen
 Mr Call
 PS/C&E
 Mr Pratt - C&E
 Mr Wood - C&E
 Mr Hyett - T.Sol.



1 *[Signature]*
 2 *[Signature]*

Treasury Chambers, Parliament Street, SW1P 3A1
 01-270 3000

25 February 1988

The Rt. Hon. Lord Young of Graffham
 Secretary of State for Trade and Industry
 1 Victoria Street
 LONDON
 SW1

[Handwritten signature]

DISCLOSURE OF IMPORTERS' DETAILS

Thank you for your letter of 11 February. I am grateful for your agreement that we should now prepare to move to disclosure of importers' names and addresses against commodity codes. I am content with the terms you set out, and agree that we should look again at the system after a year of operation.

I share your view that the announcement should be made by a Treasury Minister. We have concluded that the measure should be introduced during the Budget Debate. Peter Lilley is now considering the details of the necessary legislation with Customs and Parliamentary Counsel. My officials will keep yours informed of progress.

I am copying this letter to recipients of yours.

NIGEL LAWSON

[Handwritten signature]
[Handwritten signature]

mp

CONFIDENTIAL

*I agree. In the light of the advice
you may consider that the
meeting arranged for Tuesday
is now unnecessary.*

1. MR HOARE
2. ECONOMIC SECRETARY

*J. Hoare
26/2*

FROM: P HARRIS

DATE: 26 February 1988

cc PS/Chancellor
PS/Chief Secretary
PS/Financial Secretary
PS/Paymaster General
Sir Peter Middleton
Mr Monck
Mr Culpin
Miss Sinclair
Mr MacAuslan
Mr Wynn-Owen

DISCLOSURE OF IMPORTERS' DETAILS

1. In his submission of 22 February Mr Pratt of Customs and Excise explains that the operation of the scheme on a 1 year experimental basis may mean that full costs would not be recovered, and seeks assurance that additional funds would be made available in those circumstances.

2. We recommend that Customs should be urged to press ahead with the scheme on the basis of a 1 year experiment with a review at the end of it to see what changes were necessary. The basis of the scheme should continue to be the recovery of full costs on the assumption that the scheme continues for 3 years. But there should be no guarantee to provide any extra PES provision if, in the event, the initiative is dropped. Funding of that eventuality should be discussed during the 1988 Survey, together with any other conditional or firm bids which Customs make. The furthest we would advise you to go at this stage would be to indicate that, if at that time Customs were unable to absorb any unrecovered costs within their total PES and running costs provision, you would be prepared to recommend sympathetic consideration of their request.

3. If the initiative were to be abandoned after 1 year (1989-90) Customs estimate they would have to meet outstanding

CONFIDENTIAL

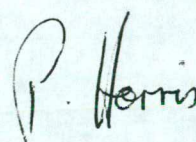
costs of between £120,000 and £200,000. To secure the private sector agents' co-operation, Customs also might need to refund their sunk costs if the service is withdrawn after 1 year. This could add another £250,000 to Customs' unrecovered costs.

4. The pressure for the service to be provided as an experiment with a review after 1 year seems to have come from Lord Young. Given this, one solution might be for DTI to fund any Customs' losses if the work is abandoned. We do not put this forward as a firm proposal at this stage, but it is an option which could be aired later.

5. Even, if full costs recovery means that no PES cover is required Customs will need to separately identify and if necessary bid for any additional manpower and running costs provision as part of their 1988 Survey submission. The Survey Guidelines will make this clear. You might wish to be reminded that unlike public expenditure generally, running costs plans for forward years are fixed in terms of gross expenditure and no account is taken of receipts.

6. Customs might have proposed a more positive line on the experimental nature of the service. But, because of Lord Young's resistance, they are probably right to conclude that the best approach is to seek to establish a presumption that the scheme will continue. This would be achieved by the wording of the draft letter from the APS/Chancellor to PPS/Secretary of State for Trade and Industry - copy attached.

7. A draft reply on the PES aspect is attached.



P HARRIS

ENCS

CONFIDENTIAL

DRAFT LETTER FROM APS/CHANCELLOR TO:

Dr T Walker
Principal Private Secretary/The Rt Hon Lord Young of Graffham
Secretary of State for Trade and Industry
1-19 Victoria Street
LONDON SW1H 0ET

DISCLOSURE OF IMPORTERS' DETAILS

The Chancellor of the Exchequer has seen your Secretary of State's letter to him of 11 February and has asked me to write recording his thanks. He accepts the terms noted by your Secretary of State. In particular, he agrees that officials should look again at the system after a year of operation, with a view to seeing if any changes are necessary.

2. The Economic Secretary is now proceeding to more detailed consideration of the necessary legislation with Customs officials and Parliamentary Counsel. The Chancellor intends that a Treasury Minister will announce this measure during the Budget Debate. Customs and Treasury officials will keep your officials informed of developments as appropriate.

[M W]

CONFIDENTIAL

DRAFT MINUTE FROM ECONOMIC SECRETARY TO:

MR PRATT

DISCLOSURE OF IMPORTERS' DETAILS

Thank you for your submission of 22 February.

2. I agree that you should press ahead with the scheme on the basis of a 1 year experiment with a review at the end of it to see what changes might be necessary.

3. I will be considering the legislative requirements and other aspects of this initiative, but in the meantime I must make it clear that there can be no undertaking to provide additional funds. These must be bid for during the 1988 Survey. However, subject to the outcome of the Survey discussions, I can assure you that I am sympathetic to your request.



FROM: MISS M P WALLACE

DATE: 26 February 1988

MR MONCK

cc PS/Economic Secretary
Sir P Middleton
Mr Burgner
Mr Culpin
Mr Odling-Smee
Miss Sinclair
Mr Call
PS C&E
Mr Pratt C&E
Mr Wood C&E
Mr Hyett T/Sol

DISCLOSURE OF IMPORTERS' DETAILS

The Chancellor has seen Mr Wynh Owens minute of 19 February, and Mr Pratt's minute to the Economic Secretary of 22 February. He has commented that when he discussed this with Lord Young he did not agree to a public announcement of the 12 month review as part of the deal. He thinks that the solution may well be to have it agreed to that there should be no public announcement, simply an internal review. And he commented that you might feel that his letter to Lord Young ought to be expanded to cover this point. We spoke, and your view was that the letter should be silent on this point, to avoid providing an opportunity for DTI to unpick the whole deal. Instead, we could cross that bridge when we come to it, which will be when we clear with DTI the terms of the announcement.

On the basis of this discussion, the Chancellor's letter to Lord Young has now issued.

A handwritten signature in dark ink, appearing to read 'M.P.W.' with a flourish at the end.

MISS M P WALLACE

187-213



FROM: G R WESTHEAD
DATE: 29 February 1988

MR HARRIS

cc PS/Chancellor 2
PS/Sir P Middleton
Mr Monck
Mr Culpin
Miss Sinclair
Mr Macauslan
Mr Wynn Owen
Mr Hoare

DISCLOSURE OF IMPORTERS' DETAILS

The Economic Secretary has seen and was grateful for your minute of 26 February.

2. The Economic Secretary certainly agrees with your advice that he should go no further at this stage than to say that he would be prepared to recommend (to the Chief Secretary) sympathetic consideration of their request.

3. However, the Economic Secretary does not think it necessary to minute Mr Pratt about this. He thinks the point can be covered - as a fairly minor issue - at his meeting with Customs' and Treasury Officials tomorrow.

4. I should also record for those to whom I have not spoken directly that the Economic Secretary would like to concentrate at tomorrow's meeting on the terms of the announcement on importers details and presentational matters, as well as the policy points outlined in Mr Pratt's minute of 22 February. Customs are preparing a draft of the announcement itself to show the Economic Secretary before the meeting.

GUY WESTHEAD
Assistant Private Secretary



2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

mip

Miss M P Wallace
APS/Chancellor of the Exchequer
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

29 February 1988

Dear Moira,

Thank you for your letter of 16 February.
Mr Ridley is prepared to chair the NEDO meeting
on 6 July.

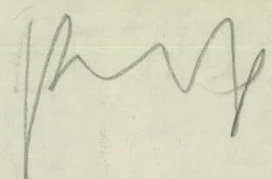
Yours sincerely,
Deborah

DEBORAH LAMB
Private Secretary

CH/EXCHEQUER	
REC.	03 MAR 1988
ACTION	Mr Wynn Owen
COPIES TO	CST, S J P Middleton Mr Monck, Mr Kauf Mr Burgess, Mr Gubb Mr Moore, Mr H Mr McCausland, Mr Potter, Mr M Williams Mr Instone, Mr But Mr Flanagan, Mr Fra

Mr Cropper, Mr Tynes
Mr Call

3 March 1988



DISCLOSURE OF IMPORTERS' DETAILS

1. Mr Speaker, competitive and efficient markets rely on the free flow of information. Following my announcement in last year's Budget Debate, a consultative exercise was conducted during 1987 on a number of propositions, including the possible disclosure by sale by Customs and Excise of the names and addresses of importers. A majority of those who commented were in favour of the proposal to disclose importer's names and addresses against the commodity codes under which imported products are classified. A number of respondents suggested more detailed disclosure.

✓ PMG's ?

?

2. Following an inter-departmental review of the results of the consultative exercise I can announce today that the Government has decided to proceed with this proposal.

3. A new provision in the Finance Bill will enable Customs and Excise to ^{make available} extract information from statutory declarations made by importers or their agents on import entries. Customs will provide marketing agents each month with the names and addresses of importers listed against ^{the relevant} each of the 9 digit Commodity Codes as published in the UK edition of the EC Harmonised Tariff (about 11,500 in all). The provision of this information should help firms to identify markets both for new and existing products, so helping to improve the effectiveness of research and development and marketing, to the benefit of industry and consumer alike.

Should any sections of industry come forward in due course to request more detailed information we remain ready to consider with them the feasibility of such further disclosure.

The system of disclosures is intended to be self-financing and

4. The charge to the marketing agents will be set at a level intended to be self-financing so that Customs do not incur additional costs. *(reflect this)* The marketing agents will be free to publish the information in a form and at a price attractive to their customers.

5. We would hope to implement these arrangements from January 1989 subject to satisfactorily concluding contractual arrangements with the marketing agents and implementing the necessary changes to computer systems.

6. Customs will continue the current arrangements known as suppressions. Under these arrangements, *[they combine information in such a way that detail is not disclosed]* when importers can demonstrate that *disclosure of information by commodity code* publication would enable *legitimately* confidential information about their business activities to be identified *[either directly or by deduction.] deduced, then information can be presented at a greater level of aggregation*

7. (We also propose to take this opportunity to repeal Section 10 of Customs & Excise Management Act 1979 which contained various obsolete powers for further disclosure which have not been used for the past 3 years. [These allowed on national interest grounds *for* disclosure of finer detail such as description of goods, country of origin, quantity or value, but not price or the importer's name. Not only has use of this facility fallen into abeyance but we *now* believe the discretionary elements of the provision to be undesirable, in that they suggest that some may benefit from such disclosure but not others. We believe that if information is in principle to be made available, it should be open to anyone to buy it.]



[Handwritten initials]

cc - FST
SIR. P. MIDDLETON
MR Moxer
MR BURGNER
MR MACAVELAN
MR FLANAGAN
MR WINN-OWEN

Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

3 March 1988

Dr J S McFarlane
The Engineering Employers' Federation
Broadway House
Tothill Street
LONDON SW1H 9NG

[Handwritten signature]

NEDC MEMBERSHIP

I understand that your latest two-year term on the National Economic Development Council has now expired. After consultation with the CBI, I am now writing to invite you to remain on the Council for a further two-year period. May I take this opportunity to express my thanks for the contribution you have already made to the work of the Council. I hope you accept this invitation to continue.

[Handwritten signature]

NIGEL LAWSON

CONFIDENTIAL

FROM: M E PRATT

DATE: 3 MARCH 1988

*Ch/You might like to
look at draft statement
for Budget debate (X behind)
On the Section 10 question,
EST is minded to go for repeal*

- cc. Chancellor
- Chief Secretary
- Financial Secretary
- Paymaster General
- Sir Peter Middleton
- Mr N Monck
- Mr R Culpin
- Miss C E C Sinclair
- Mr MacAuslan, Treasury
- Mr Wynn Owen, Treasury
- Mr Hyett, Treasury Solicitor

Economic Secretary Treasury

Wynn 7/3

*I wd be a clear
to the shop dogs lib.
if S10 causes problems,
it wd almost be repealed
(warn for low rates)
Happ*

DISCLOSURE OF IMPORTERS DETAILS

Introduction

1. When we met in your office on Tuesday evening you asked that you be provided with a paper outlining the advantages and disadvantages of repealing Section 10 of the Customs and Excise Act 1979. This minute has been seen and agreed in draft by Mr MacAuslan.

Internal Distribution:

- CPS
- Mr B H Knox
- Mrs Strachan
- Mr Nash
- Mr P R H Allen
- Mr B L Wood
- Mr J L Railton
- Mr M Cooper

*addition, I don't like
to discuss from m
Repeal at this
stage wd make
people very
confused as
to process
which we are
doing.*

*Happ to
discuss with
EST if he
wishes.*

2. You also asked for drafts of the budget statement, press notice and briefing. The first ~~two~~ ^{one} are attached, the last is being prepared by our Planning Unit and will, I understand, be despatched to you this afternoon. If you approve them, we will clear them at official level with DTI, (they may need alteration in the light of your decisions on Section 10). We will also submit on a possible concession on individual importers names as soon as possible.

The Case for Retention

3. Section 10 allows for disclosure on national interest grounds of more information on the description of the goods, the supplier's name, the country of origin, and the quantity or value (but not price). The Government may want in future to provide this extra information to the market, so it would be best to maintain the power to do so.
4. Supporters of more disclosure (Better Made in Britain, Sir Ronald Halstead, NEDO) have argued that the sort of information covered by Section 10 would be useful and should be disclosed.
5. Repeal would be seen by some as one step in the right direction and one step back.
6. Let sleeping ~~does~~ lie.
7. Section 10 only empowers Customs to disclose, and only if Treasury notify Customs that it is in the national interest. Treasury and Customs could agree now that Treasury would only so notify where there was reasonable certainty that no problems of confidentiality (and thus suppressions) would arise; and those requesting information had established that information of the type requested was on the import entries submitted to Customs; and were prepared to pay the full costs. This would prevent "fishing trips".
8. "National interest" can be interpreted as referring to the balance between the free flow of information for which the market is prepared to pay and the need to protect confidentiality, (but paragraph 11 below offers another possible interpretation).

9. We need not use the legislation at all if no suitable applications are made: leaving it on the statute book can do no harm.

The Case Against

10. The discretionary elements of the provision infer that some may benefit from disclosure but not others. If information is in principle to be made available it should be made available to all.
11. The original purpose of the provision was to disclose information in support of import substitution hence the national interest test. This however precludes disclosure to non UK interests and appears to be contrary to EC law.
12. The ability to breach confidentiality through linking different computer data bases is considerable. A potential breach may not be apparent at the outset but one occurrence could draw attention to the possibilities and lead to widespread requests for suppression.
13. The provision cannot operate on the basis of utilising data which currently exists on Customs computer systems, recourse has to be had to the suppliers invoice attached to Customs entries. The task is labour intensive and invariably the aspirations of those wishing to use the provision are not realised. The perceptions of potential users as to what information is available for disclosure, for example a particular detail in describing the goods, often cannot be met because invoices just do not contain the information. When information is available users invariably find the cost prohibitive.

Options

14. Section 10 could be retained. No mention of it would be made unless pressed. If pressed, the Government could say that it had not been used for three years; and that if any applications were made for its use, the Government would need to satisfy itself that those requesting information had established that information of the type requested was on the invoices attached to Customs entries; that no problems of confidentiality would arise; and that the sale of information could be made without Customs incurring net costs.

15. Section 10 could be repealed. This would not necessarily block all further disclosure. Such provision could be effected by leaving discretion in the draft Finance bill clause to Customs as to the level of description of goods against which the importers' names and addresses is disclosed. This would mean omitting specific references to the 9-digit Commodity Code from the legislation, but the announcement could make clear that the 9-digit Code would be the one used from the outset to describe the goods. It would also need to be made clear that the Department would be prepared to operate the provision at lower levels of commodity description if firm proposals were made by an industry sector and found to be feasible, but feasibility in this context would require such proposals to be self financing and within Customs' capacity to provide the necessary manpower. But this would not allow disclosure of the quantity or value of the goods - which may, providing there was no breaching of confidentiality, be a very useful guide to firms using the new information to improve marketing. Nor would it allow disclosure of the suppliers' name, or country of origin.

Conclusion

16. Customs would prefer to repeal the legislation. If further disclosure proved feasible, and the draft budget statement (attached) refers to this as something which the Government remains ready to consider, it might be better to provide for it in new legislation rather than rely on an old provision which was introduced under somewhat different circumstances. Any such new legislation would however have to contain discretionary elements, if the problems in paragraph 12 above are to be avoided. The Treasury would prefer for simplicity to retain Section 10 at least until the shape of proposals for further disclosure emerge more clearly. DTI officials think retention of Section 10 acceptable.



M E PRATT
Controller
Statistical Office

CONFIDENTIAL



FROM: G R WESTHEAD
DATE: 4 March 1988

MP

NOTE OF A MEETING HELD IN 51/2, TREASURY CHAMBERS,
TUESDAY 1 MARCH 1988

Those present:

Economic Secretary	-	Treasury
Mr Monck		"
Mr MacAuslan		"
Mr Wynn Owen		"
Mr Hoare		"
Mr Harris		"
Mr Nash	-	Customs and Excise
Mr Pratt		"
Mr Wood		"
Mr Battle		"

DISCLOSURE OF IMPORTERS DETAILS

The Economic Secretary said the announcement would be made in the Budget debate, though it was yet to be decided which Minister would actually make it. The purpose of this meeting was to wrap up any outstanding issues.

Section 10 of Customs and Excise Management Act 1979

The Economic Secretary invited Mr Wood to explain the background to the proposal that Section 10 be repealed. Mr Wood said the original intention behind Section 10 was concerned with import substitution. It was an attempt to give access to information, without breaching confidentiality. Section 10 permitted Treasury to notify Customs that it could provide detailed information on the imported goods concerned (eg its description, supplier, either the value or quantity of the good (but not both) and country of origin). The power had not been used for 3 years. Mr Wood pointed out that if it were used in combination with the disclosure of names and

CONFIDENTIAL

CONFIDENTIAL

addresses of importers there would be a risk that simple deduction would give a fairly accurate disclosure of the trader's business. Mr Wood said he thought more requests for use of Section 10 would be made if legislation on importers names and addresses were passed. There were manpower implications for Customs in this.

2. Mr Pratt thought that if an opportunity was left for those who wanted it to apply for greater disclosure, whilst at the same time the suppression system remained, there was a strong likelihood that those wanting more disclosure and those more suppression would clash head on. Mr Wood said that at present the number of suppressions carried out by Customs was only a small proportion of what could be justified. He suspected that a lot more suppression could be requested successfully.

3. Mr MacAuslan suggested that instead of repealing Section 10 an option would be for the Treasury to agree with Customs the circumstances under which the Treasury would use its powers to authorise disclosure under Section 10. He suggested it would be possible to say to those who wanted more disclosure under Section 10 that their requests could only be met if they had established the type of information requested was already included on import entries and would not lead to the risk of breach of confidentiality. In addition, those making this request would have to be prepared to pay for the service. Thus there would only be disclosure under Section 10 where the drawbacks noted by Customs did not apply.

4. Mr Monck said that some people would complain that the repeal of Section 10 would negate the benefits of disclosure of importers' names and addresses. In addition, repeal would hinder further improvements in the flow of information should such improvements seem desirable.

5. The Economic Secretary agreed the arguments were finely balanced. There was an argument in favour of replacing an arbitrary and discretionary power with a general, uniform, non-discretionary one. On the other hand there were arguments

CONFIDENTIAL

against repealing Section 10. It might be better to let sleeping dogs lie. Also it would be odd to close down one avenue at the same time as opening another up. He thought the options lay between either announcing repeal of Section 10 in the Budget debate or not mentioning it at all. He asked about the timescale for his decision. It was explained that DTI would need to be consulted, at official level in the first instance.

6. Mr MacAuslan said that officials would be putting a draft press release and press briefing to the Economic Secretary shortly and the Economic Secretary could make his decision at that stage: officials would report back then on DTI official reaction to not repealing Section 10.

Possible concessions

7. Mr Pratt said that Customs' view was that to make a concession on opting out of disclosure should be avoided if at all possible; the Economic Secretary would only wish to concede if he came under extreme pressure in the Finance Bill. This line was agreed.

Timing of scheme

8. The Economic Secretary asked why it was now proposed that the changes should be implemented from 1 April 1989, rather than 1 January as originally envisaged. Mr Pratt said there were 2 reasons. First, Customs would not be able to begin contractual negotiations until after Royal Assent of the Finance Bill. Second, they had to be sure they had enough customers to cover costs. Mr Nash added there may also be other demands on Customs' computer systems and it might be difficult to get sufficient staff trained in time. But it was agreed, at the Economic Secretary's suggestion, that the announcement should refer to the hope of implementation by 1 January, but that no firm guarantees would be given.

Announcement text

9. The Economic Secretary said that the passage on repeal

CONFIDENTIAL

Section 10 should be inserted after the passage on the new system (ie existing paragraph 4) rather than before. (Of course it was still to be decided whether to repeal Section 10 in any case). He would also like to see more reasons for repealing Section 10 in the text. Finally, he hoped that the first sentence could be simplified somewhat.

10. Mr Monck said that he thought it sensible for the announcement also to make references to the fact that Customs would be ready to consider more detailed arrangements, if particular sectors requested it.

Costs

11. Mr Nash said that Customs had felt compelled to point out that if the scheme did not continue after the first 12 months they would have some difficulty over any nugatory costs which they had not been able to absorb or pass on. The Economic Secretary noted the point but said this was rightly a question for the Public Expenditure Survey.

G R Westhead

G R WESTHEAD

Assistant Private Secretary

Distribution

Those present

PS/Chancellor
PS/Chief Secretary
PS/Financial Secretary
PS/Paymaster General
Mr Culpin
Miss Sinclair
PS/C&E

CONFIDENTIAL



myp

Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

7 March 1988

T B Jeffery Esq
PS/Secretary of State for Education and Science
Elizabeth House
York Road
LONDON SE1

cc PS/Financial Secretary
Sir P Middleton
Mr Monck
Mr Burgner
Mr Colman
Mr M L Williams
Mrs Diggle
Mr MacAuslan
Mr Wynn Owen
Mr S J Flannagan

Dear Tom,

NEDC MEMBERSHIP

You will be aware that your Secretary of State's current two year term of membership of the NEDC formally expires at the end of April. The Chancellor would like to renew the Secretary of State's membership for a further two years, and I would be grateful if you would confirm that he would be content with this.

*Yours sincerely,
Moira Wallace*

MOIRA WALLACE
Assistant Private Secretary



mp

Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

7 March 1988

R M F Bright Esq
PS/Secretary of State for the Environment
2 Marsham St
LONDON
SW1

cc PS/Financial Secretary
Sir P Middleton
Mr Monck
Mr Burgner
Mr Colman
Mr M L Williams
Mrs Diggle
Mr MacAuslan
Mr Wynn Owen
Mr S J Flannagan

Dear Roger,

NEDC MEMBERSHIP

You will be aware that your Secretary of State's current two year term of membership of the NEDC formally expires at the end of April. The Chancellor would like to renew the Secretary of State's membership for a further two years, and I would be grateful if you would confirm that he would be content with this.

Yours sincerely,
Moir Wallace

MOIRA WALLACE
Assistant Private Secretary

CONFIDENTIAL



BF 10/13
 FROM: G R WESTHEAD
 DATE: 8 March 1988

BF 11/13

MR PRATT - C&E

cc PS/Chancellor
 Mr N Monck
 Mr R Culpin
 Miss Sinclair
 Mr MacAuslan
 Mr Wynn Owen
 Mr Hyett - Tsy Sol

PS/C&E
 Mr Nash - C&E
 Mr P R H Allen - C&E

papers pae
mp.
Spoke to Cny

DISCLOSURE OF IMPORTERS' DETAILS

The Economic Secretary has seen and was grateful for your minute of 3 March. He has also seen the Chancellor's comments, recorded in Miss Wallace's minute of today.

2. The Economic Secretary now shares the Chancellor's view that the balance of argument lies in not repealing Section 10 of the Customs and Excise Management Act 1979.

3. It has already been decided that the disclosure of importers' details will be announced in the Budget Debate. The Economic Secretary will now be making the wind-up speech on Thursday 17 March and will include this measure in his speech.

4. The Economic Secretary also had a few relatively minor comments on the draft statement for the Budget Debate. These are attached in the Annex to this minute.

5. As far as the draft press notice is concerned, the Economic Secretary is not entirely content with this. He thinks it paraphrases his draft speech too much at present. You agreed to have another look at it. The Economic Secretary will himself be commenting on it shortly.

Guy Westhead

GUY WESTHEAD

Assistant Private Secretary

CONFIDENTIAL

ANNEX

DISCLOSURE OF IMPORTERS DETAILS: DRAFT STATEMENT FOR BUDGET DEBATE

Paragraph 3 The Economic Secretary would prefer to replace the existing sentence 3 with the following:

"A provision of this information should help firms to identify markets, so helping to improve the effectiveness of marketing, market research and product development to the benefit of industry ..."

Paragraph 4 The Economic Secretary would prefer to amend the first sentence as follows:

"The charge to the marketing agents would be set at a level to cover Customs additional costs."

Paragraph 5 amend as follows:

"We would hope to implement these arrangements from January 1989 subject to satisfactory conclusion of contractual arrangements with the marketing agents and implementing the necessary changes to computer systems".

Paragraph 7 delete "for" in the second sentence. Also, delete "now" in the third sentence.



FROM: MISS M P WALLACE
DATE: 8 March 1988

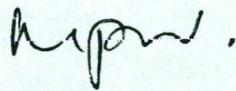
PS/ECONOMIC SECRETARY

cc PS/Chief Secretary
PS/Financial Secretary
PS/Paymaster General
Sir P Middleton
Mr Monck
Mr Culpin
Miss Sinclair
Mr MacAuslan
Mr Wynn Owen
Mr M E Pratt - C&E
PS/C&E
Mr Hyett - T.Sol

DISCLOSURE OF IMPORTERS DETAILS

The Chancellor has seen Mr Pratt's minute of 3 March. He would be inclined to let sleeping dogs lie. If Section 10 causes any problems, it could always be repealed (with far less fuss) next year. Repeal at this stage would make people very confused as to precisely what we are doing.

2. The Chancellor would be happy to discuss this with the Economic Secretary if he wishes.


MOIRA WALLACE



ENGINEERING EMPLOYERS' FEDERATION

Broadway House
Tothill Street
London SW1H 9NQ

Telephone 01-222 7777
Telex 8814718
Facsimile 01-222 2782

JAMES McFARLANE CBE
DIRECTOR GENERAL

9 March 1988

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
London
SW1P 3AG

10/3

CH/EXCHEQUER	
REC.	10 MAR 1988
FILE	Mr Wynn Owen
COPY TO	Mr ANSON
	Mr MONCK
	Mr BURGESS

Mr Wynn Owen
CST, AUG, 50 Middleton
Mr ANSON
Mr MONCK
Mr BURGESS
Mr MacAuliffe

Dear Nigel,

NEDC Membership

Thank you very much for your letter of 3 March, kindly inviting me to remain a member of the Council. I have much pleasure in accepting and hope that I shall be able to make a useful contribution to the Council's work at its future meetings.

Yours ever,

Jim.

RESTRICTED

*pp*

FROM: MISS M F WALLACE
DATE: 10 March 1988

MR FLANNAGAN

cc PS/Financial Secretary
Sir P Middleton
Mr Monck
Mr Burgner
Mr MacAuslan
Mr M L Williams
Mr Wynn Owen

NEDC MEMBERSHIP

The Chancellor was most grateful for your minute of 18 February. As you will have seen, letters to McFarlane, Baker and Ridley have now issued. This minute is just to confirm that, as I mentioned to you on the telephone, the Chancellor indicated that he would be content to write formally consulting other sponsor Ministers, with Sir P Middleton consulting the NICG in the normal way. I am sorry not to have recorded this earlier. We spoke, and you said you would be providing a draft.

mpw.

MOIRA WALLACE

CONFIDENTIAL

~~BE 14/3~~

mp

FROM: J MACAUSLAN
DATE: 11 March 1988

PS/EST

CC: PS/Chancellor
Mr Monck
Mr Culpin
Ms J Simpson
Mr Wynn Owen
Mr Hyett T.Sol
PS/C&E
Mr Nash C&E
Mr B Wood C&E

DISCLOSURE OF IMPORTERS DETAILS

1. As I mentioned that I would at your meeting on 1 March, I consulted DTI about the text of the draft Budget Debate statement and the briefing on the disclosure of importers details. I attach a copy of the statement and the briefing with the DTI suggestions marked in red. I also attach a draft letter I intend to send to DTI on Monday if the Economic Secretary is content with the line I am taking.

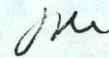
2. Most of the DTI suggestions are relatively small and seem to me acceptable.

3. But they suggest that we should announce that the arrangements will be reviewed after 12 months. Moira Wallace's minute of 26 February to Mr Monck records the Chancellor's view that he did not agree with Lord Young that there should be a public announcement of the review. Customs think that it would be disastrous to announce a review since marketing agents would be left uncertain whether they would stand a chance of recovering their costs. I therefore told DTI that we could not accept that amendment. They have since suggested that we might instead say, "We will review the arrangements in due course". While not too unsatisfactory, I would still think it best to reject this, and recommend that I write to DTI to say so.

4. I also rejected their suggestion that we should rule out disclosure of finer details under section 10. I said that we did not expect to use section 10 in this way, and would have to be thoroughly satisfied about feasibility, costs and confidentiality before we did so; but that the strategy was to let sleeping dogs lie. DTI would not accept this. So I must write to confirm.

5. Finally, DTI objected to the last sentence of paragraph 3 of the statement on the grounds that Lord Young agrees to disclosure of names and addresses "without finer detail" (his letter of 11 February) and that mentioning this in the statement was inconsistent with the "letting sleeping dogs lie" argument. I recommend (with Mr Monck's agreement) that we take the sentence out of the statement, but be prepared to use it if pressed by supporters of more disclosure; and therefore that we leave it in the briefing, but in square brackets.

6. I would be most grateful for any comments on the attached draft letter, which I ought to get to DTI by Monday afternoon.



J MACAUSLAN

CONFIDENTIAL

DRAFT LETTER TO R ALLPRESS (DTI)

DISCLOSURE OF IMPORTERS DETAILS

1. Thank you for your letter of 11 March attaching copies of the draft statement and brief with your amendments marked.
2. We discussed your suggestions. The outcome was that I said that I would recommend to the Economic Secretary the following changes:

Statement

Paragraph 1, sentence 3: "A majority of the comments were in favour ...".

Paragraph 1, last sentence: delete.

Paragraph 3, last sentence: delete.

I cannot agree to your amendments to paragraphs 5 and 6. As I said, Ministers here have taken the view that we should neither announce the review, nor mention section 10.

Briefing

Factual (ii) third indent: delete "(contracts to be offered to five agents who currently market trade statistics)"

Factual (iv): delete "and organised by DTI".

Factual (v) to read: "Results of consultation exercise: a majority (55%) of comments favoured disclosure of names and addresses of importers. Few comments supported still more detailed disclosure".

Defensive (vi): our intention would be that we should not volunteer the last sentence; we should say, but only if pressed, that we would of course consider without commitment any requests made for further disclosure.

I am sending copies of this letter to Brian Wood in Customs, to Stephen Hyett of the Treasury Solicitor, and to Philip Wynn Owen here.

J MACAUSLAN

Draft Statement for Budget Debate

REVISED

9 March 1988

DISCLOSURE OF IMPORTERS' DETAILS

1. Mr Speaker, competitive and efficient markets rely on the free flow of information. Following ~~my~~ ^{the} announcement in last year's Budget Debate, a consultative exercise was conducted during 1987 on a number of propositions, including the possible disclosure by sale by Customs and Excise of the names and addresses of importers. A ^{small} majority of those who commented were in favour of the proposal to disclose importer's names and addresses against the commodity codes under which imported products are classified. ~~A number of~~ ^{Few} respondents ~~suggested~~ ^{suggested} more detailed disclosure.
2. Following an inter-departmental review of the results of the consultative exercise I can announce today that the Government has decided to proceed with this proposal.
3. A new provision in the Finance Bill will enable Customs and Excise to extract information from statutory declarations made by importers or their agents on import entries. Customs will provide marketing agents each month with the names and addresses of importers listed against each of the 9 digit Commodity Codes as published in the UK edition of the Integrated Tariff of the United Kingdom (about 11,500 in all). Provision of this information should help firms to identify markets so helping to improve the effectiveness of marketing, market research and product development to the benefit of industry and consumer alike.

~~Should any sections of industry come forward in due course to request more detailed information we remain ready to consider with them the feasibility of such further disclosure.~~

4. The charge to the marketing agents will be set at a level to cover Customs costs. The marketing agents will be free to publish the information in a form and at a price attractive to their customers.
5. We would hope to implement these arrangements from January 1989 subject to satisfactory conclusion of contractual arrangements with the marketing agents and implementing the necessary changes to computer systems. *We will review the arrangements after they have operated for 12 months.*
6. Customs will continue the current arrangements known as suppressions. Under these arrangements they combine ^{for example} information ^{for 2 or more Commodity Codes} when importers can demonstrate that ^{more detailed} publication would enable confidential information about their business activities to be identified either directly or by deduction. *Names and addresses of importers will not be made available against the finer listings which may be provided under section 10 of CEMA 1979.*

FF13 DISCLOSURE OF IMPORTERS' DETAILS

Customs and Excise issuing press Notice or []

[see also]

Factual

(i) Present Arrangements:

(a) Regularly published Data

- Monthly Overseas Trade Statistics contain quantity and value figures for imports and exports with detail in two forms - by Standard International Trade Classification (SITC) analysed by major countries and by nine digit Commodity Code (not analysed by country).

(b) Additional information regularly made available for sale

- Agents acting on behalf of Customs sell more detailed analysis of quantity and value data showing within each Commodity Code imports or exports by Country of Origin, Country Whence Consigned or Country of Destination; by port of landing or shipment; and by nationality and type of transport. But no direct identification of importers or exporters. In majority of cases minimum level of aggregation does not allow importer or exporter to be identified.

(c) "Suppression"

- If trader satisfies Customs that provision of aggregate data could disclose commercially sensitive information about his business (either directly or by deduction) Customs apply "suppression" to prevent disclosure.
- Typically achieved by withholding port or country data within Commodity Code; by making available only quantity or value data (but not both) within Commodity Code; or by merging data for two or more Commodity Codes.

(ii) Main features of new proposal -

- will legislate in Finance Bill to make provision for Customs to make names and addresses of importers available for sale to selected marketing agents.
- listing will consist of names and addresses of importers against all 9 digit Commodity codes published in EC Harmonised Tariff (about 11,500).
- information to be marketed through appointed agents operating under contract with Customs and Excise, ~~(contracts to be offered to 5 agents who currently market trade statistics)~~. Annual fee charged to agents should cover Customs additional costs for providing information. Agent will determine own scale of charges.

- neither quantities nor values to be attributed to particular importers so risk of commercial aspects of individual's business activity being disclosed no greater than with existing published trade information. Present suppression facilities to apply.

~~[to repeal current Section 10 of Customs and Excise Management Act (CEMA) 1979, which allowed on national interest grounds for provision of finer detail in listings eg country or origin, quantity or value. Powers unused for past three years.]~~

(iii) Implementation: Hope to implement by 1 January 1989 subject to resolving contractual arrangements with marketing agents and implementing changes to computer systems (Customs and agents).

(iv) Representations: Proposed scheme arises from consultative exercise announced during 1987 Budget debate ~~and organised by DTI~~, following proposal by chairman of Knitting Group of National Economic Development Council (NEDC).

(v) Results of consultation exercise: ~~[Something under half [190] of total number of organisations and individual bodies consulted responded to questionnaire.]~~ A majority (55 per cent) of respondents favoured disclosure of names and addresses of importers. ~~Some respondents, but not majority, suggested~~ still more detailed disclosure.

Positive

(i) Purpose of proposal: To increase provision of information to business by providing for sale of details of importers' names and addresses.

(ii) Effect should be to encourage better informed and thus more efficient markets, with benefits for consumer, companies and economy alike. Competitive and efficient markets rely on free flow of information.

(iii) Demonstrates the Government's concern to maximise provision of market information. Gives scope for suppliers more readily to identify potential markets and for importers to be made aware of alternative sources of supply.

(iv) Government responding to representations for greater availability of market information made by interested parties eg Knitting EDC and to majority response in favour of such disclosure in consultation exercise.

Defensive

(i) Benefits importers more than domestic industry: No. Information will be freely available for sale to all including importers and overseas suppliers. Up to UK manufacturers to grasp opportunity to respond positively to increased availability of information about markets.

(ii) True motive import substitution: Aim is simply to provide better information to business through such trade information. Will, of course, be available for purchase by British and foreign companies alike.

(iii) Balance of Payments effects: Impossible to tell. Depend on who takes advantage of improved information. Available for purchase by British and foreign companies alike.

(iv) Scheme liable to expose importers to unsolicited enquiries: Importers not expected to find resulting trade enquiries onerous; any prospect of more competitive supplies surely worth pursuing.

(v) Restrict supply of information to UK manufacturers only: No. Impracticable and would breach EC regulations.

(vi) More detailed disclosure: (eg by country, port or consignment): Supported only by minority of respondents to consultative exercise. Could be counter-productive, if excessive requests for suppression would lead to loss of detailed information. ~~But if requests made by trade or industry Government prepared to consider feasibility of further disclosure.~~

(vii) Do same for exports: Representations received to date have largely concerned providing more information on imports. So no reason to believe could market such data.

(viii) Unfair/dissimilar treatment to those sourcing within UK: Companies entirely free to choose whom to trade with in open market. Scheme simply improves information available in market.

(ix) Scheme will be undermined by non-cooperation of importers: Some importers may initially disguise activities, but no justification for this as disclosure limited, with no quantities or values attributed to individuals. Importers and agents must continue to fulfil their statutory obligations by making full and accurate declarations to Customs and Excise.

(x) Puts commercial confidentiality at risk: No. Providers of source information protected; suppression through linkage into broader commodity description to continue to be available where appropriate.

~~[(xi) Why repeal existing Section 10 CEMA?: Redundant. No use made of it for past 3 years. In any case, if its powers were combined with new disclosure could amount to serious breaches of commercial confidentiality. Discretionary elements of Section 10 undesirable. Suggest some may benefit from disclosure but not others. If information to be made available it should be open to anyone to buy it.]~~

Contact point M E Pratt (Customs and Excise) (0702 36 (GTN 2019) 7155
B Wood (Customs and Excise) (0702) 36 (GTN 2019) 7168



HM CUSTOMS AND EXCISE
STATISTICAL OFFICE
PORTCULLIS HOUSE 27 VICTORIA AVENUE
SOUTHEND ON SEA ESSEX SS2 6AL
TELEPHONE 0702 36 7155

BF 16/3

COVERING CONFIDENTIAL

cc. PS/EST

Chancellor

Chief Secretary

Financial Secretary

Paymaster General

Sir Peter Middleton

Mr N Monck

Mr R Culpin

Miss C E C Sinclair

Ms Judith Simpson

Mr MacAuslan, Treasury

Mr Wynn Owen, Treasury

Mr Hyett, Treasury Solicitor

CPS

Mr B H Knox

Mrs V Strachan

Mr P Nash

Mr P R H Allen

Mr B L Wood

Mr J L Railton

Mr M Cooper

Ms A French
DPU
New Kings Beam House
London

11 March 1988

DISCLOSURE OF IMPORTERS' DETAILS

The EST has now approved the attached drafts of the Budget Statement and Press Notice.

M E PRATT
Controller
Statistical Office

DISCLOSURE OF IMPORTERS' DETAILS

1. Mr Speaker, competitive and efficient markets rely on the free flow of information. Following the announcement in last year's Budget Debate, a consultative exercise was conducted during 1987 on a number of propositions, including the possible disclosure by sale by Customs and Excise of the names and addresses of importers. A majority of those who commented were in favour of the proposal to disclose importer's names and addresses against the commodity codes under which imported products are classified. A number of respondents suggested more detailed disclosure.
2. Following an inter-departmental review of the results of the consultative exercise I can announce today that the Government has decided to proceed with this proposal.
3. A new provision in the Finance Bill will enable Customs and Excise to extract information from statutory declarations made by importers or their agents on import entries. Customs will provide marketing agents each month with the names and addresses of importers listed against each of the 9 digit Commodity Codes as published in the UK edition of the Integrated Tariff of the United Kingdom (about 11,500 in all). Provision of this information should help firms to identify markets so helping to improve the effectiveness of marketing, market research and product development to the benefit of industry and consumer alike.

Should any sections of industry come forward in due course to request more detailed information we remain ready to consider with them the feasibility of such further disclosure.

4. The charge to the marketing agents will be set at a level to cover Customs costs. The marketing agents will be free to publish the information in a form and at a price attractive to their customers.
5. We would hope to implement these arrangements from January 1989 subject to satisfactory conclusion of contractual arrangements with the marketing agents and implementing the necessary changes to computer systems.
6. Customs will continue the current arrangements known as suppressions. Under these arrangements they combine information for two or more commodity codes when importers can demonstrate that publication of a more detailed breakdown would enable confidential information about their business activities to be identified either directly or by deduction.

REVISED

11 March 1988

CONFIDENTIAL

until after Budget Debate announcement on 17th March 1988
then UNCLASSIFIED

DISCLOSURE OF IMPORTER'S DETAILS

DRAFT PRESS NOTICE

FREE FLOW OF INFORMATION TO MARKETS

1. The Economic Secretary to the Treasury today announced that the Government would legislate in the 1988 Finance Bill to permit disclosure by sale of the names and addresses of importers. The change, Mr Lilley said, "should add significantly to the free flow of information on which competitive and efficient markets rely. This should help firms to identify markets and should both benefit industry and consumers, by helping to improve the effectiveness of marketing, market research and product development."

DETAILS

2. This follows the public consultation announced in last year's Budget Debate in which a majority of those asked were in favour of the steps being taken. It is hoped to implement the arrangements from January 1989.

3. Customs and Excise will provide marketing agents monthly with the names and addresses of importers as shown on import declarations. The names will be listed against each of the nine digit Commodity Codes as published in the integrated tariff of the United Kingdom (about 11,500 in all). The charge to marketing agents will be set at a level to cover Customs' costs. The marketing agents will be free to publish the information in a form and at a price attractive to their customers.

Note to Editors

The 9-digit Commodity Code forms part of a new system of structured commodity classification based on the Harmonised System Convention and was introduced within the European Community on 1st January 1988. Importers are required to classify the goods description and declare the Commodity Code in each import declaration. The code, but not the description of the goods, is then processed through Customs and Excise computer systems. The information will be provided to marketing agents on computer tape.

The Integrated Tariff of the United Kingdom is published by HMSO. Volume 2 contains a list of goods descriptions and associated Commodity Codes.

CONFIDENTIAL

BF 16/13

FROM: G R WESTHEAD
DATE: 14 March 1988

MR MacAUSLAN

cc PS/Chancellor
 Mr Monck
 Mr Wynn Owen
 Parliamentary Clerk

Mr Hyett - Tsy Sol

PS/C&E
 Mr Nash - C&E
 Mr Pratt - C&E
 Mr B Wood - C&E
 Ms French - C&E

DISCLOSURE OF IMPORTERS' DETAILS

As you know, the Economic Secretary will be announcing the Importers' Details move during his wind-up speech in the Budget Debate on Thursday 17 March.

2. He has asked that the press release be issued early on Thursday (eg up to 3.00pm) but under embargo until 10.00pm. (I understand it will be a Customs press release). As a result of this, in order to inform Parliament at the same time as informing the press (albeit under embargo) he would like to put down a written Parliamentary Question (on Wednesday 16 March) for answer on Thursday 17 March at the same time as the press release itself is issued.

3. I would be very grateful if you would produce a draft question and answer. As we agreed, the answer need be no different substantively from the press release already agreed.

Guy Westhead

GUY WESTHEAD**Assistant Private Secretary**

dti

the department for Enterprise

Handwritten signature
9861 801 91

The Hon. Alan Clark MP
Minister for Trade

Peter Lilley Esq MP
Economic Secretary
HM Treasury
Parliament Street
LONDON
SW1P 3AG

ECONOMIC SECRETARY	
REC'D	16 MAR 1988
ACT N	Mr MacAuslan
COPIES TO	PS/Chancellor 2
	Mr Manck
	Mr Wynn-owen
	Mr Pratt cte
	Mr Wood cte
	Mr Nash cte
	PS/cte

Department of
Trade and Industry

1-19 Victoria Street
London SW1H 0ET

Switchboard
01-215 7877

Telex: 8811074/5 DTHQ G
Fax: 01-222 2629

Direct line 01-215 5144
Our ref L06AHE
Your ref
Date 15 March 1988

Dear Peter

DISCLOSURE OF IMPORTERS' DETAILS

As you will know, our officials have been in touch about the terms of the announcement of the change to be made in the Budget Debate on 17 March and the associated press release. A particular issue between them has been how best to reflect the agreement between David Young and Nigel Lawson that the change should be introduced as an experiment and should be reviewed after one year's operation.

I believe the balance of advantage lies with being fairly open about the experimental nature of the change. Of those who responded to the Government's consultation 45% expressed reservations about the proposal (as did a number of colleagues). They will be reassured if we signal from the outset our intention to carry out an early review to ensure that disclosure of importers' names has been beneficial overall. Moreover, since we have already decided to review the new arrangements after 12 months' operation, the marketing agents should be aware of this - at least in general terms - when making their investment decisions.

I am copying this letter to the Prime Minister, the Secretaries of State for Employment, Energy, Transport and the Environment, the Chancellor of the Exchequer and the Minister of Agriculture, Fisheries and Food, and to Robin Butler.

Alan Clark
Alan

ALAN CLARK

17/3
BF 16/3

FROM: P WYNN OWEN

DATE: 15 March 1988

1. MR MACAUSLAN *pm 15/3*
 2. ECONOMIC SECRETARY *mmp*

cc PS/Chancellor
 PS/Sir P Middleton
 Mr Monck
 Mr Burgner
 Mr R I G Allen
 Miss Sinclair
 Mr Fray
 Mr Hyett - T Sols
 PS/Customs & Excise
 Mr Pratt - C&E
 Mr Wood - C&E

DISCLOSURE OF IMPORTERS' DETAILS

1. The Private Secretary to the Minister for Trade, the Hon Alan Clark, wrote to the Chancellor's Private Secretary on 22 February, covering an exchange of letters with the British Importers Confederation (BIC). No action is required, but this minute comments on one point raised by the BIC.

2. The Secretary of the BIC wrote on 5 February to the Minister for Trade expressing alarm at the potential disclosure of importers details (given the timing, there must be a chance that such a letter was inspired in some way by DTI). The BIC did not "see how this information would help British manufacturers to engage in import substitution"; thought a more likely effect would be to assist foreign exporters to raise their prices; expressed fear of an increase in unsolicited mail; and did not believe that selling this information would result in much extra revenue for Customs and Excise. But their major point was:

"The Confederation further believes that the proposals are an obvious discrimination against one trading sector as it is not proposed that exporters be subject to the same scrutiny and wonders how this would be received by the European Court."

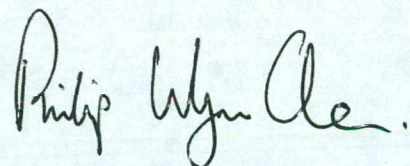
3. The Minister for Trade's Private Secretary replied on 22 February, simply saying the Government hoped to have a decision soon and that full account would be taken of the points the BIC has made. There is therefore no need for a Treasury reply.

COMMENT

4. We sought Treasury Solicitor's (Mr Hyett's) advice on the suggested threat of European Court action in the BIC letter. The Treasury Solicitor advised that it would not be possible for an action to be brought before the European Court on the ground that the proposal discriminated against one trading sector. The applicant would have to show a breach of an obligation on HMG under the Treaty of Rome or its subordinate legislation. Merely treating one sector differently to another sector does not amount to discrimination that is prohibited by the Treaty. The BIC are not arguing that there is any discrimination on grounds of nationality and indeed we have endeavoured to structure the proposals so that there would be no discrimination on that ground. The Treasury Solicitor therefore considers that it would be very difficult for the BIC to get a case off the ground unless they can come up with some different more convincing arguments.

5. That is not to say, of course, that the BIC or another opponent might not, in due course, take an action against us in the European Court on different grounds. But, as the Treasury Solicitor has pointed out, we have been careful to avoid giving any misleading impression of import substitution in public utterances on this issue. We have shown both your draft statement and defensive briefing to Mr Hyett, so as to ensure that nothing is said which could later be used against us by an aggrieved party.

6. No action is therefore required on the BIC letter, but, on the legal point above, you might note that we will need to take care, in presenting the measure on Thursday and thereafter, that there is no mention of import substitution, or benefits to British industry. The benefits to stress are those to the market and the consumer on the one hand, and to industry in general, British and foreign, on the other.



P WYNN OWEN

dti

the department for Enterprise

The Hon. Alan Clark MP
Minister for Trade

Private Secretary to the
Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON
SW1P 3AG

Direct line 01-215 5144

Our ref L01AHO

Your ref

Date 22 February 1988

24/2
✓
EF

Mr P Wynn Owen
Asst, Sir P Middleton
Mr Monck Mr Buzno
Mr Culpan
Miss Sinclair
Mr Flanagan
Mr MacAuslan
Mr Frazer
Mr Call

Department of
Trade and Industry

1-19 Victoria Street
London SW1H 0ET

Switchboard
01-215 7877

Telex 8811074/5 DTHQ G
Fax 01-222 2629

Dear Private Secretary

DISCLOSURE OF IMPORTERS' DETAILS

Further to Lord Young's letter of 11 February to Mr Lawson, I attach, for your information, a copy of a letter Mr Clark has received from the British Importers Confederation opposing the move to fuller disclosure of importers' details. I also attach a copy of my reply.

Yours sincerely
Marjorie Davies

MISS M DAVIES
Private Secretary

ENCS



the department for Enterprise

The Hon. Alan Clark MP
Minister for Trade

Miss E C Ormond
Secretary
British Importers Confederation
69 Cannon Street
LONDON
EC4N 5AB

**Department of
Trade and Industry**

1-19 Victoria Street
London SW1H 0ET

Switchboard
01-215 7877

Telex 8811074/5 DTHQ G
Fax 01-222 2629

Direct line 01-215 5144

Our ref L01AHN

Your ref

Date 22 February 1988

Dear Miss Ormond

Thank you for your letter of 5 February to Mr Clark about the disclosure of importers' details.

We hope to have a decision on the proposal soon. Please be assured that in reaching a decision full account will be taken of the points the Confederation has made.

I am copying your letter to the Private Secretary to the Chancellor of the Exchequer, because of his Department's interest in the consultation exercise.

Yours sincerely
Maironi Davies

MISS M DAVIES
Private Secretary

British

Importers

Confederation



69 Cannon Street, London EC4N 5AB
Telephone: 01-248 4444 Telegrams: Convention London EC4
Telex: LCCI G 888941

5th February 1988

Hon Alan Clark MP
Minister for Trade
Department of Trade & Industry
1 Victoria Street
London
SW1H 0ET

MIN. FOR TRADE'S OFFICE.
TO Mr Allpress
FOR ADVISE (AND
DRAFT REPLY IF
APPROPRIATE)
PLEASE BY: 17/2/88
(PLEASE PHONE
EXT. 5012 IF
DEADLINE CANNOT
RE MET.)

COPIES TO

PS/CDL
PS/Sir Brian Hayes
Mr Roberts
Mr Kiesner
Mr Treadgold
Mr Hutton
Mr Corley
Mr Stibbard
Mr Peacock

Dear Minister,

Re: Disclosure of Importers' Details

I am alarmed at the tone of recent press reports which appear to endorse the proposals of the Economic Development Committee of the knitting industry regarding the disclosure of importers' details.

Further to the paper submitted by the Confederation in July I write to urge you to consider these proposals from all angles. I do not see how this information would help British manufacturers to engage in import substitution and a more likely effect would be to assist foreign exporters raise their prices with the consequent effect on the consumer. The people most likely to purchase the information would be the service industries in order to bombard the trade with yet more unsolicited mail or those wishing to bring pressure on UK importers by threatening adverse publicity campaigns or even the squeezing of home supplies.

BIC does not believe that the selling of this information would result in much extra revenue for HM Customs & Excise due to the cost of the extra work involved.

X | The Confederation further believes that the proposals are an obvious discrimination against one trading sector as it is not proposed that exporters be subject to the same scrutiny and wonders how this would be received by the European Court.

I hope these comments may be of some value when your Department finally gives its reaction to the knitting NEDO's proposals.

Yours sincerely
Miss E.C. Ormond

Miss E.C. Ormond
Secretary

CONFIDENTIAL

FROM: J MACAUSLAN

DATE: 15 March 1988

PS/EST

RF-16/13

CC: PS/Chancellor -
Mr Monck
Mr Wynn Owen
Parliamentary Clerk
Mr Hyett T.Sol
PS/Customs
Mr Nash - C&E
Mr Pratt - C&E
Mr B Wood - C&E
Ms French - C&E

DISCLOSURE OF IMPORTERS DETAILS

Your note of yesterday asked for a draft question and answer to be put down on Wednesday 16 March for answer on Thursday 17 March. I attach a draft which I have cleared over the telephone with Mr B Wood in Customs.

V.M

J MACAUSLAN

DRAFT PQ AND ANSWER

DISCLOSURE OF IMPORTERS DETAILS

To ask Mr Chancellor of the Exchequer whether he will now announce the Government's decision on the question of disclosure of importers' details, on which the Government consulted interested parties in 1987.

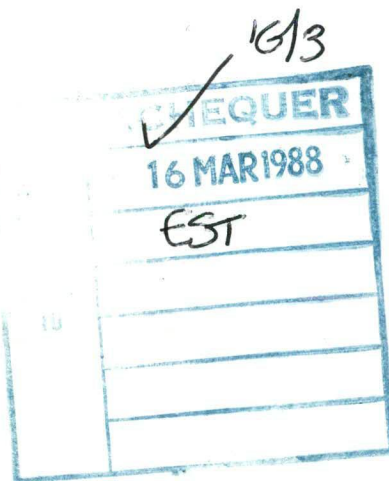
The Government intends to legislate in the 1988 Finance Bill to permit disclosure by sale of the names and addresses of importers. This follows the public consultation announced in last year's Budget Debate in which a majority of those asked were in favour of the steps being taken. Customs and Excise will provide marketing agents monthly with the names and addresses of importers as shown on import declarations. The names will be listed against each of the 9 digit Commodity Codes as published in the integrated tariff of the United Kingdom. The charge to marketing agents will be set at a level to cover Customs' costs. The marketing agents will be free to publish the information in a form and at a price attractive to their customers. The current arrangements known as suppressions will be continued. It is hoped to implement the arrangements from January 1989. This proposal should add significantly to the free flow of information on which competitive and efficient markets rely. Both industry and customers should benefit through improvements in the effectiveness of marketing, market research and product development.

dti

the department for Enterprise

The Hon. Alan Clark MP
Minister for Trade

Peter Lilley Esq MP
Economic Secretary
HM Treasury
Parliament Street
LONDON
SW1P 3AG



Department of
Trade and Industry

1-19 Victoria Street
London SW1H 0ET

Switchboard
01-215 7877

Telex 8811074/5 DTHQ G
Fax 01-222 2629

Direct line 01-215 5144
Our ref L06AHE
Your ref
Date 15 March 1988

Dear Peter

15/3/88

DISCLOSURE OF IMPORTERS' DETAILS

As you will know, our officials have been in touch about the terms of the announcement of the change to be made in the Budget Debate on 17 March and the associated press release. A particular issue between them has been how best to reflect the agreement between David Young and Nigel Lawson that the change should be introduced as an experiment and should be reviewed after one year's operation.

I believe the balance of advantage lies with being fairly open about the experimental nature of the change. Of those who responded to the Government's consultation 45% expressed reservations about the proposal (as did a number of colleagues). They will be reassured if we signal from the outset our intention to carry out an early review to ensure that disclosure of importers' names has been beneficial overall. Moreover, since we have already decided to review the new arrangements after 12 months' operation, the marketing agents should be aware of this - at least in general terms - when making their investment decisions.

I am copying this letter to the Prime Minister, the Secretaries of State for Employment, Energy, Transport and the Environment, the Chancellor of the Exchequer and the Minister of Agriculture, Fisheries and Food, and to Robin Butler.

Yours

ALAN CLARK

Handwritten signature



FROM: G R WESTHEAD
DATE: 16 March 1988

MR HUTSON - Parly Section

cc **PS/Chancellor** 12/2
Mr Monck
Mr MacAuslan
Mr Wynn Owen

Mr Hyett - Tsy Sol

PS/C&E
Mr Nash - C&E
Mr Hammond - C&E
Mr Pratt - C&E
Mr Wood - C&E
Miss French - C&E

DISCLOSURE OF IMPORTERS' DETAILS

I attach a finalised version of an arranged Parliamentary Question and Answer on the above. The PQ is for answer tomorrow (I understand at 3.30pm).

2. The Economic Secretary will himself be elaborating on the PQ announcement during his speech in the Budget Debate tomorrow evening at 9.30pm. But he wanted a PQ announcement to accompany the issue of the press release under embargo tomorrow afternoon.

Guy Westhead

GUY WESTHEAD
Assistant Private Secretary

DISCLOSURE OF IMPORTERS' DETAILS

To ask Mr Chancellor of the Exchequer whether he will now announce the Government's decision on the question of disclosure of importers' details, on which the Government consulted interested parties in 1987.

The Government intends to legislate in the 1988 Finance Bill to permit disclosure by sale of the names and addresses of importers. This should add significantly to the free flow of information on which competitive and efficient markets rely. Both industry and consumers should benefit through improvements in the effectiveness of marketing, market research and product development. The decision follows the public consultation exercise announced in last year's Budget debate. The majority of those who responded were in favour of the steps being taken.

Customs and Excise will provide marketing agents monthly with the names and addresses of importers as shown on import declarations. The names will be listed against each of the 9 digit Commodity Codes as published in the integrated tariff of the United Kingdom. The charge to marketing agents will be set at a level to cover Customs' costs and marketing agents will be free to publish the information in ^athe form and at a price attractive to their customers. The current arrangements known as suppressions will be continued.

It is hoped to implement the arrangements from January 1989.

CONFIDENTIAL

FROM: J MACAUSLAN

DATE: 16 March 1988

ECONOMIC SECRETARY

cc: Chancellor
Mr Monck
Ms Sinclair
Mr H J Bush
Mr Wynn Owen
PS/Customs
Mr P Nash - C&E
Ms A French - C&E
Mr Pratt - C&E
Mr B Wood - C&E

DISCLOSURE OF IMPORTERS DETAILS

1. My submission of 11 March recommended that we reject the DTI proposal to include in the announcement about importers' details a statement that the change would be reviewed after a year, or in due course. You agreed with this, and I wrote to DTI on Monday accordingly.

2. Alan Clark has now written in to challenge the decision. You will want to reply immediately.

3. I have spoken to DTI officials about this. They accept that it is too late to alter the press notice; and that although it is theoretically possible to alter both the PQ answer and the statement, in practice the issue may be resolved only in time to affect the statement.

4. I have also agreed with them that there are two options: either to leave the texts as they are (ie not announce any review); or to add to the statement (and possibly the PQ) the sentence

"The arrangements will of course be kept under review."

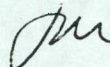
5. Arguments against any such addition are that all policies are kept under review and it adds nothing to say so in this case; if it implied any particular likelihood that the change would be reversed,

that would incite objectors to redouble criticism and would cast doubt on the commercial viability of marketing agents' investment; and Moira Wallace's minute of 26 February records the Chancellor's view that he did not agree with Lord Young that there should be a public announcement of the review.

6. Arguments in favour of the addition are that as now phrased it is a weaker addition than any discussed previously (it has no suggestion of any review date); it could be added to paragraph 5 of the statement without attracting much attention; and it would with luck defuse the opposition of DTI and of other Departments that previously spoke against the change.

7. On balance, I would accept the addition. It costs little, especially as it cannot be put in the press notice; and should avoid stirring up further controversy. I attach a draft reply accordingly. Customs agree that the additional sentence is not intolerable.

8. If you agree, the sentence in paragraph 4 above should be added at the end of paragraph 5 of the draft statement and could also be added to the PQ answer.



J MACAUSLAN

DRAFT LETTER TO MINISTER FOR TRADE

DISCLOSURE OF IMPORTERS DETAILS

1. Thank you for your letter of yesterday.

2. I agree that officials should look again at the system after a year of operation with a view to seeing if any changes are necessary, as agreed between David Young and Nigel Lawson. But there was no agreement that the review should be announced; and indeed we should take great care not to suggest to potential marketing agents that their investments are unlikely to be commercially viable.

3. However, I think it would be compatible with these considerations if I were to say in my statement tomorrow

"The arrangements will of course be kept under review",

and I am prepared to agree to that. But I remain convinced that it would be a mistake to go any further.

4. I am copying this letter to the Prime Minister, the Secretaries of State for Employment, Agriculture, Energy, Transport and the Environment and to Sir Robin Butler.

[PL]

CONFIDENTIAL

*mpw*

FROM: MISS M P WALLACE
DATE: 16 MARCH 1988

PS/ECONOMIC SECRETARY

cc: Mr Monck
Mr MacAuslan
Miss Sinclair
Mr Bush
Mr Wynn Owen

PS/C&E
Mr P Nash - C&E
Ms A French - C&E
Mr Pratt - C&E
Mr B Wood - C&E

DISCLOSURE OF IMPORTERS DETAILS

The Chancellor has seen Mr Clark's letter of 15 March. He has commented that, subject to the views of the Economic Secretary, he would be content with the fallback text set out in Mr MacAuslan's minute of 16 March, to the effect that "the arrangements will of course be kept under review". He has also commented that the Economic Secretary should make the announcement in the Budget Debate regardless of whether DTI accept this compromise wording or not.

mpw.

MOIRA WALLACE



mp

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434
My ref:

Your ref:

Moira Wallace
Assistant Private Secretary to
The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON
SW1P 3AG

16 March 1988

Dear Moira,

NEDC MEMBERSHIP

Thank you for your letter of 7 March asking if my Secretary of State was content to serve on the NEDC for a further 2 years. He could hardly refuse to do so - and so of course accepts.

Yours,
Deborah.

F1

DEBORAH LAMB
Private Secretary

17/3

CH/EXCHEQUER	
REC.	17 MAR 1988
ACTION	Mr Flanagan
COPIES TO	PS/EST, Sr P Middleton Mr Menck Mr Burgess Mr Colman Mr MacArdan Mr McWilliams Mrs Duggle

Mr Wyn Owen



8F 1713

FROM: S J FLANAGAN
DATE: 16 March 1988

1. MR MacAUSLAN *dm 16/3*
2. CHANCELLOR *✓*

- cc PS/Chief Secretary
PS/Financial Secretary
PS/Paymaster General
PS/Economic Secretary
Sir P Middleton
Mr Monck
Mr D J L Moore
Mr Burgner
Mr M E Brown
Mr Colman
Mr M L Williams
Mr Holgate
Mr Tarkowski
Mr Wynn Owen
Mr A E W White
Mr Cropper
Mr Call
Mr Tyrie

OK with Mr [unclear] content with letters at Annex A & B? mpr 11/3

NEDC MEMBERSHIP: LORD MARSHALL, SIR BRYAN NICHOLSON

My minute of 18 February said that I would submit further advice on replacing Lord Marshall by Sir Bryan Nicholson in one of the Nationalised Industry seats on the NEDC once the announcement on the privatisation of the electricity supply industry had been made. Miss Wallace's minute of 10 March records your agreement to formally consulting other sponsor Ministers about appointing Sir Bryan, with Sir Peter Middleton consulting the NICG in the normal way. I attach three draft letters.

Lord Marshall

2. The draft letter at Annex A thanks Lords Marshall for his contribution to the Council. It is deliberately deadpan. If you wish to employ a lighter touch, perhaps pointing out that Lord Marshall will now escape interminable Council meetings, you might consider speaking to him first, then writing formally.

Sir Bryan Nicholson

3. Annex B is a letter for you to circulate around your Ministerial colleagues on NEDC, suggesting that Sir Bryan Nicholson takes over the vacant NI seat. Annex C is a similar letter for Sir Peter Middleton to send to the NICG. These should not be sent until after you have written to Lord Marshall. In the meantime, Sir Bryan will continue to sit on NEDC in a personal capacity, as you agreed in your letter to him of 1 October 1987.

Nigel [unclear]
pp S J FLANAGAN

DRAFT LETTER FROM THE CHANCELLOR TO:

The Lord Marshall of Goring KT CBE FRS
Central Electricity Generating Board
Sudbury House
15 Newgate Street
LONDON EC1A 8AV

NEDC MEMBERSHIP

You will no doubt be aware that your second two-year term as a member of the NEDC has now expired. Two terms is a normal period for membership of the Council, and since the January meeting was your last, I would like to express my thanks for your excellent and lively contribution over the last four years.

[N L]

DRAFT LETTER FROM THE CHANCELLOR TO THE SECRETARY OF STATE FOR TRADE AND INDUSTRY

NEDC MEMBERSHIP

As you will be aware, Walter Marshall's second two-year term of membership of the NEDC has expired. I have decided not to ask him to serve a further period, and have thanked him for his excellent contribution over the last four years.

2. This leaves one of the Nationalised Industry seats open. I would like to take this opportunity to regularise the position of Sir Bryan Nicholson. Since leaving the Manpower Services Commission, he has sat on the NEDC in a personal capacity. I would now like to invite him, in his role as Chairman of the Post Office, to take over the seat made vacant by Walter Marshall. I would not, for the time being, propose to fill the "independent" seat this appointment would make vacant.

3. I am sending copies of this letter to Norman Fowler, Nicholas Ridley, Kenneth Baker and Cecil Parkinson. I would be grateful if you, and they, could let me know whether you are content with the action I propose, ~~or whether there are any other candidates you would like me to consider.~~

DRAFT LETTER FROM SIR PETER MIDDLETON TO:

Sir Robert Reid
Chairman
Nationalised Industry Chairmen's Group
Hobart House
Grosvenor Place
London SW1X 7AE

NEDC MEMBERSHIP

As you will be aware, Lord Marshall's second two-year term as a member of the NEDC has expired. The Chancellor has written to thank him for his work over the last four years.

2. This leaves one of the Nationalised Industry seats open. One obvious course of action would be to use this opportunity to regularise the position of Sir Bryan Nicholson. Since leaving the Manpower Services Commission, he has sat on the NEDC in a personal capacity. His current position as Chairman of the Post Office would seem to make him a good candidate for the seat vacated by Lord Marshall.

3. The final decision, of course, lies with the Chancellor. But I would be grateful if you could let me know your opinion of the course of action suggested above, and for any other suggestions you might have which I could draw to the Chancellor's attention.

[P E M]

Fy/012

Covering CONFIDENTIAL UNTIL 2200hrs on 17 March 1988
THEN, UNCLASSIFIED

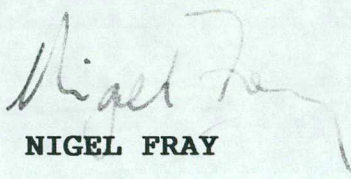
FROM: N G FRAY
DATE: 17 March 1988

APS/ECONOMIC SECRETARY

cc PS/Chancellor
PS/Chief Secretary
PS/Financial Secretary
PS/Paymaster General
PS/Sir P Middleton
Mr Monck
Mr Burgner
Mr R I G Allen
Mr MacAuslan
Mr Towers
Mr Wynn Owen
Mr Hyett - T Sol

DISCLOSURE OF IMPORTERS' DETAILS

I attach a copy of the Customs & Excise Press Release on the disclosure of importers' details, which will be released under embargo, at 3.30pm this afternoon.


NIGEL FRAY



HM CUSTOMS AND EXCISE
NEWS RELEASE

Embargoed: Not for publication, broadcast or use in club tapes before 2200 hours on 17 March 1988.

No 27/88

17 March 1988

FREE FLOW OF INFORMATION TO MARKETS

The Economic Secretary to the Treasury today announced that the Government would legislate in the 1988 Finance Bill to permit disclosure by sale of the names and addresses of importers. The change, Mr Lilley said, "should add significantly to the free flow of information on which competitive and efficient markets rely. This should help firms to identify markets and should both benefit industry and consumers, by helping to improve the effectiveness of marketing, market research and product development".

Details

This follows the public consultation announced in last year's Budget Debate in which a majority of those asked were in favour of the steps being taken. It is hoped to implement the arrangements from January 1989.

Customs and Excise will provide marketing agents monthly with the names and addresses of importers as shown on import declarations. The names will be listed against each of the nine digit Commodity Codes as published in the integrated tariff of the United Kingdom (about 11,500 in all). The charge to marketing agents will be set at a level to cover Customs' costs. The marketing agents will be free to publish the information in a form and at a price attractive to their customers.

BACKGROUND NOTE

The nine digit Commodity Code forms part of a new system of structured commodity classification based on the Harmonised System Convention and was introduced within the European Community on 1st January 1988. Importers are required to classify the goods' description and declare the Commodity Code in each import declaration. The code, but not the description of the goods, is then processed through Customs and Excise computer systems. The information will be provided to marketing agents on computer tape.

The Integrated Tariff of the United Kingdom is published by HMSO. Volume 2 contains a list of goods' descriptions and associated Commodity Codes.

Customs will continue the current arrangements known as suppressions. Under these arrangements they combine information for two or more commodity codes when importers can demonstrate that publication of a more detailed breakdown would enable confidential information about their business activities to be identified either directly or by deduction.

**ISSUED BY: THE PRESS AND INFORMATION OFFICE, HM CUSTOMS AND
EXCISE, KING'S BEAM HOUSE, MARK LANE, LONDON EC3R 7HE**

TELEPHONE: 01-626 1515 Ext 5468/5470/5472

**Embargoed: Not for publication, broadcast or use in club tapes
before 2200 hours on 17 March 1988.**

UNCLASSIFIED

1. Alex 2. Jonathan
3. Andrew
3.
PWP

FROM: J MACAUSLAN

DATE: 18 MARCH 1988

MR PICKFORD

cc: PPS -12/2
PS/CST
PS/FST
PS/PMG
PS/EST
Mr Monck
Mr Scholar
Mr Burgner
Mr Culpin
Mr R I G Allen
Mr Wynn Owen

DISCLOSURE OF IMPORTERS DETAILS

1. I got hold of a copy of the main Budget brief for the first time yesterday.

2. We have a difficulty with A2 Section F, Defensive (iv) which reads

"Importers' disclosure will worsen trade deficit? No.
Importers' disclosure provides good opportunity for UK firms to find new markets."

3. It ought to read, in line with the line we took in defensive (iii) in FF13,

"Importers' disclosure will worsen trade deficit? Balance of payments effects impossible to tell. Depends on who takes advantage of improved information. Available for purchase by British and foreign companies alike."

4. It is inherently most unlikely that the disclosure of importers' names and addresses would lead to a worse trade deficit. But in fact the proposal is not intended to have any particular effect on the balance of payments. It is intended to improve the flow of information to the market, to the ultimate benefit of consumers. The information is not being disclosed only to UK firms. It will be sold to whoever wants to buy it.

5. It is important not to misrepresent the aims of this policy: suggestions that it is intended or likely to benefit only British industry would leave it wide open to challenge in the European Court.

6. I would be most grateful if you could do whatever is necessary to ensure that this issue is presented accordingly. It is especially important that overseas recipients of the Budget brief (eg embassies, UKREP, and UKDEL), and DTI, (who do not like this measure), are not provided with material that misrepresents it.



J MACAUSLAN

BF 22/3
[Signature]

[Signature]
cc:



PS/Chief Secretary
PS/Financial Secretary
PS/Paymaster General
PS/Economic Secretary
Sir P Middleton
Mr Monck
Mr D J L Moore

Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

18 March 1988

The Lord Marshall of Goring KT CBE FRS
Central Electricity Generating Board
Sudbury House
15 Newgate Street
London EC1A 8AV

Mr Burgner
Mr MacAuslan
Mr M E Brown
Mr Colman
Mr M L Williams
Mr Flanagan
Mr Holgate
Mr Tarkowski
Mr Wynn Owen
Mr A E W White
Mr Cropper
Mr Call
Mr Tyrie

[Signature] Walter

NEDC MEMBERSHIP

You will no doubt be aware that your second two-year term as a member of the NEDC has now expired. Two terms is a normal period for membership of the Council, and since the January meeting was your last, I would like to express my thanks for your excellent and lively contribution over the last four years.

I suspect that you will miss NEDC rather than the NEDC will miss you!

[Signature]
[Signature]

NIGEL LAWSON

cc: PS/Chief Secretary
PS/Financial Secretary
PS/Paymaster General
PS/Economic Secretary
Sir P Middleton
Mr Monck
Mr D J L Moore



Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

18 March 1988

The Rt Hon Lord Young of Graffham
Secretary of State for Trade and Industry
1 Victoria Street
London SW1

Mr Burgner
Mr MacAuslan
Mr M E Brown
Mr Colman
Mr M L Williams
Mr Flanagan
Mr Holgate
Mr Tarkowski
Mr Wynn Owen
Mr A E W White
Mr Cropper
Mr Call
Mr Tyrie

NEDC MEMBERSHIP

As you will be aware, Walter Marshall's second two-year term of membership of the NEDC has expired. I have decided not to ask him to serve a further period, and have thanked him for his excellent contribution over the last four years.

This leaves one of the Nationalised Industry seats open. I would like to take this opportunity to regularise the position of Sir Bryan Nicholson. Since leaving the Manpower Services Commission, he has sat on the NEDC in a personal capacity. I would now like to invite him, in his role as Chairman of the Post Office, to take over the seat made vacant by Walter Marshall. I would not, for the time being, propose to fill the "independent" seat this appointment would make vacant.

(2) I am sending copies of this letter to Norman Fowler, Nicholas Ridley, Kenneth Baker and Cecil Parkinson. I would be grateful if you, and they, could let me know whether you are content with the action I propose.

NIGEL LAWSON