

PREM 19/721

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PART 2

Confidential Filing

Liaison Committee

Economic Policy

Part 1: December '81

Part 2: September '82

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
7.9.82							
10.9.82							
11.10.82							
20.10.82							
21.10.82							
26.10.82							
2.11.82							
3.11.82							
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PART 2 ends:-

Note guest mtg. - undertaken

PART 3 begins:-

Privy Council office to MOD 1/12

Econ Pol.

PRIVATE AND CONFIDENTIAL



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2) ~~ICS~~
3) C/F.

Cancelled

LIAISON COMMITTEE

The next meeting of the Committee will be held at 11.30 am on Wednesday, 15 December 1982 in 10 Downing Street.

Distribution:

Private Secretary, No 10
Secretary of State for Scotland
Secretary of State for Employment
Chairman of the Party
Chief Secretary, Treasury
Minister of State, Treasury (Mr Wakeham)
Chief Press Secretary, No 10
Marketing Director, Conservative Central Office
Director, Conservative Research Department

CONFIDENTIAL

Econ Pol



File AH

10 DOWNING STREET

From the Principal Private Secretary

30 November 1982

Dear Andrew,

Many thanks for your letter of 24 November covering a draft letter of instructions following the meeting of the Liaison Committee. For the reasons I explained to you on the telephone this morning, I think that it might be better if this letter were to go from your office rather than this one; and I have made some small modifications to the drafting with the aim of removing what might be regarded as emotive phrases. I suggest that, when circulating it, you might attach a covering note asking that recipients restrict it strictly to those who have an operational need to see it.

Yours sincerely,

Robin Butler

Andrew Ward Esq.

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AH

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DRAFT LETTER FROM THE LORD PRESIDENT'S PRIVATE SECRETARY
TO THE PRIVATE SECRETARY TO THE SECRETARY OF STATE FOR DEFENCE

PRESENTATION OF DEFENCE NUCLEAR POLICIES

As you know, the Prime Minister held a meeting on Wednesday 24 November with the Lord President of the Council and other colleagues, at which the Minister of State for Defence for the Armed Forces was present, to discuss the presentation of the Government's defence nuclear policies. The meeting had before it a report by officials including recommendations by the Minister of State for Defence.

2. It was agreed that the Government needed to retain, and increase, the general public acceptance of existing NATO and British nuclear defence capabilities, and widen support both among opinion formers and the general public for the measures needed - Cruise and Trident - to maintain that capability. It was further agreed that the Government's particular concern must be with that section of opinion which, though normally supporting existing nuclear and conventional defence capabilities, was for a variety of reasons worried about Cruise and Trident.

3. The meeting agreed that responsibility for presentation in this field must remain with the Ministers concerned; MOD, FCO and Home Office, with the MOD in the lead. It was noted that this task was an additional responsibility for Ministers who were already hard pressed, and that this was particularly so in respect of the Minister of State for Defence for the Armed Forces. The meeting was, however, in no doubt that Defence Ministers, despite their many other preoccupations, should give the highest priority in the months ahead to putting over the case for the Government's policy.

4. It was noted that the planned first development of Cruise missiles to the United Kingdom in 1983 would undoubtedly cause

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- 2 -

the Government's opponents to step up their efforts, and that the Government would need to respond. The meeting therefore endorsed all the recommendations made by the Minister of State for Defence in paragraph 27 of the report. Every effort should be made to take the initiative in explaining the Government's case, both nationally and locally. Non-Governmental organisations working in this field should be given as much support as possible. It was important that the Government's arguments were not only conveyed to opinion formers, especially the universities, but also put over more effectively to the general public. The meeting endorsed the report's recommendations in that respect, although noting that it would be desirable to assess the results of the opinion polls recently commissioned by the MOD before launching major exercises such as finger post campaigns. Finally, the meeting agreed that the MOD should prepare, on a contingency basis, a further national campaign, not excluding advertising in the national press on the precedent set by the previous Labour administration.

5. In addition, the meeting agreed that a guidance note on the presentation of the Government's nuclear defence policies should be drawn up for circulation to all Ministers. This note, which the MOD should lead in drafting, should be issued as quickly as possible under the Lord President's auspices.

6. I am copying this letter to the private Secretaries to the Prime Minister, the Foreign and Commonwealth Secretary, the Secretary of State for Home Affairs, the Chancellor of the Duchy of Lancaster; and to Sir Robert Armstrong.

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10 DOWNING STREET

From the Private Secretary

29 November 1982

MEASURES TO ASSIST THE PROVISION OF
FINANCE TO SMALL COMPANIES

The Prime Minister found it helpful to learn, from the Chancellor's minute of 26 November how his ideas are developing about an enterprise package in the next Budget.

Mrs. Thatcher has commented that she is not attracted to proposals for interest rate subsidies. She believes that these would give rise to a bombardment of similar requests for subsidy from other interests. She agrees with the Chancellor that the extension of the start-up scheme along the lines discussed in the minute is to be preferred to the proposal for small firms investment companies.

M. C. SCHOLAR

Miss Margaret O'Mara,
HM Treasury

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File Ecor [unclear]
hc: J. Verker
cc J. Sparrow

g



dc SV
Prime Minister

LM
20/2

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

ms

PRIME MINISTER

MEASURES TO ASSIST THE PROVISION OF FINANCE TO SMALL COMPANIES
With the help of Nicholas Ridley and John Wakeham, I have been considering a range of options in this area as one component of an enterprise package in the next Budget. I thought you might find it helpful to know the way in which my ideas are developing.

2. We have a number of objectives in this area. To some extent they point in the same direction but it is worth setting them out separately:-

- (a) Increasing investment in productive assets.
- (b) Improving the capitalisation of small firms.
In general small firms rely too much on debt (usually overdraft) and have too little equity. The cash flow pressures of paying interest and repaying debt can threaten the survival of some companies and make others less expansionary minded. Michael Grylls' group is, as you know, very concerned about the inhibiting effects of cash flow pressures.
- (c) Substituting equity finance, or long term loans, for bank borrowings to restrain monetary growth.
- (d) Encouraging wider share ownership and encouraging the risk ethic among investors.
- (e) Helping small firms overcome the problems of their size - and so enabling them to exploit the advantages.



3. With these objectives in mind, we have been examining four main options:-

- extending the Business Start-up Scheme
- interest rate subsidies
- encouraging the conversion of debt into equity
- small firms investment companies (SFICs).

Business Start-Up Scheme

4. There are two main ways in which the Scheme might be extended in coverage, and in time (the present scheme is due to end in April 1984).

Coverage

5. The Scheme is gradually gaining momentum and is widely recognised as innovative and imaginative. Criticism of the restrictions involved is falling away as people come to appreciate the problem on which it is targeted. But doubts are still expressed (e.g. by the CBI) about the limitation to start-ups.

6. I am very attracted to the idea of extending the Scheme from start-ups to existing companies. This would be a major step in itself, and could be consistent with the objectives outlined above - though it could also be quite expensive.

7. Extension raises two key issues: how to define "existing companies", and how to avoid the money going to them at the expense of start-ups.

8. The age of qualifying companies might just extend from "up to 5 years old" to "up to (say) 10 years old". But this is not enough. In extending the Scheme to existing companies, the aim would be to help companies which wish to expand and this bears no necessary relationship to their age.

9. A better starting point is to extend the Scheme generally to all unquoted trading companies. The logic would be that this



was a positive recognition of their lack of access to the Stock Exchange. Some might question the need to extend the net to cover the likes of Lansing Bagnall and Macmillans: if that became a problem we could consider a cut-off point, limited perhaps to size of existing share capital. But there is the precedent of the arrangements for the purchase of own shares - which apply to all unquoted companies.

10. An extension of this sort on the same very generous terms as the existing Scheme could jeopardise the provision of finance to the start-ups. Also, investment in existing companies which have a track record is likely to be less risky than in start-ups. These considerations point to a two rate regime:-

- the existing scheme giving the investor tax relief at marginal rate for investment in start-ups should remain broadly as it is;
- for established companies the investor should get tax relief at either the basic rate only or at (say) half the marginal rate.

There are, of course, numerous important details to be worked out - e.g. the qualifying rules and limits; the precise rate of relief; and the rules for the Approved Funds under an extended Scheme. But, on a first reading, there do not seem to be any insurmountable difficulties.

Timing

11. It follows that the BSS scheme should be extended beyond April 1984. The extension in time - but not in coverage - will be announced in the near future as the prospect of the scheme ending in April 1984 is already said to be inhibiting investment through the scheme.



Interest rate subsidies

12. This is a perennial. one example.

- I don't like this. We should be bombarded with similar requests from other ministers etc

Michael Grylls' latest proposals are

13. In principle most ideas in this area are not attractive. Subsidies encourage companies to borrow more; but they really need to take equity finance rather than debt. In addition subsidies can be very expensive and the result can be high interest rates for those not lucky enough to be in the scheme. Finally subsidies which encourage bank borrowing work against monetary control. The original Grylls proposal fell for these reasons.

14. One of his latest proposals is a little better. We have been examining a variant along the following lines:-

- restricted to small firms; (~~OR~~ unquoted companies)
- restricted to medium and long term finance;
- the finance being provided by intermediaries subject to their normal criteria;
- the intermediaries raising the finance by issuing bonds (rather than through monetary expansion);
- the interest rate charged to the small firms being subsidised. This subsidy would represent public expenditure.

15. While this seems to be the best approach, it is a fairly major step. It would help small firms if they used the cheap finance to replace bank loans. It might encourage marginal investment. But it is a pretty indiscriminate subsidy. It encourages debt, not equity. The cost would be hard to control. There is an obvious danger that the pressure that would build up to make it available to all firms, not just the small (however defined), with consequent damage to monetary policy, and interest rates.

16. With this latter point in mind, and to encourage equity, one possibility would be to make the scheme available only to unquoted companies which had also raised equity finance. This might be on



the basis of £1 of subsidised credit for every £1 new equity. This would tend to concentrate the new loans on expansion situations, where new equity was being raised (including under extended BSS scheme above). It would do so without worsening the gearing.

17. I have asked officials to work up a scheme of the sort outlined above, with a possible equity link. It merits further consideration.

Debt-Equity conversion

18. A direct way of improving companies' balance sheets would be to encourage banks to turn their loans (and overdrafts) into equity.

19. There are of course prudential limits on how far the banks should go in this direction. Moreover, in rescue cases banks can normally already write down outstanding debt for tax purposes, and further encouragement to the banks would probably have to take the form of even wider tax concessions. There are obvious difficulties in providing banks, or all people, with another new tax shelter. But at the same time debt-equity conversion schemes may offer one effective means of helping companies on the brink of liquidation due to the burden of interest payments on their short term debt. Any practicable tax shelter proposals to this end would clearly be worth looking at closely. Such a scheme might be linked to the BSS/Subsidised loans scheme discussed above, to persuade banks first to convert to equity and then sell the equity to private shareholders.

20. The Bank of England have been asked for a note on their views of the scope for useful action here.

Small Firms investment companies (SFICs)

21. As you know Patrick Jenkin, John MacGregor and the CBI are keen on SFICs. Nicholas Ridley, John Wakeham and I do not fully share their enthusiasm.



22. In principle, we think our aim should be to encourage the individual investor to take a direct stake in companies. The balance has been tilted too far in the direction of channelling savings through institutions, and, in the end, the SFIC is another institution. There is a risk that investors would be no more conscious of the links between their investment in a SFIC and the small companies it invests in, than in the link between their premiums on a life policy and the insurance company's investment in equities, or their superannuation contributions and the pension fund's investment policy.

23. The new Approved Funds under the BSS, like Electra and Basildon, are to be preferred on these grounds because they act solely as managers and nominees for their clients. The investor remains the direct owner of the portfolio of shares invested on his behalf in the small companies.

24. I would like to see more "brokerage" activity aimed at bringing companies and investors together. But this does not require SFICs. Local Enterprise Agencies would be more appropriate. Nicholas Ridley will be discussing this with DOI, and possibly DOT, Ministers in the context of extending the Start-Up Scheme.

✓ 25. Overall I consider the extension of the Start-Up Scheme along the lines discussed above is to be preferred to SFICs. But equally it would be premature to dismiss the SFICs idea entirely, and we will leave it on the table as work progresses.

26. In summary the position we have got to is:-

✓ (a) work is pressing ahead on extending the coverage of the Start-Up Scheme;

(b) further consideration is to be given to a limited interest rate subsidy scheme, whether linked to the Business Start-Up Scheme as extended, or not;



- (c) in the light of the Bank's views on debt-equity conversion we shall examine any specific proposals to emerge which appear worth pursuing, in the context of (a) and (b) above;
- (d) the need to encourage local enterprise agencies to undertake a more active brokerage role is to be pursued with the appropriate Ministers in other Departments.

27. It therefore seems likely that I will be able to include something quite substantial in this area in the Budget as one element of an enterprise package.

G.H.

26 November 1982

NOTE OF LIAISON COMMITTEE MEETING HELD IN NO 10 DOWNING STREET
ON WEDNESDAY, 24 NOVEMBER 1982

Present:

Prime Minister
Lord President of the Council
Secretary of State for Scotland
Secretary of State for Employment
Chairman of the Party
Chief Secretary, Treasury
Minister of State, Treasury (Mr Wakeham)
Minister of State for Defence for the Armed Forces
Chief Press Secretary, No 10
Mr Winston Churchill MP
Marketing Director, Conservative Central Office
Director, Conservative Research Department
Mr Ward, Lord President of the Council's Office

1. Presentation of Defence Nuclear Policy

The Committee had before it a minute from the Lord President of the Council covering a report on the presentation of defence nuclear policy, including recommendations by the Minister of State for Defence. Introducing the report, the Lord President of the Council said that there was no doubt that the debate on defence nuclear policies had quickened. For many years there had been a broad public acceptance of the need for Britain to contribute to a western nuclear capability in the context of the NATO Alliance. But this consensus was now in danger. There were signs of public ambivalence and concern about nuclear weapon modernisation programmes, ie Cruise and Trident. There was increasingly a perceived divergence of interests as between the US, and its European allies. The Government had to retain public acceptance of existing nuclear defence policy and gain wider support for Cruise and Trident. Hard line CND activists were effectively immune from persuasion and the Government should direct its efforts towards reassuring those in the middle ground, who would normally support Conservative defence policies, but who

.../..

had doubts about Cruise and Trident based for example on fears for conventional forces, anxiety about American intentions, or doubts about the strategy. It was also very important for the Government to exercise effective persuasion on the young, especially in the universities. The existing campaign was already comprehensive and clearly on the right lines. Its organisation, with the Ministry of Defence in the lead co-ordinating the activities of other Government Departments, the non-governmental organisations like BAC, and the Party's activities, was evidently the right one. But the campaign must now be accelerated, with greater impact both on opinion formers and the general public. To that end, he invited the Committee to endorse the recommendations made by the Minister of State for Defence in paragraph 27 of the report. The Ministers concerned, especially the Minister of State for Defence for the Armed Forces, were already hard pressed and this campaign was additional to their normal responsibilities. The Committee would further assist them if it were clearly to state that for Defence Ministers, despite their many other preoccupations, this campaign was now the highest political priority in the run-up to the election; and that resources must be concentrated accordingly.

The following points were raised in discussion:-

(a) There was general agreement that the target audience had been correctly identified in the Lord President of the Council's minute. It was interesting that evidence from CND's own poll confirmed that the young were the most likely to be influenced by CND activities. Allowance had to be made for slanted questioning in the CND poll, but even so, it had shown that a majority remained in favour of the existing US bases in this country. This suggested that forces, once stationed, became accepted in time; and provided that Cruise missiles could be introduced without undue outcry, the same might be true of them since command and control arrangements would be the same as applied to existing US forces in the United Kingdom.

(b) Undoubtedly 1983 would be a crucial year, with the planned arrival of the first Cruise missiles. The Government's opponents would step up their efforts. There was a risk of major demonstrations, and every effort must be made to avoid making it too easy for the Government's opponents to prepare a campaign. It would also be important to consider carefully how forthcoming the Government could be on the difficult issue of the US/UK agreements on joint decisions on the missiles' use.

.../...

(c) It was important in presentational terms not to separate nuclear defence policy from the general theme of defence of the realm. This would help to counteract the strong anti-American, and pacifist, under-current in the CND movement.

(d) The Government's case had been damaged by criticisms from so-called experts who disliked the choice of Trident as the particular system to meet the requirement for an independent deterrent. The costs of Trident were widely misunderstood and it was important to put them in proper perspective.

(e) The point was made that the Soviet Union enjoyed a considerable superiority in chemical weapons - which they had used in South East Asia. This seemed to be too little recognised by the public, although it was an example of the Soviet Union acquiring an offensive capability which NATO had not sought to match. It was further noted that photographs and similar material deriving from intelligence sources had been used to good effect some years ago and that there would be advantage in trying to do so again. This required US agreement, which they had recently been reluctant to give; but they might be more sympathetic in the light of the experience of their own mid-term elections.

(f) It was noted that the MOD's new film had generally been well received. The COI expected to receive 150 bookings for the film in the first month. It was intended to seek further publicity for the film and to offer it widely to organisations likely to respond. The Minister of State for Defence had recently shown it to local newspaper editors in Leeds and they had reacted quite well. He was also pursuing contacts with the churches, and intended to ensure that all members of the forthcoming Church of England Synod received the relevant MOD literature.

(g) The meeting heard a verbal report on the Party activities which Mr Churchill was co-ordinating. It was somewhat disquieting that the BAC (an educational charity) was coming under some pressure from the Chairities Commission in respect of its right to campaign using MOD literature. It was not clear who had put the Charities Commission up to this, but it was important for the BAC to be robust. The CDMD, working through the FCS in the universities, was proving quietly successful and already 10 disarmament societies had been set up in the universities. The FCS efforts would continue, and would include

constituency associations. Briefings had been arranged for Peers and back-benchers on 7 December and 26 January with the aim of familiarising them with the issues and encouraging them to promote the Government's case actively in their areas and constituencies.

(h) As well as Peers and back-benchers, it was important to involve the whole Party as widely as possible in this campaign. It should certainly figure prominently at the next candidates' conference, and at the next FCS conference. Constituency agents should be encouraged to show the MOD film at their association meetings.

The meeting approved the recommendations in the Lord President of the Council's minute, including the recommendations made by the Minister of State for Defence in paragraph 27 of the report. It was agreed that this decision should be communicated separately to the Secretary of State for Defence. It was also agreed that a guidance note for Ministers on the lines of the synopsis contained in Annex C to the report should be drawn up as quickly as possible by the MOD, FCO, Home Office and Conservative Central Office, and should be circulated promptly thereafter.

2. Diary of Events

The meeting considered the two notes circulated by the Prime Minister's Chief Press Secretary. In reviewing topics likely to arise before the end of the year it was noted that, in particular, steel imports were likely to be controversial. Recent imports from Japan and South America raised serious issues which the Prime Minister would discuss separately with the Secretary of State for Industry. Discussions which the NCB were having with the NUM about possible pit closures were receiving much publicity, but the correct course for the Government was to keep its distance and refrain from any comment which might make the NCB Chairman's position more difficult.

3. Date of Next Meeting

The next meeting will be held at 11.30 am on 15 December 1982 in No 10 Downing Street.

A Ward
Lord President of the Council's Office

30 November 1982

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Distribution:

Those present
Foreign and Commonwealth
Secretary
Minister of State, FCO
(Mr Hurd)
Minister of State, Home
Office (Mr Mayhew)

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PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

24 November 1982

Dear Robin,

...

1. As we agreed, I attach a draft of a letter from you to the Private Secretary to the Secretary of State for Defence. As you will see, the draft makes no reference to Liaison Committee, or to the Lord President's paper to Liaison Committee, but relies instead on the report by officials (including Mr Blaker's recommendations) which is already a 'sanitary' document.

2. This, of course, is quite separate from the minutes of Liaison Committee which will record the meeting's discussion in full and will be circulated to all Ministers who were present for their personal information as well as to Mr Nott, Mr Hurd and Mr Mayhew, who were recipients of the Lord President's minute.

Yours,

A handwritten signature in dark ink, appearing to read 'Andrew Ward'.

ANDREW WARD

Robin Butler Esq
Principal Private Secretary
10 Downing Street
London SW1

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^{LORD PRESIDENT'S PRIVATE SECRETARY}
DRAFT LETTER FROM THE ~~PRINCIPAL PRIVATE SECRETARY TO THE~~
~~PRIME MINISTER TO THE~~ PRIVATE SECRETARY TO THE SECRETARY
OF STATE FOR DEFENCE

PRESENTATION OF DEFENCE NUCLEAR POLICIES

1. As you know, the Prime Minister held a meeting ^{on Wednesday 24} ~~this~~ ^{November} morning with the Lord President of the Council and other colleagues, and at which the Minister of State for Defence for the Armed Forces was present, to discuss the presentation of the Government's defence nuclear policies. The meeting had before it a report by officials including recommendations by the Minister of State for Defence.

2. It was agreed that the Government's ^{needed to} ~~task remained that of~~ retaining, and increasing^e, the general public acceptance of existing NATO and British nuclear defence capabilities, and ^{both among opinion formers and the general public} ~~widening the base of public support~~ ^{for} ~~measures needed - Cruise~~ and Trident - to maintain that capability. It was further agreed that the Government's particular concern must be with that section of opinion which, though normally supporting existing nuclear and conventional defence capabilities, was for a variety of reasons worried about Cruise and Trident. ~~There should be a sustained presentational effort, aimed both at opinion formers and the general public.~~

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3. The meeting agreed that responsibility for presentation in this field must remain with the Ministers concerned; MOD, FCO and Home Office, with the MOD in the lead. It was noted that this task was an additional responsibility for Ministers who were already hard pressed, and that this was particularly so in respect of the Minister of State for Defence for the Armed Forces. The meeting was, however, in no doubt that for Defence Ministers, despite their many other preoccupations, ~~presentation of nuclear defence policy must be their highest~~ ^{given the} ~~political~~ ^{to putting over the case for} ~~priority in the months ahead, and that resources must~~ ^{Government's policy} ~~be concentrated accordingly.~~

Should give the highest

to putting over the case for

4. It was noted that the planned first deployment of Cruise missiles to the United Kingdom in 1983 would undoubtedly cause the Government's opponents to step up their efforts; ^{and that they} ~~The~~ ^{would need to respond} ~~Government must do the same.~~ The meeting therefore endorsed all the recommendations made by the Minister of State for Defence in paragraph 27 of the report. ~~The existing presentationa~~ ~~campaign should be accelerated and~~ Every effort should be made to take the initiative in ^{explaining} ~~promoting~~ the Government's case, both nationally and locally. All possible support should be given ^{to} ~~to~~ ^{should be given as much support as possible} ~~Non-Governmental organisations working in this field,~~ ^{not only} ~~while~~ ^{arguments were} ~~opinion formers, especially the universities, were a high~~ ~~priority.~~ ^{conveyed not only to opinion formers, especially the universities, but also} ~~It was important that the Government's message was~~ ~~put over more effectively to the general public.~~ The meeting



conveyed
paper

.../...

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endorsed the report's recommendations in that respect, although noting that it would be desirable to assess the results of the opinion polls recently commissioned by the MOD before launching major exercises such as finger post campaigns. Finally, the meeting agreed that the MOD should prepare, on a contingency basis, a further national campaign, not excluding advertising in the national press on the precedent set by the previous Labour administration.

5. In addition, the meeting agreed that a guidance note on the presentation of the Government's nuclear defence policies should be drawn up for circulation to all Ministers. This note, which the MOD should lead in drafting, should be issued as quickly as possible under the Lord President's auspices.

6. I am copying this letter to the private secretaries to ^{the} Prime Minister, the Foreign and Commonwealth Secretary, the Secretary of State for Home Affairs, the Lord President of the Council, the Chancellor of the Duchy of Lancaster; and to Sir Robert Armstrong.

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Lawson

PRIME MINISTER

LIAISON COMMITTEE - PRESENTATION OF DEFENCE NUCLEAR POLICIES

1. My group, comprising Norman Tebbit, Cecil Parkinson, John Nott, Peter Blaker and Chris Lawson, has reviewed the presentation of defence nuclear policies. We have included Douglas Hurd and Patrick Mayhew in our discussions. The enclosed report describes the presentational issues, the audience, the organisation of the campaign, and the further steps planned. This minute summarises the position, and the decisions needed on the way ahead.

2. The Issues

The debate on defence nuclear policies has quickened. For much of the past generation it has rested upon Britain's contribution to a Western nuclear capability dominated by the USA and in the global context of deterrence. That was broadly accepted by the British public and its political leadership. This situation has been modified in, at least, the following respects:-

(i) Whilst the British public have accepted the commitment hitherto to British nuclear weapons there is clear evidence of ambivalence or hostility to the uprating of such weapons by the inclusion of Cruise or Trident.

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(ii) The latent divergence of economic and political interest between the USA and the European nations has become more apparent and with it a questioning of a defence policy which rested upon a US dominated nuclear component.

(iii) There is the prospect of countries newly possessing the nuclear bomb (eg Libya, India) who would be presumed to predicate its use on a regional rather than global scale. This challenges the global rationale on which the British have been part of a nuclear alliance; but it might conceivably provide a new pretext for the continuation of a British defence nuclear policy.

3. Factors (i) and (ii), at least in part, help explain the broad developments of nuclear defence policy among such disparate groups as the Labour, Liberal, and Social Democrat parties as well as the pronounced views of Lord Carver and Enoch Powell. Since so many defence arguments concern spending at the margin it is likely that some proponents of conventional defence spending will also argue that there are sound reasons for pursuing this even at the expense of a British nuclear force.

4. It is, therefore, quite clear that there is potentially a much stronger balance of political forces against British defence nuclear policy than during the high noon of CND activities in the late 1950s. Unhappily we cannot take the argument back to the days pre-Cruise and Trident decisions. It is Cruise and Trident that give the anti-nuclear forces such strength. It is tempting therefore to push the debate on to further new ground by raising the spectre of Libyan regional - as opposed to global - nuclear weapons. This, however,

Cont../.

raises major issues of policy on which the Foreign Office has understandably anxieties. We have concluded that it would be unwise for Government to make very much of this argument, but that it is one which could be used effectively by Party advocates such as the FCS.

5. The Target Audience

The Government's task is to retain, and increase, the general acceptance of existing NATO and British nuclear defence capabilities and, having won that central argument, to widen the base of public support for maintaining the capability - Cruise and Trident (with particular emphasis on the latter, which we are the only Party to advocate). What is the audience we want to address and influence? Pacifists and hard-core CND are effectively beyond our reach. We need not preach to the converted among our followers. We want to reach that section of opinion, which exists even among our own supporters, who though normally supporting existing nuclear and conventional defence capabilities are worried about Cruise and Trident. The worry derives either because of the costs of Trident and fears for conventional forces; or because they distrust American intentions; or because - like Carver - they doubt the strategy. In addition we must seek to prevent CND gathering greater support in the universities. We need therefore a sustained effort capable of both persuading the intellectuals and reassuring the doubters. This should be the first call on our resources. There is furthermore the task of making a popular appeal to the general public. We already have the means but they must be improved and better exploited.

6. Organisation

I am in no doubt that responsibility must remain with the Ministers concerned - MOD, FCO and Home Office - with the MOD in the lead. However the Ministers there are already hard pressed. This exercise is an addition to their normal responsibilities, particularly in respect of Peter Blaker. I believe that Liaison Committee must clearly state that for Defence Ministers, despite their other preoccupations, this campaign must be their highest political priority in the run up to the Election; and that they will have our support in deploying their own efforts, and those of the key staff concerned, with this in mind. We must fix our objectives and concentrate our resources accordingly. The promotion of the defence nuclear policies of the Government will require a sustained campaign within the Universities and with the general public. The remaining time between now and the General Election is exceedingly short given the magnitude of the task and the political risk. There is much to be said for the earliest action being coordinated around the lead of the MOD.

7. The Way Ahead

1983 will see the first UK deployments of Cruise Missiles; and will bring us even closer to a General Election. The issues will become even more prominent. Our opponents will step up their efforts and we must do the same. I recommend that we should endorse all the recommendations made by the Minister of State for Defence in paragraph 27 of the paper. Briefly, Ministers, non-Government organisations and the Party organisation should accelerate their existing campaign, with more media coverage; MPs and candidates should be encouraged to take the initiative in presenting the case in their constituencies; there should be a continuous flow of new publicity material from all sources. The MOD should consider increasing its financial support to the BAC (which as an all-Party

organisation Government can properly support in this way). The Party has now provided financial help for Winston Churchill's considerable efforts and should look positively at extra support for the FCS and YCs who have worked very effectively, especially in the Universities.

8. Much of the existing effort, and the additional effort recommended, is directed at opinion formers. This is vitally important but we must also be able to reach the general public more effectively and the report makes recommendations accordingly. National advertising, particularly 'finger post', campaigns, can play an important part here. But they are expensive, and must be carefully targetted if they are to have a commensurate impact. I recommend therefore that the MOD should first assess the results of opinion polls it has commissioned before launching finger post or similar initiatives; but that there should be such, I do not doubt. My group also believe that the MOD should have ready a further national campaign, including advertisements in the national press on the Healey precedent, to be launched closer to the General Election if it then seems to be required.

9. The Committee is therefore invited to approve the recommendations in the attached report, as amplified in this minute. As to the preparation of a guidance note to Ministers, the paper includes a synopsis from which the MOD will construct a full note - to which will be appended a revised version of their existing briefing pack. I recommend that the note should be agreed between MOD, FCO, Home Office and CCO, and issued as quickly as possible.

10. I am sending copies of this minute and enclosure to all members of Liaison Committee, to John Nott, to Peter Blaker (who will attend the Committee's meeting tomorrow) and to Douglas Hurd and Patrick Mayhew.

W J B

23 November 1982

J.B.

Private and Confidential

REPORT BY OFFICIALS ON NUCLEAR PUBLIC RELATIONS

Background

1. During the past year the level of public interest and debate on nuclear matters has remained high. The activities of unilateralist groups have attracted much publicity. Major events on which the CND campaign has focussed have included the switch from Trident C4 to D5, the planned introduction of Cruise, the declaration by about 140 local authorities of nuclear-free zones, the cancellation of "HARD ROCK" and the Labour Party Conference decision in favour of unilateral nuclear disarmament.
2. There has, in parallel, been continuing public interest in the progress of disarmament negotiations. More recently, the publication of the report "The Church and the Bomb" has highlighted the moral and ethical aspects of nuclear weapons. The most recent opinion polls suggest that a majority (66%) support the maintenance or improvement of our nuclear capability, ^{but} that there is a majority against Cruise (58%). Both are almost identical with polls a year earlier. Opposition to Trident is reported to have dropped from 63% to 56% since February 1982. The correspondence from the public on nuclear matters has fallen dramatically in recent months, but the position on Cruise and Trident in particular is unsatisfactory and there is much to play for in terms of public opinion in the year ahead.

The Year Ahead

3. The major event in the coming year will certainly be the Cruise Missile deployment. Although no further decisions on Trident are required opposition to the programme will continue. CND and others

Private and Confidential

are also likely to focus critical attention on the Geneva negotiations. A lack of tangible results in the near future, particularly in INF negotiations prior to INF deployment will cause considerable disappointment and the Government will need to convince the public that their commitment to disarmament is a firm one and is a high priority.

4. The possibility of a General Election in the UK is also likely to focus attention on nuclear matters which will be an election issue.

Progress with Nuclear PR to Date

5. Much has already been done, indeed more than in any other NATO country. The campaign in support of Government policies of deterrence and multilateral nuclear disarmament began to get under way in earnest in 1981. Consultation between MOD and FCO Ministers resulted in a tripartite strategy being adopted, incorporating a greater effort from Ministers in expounding the Government's policies, an increase in information from official sources, and the stimulation of the debate through sympathetic non-Governmental organisations (NGO's). The three NGO's selected were:

- The British Atlantic Committee (BAC)
- Coalition for Peace through Security (CPS)
- Council for Arms Control (CAC)

It was decided that what the Groups needed - apart from financial support - was information, advice in formulating their arguments and publicity material. The Ministry of Defence and FCO produced leaflets for their use and by others, aimed at different levels of sophistication. 1982 has seen the launch of an audio visual presentation ("A Better Road to Peace") and a film ("The Peace Game") together

with a range of leaflets and publications.

6. Groups of Conservative MPs and Candidates (some 150) and of selected opposition MPs have been briefed by Mr Blaker and Mr Hurd. A comprehensive briefing pack (updated at regular intervals) and all the leaflets were issued to all Conservative MPs including Ministers, and to others. Contact has been made with the NUT. Literature has been introduced selectively into schools. Contacts have been made with Church leaders. Supporters of our views have been stimulated into writing to the press.

7. The Falklands campaign halted nearly all Government nuclear public relations activity as all staff effort was diverted. CND, too, seemed to run in a lower gear. But with the ending of that campaign, the opportunity has been taken to assess public relations strategy thus far. Of the NGOs the BAC has not really lived up to expectations. The illness of the President for 9 months has left it distracted by internal problems. Nevertheless, at local level its network of speakers has grown from 200 to 800 and these are now meeting all requests to speak and write letters. They are fulfilling ;they have never failed to provide a speaker when asked about 100 speaking engagements per month/ They act as a useful channel for Government pamphlets but so far have produced only one of their own. Their local initiatives have been limited but they will shortly be challenging in the courts Manchester City Council's support for the CND. The BAC has made little impact nationally but the new Director and the recent return of the President should raise both its stature and effectiveness. The FCO make the BAC a grant of over £50,000. Further Government funding would enable them to step up the tempo of their activities, particularly at local level.

8. The CPS has been energetic in tackling CND head-on. Their aggressive approach has proved effective but the organisation is very small and their successes have been very much on the margin. The CAC treads softly, emphasising disarmament aspects. It has been doing useful low-key work particularly in academic circles and the Churches. All in all, the NGO effort - and that of the Conservative Party - hardly amounted to a campaign; it certainly has had none of the simple popular appeal, cohesiveness and publicity of the CND.

9. Against this background a fresh series of measures was put in hand. A further film (on cruise missiles) has been commissioned and others are being considered. An article attacking nuclear-free zones and signed by Mr Blaker was published in 40 important regional newspapers. A local radio interview with him on the same theme had similar success. A major leaflet on the nuclear debate was produced. A programme of regional press visits by Mr Blaker is under way as are a further series of leaflets. Annex A sets out the distribution of leaflets to date.

10. There is a danger that with the support of the Bishop of Salisbury's working party CND may become respectable, but at the same time there are indications that some people are beginning to think about the problem and alternative solutions instead of simply reacting emotionally. That people should think is desirable. It is the questions and doubts that CND raise that Government and others must answer. CND's effectiveness lies in its local activity and organisation. They have a full time staff of 12 and a budget of over £500,000 per annum (over 5 times that of the BAC) and substantial voluntary support. It is easy to over-estimate the impact of CND but dangerous to under-estimate them. They are formidable opponents. The following paragraphs suggest some ways of responding to them.

The Value of the Speaker

11. The role of the speaker is particularly important - he stands more chance of changing minds than other alternatives. The experience of all of those who have been engaged in speaking on public platforms seems to be that audiences everywhere need reassurance that current nuclear policies are safe and that deterrence preserves peace. It also suggests that many people are potential strong supporters of deterrence but nevertheless are unconvinced of the need for Trident or Cruise. There is a potentially large middle-ground of the public - particularly women - who need reassurance about Government policy.

The Media

12. The media do not start with a desire to be objective or put the Government's case where they believe they can get more sensational quotes and more sensational material by publishing the concerns of the other side. We are to some extent dependent on producers, research assistants and journalists alerting us to the fact that they are preparing material. If they deliberately set out not to seek a Government view, material can often be a long way down the road to completion before we have a chance of influencing, say, the preparation of a television programme. This means that we must clearly be much more positive in seeking out platforms of the Government's choosing and not be so dependent on defensive reaction.

13. A great many facilities are already provided for television, radio and newspapers but there is undoubtedly more that can be done to interest editors. A great deal more Ministerial time and more staff effort would be required. Examples might be:

Radio. All of the following programmes would be likely to discuss nuclear matters from time to time. Briefings of editors/producers could be arranged if Ministers were available to engage in follow-up items:

Jimmy Young Programme (Radio 2): The John Dunne Show (Radio 2); Newsbeat (Radio 1); You-and-Yours (Radio 4); Woman's Hour (Radio 4).

The main news programmes which already carry topical events include: Today, World at One, PM, World Tonight and The World This Weekend. Local radio also offers important opportunities.

Television. Interview opportunities already exist on topical "pegs" in programmes such as News Night, Weekend World, Panorama. World in Action, TV Eye etc.

Channel 4 will give us a new opportunity to put across Government policy and we are discussing future cooperation with the new Channel 4 organiser. A set of TV/video press releases on items such as Cruise missiles, nuclear free zones and the church report is in hand and these would be available to producers to provide a Government viewpoint when commissioning programmes and features.

Other opportunities which have so far not been exploited to the full are inputs into children's programmes such as Blue Peter and other outlets such as Pebble Mill at One and Afternoon Plus. Programmes such as Coronation Street and Crossroads provide big audience opportunities to convey some of the arguments but there is an understandable and in-built reluctance of producers to give too much of what they regard as "Government Propaganda" in the entertainment programmes.

Newspapers/Magazines. The recent successful distribution of a feature article shows that there is an interest which can be harnessed to the Government's advantage. However, the market is bound to be limited and must not be flooded. Consideration should and will be given to special articles to some magazines and for the occasional signed article to national and major regional newspapers.

Other Possibilities

Involvement of the Prime Minister

14. A further major speech or television appearance by the Prime Minister is bound to get enormous publicity. Her staff have already indicated that she might do this. It is, however, a one-off exercise unless dramatically different or new messages can be included by the Prime Minister so that other Ministers pursue the initiative on national and local platforms (in any case there is a very strong argument that Ministers from all Departments should be speaking more of nuclear issues in support of Government policy).

15. Random door-to-door distribution of leaflet material is costly and not very effective unless there is a direct requirement for the householder to take some immediate practical step to his/her advantage. The concept of a door-to-door delivery of material covering issues as complex as nuclear policy is therefore not recommended. The cost would be at least £1.3 million unless done by the Conservative Party.

National Advertising

16. A persuasive campaign of national advertising would cost in excess of £1 million. Such an advertising campaign would be bound to be highly controversial. Again, we are talking about putting over a complex subject, primarily in terms of a concept which we would be asking the public to accept, and this is not the area

in which paid advertising normally achieves much success unless the exposure to the advertisements is frequent and sustained (in which case the estimate of £1 million needs to be doubled or even trebled).

17. An alternative, which does have a great deal of merit to be pursued, is "finger post advertising" where for approximately £250,000-£500,000 the Government could place advertisements containing a simple message regarding deterrence or disarmament and drawing attention to the availability of its literature, requiring readers to send in a coupon to obtain copies of our publications. This has been used quite successfully by a number of Departments as a means of increasing awareness of Departmental publications as well as helping to build up a distribution list for further publications. They would need to be graphic, and they would attract considerable attention; they would produce criticism, but this could be rebutted by reference to Mr Healey's advertising campaign of 1969.

Personalised Letters

18. A cheaper and possibly more effective possibility is a greater reliance on personalised letters to opinion-formers and leaders of organisations, even the full membership of organisations. The Central Office of Information could advise on and provide address lists of membership of many organisations.

Meeting Ministers

19. Much more could and should be done in encouraging Ministers to talk to editors and local opinion-formers whenever they undertake regional visits. Obviously a major speech by a Minister will always get coverage. Over and above the coverage of that sort of occasion

there is a great deal to commend getting together with editors in large regional cities and having a totally off-the-record discussion about the ways they, as editors, see the nuclear debate. Do they have a view themselves about the way in which they or their reporters give undue prominence to the demonstrators?

Contacts with the Churches

20. Mr Blaker has been in touch with a number of churchmen and there is now the prospect of an interdenominational group being formed who will argue for multilateral disarmament and deterrence. Other Ministers and MPs could do more to encourage sympathetic churchmen. The BAC and CAC will circulate material to the members of the Church of England Synod before their meeting in February which will consider the report on the Church and the Bomb.

Briefing the Briefers

21. Plenty of briefing material is available. More could and should be done to try and reach those who are in touch with speaking panels of many organisations. Obviously it would be impossible to ensure that everyone engaging in talks is briefed personally by Ministers or senior officials. Nevertheless, many of the national and international organisations have organisers of briefing notes for speakers or organisers of seminars etc. Once these are identified they provide a body of people who can be brought in for briefing and who can be put on the mailing list for written material so that this can be passed on to their members engaging in public speaking. Not all of them may be sympathetic to Government policy and not every message will be conveyed as we would like but some of the background may find a receptive ear. Efforts can be made to secure invitations to speak at major conferences (eg the Townswomen's Guild).

Exhibitions and Displays

22. Organisation, transporting and staffing of mobile exhibitions and displays produce costly and not always effective means of communication. Nevertheless, some of the nuclear debate does lend itself to pictorial presentation and these might be particularly useful where exhibitions, conferences, seminars or other major platforms are being mounted. A cheaper and perhaps even more effective method of drawing attention to material on offer is the use of leaflet dispensers. By agreement with local authorities it is possible that many public libraries might agree to put in stocks of leaflets. In unsympathetic local authorities we can insist on equality of treatment with CND. The NGOs might be the most appropriate means of promoting such displays (and the BAC have already had some success in this respect).

Effective Monitoring

23. Part of the battle to match - let alone beat - the anti-nuclear movement should entail the consistent monitoring of anti-nuclear activity, its effect on public opinion and therefore the extent to which we should respond by quickly identifying new targets and exploiting opportunities.

24. Because of cut-backs in COI Regional Office staff it is no longer possible for the Central Office of Information to undertake routine monitoring of the Regional Press. Nevertheless if an effective campaign is to be maintained, press, radio and television monitoring on a country-wide basis will be an absolutely essential tool to shape the right publicity initiatives. The network of

Service Public Relations officers in the UK was briefed a year ago to monitor and collate local programmes and articles so that they could be assessed by the nuclear public relations cell in MOD. Their performance of this task needs to be improved and there is scope for them to do more, by way of holding stocks of leaflets and also projection equipment for loan to NGOs who are planning local meetings. This will be put in hand. Their suitability to a more positive public relations role is doubtful, but the possibility is being examined of identifying one or two such officers in each area who could do this. The BAC and the Conservative Party, if properly organised at both national and local level, should be able to do this better.

25. In view of the higher profile to be adopted in pursuing a nuclear public relations campaign it is advisable that the inter-departmental group on nuclear public relations which is chaired by the CPR, MOD, bringing together Home Office, Foreign Office and the MOD, should in future include a senior representative from the Central Office of Information.

26. We need to survey both the effectiveness of existing material and the attitudes of the public on nuclear issues, to determine what are the key issues and how they are viewed. Action on both these is in hand. An opinion poll has been commissioned by MOD and the results should be available in December 1982.

Young

- F.C.S.

M.O.H.

MINISTER(ARMED FORCES) RECOMMENDATIONS

27. I support the recommendations that we should:

- a. devote more Ministerial time and more staff effort to developing media opportunities (paras 12 and 13)
- b. proceed with "finger post" advertising (para 17)
- c. step up our use of personalised letters (para 18)
- d. involve Ministers from other departments (para 19)
- e. multiply our contacts with the Churches (para 20)
- f. brief the briefers (para 21)
- g. leave exhibitions and displays to the NGOs (para 22)

28. To put these into practice will require the allocation of additional resources in terms of money and staffing within the MOD, and possibly also other Departments. In the MOD these will have to be found by compensating savings elsewhere in our public relations work; a study of the re-organisation of this work was already under way before the Falklands war and draft conclusions are now ready.

29. However, while Government Departments must do much more at the national level we cannot neglect the regional and local levels and leave the argument there to our opponents. The BAC and the Party both have national organisations. The June/July CPC three-way contact report stated that where multilateralist movements such as

the CPS and BAC were functioning organized opposition to the unilateralists was becoming very effective. I believe that we should consider a substantial increase in the grant for the BAC if the new Director can satisfy us that he can convert the money into a more dynamic organisation prepared to take the offensive by means of local meetings and through the local media. I hope the Party can significantly increase the tempo of its activities. It is potentially by far the most effective instrument available. I suspect that there is a great reservoir of general support and willingness to help which needs translating into action. As far as Members of the Party are concerned, including MPs, in spite of the availability of literature and films, and briefings from Ministers, I have the impression that too few of them have got to grips with the subject. Perhaps some may be afraid that it is too complicated for the lay person to handle. If so, we should be thinking of a more comprehensive programme of briefing, and seminars to train those willing to take on an active speaking role. The Party have had 40 copies of our Audio Visual since the Spring and have received about 140,000 leaflets and fact sheets.

The Party should be prepared to produce its own material, particularly cheap and simple single sheet leaflets for distribution at meetings and perhaps also through doors in particular areas. Perhaps CDMD can provide the instrument for this improvement, with strong support from Central Office. (A note on Central Office and Party activities is at Annex B).

30. There is a need for more Ministerial time to stimulate and coordinate action by Government Departments and to keep the pressure on the NGOs and the Party.

31. A major Government initiative on disarmament would be very helpful indeed but I recognise the difficulties of this and it is really outside the scope of this paper. The climate will also be much influenced by the way in which the US Administration comport themselves.

PAMPHLET DISTRIBUTIONPublications on Arms Control and Disarmament

1. Sponsored by FCO
 - A. Wallsheet 20,000
 - B. The Balanced View 80,000
 - C. Peace and Disarmament 70,000
 - D. The Nuclear Debate 50,000

2. Sponsored by MOD
 - A. Cruise Missiles 40,000
 - B. A Nuclear Free Europe 40,000
 - C. Nuclear Weapons 40,000
 - D. How to Deal with a Bully 30,000
 - E. Arms Control and Security 20,000
 - F. The Peace Game 20,000
 - G. Nuclear Debate (Key points) 3,000

3. Sponsored by Home Office
 - A. Civil Defence - 750,000
- why we need it

CENTRAL OFFICE SUPPORT FOR CDMD, BAC etc.

The Campaign for Defence and Multilateral Disarmament was set up earlier this year under the Chairmanship of Winston Churchill.

A series of badges, car stickers and stationery were produced by the Party for the use of CDMD. A briefing pack has also been produced which contains Ministry of Defence literature, badges, car stickers and a letter from Mr Churchill. This pack is contained in a CDMD folder, again produced by CCO. It has been sent out to a targetted group of opinion formers and has been distributed at a number of meetings held at Constituencies across the country.

A number of public meetings have been held by CDMD - the most media cover being for the one held at Brighton at the time of the Party Conference. At this meeting, Winston Churchill debated the nuclear issue with Bruce Kent.

A sum of £10,000 has now been allocated to CDMD by CCO to enable Winston Churchill to develop his plans for widening the distribution of pamphlets and other literature. A major rally has been planned for mid-1983. A personal secretary to ensure adequate back-up for CDMD has been appointed by Central Office.

In connection with BAC, Winston Churchill's group will be developing an audio visual presentation designed for schools on the whole issue of nuclear deterrence.

A series of posters, leaflets and speakers packs have been produced by the F.C.S. and Y.C. organisations. Many of these have been distributed not only to meetings of young people but also through the Constituency organisations.

The Party have also produced and widely distributed a "PEACE" leaflet, which has been one of the most popular pieces of literature at Constituency level (50,000 plus were ordered by Constituencies).

As well as the above, the Party has been involved in the distribution of MoD literature at by-elections and is currently developing a Schools Pack which will include, among other things, a series of CDMD pamphlets along with certain MoD documentation in support of the Government's case.

A Speakers Panel is being developed by the Speakers Department at Central Office of those who are prepared, and able, to speak against the CND movement.

Conservative Newslines has featured the CDMD campaign and has also used its FEEDBACK column to obtain addresses of parties interested in this programme and we have sent them the available literature.

The Party is placing great importances on the role of Christians and the Churches in the disarmament debate.

All religious media is monitored and relevant cuttings circulated to 20 MP's weekly. John Gummer is co-ordinating research on Church Leaders' opinions (all denominations).

On February 1st 1982 an ad hoc group of MPs are sponsoring a one-day Conference on 'The Christian and Conservatism' in the Westminster Chapel, Buckingham Gate, SW1.

The Conference will take place before the Synod debate on 'The Church and the Bomb' and it is hoped to produce a report for wide circulation about the Conference conclusions.

CCO

23.11.1982

I - BRITAIN'S NUCLEAR POLICY: THE KEY POINTS TO MAKE1. GENERAL

- a. The Government understands public concern about nuclear weapons; but they cannot be disinventured.
- b. The Government shares the same aim as the unilateral disarmers - to ensure that nuclear weapons are never used; but we differ on the means to achieve this.
- c. We have avoided war in Europe for 37 years. Anyone who wants to tear up existing policy must show that their alternative will work as well.

2. THE CASE FOR DETERRENCE

- a. The aim of deterrence is to prevent all war - nuclear or conventional - by persuading anyone thinking of attacking us that it would not be worth their while.
- b. As long as the Soviet Union possesses massive nuclear and non-nuclear forces, NATO needs sufficient of both to convince them that they could not hope to gain by using these forces.
- c. But deterrence is not the whole story: in parallel, whilst a military balance is maintained, we are constantly seeking lower levels of forces on both sides through arms control and disarmament.

3. THE CASE AGAINST UNILATERAL DISARMAMENT

- a. Unilateral nuclear disarmament by Britain would destabilise NATO and thus reduce the West's ability to deter aggression or the threat of force.
- b. It would not make UK any less of a target for attack, because Soviet systems would still be aimed at us as a member of the Alliance.

- c. It takes no account of the existing Soviet conventional superiority (tanks, aircraft, guns) in Europe.
- d. The Russians, who give such priority to their military power, would never follow our example: they have said as much.
- e. It would cut no ice with countries thinking of acquiring nuclear weapons. Their actions will not be influenced by what the UK does, but by their own regional security interests.
- f. It would undermine a number of important disarmament negotiations which are now in train and which are aimed at reaching balanced multilateral force reductions and not merely limitations on growth. If the Russians believe that the West is going to disarm anyway this removes a possible incentive for them to negotiate seriously.
- g. There is no moral merit in abandoning nuclear weapons yet remaining in NATO and relying on US nuclear forces.

4. THE CASE FOR TRIDENT

- a. If the Russians ever mistakenly believed that the USA would not come to the aid of Europe if the latter were attacked, the United Kingdom's nuclear force under independent control would still deter such an attack. Our Polaris force and decision to acquire Trident are welcomed by all our NATO allies.
- b. Polaris will need to be replaced by about 1995; the Trident decision has been taken to maintain this capability. Failure to replace Polaris would be unilateral disarmament. Submarine launched Cruise missile alternative would be more expensive.

c. During the period when it is introduced into service, Trident will account, on average, for only about 3% of the defence budget on average per year. It is a more advanced system than Polaris but will be necessary to penetrate the defences we believe the Russians will have by the mid-1990s.

5. THE CASE FOR NATO INTERMEDIATE RANGE NUCLEAR FORCE (INF)

MODERNISATION

a. Imbalance of 4 to 1 in intermediate range nuclear forces in or targetted on Europe. Soviet SS20 and Backfire already being deployed; NATO's comparable capability ageing and increasingly vulnerable.

b. NATO needs Cruise missiles to deter the Russians from threatening limited nuclear strikes on Europe in the expectation that the USA would stand aside. The need for them was pressed mainly by the Europeans to show that the USA is firmly tied in to Europe's defence.

c. The unanimous NATO decision to modernise its Intermediate Range Nuclear Forces (INF) was accompanied by a parallel offer to negotiate limitations with the Russians on these weapons. Negotiations have now begun. The NATO aim is to eliminate all INF land-based missiles on both sides.

d. - Cruise missiles are not:

- an American plan to fight a limited nuclear war in Europe; they are to deter the Russians from thinking they could do so.

- a new capability: US and UK aircraft based in Britain have been doing the same job for years.

- first strike weapons: their long flight time and relatively small numbers make them unsuitable and the SS20s are mobile anyway.
- under sole US control. Matter for joint US/UK decision.

6. THE CASE FOR CIVIL DEFENCE.

- (a) Deterrence can prevent war, but as long as the Soviet Union poses a threat to our security, any responsible Government must cater for the remotest possibility that war might come.
- (b) No amount of civil defence preparations, however lavish, could make nuclear war tolerable to the Government: but it has a duty to prepare help for survivors in the event that we were ever attacked.
- (c) Survivors would be numbered in many millions after an attack on any foreseeable and realistic scale.

Their numbers would be increased by even elementary civil defence measures. Their continued survival and recovery would depend largely on the plans which had been made in peacetime and on the implementation of such plans by the surviving agencies of government.

- (d) Our civil defence arrangements, while they are unable to match the shelter provision that has long been a feature in certain other countries, (e.g. Switzerland and Sweden), are ahead of those of many other major nations. Public warning of every attack, monitoring of the intensity and track of radiation from fallout, plans for the continuance of government and essential services, and public information in a war crisis, are all areas where our arrangements are better than in most other countries. We propose to improve these arrangements, particularly at local level.

PRIME MINISTER

LIAISON COMMITTEE

DIARY TO END OF YEAR

The diary for the rest of this year brings to the fore the following major issues:

- East-West relations (Reagan/Andropov relationship);
- GATT - whither protectionism?; →
- Fish - depending on the outcome of Monday's EC Fishing Council; ↗
- ← - Steel - future of British steel industry; →
- EC Budget - the staking out of positions at Copenhagen;
- 10th anniversary of our accession to the EC (on January 1, 1983).

In more detail other points arising are:

Policy

- Consultative document on trade union reform;
- White Paper on defence lessons of Falklands campaign;
- Government decisions on Cable TV.

International

- GATT Ministerial meeting - November 24-26;
- Euro Council - December 3-4.

Reports

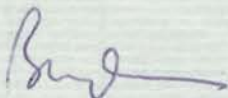
- Bridge on Trestrail (today); ↗
- Government response to Shackleton Report;
- ? Franks Report.

Pay etc

- ? settlement of NHS dispute (December 15);
- Waterworkers;
- ← - pit closures. →

Your speeches etc

- St. Andrew's Night, Edinburgh (Friday);
- Conference on Information Technology, Barbican (December 8);
- New Year's Eve interviews for radio and tv.



B. INGHAM

23 November 1982

NOVEMBER

- 24 GATT Ministerial meeting (to 27).
25 Prime Minister meets Herr Schmidt (private visit).
TUC General Council; Labour Party National Executive.
26 PRIME MINISTER'S ST ANDREW'S NIGHT DINNER SPEECH, EDINBURGH.
29 EC FISHERIES COUNCIL.
Annual Conference of British/Irish Association, Lambeth Palace.
30 Deadline for settlement of EC Budget problem.
MPO 1st Anniversary - Prime Minister attends party.
Prime Minister attends Buckingham Palace reception for
diplomatic corps.

DECEMBER

- ? Consultative document on trade union reform.
? White Paper on Defence lessons of Falklands campaign.
? Post Rayner.
1 PRIME MINISTER MEETS KING HASSAN.
2 Official reserves.
Unemployment figures (November).
3 EUROPEAN COUNCIL, COPENHAGEN (to 4).
6 Law of the Sea Treaty signing.
WPI.
8 PRIME MINISTER OPENS CONFERENCE ON INFORMATION TECHNOLOGY,
BARBICAN.
NEDC.
UK balance of payments.
9 CGBR.
10 PRIME MINISTER AT YOUNG ENTERPRISE NATIONAL COMPANY COMPETITION
PRESENTATION.
13 Index of industrial production.
15 Association of University Teachers' conference, Bradford (to 17).
16 Cyclical indicators (November).
17 Index of retail prices.
PRIME MINISTER'S VISIT TO BRITISH AEROSPACE, KINGSTON.
Retail price index (November).

December contd.

- 20 CBI Monthly Trends Inquiry.
- 22 TUC General Council; Labour Party Executive.
Prime Minister receives turkey from British Turkey Federation.
- 24 Recess.
- 29 & PRIME MINISTER'S INTERVIEW WITH LAURENS VAN DER POST.
30
- 30 PRIME MINISTER'S NEW YEAR RADIO/TV BROADCASTS.
- ? by end FRANKS REPORT ON HANDLING OF FALKLAND ISLANDS.
year
- ? " " Government response to Shackleton Report.

PRIME MINISTER

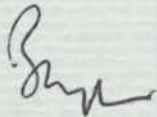
LIAISON COMMITTEE

DIARY FOR 1983

I attach a revised diary for 1983. Your more substantial engagements and the more important events are picked out in capitals. You are scheduled to make a large number of visits to marginal constituencies.

Other interesting features are:

- the advent of breakfast TV (January and February);
- the 10th anniversary of our accession to the EC (presidency in 1983 first with Germany; then Greece);
- introduction of compulsory seat-belts (January 31);
- Falkland Islands 150th anniversary (end February);
- West German General Election (March 6);
- a fairly early Easter (April 1);
- Economic Summit, USA (end May);
- Commonwealth Heads of Government meeting, New Delhi (late November).


B. INGHAM

22 November 1982

DIARY FOR 1983

JANUARY

- 1 British Nationality Act comes into force.
International Year of the Homeless starts.
EC: 10th Anniversary of UK Accession.
EC: Presidency passes to West Germany.
- early New Year Breakfast TV opens on BBC.
- ? Franks Committee Inquiry report.
- 3 Job splitting scheme starts,
- 5 NEDC.
- 6 Unemployment figures (December).
- 6-16 International Boat Show, Earls Court.
- 10 WPI.
- 11 Sizewell 'B' inquiry - formal opening.
- 15 PRIME MINISTER ATTENDS CTU CONFERENCE.
- 16 PRIME MINISTER'S INTERVIEW FOR 'WEEKEND WORLD'.
- 18 Index of industrial production.
- 19 Average earnings index.
- 20-21 PRIME MINISTER'S VISIT TO YORKSHIRE.
- 21 Index of retail prices.
- 24/25 EC: Foreign Affairs Council, Brussels.
- 28 PRIME MINISTER ADDRESSES GLASGOW CHAMBER OF COMMERCE.
- 31 Seat-belts become compulsory.

FEBRUARY

- 1 ITV-AM breakfast TV opens.
- 2 10th Anniversary dinner of Conservative Group for Europe.
NEDC.
- 3 Unemployment figures (January).

February contd.

- 8 Prime Minister meets Prince Sadrudd or Agha Khan.
WPI.
- 11 Index of retail prices.
- 12 PRIME MINISTER ADDRESSES YOUNG CONSERVATIVES CONFERENCE,
BOURNEMOUTH.
- 13-16 The Queen and Duke of Edinburgh visit Jamaica.
- 14 New York Trial of Irish gunrunners.
- 15 Index of industrial production.
- 16 Average earnings index.
Prime Minister says few words of welcome at Food from
Britain' conference.
- 16-17 The Queen and Duke of Edinburgh visit Cayman Islands.
- 17-22 The Queen and Duke of Edinburgh visit Mexico.
- 18 PRIME MINISTER VISITS NORTH WEST.
- 19 Prime Minister looks in at Local Government conference lunch.
- 21-22 EC: Foreign Affairs Council, Brussels.
- 23 PRIME MINISTER ADDRESSES INSTITUTE OF DIRECTORS.
- 20-30 CELEBRATION OF FALKLANDS 150th ANNIVERSARY.
- 26-27 The Queen and Duke of Edinburgh visit USA.
- 28 PRIME MINISTER ADDRESSES CENTRE FOR POLICY STUDIES GROUPS,
LONDON.
- end.Feb Progress Report on White Paper on Administration Forms.
- end.Feb White Paper on Public Expenditure.

MARCH

- 1 EC: Political Co-operation, Bonn.
- 2 ? BILATERAL TALKS WITH ITALY.
- 2 NEDC.

March contd.

- 3 Unemployment figures (February).
- 6 WEST GERMAN GENERAL ELECTION.
- 7 Finchley Conservative Party AGM.
- 8 WPI.
- 8-11 The Queen and Duke of Edinburgh visit British Columbia.
- 11 THE PRIME MINISTER VISITS PETERBOROUGH, ISLE OF ELY, NEW
CAMBRIDGE, SUFFOLK COAST.
- 14 Prime Minister visits Greenwich Museum.
- 14/15 EC: Foreign Affairs Council, Luxembourg.
- 15 BUDGET.
Index of industrial production.
- 16 PRIME MINISTER PRESENTS EXPORT AWARDS FOR SMALLER
MANUFACTURERS.
Average earnings index.
- 18 Index of retail prices.
- 21-22 EUORPEAN COUNCIL, BRUSSELS.
- 26 PRIME MINISTER'S SPEECH TO CENTRAL COUNCIL, LONDON.
- 27 BST begins - clocks go forward.
- 29 Prime Minister looks in at Metropolitan Special Branch
Centenary Ball.
- 31 Unemployment figures (March).
Parliament rises.
- March/April The Prince and Princess of Wales visit Australia and New
Zealand.

APRIL

- 1-10 Easter Recess (Good Friday 1 April).
Trade Union conference season opens.
- 13 Gala opening of 'Britain salutes New York'.
- 15 PRIME MINISTER VISITS LONDON MARGINALS

April contd.

- 15 PRIME MINISTER ADDRESSES CANDIDATES' CONFERENCE DINNER.
Index of industrial production.
- 19 PRIME MINISTER'S SPEECH TO CBI DINNER.
- 20 Average earnings index.
- 22 BILATERAL WITH GERMAN GOVERNMENT.
Index of retail prices.
- 25 Prime Minister meets West German bankers and industrialists.
- 25-26 EC: Foreign Affairs Council, Brussels.
- 28 PRIME MINISTER'S SPEECH TO CUTLER'S FEAST, SHEFFIELD.
- 29 PRIME MINISTER VISITS MIDLANDS.

MAY

- ? Boundary Commission changes come into effect.
- 2 Bank Holiday.
- 3 GOVERNMENT'S 4TH ANNIVERSARY.
- 4 NEDC.
Prime Minister meets President Machel of Mozambique.
- 5 Prime Minister's reception for NSPCC.
- 6 Unemployment figures (April).
- 13 PRIME MINISTER ATTENDS SCOTTISH CONFERENCE, PERTH.
- 14-15 EC: Informal Foreign Ministers' weekend.
- 14 PRIME MINISTER PERFORMS NAMING CEREMONY OF BR LOCOMOTIVE
AFTER AIREY NEAVE.
- 18 Average earnings index.
- 19 Index of industrial production.
- 20 PRIME MINISTER'S REGIONAL TOUR.
Index of retail prices.

May contd.

- 21 PRIME MINISTER'S SPEECH TO WOMEN'S CONFERENCE.
 24 EC: Foreign Affairs Council, Brussels.
 25-28 The Queen and Duke of Edinburgh visit Sweden.
 28-30 ECONOMIC SUMMIT, WILLIAMSBURG, USA.
 30 Bank Holiday.

JUNE

- 2 Unemployment figures (May).
 6-7 EUROPEAN COUNCIL, BONN.
 8 PRIME MINISTER ATTENDS NATIONAL UNION EXECUTIVE COMMITTEE DINNER.
 10 ? Birthday Honours.
 Prime Minister opens Arts and Crafts Exhibition during 1300th Anniversary celebration at St Mary's Rectory, Finchley.
 11 Trooping the Colour.
 13 PRIME MINISTER'S RECEPTION FOR ENTREPRENEURS.
 15 Average earnings index.
 17 Index of retail prices.
 PRIME MINISTER'S REGIONAL TOUR.
 Index of industrial production.
 18 PRIME MINISTER ATTENDS WELSH CONFERENCE.
 21 Prime Minister calls in at MPs of West Midland Conservative Association reception for regional media.
 20-21 EC: Foreign Affairs Council, Luxembourg.
 23 PRIME MINISTER'S SPEECH TO 1900 CLUB.
 24 PRIME MINISTER ATTENDS EUROPEAN DEMOCRATIC UNION CONFERENCE.
 30 Unemployment figures (June).

JULY

- 1 EC: Presidency passes to Greece.
- 9 PRIME MINISTER ATTENDS 1300th ANNIVERSARY OF ST MARY'S, FINCHLEY.
- 13 Index of industrial production.
- 15 PRIME MINISTER'S REGIONAL TOUR, WEST MIDLANDS.
Index of retail prices.
- 20 Average earnings index.
- 29 ? House of Commons rises.
- 29 PRIME MINISTER TAKES SALUTE AT RAF COLLEGE, CRANWELL.

AUGUST

- 4 Unemployment figures (July).
- 12 Index of retail prices.
Index of industrial production.
- 17 Average earnings index.
- 29 Bank Holiday.

SEPTEMBER

- 2 Unemployment figures (August).
- ? Youth Training scheme operates.
- 3-4 or 10-11 PRIME MINISTER'S VISIT TO BALMORAL.
- 14 Index of industrial production.
Average earnings index.
- 14-28 ? PRIME MINISTER'S OVERSEAS VISIT.
- 16 Index of retail prices.
- ? TUC Conference.
- 27-29 LIBERAL PARTY CONFERENCE, HARROGATE.
- 29 Unemployment figures (September).

OCTOBER

3-7 LABOUR PARTY CONFERENCE, BRIGHTON.
 11-14 CONSERVATIVE PARTY CONFERENCE, BLACKPOOL.
 13 Index of industrial production.
 14 Index of retail prices.
 17 House of Commons returns (provisional).
 19 Average earnings index.
 21 PRIME MINISTER VISITS WESTERN AREA.
 23 BST ends - clocks go back.

NOVEMBER

? 1,2 or 3 Queen's Speech.
 3 Unemployment figures (October).
 11 Index of retail prices.
 PRIME MINISTER'S VISIT TO LONDON MARGINALS.
 12 Index of industrial production.
 13 Remembrance Sunday.
 14 LORD MAYOR'S BANQUET - PRIME MINISTER'S SPEECH.
 15 Average earnings index.
 18 PRIME MINISTER TOURS SE AREA.
 23-30 COMMONWEALTH HEADS OF GOVERNMENT MEETING, NEW DELHI.
 28/29 ? EC: EUROPEAN COUNCIL, GREECE.

DECEMBER

1 Unemployment figures (November).
 2 Prime Minister attends Churchill songs at Harrow School.
 5-6 ? EURO-COUNCIL, ATHENS.
 13 Index of industrial production.
 14 Average earnings index.
 16 PRIME MINISTER VISITS WESSEX AREA.
 Index of retail prices.
 31 New Year Honours list.

Econ. Pol.



LIAISON COMMITTEE: UPDATING OF GUIDANCE NOTE
ON PRESENTATION OF ECONOMIC, UNEMPLOYMENT AND
INDUSTRIAL POLICY

1. Members of the Committee will recall that Mr Lilley was invited to update this existing guidance note. He has now done so, and a copy of the revised version is enclosed: changes are shaded in grey.
2. The Prime Minister has agreed to a suggestion by Mr Wakeham that this revise be cleared out of Committee. May I therefore ask that any comments on the text be passed to me by close of play Tuesday, 16 November, so that I may arrange for the note to be issued to all Ministers as soon as possible thereafter.

11 November 1982

AW
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ECONOMIC, EMPLOYMENT AND INDUSTRIAL POLICY
AND ITS PRESENTATION

PART I - PERCEPTIONS AND PRESENTATION

Summary of Public Perceptions Versus the Facts and Policies (A fuller analysis is given in Part II).

1. Voters' understanding of the government's overall economic strategy, its objectives and how it is meant to work is growing less hazy. The government's and Prime Minister's sense of purpose is widely recognised and respected.

To exploit this strength it is important to spell out clearly that the government alone has a coherent strategy, that all its actions from union reform to privatisation form part of that strategy and that the ultimate aim goes beyond curbing inflation, to recreating viable jobs and a prosperous, unified nation. Success in controlling public spending and thus reducing inflation and interest rates should be seen as a gauge of future success on the employment and output fronts.

2. Misconceptions about unemployment are particularly damaging. About half the voters think the government is deliberately making unemployment high to curb union pay demands. Few voters could think of any government measures which were intended and likely to help cure unemployment. The long term benefit to employment of lower inflation, union reform, the training initiative etc. are only weakly recognised.
3. Few people see curing inflation or unemployment as alternatives. In this their perceptions are closer to the government's view than to its critics'. Voters want both unemployment and reflation to be tackled simultaneously. Even fewer people perceive the connection between prices, money and borrowing - but they approve of measures to reduce government borrowing, even higher taxes.
4. Trades union reform is potentially the most popular and credible element of our policy. Not only does a large majority support steps in that direction, even some of those hostile to it believe union reforms will help reduce inflation and unemployment. It is important that the union measures do not become seen, jointly with unemployment, as an attack on the working class.
5. Nationalisation has long been unpopular. Only now that privatisation is becoming recognised as an option is it acquiring positive electoral support. Others see privatisation as part of the sterile ding-dong between Labour and Conservative. They do not recognise that in fact no major industry was returned to private ownership between 1951 and 1981.
6. Investment is universally thought a 'good thing' of which there is too little. The substantial increase in investment by nationalised industries after five years of decline is not publicly appreciated. Most people think private investment is inadequate and falling drastically. Few realise that private sector investment reached an all time record level in 1980 and has remained remarkably buoyant for a recession.
7. A growing minority is aware how closely our problems and solutions, are being mirrored abroad: that unemployment is now rising faster in Germany, that inflation is worse in the rest of Europe than in the UK and that many countries plagued with budgetary problems similar to ours are cutting even items of welfare spending like pensions and health which the British government has protected.

PRESENTATIONAL APPROACH

- (i) Presentation of our strategy was bound to be very difficult in the first phase of government. Many of the measures necessary were initially painful, their potential benefits lay in the future, and the causal relationship between the measures and their eventual benefits was not always initially obvious or easily explained.
- (ii) Now it is vital to convince people that we have a strategy and that it will in due course deliver the goods. Since many of our policies are now embodied in law or government actions, and some are showing their first fruits, it should become easier to 'sell' the strategy convincingly. It is important to point out, and explain why, it will take time for the strategy to work.
- (iii) The Presentational Framework
 - (a) Our objective is to reverse the long term decline in:-
 - the competitiveness of our industry,
 - the relative living standards of the British people,
 - the value of our currency,
 - and, eventually, the number of viable jobs.
 - (b) This decline has come about because in the past British governments shrank from tackling fundamental long term problems and exacerbated them by:
 - subsidising resistance to change (directly and through a falling £)
 - short-lived consumer booms to purchase popularity at the expense of savings, investment in the future and the value of the £.
 - (c) We are tackling the fundamental long term problems of the British economy which other governments shrank from e.g.:
 - trades union immunities,
 - uncompetitive and overmanned nationalised industries,
 - the burden of borrowing and foreign debt,
 - inflation,
 - lack of training in employable skills,
 - obstacles to new business.
 - (d) The task of tackling these problems was made more difficult but more pressing by the recession. The huge increase in oil prices has forced an enormous change in the whole structure of world industry which has grown up on the basis of cheap oil for several decades. The recession is a worldwide problem from which no purely domestic policy could make us immune.
 - (e) The blame for the tragically severe rise in unemployment in the UK lies with
 - those who encouraged overmanning or resisted changes in working methods until enterprises were on the brink of collapse and faced with the grim choice between shedding large numbers of workers or losing them all in bankruptcy,

- those who, verbally or through previous bursts of inflationary spending, incited wage claims which could only have been financed by another round of accelerating inflation.
- (f) The government is doing all it can to alleviate the short-term unemployment problem without aggravating the longer term problem and where possible (e.g. the Training Initiative), to make a permanent contribution to employment prospects: - YOPS, TOPS, Job splitting, etc. The government is planning to spend £4 billion on training by 1984 - not the mark of an 'uncaring' government.
- (g) There are no simple, cheap, quick, safe ways of curing unemployment. If there were the government would have implemented them not only for humanitarian reasons but also from electoral self-interest.
- (h) The most frequently canvassed 'easy' option is some sort of reflation (i.e. pumping more money into circulation). In the past this never produced more than a temporary alleviation of the problem - which on every occasion gave way to increased unemployment.

Nowadays those involved in foreign exchange markets, financial markets and in negotiating wages have learned that reflation begets inflation. As a result a reflationary package would, as soon as announced, almost certainly result in a foreign exchange crisis, devaluation, rising living costs, a wage explosion and higher interest rates. This would abort any economic recovery before it had generated any new jobs and probably intensify the squeeze. That is why virtually every major government in the world has abandoned reflation as an option. Even those, like France, which embarked on reflation have had to abandon the policy in ruins for precisely these reasons.

- (i) The government believes that it will in the long term be possible to reverse the trend in unemployment (which has been upward for two decades) and to bring unemployment down significantly. But a long term up trend can only be reversed by the sort of fundamental measures which the government is taking. These inevitably take a long time to work.
- (j) The deliberate creation of unemployment plays no part in the government's strategy as our opponents allege. It would be politically suicidal as well as wicked.

The idea that unemployment is necessary to curb wage increases is the reverse of the truth. The reason the government wants wage increases to moderate is to stop people being priced out of jobs.

- (k) The preconditions of curing unemployment and restoring prosperity are:

- curbing inflation in pay and prices, (to price people and products into jobs and markets)
- improving productivity and competitiveness, and
- initiating new enterprises, new products, new processes, new services.

- (l) The first unmistakable signs of success on inflation, productivity and innovation are becoming apparent.
- Inflation is down to half its lowest level for twelve years is expected to fall to 5% (without any of the unsustainable massaging which produced past short lived improvements). For the first time for a generation this government will bring inflation over the life of the parliament below the level experienced under its predecessor. We are on the path back to sound money. This in turn makes lower interest rates possible; industry's greatest need.
 - Productivity per man rose last year at Japanese rates and evidence abounds of improvements in competitiveness, development of new products, changed attitudes at work, success in export markets. There is evidence that many more new businesses are being formed than are closing despite the severity of the recession.
- (m) Entirely new jobs in both manufacturing and services will be generated particularly by exploiting the new technologies. The government is systematically accelerating this process by:-
- increasing awareness of the opportunities created by these technologies in industry, schools etc. (IT82, Micros in schools etc),
 - opening up substantial new areas for commercial development in the fields of communications, entertainment electronics and computer links as a result of the liberalisation of British Telecoms and of satellite communications; also reviving new opportunities for gas exploration by removing BG's monopoly of gas purchase and transmission,
 - channelling substantially increased government funds - particularly for R&D, new product development etc. - into the high technology fast growth sectors.
- (n) The adjustment required in the private sector has been aggravated by the burden of the public sector which has been slower to adapt because of lack of competition and reliance on public funds. Hence:
- increasing emphasis on measures to bring more competition and private ownership into nationalised industries,
 - the support given to top class management in rationalising BSC, BL, BA etc.,
 - authorising sharply increased nationalised industry investment while reducing subsidies to sustain overmanning,
 - the slimming down of the civil service so that by 1984 it will be the lowest since 1948.
- (o) The government's aim is the positive one of expanding the private sector not, as often portrayed, the negative one of reducing the public sector. Every pound less spent by government is a pound more, freely spent by the private individual. The recent N.I.S. cuts were made possible by curbing public spending which is now set on a declining trend as a proportion of national income.

(p) The measures which will help bring unemployment down in the long term will also:-

- improve living standards,
- enable us to improve the quality of our social services,
- increase people's freedom of choice,
- reduce political interference in people's lives,
- spread more widely the freedom and responsibility which come from private property ownership.

MAIN FALLACIES, MISUNDERSTANDINGS AND POSITIVE POINTS

Our communications effort needs, among other things, to concentrate on promoting the following positive points and dispelling the following fallacies and misconceptions.

Positive Points

1. That we are the only party/government prepared to tackle the fundamental problems which have hamstrung the UK economy: inflation, excessive trades union power, lack of vocational training, burden of inefficient nationalised industries and bloated public sector.
2. That inflation is now much lower set on a decelerating trend after increasing in each previous Parliament.
3. That all our actions, not least the battle against inflation, are designed to create the conditions for a return to sustainable high employment and prosperity.

Fallacies

1. Reflation - that extra borrowing or more money can painlessly reduce unemployment without sparking off a worse cycle of rising inflation and unemployment.
2. That money spent on the unemployed could be used to create jobs with minimal cost to the budget.

Misunderstandings

1. That we are deliberately creating unemployment to curb wage increases. (In fact we want wage moderation to protect jobs and create new ones.)
2. That nationalised industry investment is being curbed and private sector investment depressed. (In fact large increases in nationalised industry investment have been authorised reversing Labour's cuts and private investment has remained remarkably bouyant for so severe a recession.)
3. That privatisation has been a regular feature of adversary politics. (In fact no major business was denationalised between 1951 and 1979 so the current programme of privatisation is a radical departure from three decades of encroachment on the private sector.)

PART II: THE VOTER'S PERCEPTIONS VERSUS THE FACTS

These notes mainly single out areas where perceptions are unfavourable to the government, mistaken and need dispelling. Where appropriate we analyse

- first, perceptions of trends or developments in the relevant aspect of the economic situation e.g. what people think is happening to the level of unemployment.
- second, perceptions of the causes e.g. what causes unemployment.
- third, perceptions of the policies e.g. what people think government ought to do or is doing.

Beneath each of these sections we contrast the facts, arguments or more rigorous interpretations of trends, causes and policies which need emphasis.

Polling data are drawn from a variety of CRD and published studies notably: "Public Understanding of Economic Affairs", Marplan May 81; "Survey on Unemployment," ORC, March 81; "Attitudes Towards Unions", MORI, Nov 81; Tracking Studies Gallup Sept. 82. "Business Attitudes Guide" ORC, June 82, "Issues in Voters Shopping Baskets", Marplan Sept 82.

UNEMPLOYMENT

Public Perception of Trends in Unemployment. Voters overwhelmingly (69%) expect unemployment to go on rising. A substantial minority believes high unemployment is here to stay, mainly because of new technology.

Facts/Arguments About Trends in Unemployment. Japan has shown that willingness to adopt new technology minimises unemployment.

In the past technological advance has meant more output from a given workforce. The fear that in future new technology will mean a given level of output from ever fewer workers, presupposes we are near to satisfying all potential demand for goods and services. Yet we could easily consume a multiple of present output. Moreover, new technology opens up wholly new demands, generating entirely new (vide air travel - which did not mean a given number of passengers was carried by fewer aircrew displacing many sailors. Instead millions more were enabled to travel generating extra jobs not merely for aircrew but in hotels and travel agents, making planes, luggage etc.)

Public Perceptions of Causes of Unemployment. World recession is increasingly accepted as an important cause of unemployment (% against % a year earlier).

Government Policies are correspondingly blamed somewhat less frequently (% against %). But half the electorate think there is at least some truth in the allegation that Government is deliberately allowing unemployment to rise to keep wages down or break the unions.

Trades Unions are increasingly blamed for unemployment (%).

Only a small minority (%) spontaneously blame unemployment on excessive wages (relative to productivity). When prompted, the majority accept there is at least some truth in this.

Very few people think there is a trade-off between unemployment and inflation. Indeed two-thirds accept that curbing inflation is a precondition of reducing unemployment. Generally people want unemployment and inflation to be tackled simultaneously.

Nearly a third think no government could solve the current economic problem but two thirds believe it could be solved by the 'right measures'.

Facts/Arguments About Causes of Unemployment. Important to emphasise that the World Recession intensified during the Spring and Summer 1982 hitting international trade severely. Even Japan's exports were down. The UK is doing remarkably well (3rd quarter exports up 4% in value and down only 3% in volume over the year) but is more dependent on world trade than almost any other major country : nearly half UK manufactured output is exported.

The main underlying factor causing unemployment is that money rates of pay have risen more rapidly than money spending in most countries. If a firm's revenues rise 5% but its employees' wage rates rise 10%, almost inevitably the number of jobs will be cut. The same is true nationally. Britain's problem is particularly severe because of accelerating pay increases from 1977 onwards

(9%, 13%, 16%, 21%). These rises were conceded by employers in the expectation that this government, like its predecessors, would pump in the extra money to pay for them - even though this government was committed to slow down the rise in money spending.

Although employees increasingly recognise the connection between pay and job security at their own work place disappointingly few see the current unemployment as a delayed consequence of the explosion of pay, in excess of productivity, between 1977 and 1980.

Public Perceptions of Policies to Reduce Unemployment. Reducing interest rates, reducing the retirement age and channelling more money into investment are each seen as cures for unemployment by nearly half the electorate.

Nearly a third mention reducing union power, cutting taxes, import controls, or wage moderation as possible remedies.

Import controls and, to a lesser extent, a lower exchange rate, have recently increased in prominence as remedies.

However, voters are very hazy about what the Government is doing to reduce unemployment. Cutting Government spending used to be most often mentioned (34%) but rarely thought effective; reducing union power was the only other widely recognised Tory policy (30% in 1981, probably higher since the new Employment Bill). Youth training and other special measures might now be gaining recognition as Government measures.

The recent downward trends in inflation and interest rates are so far welcomed primarily as good in themselves: few are confident that they will have a significant impact on unemployment.

Nearly a third of voters could not think of any government policies to cure unemployment even when prompted.

The notion that it would cost less or little more to employ people than keep them on the dole is probably gaining ground.

Most (%) believe the Government is not doing enough to help the unemployed.

Facts/Arguments About Policies to Reduce Unemployment. Now that the government's major intermediate objectives are being achieved (pay moderation, lower inflation, lower interest rates, trades union legislation, training initiative, small business programme) it must be emphasised that their beneficial effect on jobs, though assured, will take time - just as it took time for the last pay explosion, acceleration of inflation and resultant higher interest rates to destroy jobs. Unfortunately, it takes less time to destroy jobs than to recreate them.

The fundamental and long term nature of the government's measures to promote employment contrasts with the superficial and (at best) short-term nature of the reflationary alternative. Also the comprehensiveness and sheer number of measures introduced by the government demonstrate a genuine practical concern which contrasts with the glib purveyors of blanket solutions which lack credibility.

INFLATION

Public Perceptions of Trends in Inflation. The number expecting inflation to accelerate has fallen (to 14%). Nearly half expect a further decline. The number believing inflation could be stopped has risen (to 42%), but half believe inflation is ineradicable.

Most (%) still recall that, before the last election, inflation was well below its subsequent peak.

Facts/Arguments About Trends in Inflation. For the first time since the war inflation will be lower over this parliament than during its predecessor. This represents an historic change of trend back towards sound money.

Confidence that inflation is on the way out has made possible 3 year pay settlements and creates a sounder basis for investment.

Public Perceptions About Causes of Inflation. Most people think inflation is caused by businesses putting up prices to increase profits or because of wage increases. Few perceive the connection between prices and money supply or borrowing. The exchange rate is more widely understood to affect prices.

Facts/Arguments About Causes of Inflation. The fact is that the governments strenuous efforts to curb growth in the money supply have brought inflation down.

Public Perceptions About Policies to Curb Inflation. Direct controls of prices and/or wages seem the obvious cure to most people though their popularity has declined over the years. The Government's policy of reduced borrowing, though not recognised as anti-inflationary, is considered wise by a large majority (68%). Twice as many (55%) still favour a prices and incomes policy as oppose it. Trades Union legislation is seen as anti-inflationary.

Facts/Arguments About Policies to Curb Inflation. At present it is almost inconceivable that any attempt to introduce an incomes policy could result even temporarily in a lower level of pay settlements than is taking place. It might well result in a 'norm', higher than the going rate, which would prove to be a floor rather than a ceiling. This is worth reiterating.

Curbing inflation is not just an end in itself but a crucial step towards reducing unemployment.

UNIONS/INDUSTRIAL RELATIONS

Perceptions of Trends in Industrial Relations. The improvement in labour relations is probably not fully recognised. Nor is the contrast between public and private sectors.

Facts/Arguments About Trends in Industrial Relations. The level of industrial disputes is still at its lowest level for years. Remaining strikes are predominantly in the public sector and are often semi-political in motivation. The private sector remains almost strike free.

Perceptions of Causes of Industrial Relations Experience. Unemployment has been thought the main cause of comparative industrial tranquillity.

Two thirds of the electorate remain unhappy with 'the way trades unions operate at present'.

Facts/Arguments About Causes. Recognition that the government will not intervene to bail out companies brought to their knees by strikes will prove a more enduring cause of industrial peace than unemployment.

The Government avoidance of intervention and '11th hour talks at No. 10' and its arms length approach where possible in the public sector has depoliticised labour disputes and helped secure peaceful settlements.

Public Perceptions About Policies to Reform Trades Unions. The majority generally favours the government's trades union legislation, the more so if reminded of its contents.

Opinion is equally divided as to whether 'more' (unspecified) legislation is needed but support for specified measures (e.g. ballots) runs much higher.

Opposition to union reform though still not strong, seems to have risen with unemployment which has stimulated fears that the working class (rather than oppressive union power) is under attack.

Facts/Arguments About Trades Union Legislation. All the measures so far merely remove immunities which did not exist in most other democratic countries and were at best unnecessary to enable trades unions to pursue their members interests.

PRIVATE INDUSTRY & COMMERCE

Public Perceptions About Trends in the Private Sector. There is a widespread feeling within the private sector that they have borne the brunt of the recession.

However, employees in the public sector probably do not recognise that they have, for the most part, been shielded from the full brunt of the recession.

Facts/Arguments About Trends in the Private Sector. It is inconceivable that the Opposition parties, all of whom are partisans of the public sector, would shift the burden away from the private sector.

Public Perceptions of Causes of Private Sector Pressure. This is often felt to have been aggravated by the burden of rising nationalised industry charges, energy prices, exchange rates, interest rates, local rates and cuts in public sector capital spending.

Facts/Arguments About Causes of Private Sector Pressure. The government accepts that the public sector has been a burden on the private sector. That is because the natural response of public bodies to financial stringency is to pass on the problem by raising charges and cutting spending on outside suppliers - rather than becoming more efficient and competitive as the private sector must.

Public Perceptions About Policies Affecting Private Sector. All the above tend to be blamed on the government. Since the government is, nonetheless, generally still recognised as in principle favouring the private sector, it is assumed, particularly outside the South East, to have lost touch with industry's problems.

There is considerable pressure for launching (paradoxically) public sector investment projects which are expected to generate orders for the private sector.

Facts/Arguments About Policies Toward Private Sector. In fact the central purpose of government strategy is to increase the competitiveness and profitability of the private sector and to extend the scope for private enterprise into fields from which it was previously precluded. The government is helping private industry in four ways:

- (i) Increased direct assistance - particularly for R&D and new product development in the high technology areas (aid nearly doubled from Labour's level) where growth and spin off potential is greatest.
- (ii) Curbing the real burden imposed by the nationalised sector more vigorously than any previous government has done (BSC, BL, BA etc.). This admittedly painful and belated rationalisation of the nationalised industries has been achieved whilst increasing their investment, most of which provides private sector orders.

The burden of the rest of the public sector is being contained by reducing the Civil Service to the smallest size since 1948; by proper cash limits; and by a major reform of Local Authority finance to introduce much needed penalties for overspending.

The real burden imposed on the private sector by the public sector can only be reduced by increased efficiency. To subsidise charges as Labour did was purely

cosmetic since it transferred the burden to taxation or interest rates via higher borrowing which hit the private sector at least as hard.

Where possible, privatisation is the best guarantee of continuing cost effectiveness at no burden to the taxpayer. Privatisation also removes unfair competition by state subsidised concerns.

(iii) Opening up new opportunities for private enterprise and competition. The liberalisation of British Telecommunications will open up enormous investment opportunities from which private industry was previously excluded. Literally billions of pounds will now be spent on or by private firms in recabling Britain (optical transmission networks, cable TV computer links, etc.), manufacture of microelectronic appliances and associated services linked to national networks, satellite production (where we have a lead) etc. Liberalisation of the British Gas monopoly will revive gas exploration which ceased under Labour.

(iv) Removing unnecessary obstacles and burdens on business e.g. abolition of exchange, price, pay, dividend and H.P. controls; removal of IDC's and ODP's, limits on planning delays and counter productive employee 'protection'; improving stock relief and allowances on industrial buildings.

No other party offers the private sector any coherent strategy for improving its growth prospects and reducing its burdens.

The disparity between public sector charges and the RPI has diminished considerably.

SMALL BUSINESS

Public Perceptions About Development of Small Business. Public esteem for small business is extremely high. Probably most people think far more businesses are closing down than starting up.

Facts/Arguments About development of Small Business. As many businesses are being formed as are closing down. This is probably unprecedented in a recession.

Public Perceptions About Policies Towards Small Business. The battery of pro-business measures is gaining increasing recognition from businessmen. Wider public perception is probably still low.

Facts/Arguments About Policies Towards Small Business. About 100 measures have been introduced either to remove obstacles and burdens or to improve the flow of finance to small business - existing firms as well as new firms.

INVESTMENT

Perceptions About Trends in Investment. Investment is widely believed to be declining, particularly in the nationalised industries. Investment is almost universally assumed to be a 'good thing' with little attention given to the possibility it may be wasteful.

Facts/Arguments About Trends in Investment. Nationalised industry investment was cut in real terms by the Labour government every year from the 1976 cuts onwards. The fall was stopped in this government's first year and sharply reversed in 1981/2 when cash investment spending rose over 18%. In the current year 1982/3 another 18% increase in cash spending has been authorised.

Other public sector investment has been declining: largely because of cuts in housing, roads and schools. In housing and roads there has been a desirable switch from new building to renovation and maintenance - which happen not to be classified as investment. New schools are not needed because of declining numbers of pupils.

Private sector investment has been unusually buoyant during a recession of this severity. It reached an all time record in 1980 and a modest increase is likely this year. Company spending on new product development, which is generally not classified as investment in the published figures, seems to be rising strongly.

Public Perceptions About Factors Influencing Investment. The Government's cuts tends to be blamed for the supposed inadequacy of investment.

High interest rates, high taxes, trades union opposition and poor management also receive blame.

Facts/Arguments About Factors Influencing Investment. The low level of UK profitability is the principal reason for lower investment in the UK than many of our competitors.

Public Perceptions About Policies to Encourage Investment. A majority favours channelling government money into investment and encouraging new industries. It is widely believed that the UK government channels much less cash into new developments than do foreign governments.

Support has been declining for more government investments in specific areas such as roads, British Telecom, housing, aerospace.

Facts/Arguments About Policies to Encourage Investment. Unlike its predecessors, this government is devoting an increasing share of public funds to new investment rather than to sustaining overmanning and outdated products or processes.

Government funds channelled into new industry probably represent a similar proportion of GDP to our competitors.

NATIONALISED INDUSTRIES

Public Perceptions About Nationalisation. The proportion of voters opposed to nationalisation has risen steadily since 1948 to a large majority. However, probably only a minority recognise how seriously the nationalised industries have exacerbated the nations financial and cost problems during the recession. Most of those who do see them as a burden (notably BSC and BL) probably expect them to remain so indefinitely.

The large majority who dislike nationalisation attribute its failings largely to a lack of competition and only secondarily to the lack of profit motive.

Facts/Arguments About Nationalisation. Only this government/party is determined to do anything radical about the nationalised industries.

Public Perceptions About Policies Towards Nationalised Industries. There is fairly widespread, if grudging, respect for the Government's backing to BL and BSC in their survival plans.

Although nationalisation has long been unpopular, privatisation was not correspondingly popular. Since it has begun to be seen as an option privatisation has jumped dramatically in popularity. 44% now favour a reduction in state ownership, 34% for status quo and 14% for more nationalisation.

Alliance supporters are more inclined to support the status quo and to deplore the supposed shuttling back and forth of industries between public and private sectors.

Facts/Arguments About Policies Towards Nationalised Industries. The alleged 'shuttlecock politics' between nationalisation and denationalisation is a myth. No major business was denationalised between 1951 and 1980 although seven major businesses were nationalised. (Even the 'denationalisation' of steel in 1951 is a misnomer: the incoming government aborted its predecessor's planned, but incomplete, nationalisation).

The current privatisation programme represents the reversal of a thirty year 'ratchet effect' whereby labour nationalised and conservatives valiently sought to manage nationalised industries more efficiently. Experience has forced government to conclude that nationalisation itself is the problem and only the stimulus of competition and the discipline of private ownership can bring efficiency.

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NOTE OF LIAISON COMMITTEE MEETING, WEDNESDAY 10 NOVEMBER 1982

Present:

Prime Minister
Lord President of the Council
Secretary of State for Scotland
Secretary of State for Employment
Chairman of the Party
Secretary of State for Industry
Chief Secretary, Treasury
Minister of State, Treasury
Parliamentary Under Secretary of State for Industry
(Mr MacGregor)
Mr Ingham, Prime Minister's Chief Press Secretary
Mr Lawson, Marketing Director, Conservative Central Office
Mr Cropper, Conservative Research Department
Dr Rouse, Conservative Research Department
Mr Ward, Lord President of the Council's office

1. Presentation of Policies towards Industry

The Secretary of State for Industry said that his paper laid considerable emphasis on privatisation and on the importance of small businesses. The paper incorporated a list of measures the Government had taken to assist the growth of small businesses; which were in themselves a substantial achievement. The paper also covered the support the Government was giving to industrial research and development, the new technologies and the so-called "sunrise" industries. It was important to note in the latter context that the Government was as much concerned to promote improved product design and processes in existing industries as it was to support the new industries. It was,

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however, the case that in his judgement the demands of traditional manufacturing industry meant that too little of his departmental budget could be deployed in assistance of the new industries. In discussion, the following points were made:

(a) The opening paragraphs of the paper very rightly discussed public attitudes towards industry. Indeed, the Government's expressed intention of creating a climate in which industry could prosper had as much to do with public attitudes as it had with, for example, direct financial assistance. Undoubtedly, the needs and importance of industry were insufficiently recognised by the general public; the attitudes inculcated in the schools were all too often dismissive of an industrial career. Even so, the opening sentence perhaps put the point too strongly and should be amended.

(b) The paper was an admirable statement of the Government's policy backed by a wealth of material on the measures actually taken. In presentational terms, however, there would be advantage if the paper was retitled to indicate that it contained an expression of the Government's industrial strategy. In this connection, the opening statement on page 12 could usefully be expanded and strengthened.

(c) It would be helpful if the paper were to include an annex giving details of the assistance given to the new technologies. It would also be helpful to include the relevant figures on the costs to the country of the nationalised industries, where the size of the post-war burden was insufficiently recognised.

(d) Possibly, the paper did not contain a sufficiently comprehensive explanation of the problem of competitiveness. There was much to be said for including a reference to some of the important factors eg pay restraint. But this touched on broader policy questions which might better be dealt with in a separate guidance note.

The Committee agreed that subject to revision in the light of their discussion, the paper should be amended and circulated to Ministers. The Committee further agreed that it would be helpful to commission a separate paper from the Secretary of State for Trade which would set out the Government's policy on trade, competition, and include EC trade aspects.

2. Small Business Marketing Campaign

Mr MacGregor said that the purpose of this paper was to inform the Committee of the steps being taken to advertise the assistance available to small businesses. This was an area in which the Government had made significant strides but there needed to be a continuous effort to increase the level of awareness of what had been done. For this reason he and his colleagues had decided to mount a major new promotion campaign. Primarily this was an exercise designed to disseminate information more widely, although there would naturally be political benefits to the Government. There was an inevitable risk that the campaign would be misrepresented by the Government's opponents by constituting an improper use of taxpayers' money; but such criticism would be wholly unjustified and must not be allowed to deflect the Government from its course. In discussion, the

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Committee strongly endorsed the campaign described by the Parliamentary Under Secretary of State for Industry. It was noted that many of the regulations affecting in particular the Business Start Up Scheme were complex, and had aroused criticism on that score, and that it was therefore of great importance to keep the arrangements as simple as possible and to promote them vigorously.

3. Diary of Events

In discussion of the Chief Press Secretary's notes, the point was made that in addition to the issues therein identified controversy could be expected on account of changes in the immigration rules, heavy lorry weight regulations, and the CRE code of practice. The latter in particular could give the Government problems with its supporters in Parliament. The Secretary of State for Employment commented that he would wish to discuss with the Lord President of the Council, and others involved, a possible statement on the effect of the new arrangements for collating unemployment statistics which were likely to be very controversial. It was noted that the consultative document on trade union legislation, although envisaged for publication before Christmas, could if necessary be delayed. The forthcoming Conservative Central office briefing note would deal with the Chancellor of the Exchequer's statement on public expenditure.

4. Any other Business

The Lord President of the Council reported that he had held a meeting of the group concerned with presentation of defence nuclear policies; and hoped that it would be possible to put a paper to Liaison Committee in about a fortnight.

ANDREW WARD
Lord President of the Council's office

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10 DOWNING STREET

From the Principal Private Secretary

10 November 1982

At a meeting of the Liaison Committee this morning, at which Mr. Wakeham and Mr. John MacGregor were present, there was reference to the action under consideration by the Inland Revenue on the taxation of international business, the tax arrangements attached to the Small Business Scheme and the taxation of the self-employed.

Mr. Wakeham said that he had been doing a considerable amount of work on the taxation of international business, and offered the Prime Minister a note on this in the near future, which the Prime Minister will wish to discuss with the Chancellor and Mr. Wakeham.

Separately, the Prime Minister asked for a note on the tax treatment of the Small Business Scheme and taxation of the self-employed, as a basis for a meeting. The Prime Minister's interest is in removing unnecessary obstacles in the way of the promotion of small businesses or the encouragement of self-employed people. Could you please arrange for such a note on the tax treatment of the Small Business Scheme and of the self-employed to be prepared.

I am copying this letter to Jonathan Spencer (Department of Industry), Andrew Hudson (Mr. Wakeham's Office) and Anthony Willis (Mr. MacGregor's Office).

E. E. R. BUTLER

John Kerr, Esq.,
HM Treasury.

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THE GOVERNMENT'S INDUSTRY POLICY

Introduction

The public's understanding of industry is hazy. ~~people do not see industrial policy affecting them directly.~~ They do not therefore express strong views on industrial policy as they do, for example, on the economy, law and order, housing etc. They certainly have strong views about nationalised industries, but do not easily relate policies here to industrial policy in general.

We can expect our industrial policy to be evaluated (a) by the verdict of industry itself, and (b) by its effect on unemployment. On both, it will be judged as part of our general economic policies.

Both Labour and the SDP have attempted to develop distinctive industrial policies with the claim that they will arrest industrial decline. These policies look unlikely to appeal to voters generally, though the SDP policy may have some appeal for younger, more naive hard pressed managers. Nonetheless, we must communicate more effectively our industrial policies.

This paper is in two parts. The first is on the presentation of our industrial policy. The second tackles widespread misunderstandings.

1 INDUSTRIAL POLICY

1.1 Perceptions

Business is generally seen as doing a good job in difficult times. There is considerable confidence that free enterprise, left to itself, can solve our economic problems. A thriving business sector is seen as good for the economy and good for employment.¹

A substantial majority is against too much government interference in the affairs of companies. Only 16% overall (and only 20% of Labour supporters) want to see more government involvement in the day-to-day planning of companies.¹

1. "Public Understanding of Economic Affairs", Marplan, polling 1980 and early 1981.



Confidence in British companies (in particular small companies) is higher than that in politicians, civil servants and trade unions.²

In a recent opinion survey,³ 62% of the public (and 38% of Labour supporters) thought nationalised industries were less efficient than free enterprise industries; 63% (and 35% of Labour supporters) thought that no more should be nationalised; and only 16% (and 38% of Labour supporters) wanted more nationalisation.

These perceptions are very close to Conservative philosophy, and mean that we can communicate our policy to a generally receptive electorate.

There is however one caveat Public reactions are adverse when those who are thought to be our natural allies and who might be expected to support our policies are seen to be critical or hostile. When the CBI, for instance, complains, the public is impressed, and confidence in the Government's policies can wane.

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2. "Business Attitudes Guide", ORC May 1981
 3. "Public Attitudes to Labour's Policies on Nationalisation", NOP, August 1982, commissioned by Aims.



1.2 Presentation

The key points are:

- (a) Our economic and industrial policy is designed to create the climate in which industry is productive and profitable.
- (b) Our success in reducing inflation and interest rates is of direct benefit to industry and is what industry has been asking for. Since Autumn 1981, interest rate falls have benefited industry by about £2 billion a year.
- (c) We have eased the burdens on industry. Employers' National Insurance Surcharge (NIS) has been cut. Stock relief has been improved and is worth over £1 billion a year to industry.
- (d) Capital allowances against Corporation Tax to encourage investments benefit industry and commerce including North Sea oil and public corporations by £8 billion per annum.
- (e) The UK regime for corporate tax on income is one of the lightest of the major industrial countries. Bigger tax reliefs, combined with low profits, mean that only one third of companies pay mainstream Corporation Tax on a regular basis. Unabsorbed tax relief amounts to about £30 billion or more. Accordingly, the business taxes which are criticised by industry are NIS and local rates.
- (f) We have abolished controls on pay, prices, dividends, foreign exchange and hire purchase, together with Industrial Development Certificates and Office Development permits.



- (g) Productivity has risen rapidly. In the second quarter of 1982, output per person hour in manufacturing was 8½ per cent higher than the average in 1979.
- (h) There is greater realism towards pay bargaining throughout industry. (e.g the two-year pay agreement in BL).

At the same time, the Government is providing help in specific areas where such help is cost-effective.



1.2.1 Privatisation

This ungainly word describes the rolling back of state ownership and the return of state enterprises to real public ownership, ie. ownership by people. The Government's achievements are listed in Annexe I.

Privatisation brings many benefits :

- * Companies or operations are removed from artificial guarantees provided by the State, where there are few commercial disciplines, and no need to persuade investors to invest in the business.
- * Managers - the people who know most about the business - are freed from Treasury control and able to raise money in fair competition with other borrowers.
- * Greater efficiency comes with investment projects competing for capital.
- * Employees can identify more closely with their companies. They can take a stake in them : thanks to this Government around 90,000 of them already have. And the National Freight Company⁺ is now owned by a consortium of its managers and workforce.
- * When linked with liberalisation, consumers benefit from the effect which competition has on efficiency and prices.
- * Individuals are able to buy shares - in particular, small investors are often given preferential access.

The real rate of return on the £90 billion employed in the nationalised industries in 1980 was minus 1%, and this poor performance was not untypical of recent years. This burden on the nation must be reduced.

+ Formerly the National Freight Corporation.



Privatisation itself helps to do this. But other measures have also been taken to increase efficiency in the public sector industries. Statutory backing for monopoly is being removed wherever possible, to open up the possibility of competition and to generate new markets. Nationalised industries have been given exacting performance objectives, backed up by rigorous financial discipline and a more professional standard of monitoring. The Monopolies and Mergers Commission (MMC) has been given powers to scrutinise their efficiency, and each of them will be subjected to MMC investigation within a four year period. In the longer term, the Government has made it clear that it does not accept that state ownership is the only solution for the so-called natural monopolies.

1.2.2 Small Business

Support for small businesses and the self-employed lies at the heart of Conservative philosophy. The Government is improving the climate in which small businesses operate, so that the enterprise and hard work of people who run their own businesses are encouraged and rewarded.

The Government have introduced nearly 100 measures (see Annexe II) - to ease the taxation of small firms, remove barriers to their expansion, reduce the burden of bureaucracy, and help them raise finance and acquire premises and advanced equipment. In particular the reduction of the top rate of income tax and of the burden of capital taxes has increased incentives for entrepreneurs.

About 40 per cent of those employed in the private sector work in firms with fewer than 200 people. The Government is determined that the small firms sector in Britain should grow to represent a proportion of GDP similar to that represented by small firms in more prosperous countries like Germany and the US.



1.2.3 R & D

The Government supports basic research and development in industry, in the universities and in its own research establishments. Total Department of Industry expenditure on R&D with private industry has more than doubled ^{since 1977-78,} and is now running at £ 75 million per year. The normal rate of support under the Science and Technology Act (1965) has been increased from 25% to 33½% for a period of 2 years from 1982. The Government is exploring with defence contractors how more civil spin-off can be achieved from defence R & D.

The Government is looking at better ways of transferring technology from the universities to the private sector. The development of science parks associated with universities is being encouraged to ensure that more British inventions are developed in Britain. These parks can also attract inward investment, as the recent decision by Wang Laboratories Inc. to build a manufacturing plant at the Stirling Science Park shows.

The British Technology Group - made up of the NRDC and the NEB - has as its main objectives assisting the transfer of technology, support for new high-tech firms and investment - along with private sector finance - in significant high-risk ventures, e.g. the investment in Celltech Ltd to develop biotechnology.

1.2.4 New Technologies

In many fields of high technology the pace of advance is so rapid that, without government support, British industry would fail to keep up with its competitors. This applies not only to the development of technological products, but also to their use in manufacturing industry.



Government support for innovation in manufacturing industry and for the promotion of awareness of the new technologies will total £ 136 million this year, and rise to nearly £175 million by 1984-5. Technologies supported include space, information technology, microelectronics, fibre optics, computer software, robotics, computer-aided design, manufacture and test and biotechnology.

The Government is also helping to change attitudes in the educational system to make it more responsive to industry's needs. The Micro-in-Schools project is bringing the microcomputer within reach of all our school children. And the new Information Technology Centres, located in areas of urban decay and high youth unemployment, are bringing the chance to acquire relevant skills to some of our most deprived youngsters.

1.2.5 "Sunrise Industries"

The programme for the support of innovation is described above (1.2.4). However, the government has taken additional action to help the sunrise industries, particularly in the field of information technology.

45 per cent of the UK workforce can be classified as information operatives : ie either they work to prepare information for transmission or they are involved in the transmission process itself. Their working lives will be transformed by the technological developments taking place in information technology. Improved methods of communication will foster economic growth and create jobs in information technology itself and throughout the economy.



The biggest threat to future employment in Britain would come from falling behind in the technological race. The government is determined that that will not happen.

- * That is why it is investing more heavily than ever before in the telecommunications network. The existence of a modern digital network is a pre-requisite for development of new information technology industries.
- * That is why it has liberalised British Telecom's monopoly, and licensed Project Mercury, a private sector communication network.
- * That is why private sector companies are to be licensed to supply equipment for attachment to BT's network, and to offer value added services using it.
- * That is why the Hunt Report was commissioned, to ensure that Britain presses ahead with cable television and other services based on cables.
- * That is why the Government has approved the system of direct broadcasting by satellite, and why we have maintained a leading position in the European space industry.
- * Most important of all, that is why the Government is legislating to allow the sale of shares in BT. This will be the biggest privatisation measure even taken, It will ensure that the development of IT is not hampered by constraints on public finance.

This Government has done more than any previous government to ensure that the private sector can seize the opportunities which the new technologies offer.

1.2.6 Inward Investment

The Government is determined that Britain should offer potential investors from overseas incentives at least as good, if not better, than those of competitors. To this end cash incentives, tax allowances and imaginative promotion are all available. Inward Investment



is expected to provide 10,000 - 15,000 new jobs in manufacturing per annum, and this should rise as world recession eases. In 1980, nearly 60% of US non oil direct investment in Europe took place in the UK.

1.2.7 Help for Exporters

The Government is giving British exporters support comparable with that available to their competitors from other governments. The government has also overhauled its export promotion activities to improve co-ordination and support, particularly for firms seeking large export orders. Every help has been given to British companies whose export activities are threatened by overseas governments.

1.2.8 Older Industries

Traditional industries, just like newer ones, must innovate in order to compete. The Government's technology policy is directed towards increasing awareness of new production methods throughout the industry, and to help firms make use of them.

However, too much taxpayers' money is still spent in support of firms which could not survive without it. From 1970-80, 15 times more taxpayers' money was spent on British Steel, BL and British Shipbuilders than on the entire electronics industries.

The Government is determined to correct this imbalance. Overmanning at BL has largely been eliminated and modern production methods and new models have been introduced. The aim is to achieve independence from government funds and to introduce private capital progressively into BL's mainstream business over the next two years. The goal is privatisation. Losses at British Shipbuilders have been reduced from £110 million in 1979-80 to under



£20 million in the 1981-2 session.

the Significant progress has been made with the rationalisation of British steel industry, both within BSC and in those sectors of the market where BSC and the private sector operate. Productivity has increased (in plants like Llanwern and Port Talbot, dramatically) and financial results in 1981-2 were much improved. However, the industry in the UK and in every other major producing country has been badly hit by the world steel crisis which has led to an excess capacity world-wide.

1.2.9 Regional Policy

We inherited a ludicrous situation in which nearly half (44%) of the population lived in parts of the country designated as assisted areas. However, the more diffuse regional policy is, the less cost-effective it becomes. The Government has concentrated regional assistance on the most deprived regions (covering 27% of the population), and taken steps to involve private finance in the provision of the advanced factories in these areas. Altogether we are spending £ 768 million per annum on help to industry in the assisted areas.

Other programmes are concentrated on urban areas. Eleven enterprise zones have been set up and eleven more will follow. The Urban Programme has been increased to over £200 million in 1982-3, designed to encourage people to live, work and invest in our inner cities. £46 million is to be spent on derelict land clearance in 1982-3, much of it to promote industrial and commercial development. The Urban Programme is designed to attract private sector investment alongside investment by government and local authorities.



1.3 Misunderstandings about our industrial policies

- a) We do not have a policy for industry. This is blatantly untrue (see section 1.2). Our policy is to create opportunities for companies to seize. Only companies can identify markets and supply the right goods and services of the right quality and at the right price. It is customers who pick winners, not governments.
- b) We do not care about the less prosperous regions. We have significantly increased the cost-effectiveness of regional policy, and extended assisted area status to areas affected by the rationalisation of the steel industry. Abrupt changes in regional assistance have been avoided, so that firms know where they stand. Every effort has been made to attract inward investment to the regions, and imaginative schemes have been introduced to rejuvenate our inner cities.
- c) New technology will mean more unemployment. (This view is widely held, although a majority still believes that we must go ahead with its development). Failure to keep up with our competitors is by far the bigger threat to employment. Technological development brings great opportunities for increased prosperity and more jobs - as the history of the railways and motor-vehicles proves.

2 Misunderstandings about the effect of our economic policy on industry

- a) The high pound is damaging industry. This complaint was loud in 1981, when the pound rose rapidly. It fell away as the weighted value of sterling fell back. It has however revived strongly more recently, particularly in traditional industries, as competition in the recession has stiffened. However,



for practical reasons, the Government cannot adjust variations against all individual currencies. The weak franc, for example, is outside our control. However, the trade weighted index of sterling has been stable, at around 90% of its 1975 value, for over a year.

Although the exchange rate is lower than in 1975, our competitiveness is still $\frac{1}{3}$ worse. Other factors - unit wage costs and productivity - are also major factors in determining our competitiveness.

- b) High interest rates are damaging industry. High interest rates in the US in 1981 had a knock-on effect in Britain and in most other major trading nations.

However, thanks to firm control on the Government's borrowing UK interest rates have fallen. At the time of writing, interest rate falls since the Autumn of 1981 are worth about £2 billion per annum to industry in a full year. Falling inflation paves the way for further falls in interest rates. This is the safest way to stimulate the economy out of recession.

- c) High energy prices are hurting industry. The NEDC study in Nov 1981 found that, for the vast majority of British companies gas and electricity prices were not out of line with those paid by competitors in Europe.

Even when the pound was at its highest, a significant disadvantage on energy costs was only suffered by the relatively few industries which are energy intensive. These users have been helped not only by



d) Industry is held back by lack of demand.

the fall in the value of Sterling since mid-1981, but also by measures to help them in two successive Budgets, worth £250 million. Today, most firms are paying energy prices broadly comparable with Continental levels. (It has to be recognised however that the major high load factor users are still at a significant disadvantage vis-a-vis their European competitors.

Since the beginning of 1981, UK demand for manufactured goods has shown a significant recovery. However, the share of imports has increased, so that the benefit to UK producers has been less. Some UK exporters are having difficulty retaining their markets abroad.

The problem is our lack of competitiveness vis-a-vis other countries, because over the years we have fallen behind in productivity. A recent study (Aug 1982) showed that productivity in UK manufacturing (measured as output per person hour) in 1980 was a third lower than in Italy; only about half that in Belgium or France; and less than half that in Germany and Holland.

We are now increasing productivity (in the second quarter of 1982 output per person hour in manufacturing was $8\frac{3}{4}$ per cent higher than the average in 1979), and becoming more competitive, though we still have a long way to go.

Progress on privatisation and liberalisation of nationalised industries

COMMUNICATIONS INDUSTRY

British Telecom has operated separately from the Post Office since October 1981.

Nearly half the Government's shares in Cable and Wireless sold in Autumn 1981, to form a private sector company.

Mercury given a 25 year licence in February 1982 to run an independent telecommunication network in competition with BT. The first service expected in early 1983.

Value added services, offered by private firms using BT's network, are now being licensed.

Supply and maintenance of telecommunications apparatus opened up to competition. One result is that private subscribers will no longer have to rent telephones other than the first from BT.

Legislation in place contains powers to require BT to form wholly owned subsidiaries and dispose of them.

Legislation to be introduced to put BT into Companies Act form and enable the sale of shares.

Legislation in place allows the Post Office monopoly to be suspended.

Private operators have been licensed to provide express mail services and document exchanges.

TRANSPORT INDUSTRIES

Legislation in place to permit the denationalisation of British Airways.

National Freight Corporation (now Company) bought by a consortium of management and workers.

Traffic licensing régime relaxed, particularly in relation to express coach services.

Legislation in place to allow private capital in the National Bus Company.

British Rail's hovercraft subsidiary has been merged with Hoverlloyd, to form a new private sector company, Hoverspeed.

Six BR hotels have been sold, together with a significant portfolio of property.

Legislation in place allows the sale of Sealink, BR's ferry service.

British Transport Docks Board, which owns 19 ports, to be denationalised shortly.

Testing of heavy goods vehicles being transferred to the private sector.

ENERGY INDUSTRIES

Legislation in place permits the sale of shares in Britoil (formed from the oil exploration/production arm of BNOC), and BGC's oil-producing interests in the North Sea. It is intended that Britoil will become a private sector company, although the Government will retain special rights to prevent unacceptable changes in future control.

BGC's statutory privileges in buying gas, and its monopoly position in supplying large gas consumers, have been removed.

Legislation in place permits the sale of BGC's showrooms, subject to legislative measures on safety.

BGC's half share in the Wytch Farm onshore oilfield is in the process of being sold.

Legislation is planned to permit the private generation of electricity as a main business.

OTHER INDUSTRIES

British Aerospace and Amersham International have been transferred to the private sector.

Legislation is planned to permit privatisation of British Shipbuilders.

BL has disposed of its interests in Prestcold, Coventry Climax and Alvis.

BSC has been involved in joint ventures with the private sector. Allied Steel and Wire Ltd. is a new private sector company set up by BSC and GKN. BSC's construction subsidiary, Redpath Dorman Long Ltd., has been sold.

The NEB holdings in 21 companies have, to date, been sold back to the private sector. Prominent among these were holdings in ICL, Ferranti Ltd., and Fairey Holdings Ltd. The NEB's role as an agent of "back door nationalisation" has been ended.

SUMMARY OF GOVERNMENT MEASURES DESIGNED SPECIFICALLY TO ASSIST SMALL FIRMS

A TAXATION AND FINANCE

Loan Guarantee Scheme for Small Businesses

- (1) A pilot loan scheme was introduced on 1 June 1981. It is designed to improve the flow of commercial funds to the entrepreneur with a viable business proposition which would not otherwise get financial backing. Individual term loans of up to £75,000 are available through participating financial institutions for periods of between 2 and 7 years. The Government guarantee will apply to 80% of each loan. The scheme is open to small business in most sectors of the economy

Business Start-up Scheme

- (2) The Business Start-up Scheme is an entirely new tax incentive to attract individual investors to back new enterprise. Where conditions are satisfied, an investor will be able to obtain relief against income tax on up to £10,000 subscribed for shares issued in each of 1981-82, 1982-83, and 1983-84 (1981 Budget).
- (3) The investment limit for 1982-83 and 1983-84 has been increased to £20,000. In addition the limit for 1982-83 is further increased by any unused balance of 1981-82 limit (1982 Budget).

Investment Interest Relief

- (4) Relaxation of conditions for interest relief in borrowing to invest in "close" companies were introduced in the 1980 budget.
- (5) This measure was extended in the 1981 Budget to money borrowed to invest in industrial co-operative and partnerships.
- (6) Eligibility conditions eased for certain borrowers who cannot meet 5% shareholding requirement (1982 Budget).

Venture Capital Scheme

- (7) Losses on disposal of shares owned by individuals in unquoted trading companies can now be set against income rather than capital gains (Budget 1980).
- (8) Subject to certain restrictions this has been extended to losses incurred by investment companies (1981 Budget).

Relief for certain pre-trading expenditure

- (9) Expenditure of a revenue nature incurred within the twelve months period prior to the commencement of trading is now allowed in computing the profits chargeable to tax when trade begins, provided that the expenditure would have been so allowable had it been incurred during a period of trading (1980 Budget).

- (10) The qualifying period for relief on pre trading expenditure has been extended to three years. (1982 Budget).

Value Added Tax (VAT)

- (11) Single rate of VAT was introduced in 1979 Budget.
- (12) VAT registration limit raised from £10,000 to £13,500 turnover (1980 Budget) to £15,000 (1981 Budget), and to £17,000 (1982 Budget).
- (13) Relief from VAT on services supplied before registration to be made available to all traders (1982 Budget).

Redundancy Payments Tax Threshold

- (14) To encourage people who are unemployed, particularly those who become redundant, to set up in business, the tax threshold for redundancy payments and other payments made on termination of employment has been raised from £10,000 to £25,000. (1981 Budget)

Enterprise Allowance

- (15) A pilot experiment has been set up in five areas through the Small Firms Service and the Manpower Services Commission to give an Enterprise Allowance in the form of a grant for a period of one year to unemployed people who want to set up in business.

European Loan Scheme

- (16) The Department of Industry (with Scottish and Welsh Offices and, later Northern Ireland Department of Economic Development) has since the beginning of 1978 operated an agency from the EIB backed with exchange risk cover, designed to enable small to medium sized firms in the Assisted Areas and Northern Ireland to borrow some of £15,000 - £4.25m.

An Exchange risk agreement was signed in February 1981 with Finance for Industry Ltd which will assist them to make EIB and European Coal and Steel Community (ECSC) Loans available to small manufacturing firms in the Assisted Areas and Coal and steel closure areas at attractive rates of interest.

In April 1981 a further agreement was signed with the Midland Bank which will assist them to make EIB foreign currency loans available to small firms. Since then Barclays Bank, Clydesdale Bank, the Co-operative Bank and both the Welsh and Scottish Development Agencies have also signed agency agreements with the ECSC.

Other clearing Banks and financial institutions are at an advanced stage of negotiation with both EIB and ECSC for similar agencies to provide loans of up to £100,000.

The Small Engineering Firms Investment Scheme

- (17) The Scheme was introduced on 30 March 1982 to make available to engineering firms employing less than 200 people, a third of the cost of investment in certain types of advanced capital equipment. So overwhelming was the response to the Scheme that it was closed for applications on 28 May and a further £10 million had been added to the original allocation of £20 million.

Corporation Tax

- (18) Lower rate reduced from 42% to 40% (1980 Budget).
- (19) 'Small profits' threshold increased from £50,000 to £60,000 (1979 Budget); to £70,000 (1980 Budget); to £80,000 (1981 Budget); and to £90,000 (1982 Budget).
- (20) The limit at which the full rate of 52% becomes payable was raised from £85,000 to £100,000 (1979 Budget); to £135,000 (1980 Budget); to £200,000 (1981 Budget) and to £225,000 (1982 Budget).
- (21) The requirement to distribute trading profits of "close" companies has been abolished thus enabling greater retention of profits for growth.

BTG: Small Company Innovation Fund (SCIF)

- (22) SCIF was formed in September 1980 to increase the availability of NRDC investment finance to innovative small companies. Most NRDC industrial funding has been in support of a specific innovatory project within a company but SCIF sets out to provide balance sheet funding for the overall operation of small companies whose business as a whole is innovative. (The National Enterprise Board and the National Research Development Corporation are now operating under the title of British Technology Group).

Development Commission and CoSIRA

- (23) Since 3 February 1981 CoSIRA have been able to act as lenders of last resort finance to small firms in both manufacturing and service industries throughout rural areas.

Other Measures

NEB: Oakwood Finance Limited

- (24) Oakwood was launched at the end of March with approved funding of £1 million from the NEB (of which £500,000 was initially subscribed). Loans up to £50,000 are available to all sectors of industry but with special emphasis on companies in advanced technology areas. The Oakwood scheme was designed to offer simple and standardised arrangements for the provision of high-risk money to small companies which have the potential to grow rapidly and profitably.

- (25) Improved tax relief for pension contributions for the self-employed (1980 Budget).
- (26) The removal of unnecessarily harsh features of the sub-contractors tax deduction scheme (1980 Budget).
- (27) Measures to be introduced to enable school leavers to obtain special 714 certificates. (1982 Budget).
- (28) Extension of beneficial stamp duty treatment to dealers in unlisted securities (1980 Budget).
- (29) Development Land Tax lowered which together with the £50,000 exemption for small plots will help to bring sites onto the market (1979 Budget).
- (30) Agreement has been reached to extend social security regulations to provide health cover for all self-employed visiting EEC.
- (31) In addition the Development Commission, in their Special Investment Areas, are now able to finance, jointly with local authorities, the provision of small workshops.

B ADVISORY SERVICES

Small Firms Service

- (32) Additional funds made available to facilitate the expansion of the Small Firms Service. (1981 Budget).
- (33) In order to assist existing and potential small businesses six new booklets were issued within the Small Firms Service series covering:

Setting-up a New Business
Bookkeeping
Management and Accounting
Tendering for Government Contracts
Microprocessors
Exporting

Co-ordination between Small Firms Services and CoSIRA

- (34) With effect from 1 October 1981 experimental joint management schemes have been introduced in Cumbria, Northamptonshire, Somerset and part of Avon. The schemes will enable clients of one advisory service to be offered the facilities of the other according to individual needs.

Small Firms Technical Enquiry Service (SFTES)

- (35) This service was introduced on 10 June 1982 to extend to the smallest firms the type of advice previously only available through the Manufacturing Advisory Service (MAS). The SFTES is available to firms with under 200 employees which have not used MAS and provides a free and fast answer to technical enquiries through the Production Engineering Research Association. Each eligible business will be able to use up to 5 man days on enquiries.

Design Advisory Service

- (36) Firms with between 60 and 1,000 employees will benefit from an extension to the Service aimed at helping them to improve the standard of their product design. It will be funded by Department of Industry and operated by the Design Council.

Assistance will take the form of a free design advisory project involving up to 15 man-days work by a specialist consultant. The company may commission a second project involving up to 15 man-days for which the Design Advisory Service will meet half the cost - the company paying the balance.

Communication with other Small Firms Agencies

- (37) A series of conferences was held around the country in 1981/82 attended by representatives of organisations involved in the small firms advisory field. It was generally agreed that a directory of the organisations existing in each region would be a useful aid to the agencies and the first edition of seven regional directories have now been published. A Factsheet service is also operating, whereby items of interest to the agencies are circulated to them, as and when the need arises.

C

EMPLOYMENT

The Employment Act 1980 includes provisions which:

- (38) require industrial tribunals to take account of the size and administrative resources of a firm in deciding on the fairness or unfairness of a dismissal;
- (39) give a 2 year qualifying service period in respect of new employees for unfair dismissal complaints for firms with 20 or less workers;
- (40) relieve firms with 5 or fewer employees from the obligation to reinstate an employee after maternity leave where it is not reasonably practical to do so.
- (41) relieve any employer of the obligation to reinstate after maternity leave if the employee declines an offer of suitable alternative work;
- (42) deter frivolous and unreasonable claims by a liability to costs;
- (43) reduce from 2 years to 1 year the minimum length of a fixed term contract in which employees may agree to waive their right to complain of unfair dismissal if not re-engaged.

PLANNING AND PREMISES

A report prepared for the Department of Industry by Coopers and Lybrand and Drivers Jonas in 1980 concluded that there was a shortage of small industrial premises in England. After publication measures were taken to encourage more private investment in small factory premises as follows:-

- (44) Planning application is no longer needed to change from light industrial to warehouse use or vice versa for premises of 235 square metres and below. Together with existing provisions of the General Development Order this allows small firms to change their premises from general industrial to warehouse use without passing through the intermediate stage of light industrial use. However the reverse does not apply. (1981).
- (45) A circular on development control policy and practice has been issued to all local planning authorities in England and Wales emphasising that when small scale commercial and industrial activities are proposed, including the use of redundant buildings, planning permission should not be refused unless there are strong and specific reasons against it. In the event of the possibility of enforcement or discontinuance action against small businesses, planning authorities are asked to seek for compromise solutions to problems and if these cannot be found to make every effort to help to find alternative sites. (1981).

Industrial Building Allowances

- (46) 100% initial allowance on capital expenditure incurred on the construction of industrial premises of up to 2,500 sq ft has been introduced until 26 March 1983. (1980 Budget).
- (47) This allowance will be further extended until 26 March 1985 for industrial buildings whose floor space does not exceed 1,250 sq ft (1982 Budget).

English Industrial Estates Corporation (EIEC)

- (48) The Department of Industry provided £5m to the EIEC to enter into joint agreements with the private sector to construct small factories in the English Assisted Areas. So far agreements have been reached to the value of £30m to build over 1500 new small factory units. (1980)

Rates

The Local Government Planning and Land Act introduced two changes in the rating laws which will benefit small businesses. These are:

- (49) the extension of the right to pay rates by instalments to those payable on business premises; and,
- (50) an extension of the range of mixed hereditaments which are eligible for domestic rate relief.

Both apply from 1 April 1981 and the right to pay rates by instalments applies to non domestic premises up to a rateable value of £5,000 in Greater London and £2,000 in the rest of the Country.

Industrial Development Certificates

- (51) Industrial Development Certificates are no longer required to accompany planning applications for industrial development of any kind (January 1982).

OTHER MEASURES

Buy Back of Shares

- (52) The Companies Act 1981 has given power for limited companies to buy back their own shares.
- (53) To assist a number of small and family companies, the tax charge has been eased in certain cases where an unquoted trading company buys back shares for the benefit of the trade (1982 Budget).

Companies Legislation

- (54) Under the Companies (Accounts) Regulations 1979 the particulars of turnover are from 1 January 1980 no longer required to be included where annual turnover is less than £1 million.
- (55) The Companies Act 1981 further reduces the amount of detailed financial information that small companies must file with the Registrar of Companies.
- (56) It also simplifies the arrangements for approval of company names.
- (57) A Green Paper was published in February 1981 designed to initiate informed debate on new form of incorporation for small firms. A number of representations have been made and these are being considered by the Department of Trade.

Director Labour Organisations

- (58) Direct Labour Organisations are now required to put certain contracts out to tender and to be publicly accountable.

Business Opportunities Programme

- (59) This Programme ran from May 1981 to February 1982. It was designed to increase public awareness of the important measures which have been introduced by the Government to help small firms and to help improve attitudes towards the need to encourage risk taking and initiative.

The Government are now looking at further ways of increasing public awareness of the help and opportunities that are available.

In-plant Training Scheme

This scheme was first introduced in April 1980 to help firms with training costs associated with projects providing a minimum of 25 jobs and meeting the normal criteria for assistance under Section 7 of the industry Act 1972. The 25 jobs minimum requirement has now been abolished thus extending the scheme to small firms. The scheme has also been extended to service industry and Intermediate Area projects. (December 1981).

LIST (B)

SUMMARY OF GOVERNMENT MEASURES WHICH WILL BE HELPFUL TO THE DEVELOPMENT OF SMALL FIRMS

A: TAXATION AND FINANCE

Income Tax

- (61) Standard rate reduced to 30% (33%);
- (62) top rate reduced to 60% (83%);
- (63) increased personal allowances and tax thresholds (1979 Budget).
- (64) Further increases in personal allowances and changes in tax rate thresholds (1980 and 1982 Budgets).

Investment Income Surcharge

- (65) Threshold for exemption increased to £5,000 (£1,700) (1979 Budget). Further increased to £5,500 (1980 Budget), and to £6,250 (1982 Budget).

National Insurance Surcharge

- (66) The rate of the surcharge is to be reduced from 3 1/2% to 2 1/2% with effect from 2 August 1982. To provide an equivalent whole year reduction in 1982-83, a further 1/2% reduction is proposed on earnings between 2 August 1982 and 5 April 1983. (1982 Budget).

Stock Relief

- (67) Continuation of system and write-off of stock relief liabilities for 1973/74 and 1974/75. Relief for later years to be written off after six years thus removing uncertainty about "claw-back" of past relief.
- (68) Following to consultative document published in 1980 a new form of stock relief was introduced. The new scheme is of particular benefit to manufacturing industry and to smaller businesses. It removes the threat of claw back of relief when a normal continuing business reduces its stock holdings. Also under the new scheme, relief will be given for the effects of price changes on the value of stocks held at the start of a business period of account (1981 Budget).

Capital Transfer Tax/Capital Gains Tax

- (69) Capital transfer Tax threshold was raised to £50,000 and rates of tax were cut. Lifetime gifts were removed from double charge to CTT and CGT. (1980 Budget).
- (70) Previous gifts are now ignored if made more than 10 years before a later gift or bequest. This means that lifetime gifts can often be made without increasing later tax liabilities, and this facilitates the transfer of business between generations. (1981 Budget).
- (71) New CTT rate schedules to be introduced for both death and lifetime transfers. (1982 Budget).
- (72) CGT threshold to be increased from 1982-83 so as to exempt individuals on the first £5,000 of capital gains in a year and most trusts on the first £2,500 (1982 Budget).
- (73) Annual revision of CTT rate bands and CGT thresholds in light of changes in the retail price index. (1982 Budget).
- (74) CGT rules to be revised for gains arising on the termination of a life interest in settled property (1982 Budget).

Other Measures

- (75) Period of transitional tax relief for interest payments on pre-1974 loans extended up to 5 April 1982 (instead of 1980). (1979 Budget).
- (76) Tax relief to be allowed on contributions made by companies and unincorporated businesses to those enterprise agencies having the promotion or encouragement of small businesses as one of their main objectives. (1982 Budget).

B. EMPLOYMENT MEASURES

Employment Protection Act

- (77) Amended to:
 - (a) increase the qualifying period for unfair dismissal complaints from 26 weeks to 52 weeks, and
 - (b) reduce the period of notification for small redundancies (less than 100 people) from 60 to 30 days.

Employment Act 1980

- (79) Limits lawful picketing to a person at or near his own place of work.
- (80) Restricts other forms of secondary action such as blacking or sympathetic strikes.

(81) Young Workers Scheme

This scheme was introduced with effect from 4 January 1982 to encourage employers to recruit more young people at realistic wage rates. Under the scheme employers can claim £15 a week (for a maximum period of 12 months) in respect of a young employee who is under 18 and in his/her first year of employment and whose gross earnings are less than £40 a week. Where the employees gross earnings are £40 or more but less than £45 a week, the employer can claim £7.50 a week.

C: PLANNING AND PREMISES

The following measures have been taken to ease planning restrictions and speed up the system.

- (82) Development control is at district level except in respect of minerals, waste disposal and in National Parks, etc. (1980)
- (83) Local plans may be adopted before the relevant structure plans. (1980)
- (84) Local authority associations and infrastructure bodies have agreed on the introduction of a voluntary code of practice and 28 days time limit in consultations about planning applications. (1980).
- (85) All planning appeal cases have been transferred to Inspectors. (1981).
- (86) Instant decisions may be issued by Inspectors in appropriate appeals cases. (1980).
- (87) No planning application is needed for extensions to industrial buildings of 20% subject to a maximum increase in floor area of 750 square metres. A planning application will be required, however, for any extension within 5 metres of the site boundary. (1981).

Industrial Building Allowances have been changed as follows:

- (88) The arrangements for administration have been simplified so that the allowances are given to developers when construction expenditure is incurred instead of on occupancy. (1980).
- (89) The initial allowance on capital expenditure incurred on the construction of premises over 2,500 sq ft has been raised to 75%. (1981).
- (90) The definition of an industrial building for the purpose of these allowances is to be widened to include buildings used for repair and servicing goods and those used for warehousing and storage by traders and wholesalers, where the goods involved are to be used for an industrial process. (1982 Budget).

D: OTHER MEASURES

- (91) Price controls abolished.
- (92) Office development permits abolished.
- (93) Eleven Enterprise Zones have been set up. Within these Zones both new and existing firm will benefit from certain tax concessions, including exemptions from rates and Development Land Tax and 100% tax allowances for capital spending on industrial and commercial buildings. Planning procedures will be greatly simplified and remaining permissions speeded up. (1980 Budget).

Powers of Entry Review

- (94) A review has been carried out of all the powers of entry available to the officials of central government, nationalised industries, local authorities, quangos and other bodies. This did not cover the police where powers were examined by the Royal Commission on Criminal Procedures nor the rights of entry exercised by both Customs and Excise and Inland Revenue in the course of their enforcement work which are being reviewed by the Keith Committee on Enforcement Power of the Revenue Departments. (1980/81).

Form Filling

- (95) Since the Government took office over 1 million statistical forms have been stopped, most of which would have been addressed to small firms. Taking into account Ministers' decisions on their review of Government Statistical Services (Cmnd 8236) the average number of statistical forms sent by Government Departments to businesses each year will in future be 3/4 million fewer than 3 years ago. Government administrative forms are also to be examined in a Manpower and Personnel Office review which will aim to reduce the burden of forms, improve the standard of forms' intelligibility and ensure that Departments adopt effective forms control arrangements.
- (96) All hire purchase controls on cars and other consumer goods abolished with effect from midnight on 26 July.



NOTE FOR THE LIAISON COMMITTEE, 10 NOVEMBER 1982

SMALL BUSINESS MARKETING CAMPAIGN


1. We have now taken nearly 100 measures of varying degrees of importance directly to help the small business sector. Sixty schemes, changes in legislation, financial and tax incentives and advisory services are solely for small businesses. The others are of general application but particularly help small businesses.
2. After much Herculean effort, it is gradually getting through to the public that under this Government there is a new drive to help small businesses and the self-employed. The theme now features regularly in the press, especially the heavies. But there is still massive ignorance about the individual measures. Time and again I am pressed at small business meetings all over the country to introduce changes in legislation which we have already done. Time and again I come across small businesses, as well as their advisers such as bankers and accountants, who are ignorant of the existence or the details of schemes such as the Loan Guarantee Scheme, the Business Start-Up Scheme, and so on.
3. Getting the individual measures over is an endless task. Small firms, and their advisers, are a huge market. Most do not have the time to read much literature or attend seminars and conferences. They do not have the staff, as in large companies, to keep abreast of changes and advice. We made a useful start in the Business Opportunities Programme, and I and other Ministerial colleagues undertake a continuous programme of meetings, speeches, and contacts in many other ways with the small business sector. There is now also a programme of talks and other contacts by officials.
4. Another major new initiative is now required. If the majority of small firms are not aware of the measures to help them,



they will not benefit, nor will Government or the economy in general. We are in the position of a company with a lot of good products to sell, but with insufficient resources to market them so that there is a distinct lack of market awareness.

5. We are therefore proposing a major new promotion campaign, using television and other advertising media as well as more normal PR methods. This will be launched in the new year and hopefully will run through to July. I intend to try to gain the support of the banks, accountants and other professions, Chambers of Commerce and all other appropriate outside channels in January and February with a view to the major public campaign starting immediately thereafter. The campaign is being overseen by a team of Ministerial colleagues with me, and we are being advised by three outside advisers, Victor Ross of Readers Digest, John Treasure, and Mark Weinberg. The focus is entirely practical, to get much greater awareness and take-up of the schemes.

6. So far £ $\frac{3}{4}$ million has been committed to the campaign, but there is a general agreement among the Ministers and outside advisers that a campaign of some £2-2 $\frac{1}{2}$ million is necessary to make any impact. The Chief Secretary has agreed that we may spend up to £2 $\frac{1}{2}$ million but the additional resources for 1983/4 have still to be found.


J.M.

8 November 1982

PRIME MINISTER

LIAISON COMMITTEE

DIARY TO END OF YEAR

ms

I attach a diary for the rest of the year. The highlights are:

Policy

- Britoil goes to market;
- Consultative document on further trade union reform;
- White Paper on defence lessons of Falklands campaign;
- Cable TV (? your speech at Information Technology conference).
- *Immigration rules* - *Heavenly Horizon*

sub Dec

International

- Pipeline dispute;
- EuroCouncil (EC budget reform) - (December 3-4);
- GATT Ministerial conference (November 23-26).

CRF

Reports

- ? Government response to Shackleton Report;
- Franks Report.

Bridge Report

Pay

- ? Settlement of NHS dispute;
- Waterworkers.

→

Your speeches etc

- Lord Mayor's banquet (November 15);
- Information Technology conference (December 8);
- Radio and TV New Year interviews (December 30).

Bu

B. INGHAM

8 November 1982

NOVEMBER

- 10 NEDC.
- 11 PRIME MINISTER ATTENDS ROYAL ACADEMY CENTENARY DINNER.
- 12 INDEX OF RETAIL PRICES.
- 13 Lord Mayor's Show.
Prime Minister's speech at British Legion.
- 14 Remembrance Sunday.
- 15 PRIME MINISTER'S SPEECH, LORD MAYOR'S BANQUET.
- 16 Visit of Queen Beatrix of the Netherlands (to 18).
- 17 PRIME MINISTER'S SPEECH TO NORTH ATLANTIC ASSEMBLY, LONDON.
- 18 Presentation of Humble Address to Queen.
- 19 PRIME MINISTER'S REGIONAL TOUR OF CORNWALL AND WEST COUNTRY.
- 22 PRIME MINISTER'S TALKS WITH DANISH PRIME MINISTER.
Labour Party challenge Boundary Commission in High Court.
- 23 Unemployment figures.
GATT Ministerial meeting (to 26).
- 24 PRIME MINISTER'S TALKS WITH KING HASSAN.
TUC General Council; Labour Party National Executive.
- 26 PRIME MINISTER'S ST ANDREW'S NIGHT DINNER SPEECH, GLASGOW.
- 29 PRIME MINISTER'S INTERVIEW WITH DANISH TV (- pre EuroCouncil).
Annual Conference of British/Irish Association, Lambeth Palace.
- 30 Deadline for settlement of EC Budget problem

DECEMBER

- ? Consultative document on trade union reform.
- ? White Paper on Defence lessons of Falklands campaign.
- 1 Main provisions of Employment Act come into force.
- 2 Official reserves.
- 3 EUROPEAN COUNCIL, COPENHAGEN (to 4).
- 6 WPI.
- 8 PRIME MINISTER OPENS CONFERENCE ON INFORMATION TECHNOLOGY, BARBICAN.
- 9 CGBR.
- 10 PRIME MINISTER AT YOUNG ENTERPRISE NATIONAL COMPANY COMPETITION PRESENTATION.
- 15 Association of University Teachers' conference, Bradford (to 17).
- 17 PRIME MINISTER'S VISIT TO BRITISH AEROSPACE, KINGSTON.
Index of retail prices.

December contd.

21 Unemployment figures.
22 TUC General Council; Labour Party Executive.
24 Recess.
29 and 30 PRIME MINISTER'S INTERVIEW WITH LAURENS VAN DER POST.
30 PRIME MINISTER'S NEW YEAR RADIO/TV BROADCASTS,
? by end FRANKS REPORT ON HANDLING OF FALKLAND ISLANDS,
year
? " Government response to Shackleton Report.

PRIME MINISTER

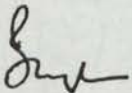
LIAISON COMMITTEE

DIARY FOR 1983

I attach the first attempt at a diary for 1983 with your substantial number of engagements and the more important events picked out in capitals. You are scheduled to make a large number of marginal visits.

Other interesting features at this stage are:

- the advent of breakfast TV (January and February);
- the 10th anniversary of our accession to the EC (presidency first with Germany; then Greece);
- introduction of compulsory seat-belts (January 31);
- Falkland Islands 150th Anniversary (end February);
- West German General Election (March 6);
- a fairly early Easter (April 1);
- Economic Summit, USA (end May);
- Commonwealth Heads of Government meeting, New Delhi (late November).



B. INGHAM

8 November 1982

DIARY FOR 1983

JANUARY

1 British Nationality Act comes into force.
International Year of the Homeless starts.
EC: 10th Anniversary of UK Accession.
EC: Presidency passes to West Germany.
Breakfast TV opens on BBC.

early New
year

? Franks Committee Inquiry report.

3 Job splitting scheme starts.

5 NEDC.

6 Unemployment figures (December).

6-16 International Boat Show, Earls Court.

7 PRIME MINISTER: HALF-DAY VISIT TO LONDON MARGINALS.

10 WPI.

11 Sizewell 'B' inquiry - formal opening.

15 PRIME MINISTER ATTENDS CTU CONFERENCE.

18 Index of industrial production.

19 Average earnings index.

20-21 PRIME MINISTER'S VISIT TO YORKSHIRE.

21 Index of retail prices.

24/25 EC: Foreign Affairs Council, Brussels.

28 PRIME MINISTER ADDRESSES GLASGOW CHAMBER OF COMMERCE.

31 Seat-belts become compulsory.

FEBRUARY

2 10th Anniversary dinner of Conservative Group for Europe.
NEDC.

3 ITV-AM breakfast TV opens.
Unemployment figures (January).

February contd.

- 8 WPI.
- 11 Index of retail prices.
- 12 PRIME MINISTER ADDRESSES YOUNG CONSERVATIVES CONFERENCE,
BOURNEMOUTH.
- 13-16 The Queen and Duke of Edinburgh visit Jamaica.
- 15 Index of industrial production.
- 16 Average earning index.
- 16-17 The Queen and Duke of Edinburgh visit Cayman Islands.
- 17-22 The Queen and Duke of Edinburgh visit Mexico.
- 18 PRIME MINISTER VISITS BURTON-ON-TRENT.
- 19 Prime Minister looks in at Local Government Conference
lunch.
- 21-22 EC: Foreign Affairs Council, Brussels.
- 23 PRIME MINISTER ADDRESSES INSTITUTE OF DIRECTORS.
- 20-30 CELEBRATION OF FALKLANDS 150th ANNIVERSARY (? PRIME
MINISTER'S VISIT).
- 26-27 The Queen and Duke of Edinburgh visit USA.
- 28 PRIME MINISTER ADDRESSES CENTRE POLICY STUDIES GROUPS,
LONDON.
- end Feb. Progress Report on White Paper on Administration Forms.
- end Feb. White Paper on Public Expenditure.

MARCH

- 1 EC: Political Co-operation, Bonn.
- 2 ? BILATERAL TALKS WITH ITALY.
- 2 NEDC.
- 3 Unemployment Figures (February).
- 6 WEST GERMAN GENERAL ELECTION.
- 7 Finchley Conservative Party AGM.
- 8 WPI.
- 8-11 The Queen and Duke of Edinburgh visit British Colombia.

March contd.

- 11 THE PRIME MINISTER VISITS PETERBOROUGH, ISLE OF ELY, NEW
CAMBRIDGE, SUFFOLK COAST.
- 14 Prime Minister visits Greenwich Museum.
- 14/15 EC: Foreign Affairs Council, Luxembourg.
- 15 BUDGET.
Index of industrial production.
- 16 PRIME MINISTER PRESENTS EXPORT AWARDS FOR SMALLER
MANUFACTURERS.
Average earnings index.
- 18 Index of retail prices.
- 21-22 EUROPEAN COUNCIL, BRUSSELS.
- 26 PRIME MINISTER'S SPEECH TO CENTRAL COUNCIL, LONDON.
- 27 BST begins - clocks go forward.
- 29 Prime Minister looks in at Metropolitan Special Branch
Centenary Ball.
- 31 Unemployment figures (March).
Parliament rises.
- March/April The Prince and Princess of Wales visit Australia and New
Zealand.

APRIL

- 1-10 Easter Recess (Good Friday 1 April).
Trade Union conference season opens.
- 15 PRIME MINISTER VISITS LONDON MARGINALS.
PRIME MINISTER ADDRESSES CANDIDATES' CONFERENCE DINNER.
Index of industrial production.
- 19 PRIME MINISTER'S SPEECH TO CBI DINNER.
- 20 Average earnings index.
- 22 BILATERAL WITH GERMAN GOVERNMENT.
Index of retail prices.

April contd.

25 Prime Minister meets West German bankers and industrialists.
 25-26 EC: Foreign Affairs Council, Brussels.
 28 PRIME MINISTER'S SPEECH TO CUTLER'S FEAST, SHEFFIELD.
 29 PRIME MINISTER VISITS MIDLANDS.

MAY

? Boundary Commission changes come into effect.
 2 Bank Holiday.
 3 GOVERNMENT'S 4th ANNIVERSARY.
 4 NEDC.
 Prime Minister meets President Machel of Mozambique.
 5 ? * Unemployment figures.
 13 PRIME MINISTER ATTENDS SCOTTISH CONFERENCE, PERTH.
 14-15 EC: Informal Foreign Ministers' weekend.
 18 Average earnings index.
 19 Index of industrial production.
 20 PRIME MINISTER'S REGIONAL TOUR.
 Index of retail prices.
 21 PRIME MINISTER'S SPEECH TO WOMEN'S CONFERENCE.
 24 EC: Foreign Affairs Council, Brussels.
 25-28 The Queen and Duke of Edinburgh visit Sweden.
 28-30 ECONOMIC SUMMIT, WILLIAMSBURG, USA.
 30 Bank Holiday.

JUNE

2 ? Unemployment figures (May).
 6-7 EUROPEAN COUNCIL, BONN.
 8 PRIME MINISTER ATTENDS NATIONAL UNION EXECUTIVE COMMITTEE DINNER.

June contd.

- 10 ? Birthday Honours.
 Prime Minister opens Arts and Crafts Exhibition during 1300th Anniversary celebration at St Mary's Rectory, Finchley.
- 11 Trooping the Colour.
- 15 Average earnings index.
- 17 Index of retail prices.
 PRIME MINISTER'S REGIONAL TOUR.
 Index of industrial production.
- 18 PRIME MINISTER ATTENDS WELSH CONFERENCE.
- 21 Prime Minister calls in at MPs of West Midland Conservative Association reception for regional media.
- 20-21 EC: Foreign Affairs Council, Luxembourg.
- 23 PRIME MINISTER'S SPEECH TO 1900 CLUB.
- 30 Unemployment figures (June).

JULY

- 1 EC: Presidency passes to Greece.
- 9 PRIME MINISTER ATTENDS 1300th ANNIVERSARY OF ST MARY'S, FINCHLEY.
- 13 Index of industrial production.
- 15 PRIME MINISTER'S REGIONAL TOUR.
 Index of Retail prices.
- 20 Average earnings index.
- 29 ? House of Commons rises.

AUGUST

- 4 Unemployment figures (July).
- 12 Index of retail prices.
 Index of industrial production.

ust contd.

17 Average earnings index.
29 Bank Holiday.

SEPTEMBER

1 ? Unemployment figures (August).
? Youth Training scheme operates.
3-4 or 10-11 PRIME MINISTER'S VISIT TO BALMORAL.
14 Index of industrial production.
Average earnings index.
14-28 ? PRIME MINISTER'S OVERSEAS VISIT.
16 Index of retail prices.
? TUC CONFERENCE.
27-29 LIBERAL PARTY CONFERENCE, HARROGATE.
29 Unemployment figures (September).

OCTOBER

3-7 LABOUR PARTY CONFERENCE, BRIGHTON.
11-14 CONSERVATIVE PARTY CONFERENCE, BLACKPOOL.
13 Index of industrial production.
14 Index of retail prices.
17 House of Commons returns (provisional).
19 Average earnings index.
21 PRIME MINISTER VISITS WESTERN AREA.
23 BST ends - clocks go back.

NOVEMBER

- ? 1,2 or 3 Queen's speech.
- 3 Unemployment figures (October).
- 11 Index of retail prices.
- PRIME MINISTER'S VISIT TO LONDON MARGINALS.
- 12 Index of industrial production.
- 13 Remembrance Sunday.
- 14 LORD MAYOR'S BANQUET - PRIME MINISTER'S SPEECH.
- 15 Average earnings index.
- 18 PRIME MINISTER TOURS SE AREA.
- 23-30 COMMONWEALTH HEADS OF GOVERNMENT MEETING, NEW DELHI.
- 28/29 ? EC: EUROPEAN COUNCIL, GREECE.

DECEMBER

- 1 Unemployment figures (November).
- 2 Prime Minister attends Churchill songs at Harrow School.
- 5-6 ? EURO-COUNCIL, ATHENS.
- 13 Index of industrial production.
- 14 Average earnings index.
- 16 PRIME MINISTER VISITS WESSEX AREA.
- Index of retail prices.
- 31 New Year Honours list.



Foreign and Commonwealth Office

London SW1A 2AH

From the Secretary of State

8 November 1982

Dear John,

I have now seen the Private and Confidential papers on the presentation of defence nuclear policy culminating in John Nott's letter of 20 October to you. I gather that there are further meetings early next week.

Obviously, this is a subject of enormous importance for the conduct of our foreign policy as well as a major political issue here at home.

I would like to make three main points:

- (i) this is not a problem in Britain alone. It faces almost all our major allies in NATO. It crops up almost every week in inter-allied discussion. If we are to succeed at home we need to work closely with like-minded Governments. A rash remark by a senior American, or a weak decision by the Dutch (to take just two possible examples) could be a big setback to our efforts here. In our experience, for example at the recent NATO colloquium in Sunningdale, other countries are behind us in organising their effort and increasingly interested in what we are doing;

/(ii)

The Rt Hon John Biffen MP



- (ii) We must have a hopeful story alongside the sombre one. Otherwise we shall not make sense to many anxious people. In my judgement, people will only be persuaded that it is right to maintain our nuclear deterrent if they believe that we are also doing our best in the long term to check and then remove the nuclear arms race. This is the political importance of arms control and disarmament, for which, of course the Foreign Office is responsible. It is hard, dry, technical stuff, very difficult to put across to a wide public. There are an increasing number of groups, some hostile, some friendly, who are passionately interested and with whom we keep in close touch and for whom we produce literature which is, I think, forceful but reasoned. We cannot promise quick results. We must be able to promise genuine effort on our part, or else there will be a crucial gap in our total argument. It is essential to follow, and be seen to follow, the double track laid down by NATO in 1979;
- (iii) You suggested in your letter of 20 October to John Nott that we should to some extent switch our argument away from the Soviet threat and deal with the risk of other powers, say Pakistan or Libya, acquiring nuclear weapons. This needs very careful handling. One of our main anxieties in the years ahead must be that irresponsible powers will develop nuclear weapons. We have been very lucky in recent years that they have not done so. There are signs that this lull may be coming to an end. Non-nuclear powers going nuclear would use your argument that it is 'a natural right of all nations ... to maintain such forces, conventional or otherwise, as are necessary to defend legitimate national interests'. It is very much in our interests to dissuade them from taking this line and to show that it is right for the world as a whole that the number of nuclear powers should not increase. It would be naive to suppose that these countries will take their decisions on the basis of



words spoken in Britain, but we should not give them ammunition to defend a decision which would be very much against our interest.

In addition, civil defence is a strand in our argument. Our opponents regard it as one of the weakest strands. At the many public meetings on the subject which Ministers and MPs address, they meet fierce questioning on civil defence, as if it were a bull point for CND. It seems essential that the Home Office should be closely involved in what we plan.

I am sending copies of this letter to the Prime Minister, John Nott, Norman Tebbit and Cecil Parkinson.

James Callaghan

Frank's



cc DOI
LPO
MS/KMT

Even Pol HU

RESTRICTED

10 DOWNING STREET

From the Principal Private Secretary

B/F

2 November 1982

Liaison Committee

I am writing to confirm our telephone conversation of today. At the next meeting of the Liaison Committee on Wednesday 10 November, the Secretary of State for Industry will be presenting a paper on industrial policy to the Liaison Committee. The Prime Minister thought that it would be a helpful supplement to this paper if Mr. MacGregor could circulate a short note on the steps being taken to advertise the schemes for small businesses and if he could attend the meeting of the Liaison Committee to speak to this note. It is not necessary that the note should cover the small business schemes themselves, since I understand that these will be fully set out in the Secretary of State's paper.

I am copying this letter to Jonathan Spencer (Department of Industry), Andrew Ward (Lord President's Office) and Jim Milner (Office of the Minister of State, H.M. Treasury).

E. E. R. BUTLER

A.C.S. Willis, Esq.,
Department of Industry.

RESTRICTED

CONFIDENTIAL



Prime Minister

IG
BT

The next meeting of the Liaison Committee is on Wednesday week, 10 November. The main paper taken will be on industrial policy which Mr. Jenkin is producing. If you like

DATE : 26 October 1982 Mr. Wakeham's ~~suggestion~~ suggestion, I will invite Mr.

PRIME MINISTER

*Amend
ms*

MacGregor to put in a supplementary paper on small businesses and I will first check with Mr. Jenkins that he has no objection.

LIAISON COMMITTEE

FERS
1.11.

As you know John MacGregor is putting a lot of work into a publicity campaign to spread the word about the opportunities we have created for small businesses. I have been involved in his working group myself, and we had a very useful meeting yesterday evening. Since this is a vital part of our industrial policy, and one where presentation matters a lot, I wonder whether you think it would be worthwhile to invite John MacGregor along to the next Liaison Committee meeting for a few minutes to explain what he is doing.

The aim of the campaign is to tell people about the range of schemes available to help small businesses from both Government and the Private Sector, and to try to stimulate private initiatives in this area. We have engaged an advertising agency - Wight Collins Rutherford Scott, themselves a successful small firm - to take the lead in this. Their plan is to use television, specialist and general press, and posters to reach a wide audience of existing and potential small businessmen, and their advisers - accountants, solicitors, and particularly bank managers.

If you agree that it would be worth our hearing from John, would you like me to speak to him, and ask him to provide a short paper and then speak to it for a few minutes at the next meeting?

I am sending a copy of this to John Biffen.

CONFIDENTIAL

JOHN WAKEHAM

010

PRIVATE AND CONFIDENTIAL

From PJ.

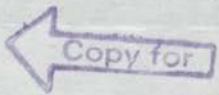


LIAISON COMMITTEE

The next meeting of the Committee will be held at 10.00 am on Wednesday 10 November in No 10 Downing Street.

Distribution:

Private Office No 10 Downing Street
 Secretary of State for Scotland
 Secretary of State for Employment
 Party Chairman
 Chief Secretary, Treasury
 Minister of State, Treasury (Mr Wakeham)
 Chief Press Secretary, No 10 Downing Street
 Marketing Director, Conservative Central Office
 Head of Research Department,
 Conservative Central Office



For information:

Secretary of State for Industry
 Minister of State for Defence (Mr Blaker)

26 October 1982



File AH
From PA

10 DOWNING STREET

From the Principal Private Secretary

21 October 1982

COVERING CONFIDENTIAL

Dear Jonathan,

I enclose a copy of a minute and enclosure which the Prime Minister handed to members of Cabinet at this morning's Cabinet meeting.

Since your Secretary of State was absent, I should be grateful if you could arrange to give it to him.

Yours sincerely,

Robin Butler

Jonathan Spencer Esq.,
Department of Industry.

AH



21/10/82

10 DOWNING STREET

From the Principal Private Secretary

21 October 1982

COVERING CONFIDENTIAL

Dear Richard,

I enclose a copy of a minute and enclosure which the Prime Minister handed to members of Cabinet at this morning's Cabinet meeting.

Since your Secretary of State was absent, I should be grateful if you could arrange to give it to him.

Yours sincerely,

Robin Butler

Richard Mottram Esq.,
Ministry of Defence.

21/10/82

Page



NOTE OF LIAISON COMMITTEE MEETING, WEDNESDAY 20 OCTOBER 1982

Present

Prime Minister
Lord President of the Council
Secretary of State for Scotland
Secretary of State for Employment
Chairman of the Party
Chief Secretary, Treasury
Minister of State, Treasury (Mr Wakeham)
Minister of State for Defence, Armed Forces (Mr Blaker)
Mr Ingham, Prime Minister's Chief Press Secretary
Mr Lawson, Marketing Director, Conservative Central Office
Mr Cropper, Conservative Research Department
Mr Ward, Lord President of the Council's office

1. Presentation of Defence Nuclear Policy

The Committee had before it a note by Conservative Research Department on the presentation of the Government's nuclear defence policy. The following points were raised in discussion:

(a) It was difficult, but necessary in presentational terms, to separate the conventional and nuclear elements of defence policies. It was the nuclear element which was predominant in political controversy and was likely to remain so; disarmament talks could not be expected to produce early results and 1983 would see the arrival of the first Cruise missiles to be based in this country.

.../...

(b) Opinion polls suggested that a majority of the electorate were broadly in support of the retention of a proper military capability; but only a minority supported Trident even among the Government's own supporters.

(c) The unilateralist lobby had grown very strong and very influential. It seemed to be making an effective impact not only among the general public but also in the universities and at local authority level. A number of local authorities had declared themselves to be nuclear-free zones; in Strathclyde, the ruling Labour Council had used rate-payers' money to circularise households with a statement of its unilateralist views. It was essential to counter such campaigns effectively at the local level.

(d) In presenting its decision on Trident the Government had naturally set the issue in the context of the threat from the Soviet Union. Presentationally, there was however much advantage in drawing attention to the nuclear aspirations of non-European nations, such as Libya. The Government's defence policies needed to be presented in the round and set in a wider context than NATO alone.

(e) The work already done by the Ministry of Defence to counter the unilateralist lobby was noted, as also the activities of outside associations which had been set up for the purpose, or were prepared to help. But it was not clear that the Ministry of Defence exercise had achieved a sufficient impact. Some of its published material lacked appeal. The Government's message was not getting over to the general public or to opinion formers as strongly as it should. There appeared to be inadequate information officer effort devoted to this task. Some of the inter-Service arguments about resource allocation had proved damaging to the Government's position.

(f) CND publications were simple, emotive and effective; and they were pushed hard by their supporters at all levels. To redress the balance there was much to be said for harnessing the energy, imagination, and enthusiasm of the Party organisation notably the Young Conservatives and the Federation of Conservative Students. Such organisations had greater freedom to promote the case aggressively. They could properly undertake the sort of presentational campaign which it would be improper for a Whitehall Department to organise. But they lacked financial resources.

2. The Committee concluded that this area of presentation stood in urgent need of review, both as regards the substance of the message and the means by which it was projected. Renewed efforts had to be made to present the message in appealing and effective terms and to get it over strongly to opinion formers, especially in the universities, and at local level. The Party organisation would have ideas and practical assistance to offer. The Ministry of Defence needed to reassess the staff and financial resources allocated to this important job. The issues were sufficiently weighty to merit full Cabinet discussion. The Lord President of the Council was invited to Chair a group whose responsibility it would be to review all relevant aspects of the current presentational exercise; he would be assisted by the Chairman of the Party, the Secretary of State for Defence, the Secretary of State for Employment, and Mr Lawson. The group should aim to make a full report to the Committee as early as practicable. The paper under discussion should also be revised, and re-circulated, with copies of all the relevant Ministry of Defence publications. The Minister of State for Defence was invited to report back accordingly to the Secretary of State for Defence.

3. Work in hand

The Minister of State, Treasury, reported that a paper on the presentation of industrial policy should be available shortly. Mr Lilley had been invited to update the existing guidance note on economic policy, although this could not be finalised until after the Chancellor of the Exchequer's statement in November. Finally, the Department of Energy's Ministers were working on the production of a paper for the Committee on the presentation of the civil nuclear energy programme.

4. Developments in the media

The Prime Minister's Chief Press Secretary said that his paper discussed the implications of the introduction of Channel 4, and Breakfast television. Both were likely to attract minority audiences, Breakfast television probably being more influential politically since it would tend to attempt to influence the political reporting of the day. These developments would make substantial new demands on ministerial time but it was important to respond selectively and flexibly so as to lose no opportunity of presenting the Government's case. The paper made a number of recommendations as to how Ministers could best meet this new challenge; he drew particular attention to the recommendation that back-bench MPs be nominated as substitutes for Ministers when the latter were unavailable, and the likely necessity of moving eventually to the televised press conference format. In discussion, it was noted that these developments in the media could have implications for the timing of press releases or other announcements. But there was no need for any immediate decision on this aspect. It was agreed that the role of back-benchers was important. Central Office was now able

to provide television training. The Committee endorsed the recommendations in the paper and agreed that it should be distributed to Cabinet Ministers [Secretary's note: the paper was distributed at the following day's Cabinet]

5. Diary of Events

The Committee considered the Prime Minister's Chief Press Secretary's note. It was noted that there was a need for renewed emphasis by the Government on the need for pay restraint, although any such exercise must await developments in the coal mining industry. The economy could be expected to dominate the political scene and much attention would focus on the Chancellor of the Exchequer's statement in November on public expenditure; indeed that statement could be an important vehicle presentationally. The Committee also noted the forthcoming changes in the basis on which unemployment statistics were collated and published, and briefly discussed the way ahead on the Home Office's draft immigration rules.

Distribution

Those present



10 DOWNING STREET

THE PRIME MINISTER

20 October 1982

TO MEMBERS OF THE CABINET

The attached paper on the forthcoming major expansion of television has been prepared for Ministers. I endorse the recommendations in the summary on page 5.

It is important that the Government should take advantage of the additional opportunities to explain our policies and measures offered by Channel 4 and, next year, by breakfast television.

If we are to do this we shall need to mobilise our Departmental teams of Ministers and arrange for press offices to be able to refer the media to support groups of Backbenchers when Ministers are not available.

I hope that Ministers will take action to this end.

Ronald Thatcher

DEVELOPMENTS IN THE MEDIA
EXPANSION OF TELEVISION

The next few months will bring a substantial expansion in television services in Britain with the launching of Channel 4 on November 2 and breakfast television in the New Year.

This note briefly outlines these developments and discusses the implications for Ministers and their staffs. The new services are explained in more detail in the Annex.

Channel 4

Broadcasts start on November 2 with a single national (except Welsh language) programme, from mid-afternoon (early afternoon at weekends) to late night, seven days a week.

Apart from a number of current affairs programmes, the Government's interest will focus on the daily (but not weekends) news programme, broadcast from 7.00pm to 8.00pm. This schedule falls between the early and late news programmes on existing channels and at a time when there is much popular competition on other channels.

With minor exceptions the news programme will be produced by ITN but with an entirely separate news gathering team. Thus from November there will be a third demand for television interviews and another set of broadcasting journalists seeking a different angle. Channel 4 news may however go both wider and deeper than existing television news journalism though it will attract only a minority audience.

Contributions to the news programme from outside ITN are as follows:

- (1) a short 3-4 minute slot from Monday to Thursday for an "alternative voice";
- (2) a full half-hour (7.30-8.00pm) on Fridays for different groups to present an aspect of news that they regard as not having been adequately covered during the week. Departments could try to use this if they felt that the Government had been unfairly represented on an issue.

Breakfast Television

There will be breakfast television of the "Today" kind of mixture on both BBC and commercial TV from early 1983 with the BBC intent on starting first. BBC will transmit only 5 days a week but TV (AM), the commercial venture, will broadcast at weekends as well. BBC plans to run from 6.30-9.00am and TV (AM) from 6.00-9.15am.

Commercial breakfast television will finance itself with advertising and will have a heavy investment to recoup. This will intensify the competition within the media and not merely between television companies but also between television and radio and between the electronic media and the press.

TV (AM) is a separate company and, like ITN Channel 4, regards itself as a separate news gathering organisation. Thus Ministers face the possibility from early in the New Year of requests for at least six radio and television interviews on major stories - BBC radio and tv, IRN, ITN, Channel 4 and TV (AM).

IMPLICATIONS

The advent of Channel 4 offers at least the possibility of more serious and in-depth treatment of policy issues and measures than is normal in news programmes.

Their declared objective, while giving a news service, is to deal substantively with three or four issues in each hourly programme and to seek to produce light rather than to generate heat and so to eschew confrontational formats. They attach considerable importance to live interviews.

Channel 4's audience will, however, be a minority one. Its news programme hopes eventually to achieve an audience of some 3 million - roughly one-third of the established BBC1 and ITN bulletins. The audience profile may well prove to be biased towards the younger, intelligent viewer.

Breakfast TV is likely to give a much sharper edge to competition within the media. If it follows the American pattern, it may well seek to set the political agenda for the day, as it were, especially while Parliament is in session. It brings the prospect of a very early start to the day for Ministers. But it remains to be seen what size and nature of audience it can attract.

Similarly it remains to be seen how Channel 4 will live up to its declared objectives and how its sober and earnest approach to broadcasting stands up to advertising pressures. It seems reasonable to suppose that breakfast TV will be lighter-weight and that BBC radio's "Today" programme could become more popular in format and content,

Both Channel 4 and breakfast TV will need to be closely monitored both for their own quality, balance and audience numbers and profile and for their effect on existing channels.

Neither development will achieve the size of audience enjoyed by the established main BBC and ITN news and news magazine programmes. They will therefore rank lower in order of Ministerial priority unless they offer - as they may well do - specific opportunities to argue a case in some depth or, with breakfast TV, to secure a better balance to the overall presentation of sensitive issues. Ministerial appearances will of course have a publicity spin off in other sections of the media.

Cabinet Ministers are accordingly recommended to adopt a pragmatic approach to Channel 4 and breakfast TV, judging whether a programme has specific advantages or value for them and the Government.

Support

The greater demand on Ministers' time from this substantial expansion of television is likely to go beyond the proportional increase in airtime because of the greater competition. This argues for some development of existing Departmental practices.

Ministerial team

All channels make an initial bid for a Cabinet Minister and have often to be persuaded to transfer their invitation to a junior Minister. If, however, the Government is to do itself justice on a greatly expanded television output, and to ensure its arguments get through to minority audiences, especially on sensitive subjects, greater and more flexible use will have to be made of a Department's Ministerial team.

The organisation, through Parliamentary Private Secretaries, of an expert support team of helpful Backbenchers to deploy the Government's case when Ministers are not available is also suggested.

Officials

One further consequence of the expansion of television, and particularly of Channel 4, may well be increasing pressure from radio and television for Government officials to give interviews to expound the facts behind a particular issue.

Officials in the provinces, the police and the Army in Northern Ireland for example, appear regularly on radio and television to set out the facts of an incident or the details of specific measures. Whitehall officials may run a greater risk of being dragged into a discussion of the merits of policy and Ministers will wish to adopt a cautious though not exclusive approach to requests for interviews with them.

Press Conferences

Ministers will often not find it possible for want of time to respond to all radio and television requests for interviews in connection with a major announcement or event. They will find it helpful both in minimising calls on their time, and in getting over their point, to have their press conferences recorded and filmed and to start them with a prepared statement which summarises the essentials for the viewing and listening public.

Increasingly they may feel their interests are best served by moving to the type of news conference common in other countries, recognising that these require firm chairmanship and crisp, clear and simple answers to be effective on radio and television.

Official back-up

Information Divisions are examining the implications of these developments for dealing, round the clock, with additional demands for briefing and the handling and co-ordination of requests for interviews with Ministers. Arrangements are also under discussion for monitoring the output of Channel 4 and breakfast TV and their effects on the existing media.

SUMMARY

Ministers are recommended to:

- (i) approach Channel 4 and breakfast TV pragmatically recognising that they may offer useful opportunities, notwithstanding their minority audiences, to argue a case in depth or to achieve a better balanced presentation;
- (ii) make greater use of Departmental Ministerial teams to exploit the opportunities offered by a major expansion of television and to organise a support group of helpful Backbenchers to supplement Ministerial efforts;
- (iii) adopt a cautious approach to requests for expository interviews with officials which may result from this expansion of television;
- (iv) move towards televised press conferences common in other countries, starting with a prepared statement setting out the points they wish to get over to the public through radio and television.

Channel 4 is funded by the IBA from levies on the existing ITV companies. Therefore there is no direct and short term commercial influence on programme content. Total editorial control resides with the company and its output is broadcast nationally through existing IBA transmitters. ITV companies sell time on Channel 4 and keep the revenue. In principle, it provides them with a complementary medium for minority audiences, thereby increasing their total potential audience at any time and offering a medium for minority market products.

All Channel 4's material is to be bought in from outside, mainly from independent producers. Most of the news programmes come from a separate ITN team.

Apart from the one-hour daily news, the following current affairs programmes are planned:

Weekly

- 30-minute current affairs programme produced by women (probably Wednesday);
- 45-minute programme on politics (probably Friday or Saturday);
- 30-minute programme on industry (Sunday);
- 30-minute programme on health (probably Thursday);
- 1-hour quasi religious programme "Good News" (Sunday).

'What the Papers Say' and 'Face the Press' transferred from Granada and Tyne Tees.

Monthly

Monthly Report to the Nation - A two hour presentation of a nationalised industry, including an opportunity for "experts" and consumers to question the chairman of the board.

TV AM

An independent company with use of IBA transmitters from 6.00am to 9.15am daily, including weekends. Although they may occasionally use other material, they will essentially produce and edit the programme with their own staff and crews. They have total editorial control over what goes out and what goes out will be mainly national news, with only small regional variation.

They differ from Channel 4 in two important respects. They regard themselves as a separate (the third) television newsgathering organisation. And they have to sell time to live so they will be the more aggressively competitive.

Initially, they expect to start transmitting at 6.30am with a "Day Break" show until 7.00am, providing a service of national news and information to specific audiences. The main show will be "Good Morning Britain" from 7.00am to 9.15am, broadly analogous to the radio "Today" programme. They have lined up five nationally known presenters - David Frost, Anna Ford, Angela Rippon, Michael Parkinson and Robert Kee to ensure initial audience appeal. They anticipate reaching a million or so homes in aggregate each morning.

BBC Breakfast Television

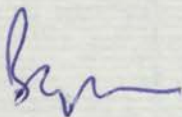
The producers seek to get in first by starting in January. They are part of the BBC current affairs department and will call on these facilities. Thus newsgathering will be part of the overall BBC news arrangements.

The programme will be on BBC1 with a single national programme from 6.30am to 9.00am five days a week (not weekends). It has as yet no name but will be of the BBC radio "Today" programme format with at least half-hourly news bulletins interspersed with light-to-medium current affairs items and interviews.

The producers will prefer interviews and discussions in the Lime Grove Studios but will send out ENG teams as required.

PRIME MINISTER

Would you care to sign the attached covering minute on the expansion of television paper approved by Liaison Committee yesterday for distribution at Cabinet tomorrow.



B. INGHAM

20 October 1982

Even Puj

CONFIDENTIAL

Elon Pal
N&PM.



MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-218 9000
DIRECT DIALLING 01-218 2111/3

MO 18/1/2

20th October 1982

Dear John

PRESENTATION OF DEFENCE NUCLEAR POLICIES

My Record not on file
Peter Blaker has reported to me on the Prime Minister's meeting this morning. I very much share your concern about the strength of the CND movement and I agree that we need to devote increased resources to putting over the Government's case. I would agree in particular that there is a need for much wider Government and Party involvement in presenting our message (although the Young Conservatives have been doing an excellent job).

/ Peter Blaker has personally devoted a large proportion of his time to putting our case and colleagues might not have had the chance to see much of our material. As you know the audio visual presentation "A Better Road to Peace" is the COI Central Film Library's most borrowed item and leaflets such as those I am attaching have been widely distributed. Clearly, however, the more that can be done the better and I therefore welcome the suggestion of setting up this wider committee under your chairmanship. If I am able to attend, I feel that it would be appropriate if I were to be accompanied by Peter Blaker in view of his close personal involvement with this subject.

Personally I agree with your suggestion that we might profitably switch attention away from the Soviet threat towards the threat from, say, Libya or Iraq. This would certainly have an impact on public opinion, but there are major problems

The Rt Hon John Biffen MP

CONFIDENTIAL

CONFIDENTIAL



associated with doing so - and there are strong arguments on the other side. In this connection I believe that we could not make such a switch in emphasis without the full co-operation of the FCO who have the major responsibility for disarmament and non-proliferation. In all this we have to catch the imagination of the general public without undermining current arms control or disarmament negotiations. Colleagues will have an opportunity of studying the problems and understanding them better, as they advise on a more active propagandist stance.

I shall, of course, be sending a further brief on where we stand as soon as possible.

I am copying this letter to the Prime Minister, Cecil Parkinson and Norman Tebbit.

John Nott

John Nott
John

CONFIDENTIAL

Econ Pd, Liaison
Committee, P42



21112



CRUISE MISSILES

THE IMPORTANT QUESTIONS



CRUISE MISSILES: THE IMPORTANT QUESTIONS

Why do we need cruise missiles?

For many years NATO has based in Europe nuclear weapons capable of reaching the Soviet Union. It's all part of deterrence—NATO's insurance policy against a Russian attack. The jargon for these weapons is 'long range theatre nuclear forces.'

At present NATO's long range theatre nuclear forces consist of Britain's elderly Vulcan bombers, soon to be phased out, and American F111 aircraft—both based in the United Kingdom. The Russians have similar weapons. And for several years they have been modernising them. For example: there are the new SS20 nuclear missiles. Nearly 200 of them are now aimed at Europe. Each one with three nuclear warheads. Each one 36 times more deadly than the Hiroshima atom bomb. Each one able to strike any part of Western Europe—even from behind the Ural Mountains, deep in Russia. And the Russians are

building a new one each week. In addition they have other long range nuclear missiles and aircraft. So in total there are over 1,000 long range nuclear warheads targeted at Europe.

NATO's equivalent weapons are much older. And more vulnerable. That's why NATO decided to modernise by basing 464 cruise and 108 Pershing 2 missiles in Europe. Britain will have 160 cruise missiles, beginning to arrive at the end of 1983. The others will be based in several other European countries.

It's like bringing your insurance policy up to date to cover a new and frightening risk.

Will cruise missiles make nuclear war more likely?

No. The best way to ensure peace is to keep strong. We don't need to match the Russians weapon for weapon. But we do need enough weapons of the right sort to show them we could defend ourselves if they ever thought of attacking us.

It's the new Russian nuclear weapons aimed at Europe that have upset the balance between East and West. That is why we're forced to modernise our own nuclear weapons. And that is where Cruise comes in. Cruise will help NATO *prevent* nuclear war—by helping to *restore* the balance.

What's happened to 'arms control'?

Hand in hand with the decision on Cruise, NATO agreed that the United States should offer to negotiate an arms control agreement with the Soviet Union. This would limit the numbers of this type of nuclear

weapon on both sides. So it was a 'twin track' decision by NATO—modernisation of nuclear forces *plus*, at the same time, reducing the need for such weapons. In addition the Americans have already removed 1,000 nuclear warheads from Europe.

Will Cruise make us more vulnerable to attack?

No. Even if there were no nuclear weapons at all in Britain, we would still be a major Soviet target. We're important politically. We're important geographically. No aggressor would ignore us.

Cruise missiles will make us a *less* tempting target. They can move around so freely on their trucks that no enemy could be sure where they were—ready to hit back. That makes it less likely the Russians would risk any sort of attack in the first place—which is the whole point of deterrence.



Have cruise missiles been forced on us by the Americans?

No. Basing cruise missiles in Britain and Europe was a NATO decision. It was supported by all the countries concerned.

NATO had to take further steps to deter the Russians from contemplating an attack on Europe. The decision to welcome American cruise and Pershing 2 missiles was made unanimously by NATO defence and foreign ministers at a meeting in December 1979.

The European governments see these weapons as further proof of the American commitment to the defence of Europe.

Does Cruise mean the Americans are thinking of a European nuclear war – leaving America and Russia unharmed?

No. The most important feature of cruise missiles is their range – they can reach well into Russia. It's precisely this ability that is intended to convince the Russians that they couldn't confine a nuclear war to Europe. And – while

cruise missiles are essentially defensive – the Russians have made it clear that if they were struck by *any* American missiles, wherever they were launched from, they would hit back at the United States itself.

Are they safe?

Yes. Cruise missiles will not come to Britain until very thorough safety and performance tests have been carried out in the United States. There will be no test flights in this country. And, as with all nuclear weapons, the greatest care will be taken in handling them. Modern safety techniques mean even an accident involving leakage of radioactive material is a very remote possibility. An accidental nuclear explosion is virtually impossible.

Will only Americans control the cruise missiles in Britain?

No. The use of the cruise missile bases in an emergency would be a matter for joint decision by the British and American governments.

● NUCLEAR WEAPONS AND PREVENTING WAR

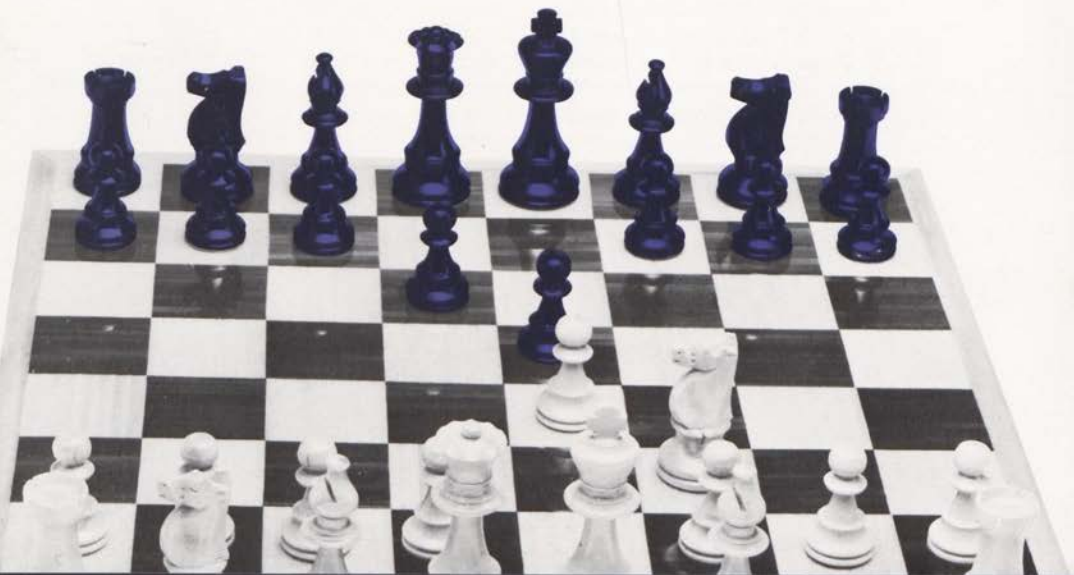
1 Nuclear weapons have transformed our view of war. Though they have been used only twice, half a lifetime ago, the terrible experience of Hiroshima and Nagasaki must be always in our minds. But the scale of that horror makes it all the more necessary that revulsion be partnered by clear thinking. If it is not, we may find ourselves having to learn again, in the appalling school of practical experience, that abhorrence of war is no substitute for realistic plans to prevent it.

2 There can be opposing views about whether the world would be safer and more peaceful if nuclear weapons had never been invented. But that is academic; they cannot be disinvented. Our task now is to devise a system for living in peace and freedom while ensuring that nuclear weapons are never used, either to destroy or to blackmail.

3 Nuclear weapons are the dominant aspect of modern war potential. But they are not the only aspect we should

fear. Save at the very end, World War II was fought entirely with what are comfortably called "conventional" weapons, yet during its six years something like fifty million people were killed. Since 1945 "conventional" war has killed up to ten million more. The "conventional" weapons with which any East-West war would be fought today are much more powerful than those of 1939-1945; and chemical weapons are far more lethal than when they were last used widely, over sixty years ago. Action about nuclear weapons which left, or seemed to leave, the field free for non-nuclear war could be calamitous.

4 Moreover, whatever promises might have been given in peace, no alliance possessing nuclear weapons could be counted on to accept major non-nuclear defeat and conquest without using its nuclear power. Non-nuclear war between East and West is by far the likeliest road to nuclear war.



5 We must therefore seek to prevent any war, not just nuclear war, between East and West. And the part nuclear weapons have to play in this is made all the greater by the facts of military power. The combination of geography and totalitarian direction of resources gives the Soviet Union a massive preponderance in Europe. The Western democracies have enough economic strength to match the East, if their peoples so chose. But the cost to social and other aims would be huge, and the resulting forces would still not make our nuclear weapons unnecessary. No Western non-nuclear effort could keep us safe against one-sided Eastern nuclear power.

6 An enormous literature has sprung up around the concepts of deterrence in the nuclear age. Much of it seems remote and abstruse, and its apparent detachment often sounds repugnant. But though the idea of deterrence is old and looks simple, making it work effectively in today's world needs clear thought on complex issues. The central aim is to influence the calculations of anyone who might consider aggression; to influence them decisively; and, crucially, to influence them before aggression is ever launched. It is not certain that any East-West conflict would rise to all-out nuclear war: escalation is a matter of human decision, not an inexorable scientific process. It is perfectly sensible—indeed essential—to make plans which could increase and exploit whatever chance there might be of ending war short of global catastrophe. But that chance will always be precarious, whether at the conventional or the nuclear level; amid the confusion, passions and irrationalities of war, escalation must always be a grave danger. The only safe course is outright prevention.



7 Planning deterrence means thinking through the possible reasoning of an adversary and the way in which alternative courses of action might appear to him in advance. It also means doing this in his terms, not in ours; and allowing for how he might think in future circumstances, not just in today's. In essence we seek to ensure that, whatever military aggression or political bullying a future Soviet leader might contemplate, he could not foresee any likely situation in which the West would be left with no realistic alternative to surrender.

8 Failure to recognise this complicated but crucial fact about deterrence—that it rests, like a chess master's strategy, on blocking off in advance a variety of possible moves in an opponent's mind—underlies many of the criticisms made of Western security policy. To make provision for having practical courses of action available in nuclear war (or for reducing its devastation in some degree by modest civil defence precautions) is not in the least to have a "war-fighting strategy", or to plan for nuclear war as something expected or probable. It is, on the contrary, a necessary path to deterrence, to rendering nuclear war as improbable as we humanly can. The further evolution in 1980 of United States nuclear planning illustrates the point. The reason for having available a wider range of "non-city" target options was not in order to fight a limited nuclear war—the United States repeatedly stressed that it did not believe in any such notion—but to help ensure that even if an adversary believed in limited nuclear war (as Soviet writings sometimes suggest) he could not expect actually to win one.

9 The United Kingdom helped to develop NATO's deterrent strategy, and we are involved in its nuclear aspects at three main levels. First, we endorse it fully as helping to guarantee our security, and we share in the protection it gives all Alliance members. Second, we cooperate directly, like several other members, in the United States power which is the main component of the nuclear armoury, by making bases available and providing certain delivery systems to carry United States warheads. Third, we commit to the Alliance nuclear forces of various kinds—strategic and theatre—under our independent control. The details of all this are matters of debate, which the Government welcomes. But the debate should recognise that positions which seek to wash British hands of nuclear affairs, while continuing (as NATO membership implies) to welcome United States nuclear protection through the Alliance, offer neither moral merit nor greater safety. Whether we like the fact or not, and whether nuclear weapons are based here or not, our country's size and location make it militarily crucial to NATO and so an inevitable target in war. A "nuclear-free" Britain would mean a weaker NATO, weaker deterrence, and more risk of war; and if war started we would if anything be more likely, not less, to come under nuclear attack.

10 The East-West peace has held so far for thirty-five years. This is a striking achievement, with political

systems so sharply opposed and points of friction potentially so many. No-one can ever prove that deterrence centred on nuclear weapons has played a key part; but common sense suggests that it must have done. Deterrence can continue to hold, with growing stability as the two sides deepen their understanding of how the system must work and how dangers must be avoided. Not since the Soviet gamble over Cuba in 1962 have we come anywhere near the brink. It is entirely possible, if we plan wisely, to go on enjoying both peace and freedom—that is, to avoid the bogus choice of "Red or dead".

11 To recognise the success of deterrence is not to accept it as the last word in ensuring freedom from war. Any readiness by one nation to use nuclear weapons against another, even in self-defence, is terrible. No-one—especially from within the ethical traditions of the free world, with their special respect for individual life—can acquiesce comfortably in it as the basis of international peace for the rest of time. We have to seek unremittingly, through arms control and otherwise, for better ways of ordering the world. But the search may be a very long one. No safer system than deterrence is yet in view, and impatience would be a catastrophic guide in the search. To tear down the present structure, imperfect but effective, before a better one is firmly within our grasp would be an immensely dangerous and irresponsible act.

**A
NUCLEAR
FREE
EUROPE?**

Why it wouldn't work



EITHER SIDE OF THE URALS - IT'S STILL TARGET EUROPE



ESTIMATED RANGE (about 3,000 miles) of Soviet SS-20 nuclear missiles if based behind the Urals.

THE FICTION

"The world would be a safer place if all nuclear weapons were withdrawn from Europe."

THE FACTS

Even if the Russians pulled their nuclear weapons out of Europe and behind the Ural Mountains, Western Europe still would not be safe – as the map in this leaflet dramatically shows. With their modern SS-20 nuclear missiles the Soviets could still strike most of the cities of Western Europe – including the cities of Britain. So could their supersonic Backfire bombers.

The Russians could quickly bring their nuclear arsenal back into Europe. But NATO would have to carry most of its nuclear weapons back across the Atlantic.

Far from reducing the risk of war, a European nuclear-free zone would weaken the West's security and put at risk the peace and freedom that NATO's policy of deterrence has preserved in Europe for 30 years.

Talk of a European nuclear free zone is one sided and naive. It ignores the realities of Soviet military power; it ignores the facts of geography.

The only answer is NATO's proposals for *balanced* reductions in the nuclear forces of both sides, combined with ways of making sure neither side cheats. We must strive to limit the numbers of nuclear weapons globally while also strengthening NATO's ability to maintain peace.

CONFIDENTIAL

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Pl. file on Liaison Committee
papers

PRIVY COUNCIL OFFICE

WHITEHALL, LONDON SW1A 2AJ

20 October 1982

Dear John,

PRESENTATION OF DEFENCE NUCLEAR POLICIES

Peter Blaker will be reporting to you the outcome of a meeting he attended in Number 10 this morning at which the Prime Minister, with a number of her colleagues including myself, discussed the progress of the Government's presentation of its Defence Nuclear Policies.

Concern was expressed at the all-pervasive efforts of the unilateralist lobby; their success in getting their message over eg in the universities; and the influence they had gained in many local authorities some of whom were declaring nuclear free zones. The case of Strathclyde was mentioned where the ruling Labour Council has evidently used rate-payers money to circularise all house-holds with a statement of unilateralist policy. The work already in hand by the MOD, and associated groups, was noted but there was a general feeling that insufficient staff and financial resources were being devoted within Government to this important presentational task; that Government material as it currently exists lacked impact; and that the Government's message was not getting through to the community at large. It was felt that, naturally within the established conventions, the Party organisation especially the Young Conservatives and the Federation of Conservative Students could play a more active role especially at the grass roots.

The Rt Hon John Nott MP
Secretary of State for Defence
Main Building
Whitehall
LONDON SW1A 2HB

Cont .../.

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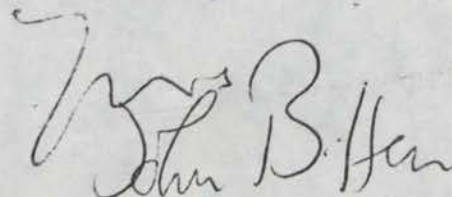
Accordingly, the Prime Minister has asked me to Chair a small group of Ministers with the aim of reviewing current activities in this field and advising how the Government's case might be put with more impact and appeal, and with greater coverage especially at the local level. The other members of the group, apart from yourself, will be Cecil Parkinson and Norman Tebbit and of course we may wish to call on other colleagues if necessary. Christopher Lawson from Central Office will also attend our meetings.

I should like to convene a meeting of the group at the earliest possible opportunity. But I believe it would be helpful for us all if, before we meet, we could have a short paper from you outlining the internal resources already devoted to this task; the effectiveness of the work of the outside groups so far; and the scope for wider dissemination, by whatever means, of both existing and new material. How can we get a bigger impact both on opinion formers and the general public?

And we must also look again at the message as well as the means of projecting it. Are we wise to concentrate our presentation of our defence policies, conventional and nuclear, so heavily in the context of a threat from the Soviet Union? Should we now consider a broader-based exposition of the natural right of all nations and the duty of Government, to maintain such forces conventional or otherwise as are necessary to defend legitimate national interests; and then point to the relevance of the threat from non-European countries - especially those known to have nuclear aspirations - as justification for the full spectrum of our capability? Surely the non-proliferation argument ie the risk of Pakistan or Libya developing nuclear weapons - could in such a context be turned to our presentational advantage? I should be very interested to know how these ideas strike you - and in any event we must be ready to look at all aspects of presentation. And, at some stage, we shall of course have to consider how we accommodate FCO and Home Office interests.

I envisage that our discussions should lead to an early report to the Prime Minister setting out our ideas for future action by the MOD and by the Party organisation, which each would then pursue independently.

I am copying this letter to the Prime Minister, Cecil Parkinson, and Norman Tebbit.



JOHN BIFFEN

CONFIDENTIAL

12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31

12 OCT 1982

MR BUTLER

LIAISON

Mr. Basher
Many thanks. I am very grateful
to you for doing this at short notice.

FERB

21.10

The main points which emerged at Liaison this morning were:

Unilateralism

Ministers were very concerned at the effectiveness of unilateralist propaganda by the CND and by local authorities, some of which, like Strathclyde, had been sending pamphlets to rate-payers setting out the unilateralist case. It was agreed that a more consistent effort should be made to oppose such propaganda and the Prime Minister asked the Lord President to oversee such efforts in consultation with Mr Blaker and with Mr Heyhoe (for the COI). A particular point made in the discussion (by Mr Tebbit) was that press officers in MOD were more concerned with presenting the case of the service to which they were attached than ^{with} ~~to~~ arguing the Government's more general strategy. It was agreed that Mr Biffen would ask the Secretary of State for Defence to look into this. Particular strategies mentioned included:-

- (i) making use of Conservative Party activists to distribute MOD pamphlets;
- (ii) channelling more money towards multilateralist organisations such as the British Atlantic Campaign;
- (iii) obtaining professional assistance with the presentation of the multilateralist cases to counter the starkly effective message of the CND.

One tactic which was ruled out was a governmental "mail shot" to counter that of local authorities; the only previous precedent seemed to be that of the special circumstances of the Common Market Referendum and in any event there were strong arguments against.

The Prime Minister also mentioned the possibility of a discussion in Cabinet at some stage.

/Channel Four and Breakfast Television

Channel Four and Breakfast Television

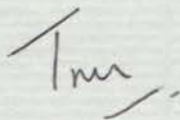
Bernard Ingham's paper was approved and the Prime Minister agreed that it should be circulated to Cabinet Ministers (perhaps at Cabinet). The Prime Minister and the Chairman are to see Mr Edward du Cann to canvass Bernard's idea that each Minister should have a team of articulate backbenchers to substitute if they could not meet the demands of the new media. They would also seek to publicise the Party's new arrangements for TV training for backbenchers.

The other points briefly discussed were:-

- (i) whether the advent of breakfast television should promote a change in release times of important economic indicators. The consensus was that they should not.
- (ii) whether there should be a move towards press conferences rather than interviews to cope with the increased demands of the media. There was some interest in the idea of a Prime Ministerial press conference although the discussion was inconclusive.

Diary

A perfunctory discussion with most interest being shown in the impact of the change of the statistical basis for the unemployment figures.



(Timothy Flesher)

20 October, 1982

COVERING CONFIDENTIAL

From: Private Secretary to Minister of State for the Armed Forces



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB

Telephone 01-218 2216 (Direct Dialling)

01-218 9000 (Switchboard)

MINISTER OF STATE FOR
THE ARMED FORCES

19 October 1982

Dear Private Secretary,

..... The Lord President's Private Secretary has asked me to circulate to you for consideration under Agenda Item 1 at tomorrow mornings meeting of the Liaison Committee the attached note by the Minister of State for the Armed Forces on support for the Government's nuclear policies.

Yours ever

A handwritten signature in cursive script, appearing to read 'R P Craine'.

R P CRAINE

Private Secretary to the Prime Minister

COVERING CONFIDENTIAL



Liaison Committee - Meeting to be held in No 10 Downing Street, on
Wednesday 20 October 1982 at 9.30 am.

Agenda

1. Presentation of the Government's Defence Nuclear Policy
Note by Research Department circulated herewith.
2. Implications of Channel 4 and Breakfast TV
Note by the Chief Press Secretary, to be circulated.
3. Diary of Events
Note by the Chief Press Secretary, to be circulated.
4. Any other business

Note: The Parliamentary Under Secretary of State for Defence
(Mr Pattie) is invited to attend for item 1.

PRIME MINISTER

LIAISON COMMITTEE

DEVELOPMENTS IN THE MEDIA
EXPANSION OF TELEVISION

The next few months will bring a substantial expansion in television services in Britain with the launching of Channel 4 on November 2 and breakfast television in the New Year.

This note briefly outlines these developments and discusses the implications for Ministers and their staffs. The new services are explained in more detail in the Annex.

Channel 4

Broadcasts start on November 2 with a single national (except Welsh language) programme, from mid-afternoon (early afternoon at weekends) to late night, seven days a week.

Apart from a number of current affairs programmes, the Government's interest will focus on the daily (but not weekends) news programme, broadcast from 7.00pm to 8.00pm. This schedule falls between the early and late news programmes on existing channels and at a time when there is much popular competition on other channels.

With minor exceptions the news programme will be produced by ITN but with an entirely separate news gathering team. Thus from November there will be a third demand for television interviews and another set of broadcasting journalists seeking a different angle. Channel 4 news may however go both wider and deeper than existing television news journalism though it will attract only a minority audience.

Contributions to the news programme from outside ITN are as follows:

- (1) a short 3-4 minute slot from Monday to Thursday for an "alternative voice";
- (2) a full half-hour (7.30-8.00pm) on Fridays for different groups to present an aspect of news that they regard as not having been adequately covered during the week. In extremis Departments could try to use this if they felt that the Government had been unfairly represented on an issue.

Breakfast Television

There will be breakfast television of the "Today" kind of mixture on both BBC and commercial TV from early 1983 with the BBC intent on starting first. BBC will transmit only 5 days a week but TV (AM), the commercial venture, will broadcast at weekends as well. BBC plans to run from 6.30-9.00am and TV (AM) from 6.00-9.15am.

Commercial breakfast television will finance itself with advertising and will have a heavy investment to recoup. This will intensify the competition within the media and not merely between television companies but also between television and radio and between the electronic media and the press.

TV (AM) is a separate company and, like ITN Channel 4, regards itself as a separate news gathering organisation. Thus Ministers face the possibility from early in the New Year of requests for at least six radio and television interviews on major stories - BBC radio and tv, IRN, ITN, Channel 4 and TV (AM).

IMPLICATIONS

The advent of Channel 4 offers at least the possibility of more serious and in-depth treatment of policy issues and measures than is normal in news programmes.

Their declared objective, while giving a news service, is to deal substantively with three or four issues in each hourly programme and to seek to produce light rather than to generate heat and so to eschew confrontational formats. They attach considerable importance to live interviews. There is a strong female bias in some programme production teams.

Channel 4's audience will, however, be a minority one. Its news programmes hopes eventually to achieve an audience of some 3 million - roughly one-third of the established BBC1 and ITN bulletins. The audience profile may well prove to be biased towards the younger, more intelligent viewer.

Breakfast TV is likely to give a much sharper edge to competition within the media. If it follows the American pattern, it may well seek to set the political agenda for the day, as it were, especially while Parliament is in session. It brings the prospect of a very early start to the day for Ministers. But it remains to be seen what size and nature of audience it can attract.

Similarly it remains to be seen how Channel 4 will live up to its declared objectives and how its sober and earnest approach to broadcasting stands up to advertising pressures. It seems reasonable to suppose that breakfast TV will be lighter-weight and that BBC radio's "Today" programme could become more popular in format and content.

Both Channel 4 and breakfast TV will need to be closely monitored both for their own quality, balance and audience numbers and profile and for their effect on existing channels.

Neither development will achieve the size of audience enjoyed by the established main BBC and ITN news and news magazine programmes. They will therefore rank lower in order of Ministerial priority unless they offer - as they may well do - specific opportunities to argue a case in some depth or, with breakfast TV, to secure a better balance to the overall presentation of sensitive issues. Ministerial appearances will of course have a publicity spin off in other sections of the media.

Cabinet Ministers are accordingly recommended to adopt a pragmatic approach to Channel 4 and breakfast TV, judging whether a programme has specific advantages or value for them and the Government.

Support

The greater demand on Ministers' time from this substantial expansion of television is likely to go beyond the proportional increase in airtime because of the greater competition. This argues for some development of existing Departmental practices.

Ministerial team

All channels make an initial bid for a Cabinet Minister and have often to be persuaded to transfer their invitation to a junior Minister. If, however, the Government is to do itself justice on a greatly expanded television output, and to ensure its arguments get through to minority audiences, especially on sensitive subjects, greater and more flexible use will have to be made of a Department's Ministerial team.

The organisation, through Parliamentary Private Secretaries, of an expert support team of helpful Backbenchers to deploy the Government's case when Ministers are not available is also suggested.

Officials

One further consequence of the expansion of television, and particularly of Channel 4, may well be increasing pressure from radio and television for Government officials to give interviews to expound the facts behind a particular issue.

Officials in the provinces, the police and the Army in Northern Ireland, for example, appear regularly on radio and television to set out the facts of an incident or the details of specific measures. Whitehall officials may run a greater risk of being dragged into a discussion of the merits of policy and Ministers will wish to adopt a cautious though not exclusive approach to requests for interviews with them.

Press Conferences

Ministers will often not find it possible for want of time to respond to all radio and television requests for interviews in connection with a major announcement or event. They will find it helpful both in minimising calls on their time, and in getting over their point, to have their press conferences recorded and filmed and to start them with a prepared statement which summarises the essentials for the viewing and listening public.

Increasingly they may feel their interests are best served by moving to the type of news conference common in other countries, recognising that these require firm chairmanship and crisp, clear and simple answers to be effective on radio and television.

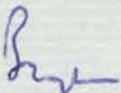
Official back-up

Information Divisions are examining the implications of these developments for dealing, round the clock, with additional demands for briefing and the handling and co-ordination of requests for interviews with Ministers. Arrangements are also under discussion for monitoring the output of Channel 4 and breakfast TV and their effects on the existing media.

SUMMARY

Ministers are recommended to:

- (i) approach Channel 4 and breakfast TV pragmatically recognising that they may offer useful opportunities, notwithstanding their minority audiences, to argue a case in depth or to achieve a better balanced presentation;
- (ii) make greater use of Departmental Ministerial teams to exploit the opportunities offered by a major expansion of television and to organise a support group of helpful Backbenchers to supplement Ministerial efforts;
- (iii) adopt a cautious approach to requests for expository interviews with officials which may result from this expansion of television;
- (iv) move towards televised press conferences common in other countries, starting with a prepared statement setting out the points they wish to get over to the public through radio and television.



B. INGHAM
Chief Press Secretary
10, Downing Street.

18 October 1982

Channel 4 is funded by the IBA from levies on the existing ITV companies. Therefore there is no direct and short term commercial influence on programme content. Total editorial control resides with the company and its output is broadcast nationally through existing IBA transmitters. ITV companies sell time on Channel 4 and keep the revenue. In principle, it provides them with a complementary medium for minority audiences, thereby increasing their total potential audience at any time and offering a medium for minority market products.

All Channel 4's material is to be bought in from outside, mainly from independent producers. Most of the news programmes come from a separate ITN team.

Apart from the one-hour daily news, the following current affairs programmes are planned:

Weekly

- 30-minute current affairs programme produced by women (probably Wednesday);
- 45-minute programme on politics (probably Friday or Saturday);
- 30-minute programme on industry (Sunday);
- 30-minute programme on health (probably Thursday);
- 1-hour quasi religious programme "Good News" (Sunday).

'What the Papers Say' and 'Face the Press' transferred from Granada and Tyne Tees.

Monthly

Monthly Report to the Nation - A two hour presentation of a nationalised industry, including an opportunity for "experts" and consumers to question the chairman of the board.

TV AM

An independent company with use of IBA transmitters from 6.00am to 9.15am daily, including weekends. Although they may occasionally use other material, they will essentially produce and edit the programme with their own staff and crews. They have total editorial control over what goes out; and what goes out will be mainly national news, with only small regional variation.

They differ from Channel 4 in two important respects. They regard themselves as a separate (the third) television newsgathering organisation. And they have to sell time to live so they will be the more aggressively competitive.

Initially, they expect to start transmitting at 6.30am with a "Day Break" show until 7.00am, providing a service of national news and information to specific audiences. The main show will be "Good Morning Britain" from 7.00am to 9.15am, broadly analogous to the radio "Today" programme. They have lined up five nationally known presenters - David Frost, Anna Ford, Angela Rippon, Michael Parkinson and Robert Kee to ensure initial audience appeal. They anticipate reaching a million or so homes in aggregate each morning.

BBC Breakfast Television

The producers seek to get in first by starting in January. They are part of the BBC current affairs department and will call on these facilities. Thus newsgathering will be part of the overall BBC news arrangements.

The programme will be on BBC1 with a single national programme from 6.30am to 9.00am five days a week (not weekends). It has as yet no name but will be of the BBC radio "Today" programme format with at least half-hourly news bulletins interspersed with light-to-medium current affairs items and interviews.

The producers will prefer interviews and discussions in the Lime Grove Studios but will send out ENG teams as required.

PRIME MINISTER

LIAISON COMMITTEE

DIARY TO END OF YEAR

The diary at Annex I looks forward over the rest of this year with the more important events and issues in capitals. Channel 4 will be launched on November 2. A diary for 1983 will be available for the next meeting.

28th October.

Apart from unemployment and various forms of election fever, the period ahead will be dominated by:

- Queen's speech (Nov. 3);
- pay negotiations - including NHS; NUM ballot; motor car industry including BL;
- steel market and possible further BSC rundown;
- US/EC trade issues and, more generally rise of protectionism (Gatt Ministerial meeting, November);
- Euro Budget re-negotiation (though this will be more for 1983); Euro Council, Copenhagen, early December;
- privatisation measures - especially Britoil;
- Chancellor's statement on economic forecasts/public expenditure (late November);
- Northern Ireland - post-elections situation;
- Falklands - Franks inquiry and response to Shackleton Report.

Interest is also likely to build up in the work of the Boundary Commission and the political effect of its proposals.

Your engagements include:

- two bilaterals - with West Germany (October 28-29) and France (Nov.4-5);
- four major speeches - Lord Mayor's Banquet (Nov.15); to North Atlantic Assembly (Nov.17); St.Andrew's Night dinner, Glasgow (Nov.26); and Conference on Information Technology (Dec.8);
- and two regional tours - Cornwall and West Country (Nov.19); and South East (Dec.17).

B. INGHAM
18 October 1982

OCTOBER

- 20 ELECTIONS TO NORTHERN IRELAND ASSEMBLY.
- 20 Debate on Opposition Motion on NHS.
- 20 — International Motor Show, Birmingham.
- 20 Institute of Personnel Management Conference, Harrogate.
- 21 US International Trade Commission final determination on EC steel tariffs.
- 21 Mr Nott starts visit to Falklands.
- 22 Debate on Scott Report (Index Linked Pensions).
- 24 Clocks go back.
- 25 EC: Foreign Affairs Council (to 25), Luxembourg.
- 25 European Parliament, Strasbourg (to 29).
- 26 UNEMPLOYMENT FIGURES.
- 26 Changes in Immigration rules to be announced.
- 27 Prime Minister talks with Prime Minister of Luxembourg.
- 27 TUC General Council; Labour Party National Executive.
- 28 PRIME MINISTER'S BILATERAL WITH CHANCELLOR KOHL, BONN (to 29).
- 28 or 29 Parliament rises.
- 28/29 NUM pit-head ballot.

NOVEMBER

- ? Consultative document on further trade union reform.
- 2 Pay settlement dates for NUM and BL.
- 2 Transfer of Britoil shares to the Secretary of State for Energy.
- 2 Official reserves.
- 2 CHANNEL 4 OPENS.
- 3 QUEEN'S SPEECH.
- 3 Prime Minister's talks with Prime Minister of Swaziland.
- 4 BILATERAL WITH PRESIDENT MITTERRAND, PARIS (to 5).
- 9 CGBR.

November contd.

- 10 NEDC.
- 10 Prime Minister's talks with Emir of Qatar (or 24 November).
- 11 PRIME MINISTER ATTENDS ROYAL ACADEMY CENTENARY DINNER.
- 12 INDEX OF RETAIL PRICES.
- 13 Lord Mayor's Show.
- 13 Prime Minister's speech at British Legion.
- 14 Remembrance Sunday.
- 15 PRIME MINISTER'S SPEECH, LORD MAYOR'S BANQUET.
- 16 Visit of Queen Beatrix of the Netherlands (to 18).
- 17 PRIME MINISTER'S SPEECH TO NORTH ATLANTIC ASSEMBLY, LONDON.
- 18 Presentation of Humble Address to Queen.
- 19 PRIME MINISTER'S REGIONAL TOUR OF CORNWALL AND WEST COUNTRY.
- 23 UNEMPLOYMENT FIGURES.
- 23 GATT MINISTERIAL MEETING (to 26).
- 24 TUC General Council; Labour Party National Executive.
- 26 PRIME MINISTER'S ST ANDREW'S NIGHT DINNER SPEECH, GLASGOW.
- 29 Annual Conference of British/Irish Association, Lambeth Palace.
- 30 Deadline for settlement of EC Budget problem.
- late ECONOMIC FORECASTS/PUBLIC EXPENDITURE STATEMENT BY CHANCELLOR OF THE EXCHEQUER.

DECEMBER

- 2 Official reserves.
- 3 EUROPEAN COUNCIL, COPENHAGEN (to 4).
- 6 WPI.
- 8 PRIME MINISTER OPENS CONFERENCE ON INFORMATION TECHNOLOGY, BARBICAN.
- 9 CGBR.
- 15 Association of University Teachers' conference, Bradford (to 17).

December contd.

- 17 PRIME MINISTER'S SOUTH EASTERN TOUR.
- 17 INDEX OF RETAIL PRICES.
- 21 UNEMPLOYMENT FIGURES.
- 22 TUC General Council; Labour Party Executive,
- 24 Recess.
- ? by end FRANKS REPORT ON HANDLING OF FALKLAND ISLANDS.
year
- ? " Government response to Shackleton Report.
- ? " Boundary Commission reports.

NOTE BY THE MINISTER OF STATE FOR THE ARMED FORCES

SUPPORT FOR OUR NUCLEAR POLICIES

I last prepared a report for you on this subject, which you forwarded to the Prime Minister, in February. I believe that you and she might now find it helpful to be updated.

The Last Eight Months

2. Although the Falklands crisis distracted both public and Ministerial attention from the debate about our nuclear policies, and industrial action at the COI held up work on our film, the last eight months have seen considerable progress. The FCO have produced a further leaflet about nuclear deterrence and multilateral disarmament (which sets out both sides of the argument, to make it more acceptable to schools), and the MOD have produced a pack of speakers notes, summarising key points, which have been distributed to supporting organisations and the Central Office. Our audio visual presentation "A Better Road to Peace" has been widely used (indeed it is the COI Central Film Library's most borrowed item), by such groups as Womens' Institute, Towns Womens' Guilds, Rotary Clubs, Schools, Universities and County Emergency Planning Officers. The 25 minute film "The Peace Game" which, like the audio visual, is designed to rebut the most common criticisms and doubts about our policies, is to be launched on the 28th of this month. You, and I think also the Prime Minister, have now had a chance to see this.

3. The British Atlantic Committee have a new Director, a retired Major General, who will take up his duty shortly. After a year of problems with their organisation and staffing I hope we will now see the Committee play a more energetic role in the nuclear debate, particularly at the national level. Locally they have been making steady progress building up their network of supporters, which I understand now numbers about 800. These people are being supplied with briefing material and encouraged to offer themselves as speakers at meetings and on local radio, and to write to local newspapers. Nevertheless, the BAC could be doing much more and I hope will now start to demonstrate a greater sense of purpose and urgency in their activities.

4. The Coalition for Peace Through Security remain active, although Councillor Tony Kerpel appears no longer closely involved. They favour direct action, taking on the CND's principal speakers at the CND's own meetings, both here and abroad, and issuing hard hitting leaflets raising questions about the CND leadership's motivation and sources of support. By contrast the Council for Arms Control, of which Ray Whitney is a leading member, concentrates on disarmament matters. They have produced a number of pamphlets and study papers and were one of the Non-Governmental Organisations chosen to address the UN's Special Session in June.

5. Winston Churchill has been active and formed the Coalition for Peace and Freedom to act as an umbrella organisation to help coordinate aspects of the work of the BAC, CPS and the YCs' Youth for Multilateral Disarmament.

The Year Ahead

6. In the last 8 months I believe substantial progress has been made in putting over our case and that the forward momentum of the unilateralists has been slowed, although I would hesitate to say it has been halted. 1983 will be crucial. The General Election is now not far away and in that campaign the policies of nuclear deterrence which have been pursued by governments of both parties for 30 years are likely to be a matter of controversy to an extent we have not witnessed before. Opinion polls suggest we still have support for the retention of an independent nuclear deterrent but only a minority support the acquisition of Trident. We have a lot more to do in explaining that Trident is the most cost-effective replacement for Polaris and that it does not represent an increase in our capability viz-a-viz the Soviet Union or a change to a first strike or war-fighting policy as some of the unilateralists suggest. In 1983 we face the deployment of the Cruise missiles at Greenham Common, the men and equipment from the summer and the missiles towards the end of the year. I am sure the unilateralists will see this deployment as a major rallying point and I expect them to make an effort to focus attention on Greenham Common with demonstrations, obstruction and even further physical attacks on the Camp. Again opinion polls suggest that this deployment is unpopular and we must do more to explain why the missiles are coming and how their deployment could be avoided (or they could be withdrawn after deployment) if the Soviet Union accept President Reagan's proposals in the INF talks.

7. A number of plans are in hand. I intend to commission a further 30 minute film. If this could be made in such a way that it combined instruction with entertainment it might reach a much wider audience. I have been in touch with Euan Lloyd, the producer of the film about the SAS 'Who Dares Wins', which is currently a major box office success. He is a supporter of our policies and is going to try to suggest a way in which this could be done. He has raised the possibility that if the film were sufficiently entertaining it might be adopted by distributors to accompany a major feature film on the cinema circuit, which would bring it to a huge audience. I also plan to commission one or two shorter films of about 15 minutes in length, one about the deployment of Cruise missiles.

8. The local and regional press are quite interested in the nuclear debate, stimulated by the declaration of nuclear free zones by many local authorities and by local campaigns against civil defence in general and exercise Hard Rock in particular. I have sent an article on nuclear free zones to the newspapers in all the areas covered by such zones and so far about 20 have published it. In addition, I will be making a series of visits to these areas to meet the editors of local newspapers and radio stations, starting in Yorkshire next month.

9. I am sure that Douglas Hurd would agree with me that disarmament will be an important subject in 1983. I believe we need to tell the public more about previous disarmament initiatives - that they succeeded because of Western determination and resolve or that they failed because of Russian intransigence - so that the public may better understand the factors at play in the current negotiations. There may be no progress at Geneva next year or it may be very slow and we will need to tell the public as much as we can without breaching confidentiality. We also need to stress just how much is at stake in terms of real arms reductions and how this could be jeopardised by unilateralist talk. We also need to develop our contacts with the Churches and in particular bolster the forces of common-sense in the Church of England to argue against the working party report "The Church and The Bomb".

Conclusion

10. In the year ahead we must devote even more of our time and energies to taking our case to the public, in order to halt the shift of opinion against our nuclear policies and to win back the many concerned people whose opposition I believe to be a product of their ignorance and fear which has been played upon by the emotional propaganda of the unilateralists. This effort needs to be widely supported. I shall be encouraging our colleagues in Parliament and the party and the various bodies such as the BAC to do as much as they can. There is now no shortage of good briefing material and speaking notes available, both at Central Office and in the MOD and FCO. I hope that other ministers will also help and in this context a major speech by the Prime Minister would be of great value to us.

P.A.B.

PETER BLAKER

18th October 1982

Liaison Committee

Presentation of the Government's Nuclear Policy (Defence)

At the 1982 Conservative Party Conference, the Prime Minister reiterated that the first duty of a Conservative Government is the defence of the realm. This is a notable tradition of the party, with a sound historical basis.

The Party's policy can, with the illustration of our Armed Forces be shown as principally defensive in nature and not offensive. This paper will be concerned with the nuclear question in terms of the electorate's perception, the facts behind the programmes, reference to the Warsaw Pact, the attempts by Britain and the USA in the area of disarmament, and the views of pressure groups.

A. Topics under discussion

1. General Issues of the Nuclear Deterrent
2. Specific points on the Systems delivery
3. Disarmament
4. Opponents and Dissenters
5. Public Opinion
6. Brief points for presentation
7. Fallacies and Misconceptions
8. Glossary of Key Terms and Weapons

14th October, 1982

1. General issues of the nuclear deterrent

(a) Effectiveness (Strategic theory)

- (i) Nuclear weapons cannot be disinvented, therefore discussion involving the matter of Britain's position without the bomb is purely hypothetical.
- (ii) It is worth pointing out that while 10 million have died directly in conflicts since 1945, none of the major nuclear powers has confronted another.
- (iii) The decision to bomb Hiroshima and Nagasaki might not have been made had Japan possessed the bomb.
- (iv) Biological weapons were one area of the un-conventional stockpile where a balance did exist in the 1939-45 war, and they were not used in hostilities.
- (v) NATO's weapons exist to prevent wars not for fighting them. The result has been 37 years of peace between East and West despite the Soviet Union's aggression in Afghanistan.

(b) Britain's position

- (i) The decision that Britain should become a nuclear power was made by a Labour Prime Minister, Atlee.
- (ii) The Polaris programme was brought to fruition by a Labour Government.
- (iii) The updating of Polaris with Chevaline was sanctioned by the Wilson Government.
- (iv) The Command, Control and Communications of Polaris, and eventually Trident rests in the hands of the British Government, and is therefore independent, thus Britain works in co-operation with the USA, not under it.
- (v) In the run-up to disarmament talks, Britain's nuclear deterrent will enable her to participate and influence any decisions.

(c) The Nuclear Arms Race

Since 1968 the US strategic nuclear inventory has remained
.../static

static at 1,710 missiles while the USSR has added two per week to its arsenal for the past 14 years.

During the 'detente' of the late 70s the Soviets, unprovoked, introduced SS20s and the Backfire bomber into Europe.

(d) NATO members; their position

The key country is the Federal German Republic which, under Chancellor Schmidt, took the initiative on the European Intermediate sphere. This policy is likely to be continued under Kohl. However, the danger point will come next year with the general elections. If as seems likely the FDP falls below the 5% cut-off in the poll and the Greens receive more than 5%, a left-wing coalition, led by Willy Brandt, might be formed. This would have a number of effects, primarily the reversal of Government's Cruise and Pershing II policy, and support for European Nuclear Disarmament (END). From Britain's point of view this could have a knock-on effect and raise the support and morale of the unilateralists and CND.

The anti-nuclear lobby in Holland and Belgium is proportionately more powerful than CND, so any change in West Germany might give the movement impetus.

The other problematic NATO members include Greece and Denmark.

(e) Proliferation

A number of unstable or potentially unstable countries now have nuclear weapons, or are on the verge of possessing them; Iraq, India, Israel, Pakistan, Brazil, Argentina, South Africa and Libya. A number are thought to be interested including Egypt. This is another powerful argument for multilateralism

2. Specific points on the Systems delivery

(a) Trident is a more advanced deterrent with a greater accuracy and operating radius.

The change from C4 to D5 resulted from the US decision to phase out the earlier variant. US/British rationalisation with one system will maximise its efficiency.

The cost of Trident (£7,500 million at 1981 prices) when averaged over 15 years is less than the subsidy to the British Steel Corporation. Moreover it is approximately £4 billion less than the procurement programme for Tornado MRCA. Although the development period will be 15 years it should be stressed that its life-span is likely to be 30 years pending any dramatic changes in disarmament or weaponry.

(b) Cruise Missile

In its present form Cruise Missile is not a direct Trident substitute. It has a shorter range, lower yield and subsonic speed. However it is small, low flying and does not present a large radar profile.

Due to this configuration it is not a first strike weapon, as GND has claimed. The unilateralists have said that its deployment would render Britain more likely to a nuclear attack. In Soviet planning, Britain's strategic position in the Eastern Atlantic would inevitably lead to her neutralisation, but for the deterrent.

3 ● Disarmament

(a) Unilateral or Multilateral?

Presentation of the argument for multilateralism should point out that the CND etc. through their policies would facilitate only a very small total reduction in warheads, whereas multilateralism is wider ranging by aiming for an all-party reduction.

Unilateralism would expose Britain to nuclear blackmail from the Soviets in the lead up to and during a confrontation.

If hostilities were to break out, a unilateral Britain would not have any negotiating power.

Comparisons are made between Britain and the non-nuclear NATO countries, in which CND etc. states that we could remain within the Alliance and be nuclear-free. A counter to this might be to point out that Britain's position is unique in Europe (barring the French) and that the Alliance would be put under great strain if there were a fundamental change in the status quo. While not having the power of the USA, we have been the lynch-pin in the 37 years of peace so it would be immoral for us to abrogate our responsibilities.

For advocates of a ENFZ (European Nuclear Free Zone) and Nuclear Free Cities, the case of Hiroshima can be underlined.

(b) Western Initiatives

Britain played a prominent part in the formulation of the Non Proliferation Treaty (1968).

The USA has abided by SALT I (1972) figure whereas the Soviet Union has exceeded it by between 30 and 60 launchers.

The MBFR (Mutual and Balanced Force Reduction) Talks in Vienna have been in a state of inertia since 1973 not because of NATO intransigence but because of the Warsaw Pact's refusal to provide accurate and verifiable figures.

President Reagan has launched two initiatives:

.../...

(i) The 'zero-option' which was proposed in order to create the best climate for the abolition of intermediate range missiles targeted on Europe. The Soviets had SS20 mobile systems deployed before the proposals on Cruise and Pershing II.

(ii) A one-third reduction by both sides in strategic nuclear warheads.

This list, which is not complete, can be used against CND etc., to show that the Soviets have dragged their feet whereas the Allies have been positive in their approach.

4. Opponents and Dissenters

(a) The Labour Party

It can be pointed out that although the motion on unilateral disarmament at the 1982 Conference was passed by the required two-thirds majority, in the country Labour supporters do not reflect this opinion; 55%* wish to maintain or improve our Nuclear Deterrent. We can build on this and the fact that many Labour Members of Parliament are multilateralists including, Denis Healey, Roy Mason, Dr. John Gilbert and Jim Callaghan. In addition Sir John Boyd (AUEW) at the Labour Conference made an impassioned speech against the motion as did John Morrell (GMWU).

(b) The Alliance

Although SDP policy remains ill defined, it is likely that they will support current Government policy except for Trident, which they would cancel. They favour carrying on Polaris for as long as it provides a viable deterrent, contrary to the policy of the Liberals. The latter's programme comes down clearly against maintaining Polaris and against stationing cruise missiles in this country. These decisions reflect the opinion of the radical 'rank and file' membership, which appears to have overruled the moderate majority of Liberal MPs. This clear split on two vital issues between the component parts of the Alliance should be exploited as much as possible.

(c) Pressure Groups

These are nearly all Leftist in nature and derive their support mainly, though not exclusively from the young. CND can be attacked on the composition of its 'board' which includes a number of card

.../...

*Marplan Opinion Poll/Guardian 23rd September 1982

carrying or former members of the Communist Party. Their danger lies in the fact that many environmentalists who are against Nuclear Power Stations are not initially unilateralists, but become so later. Friends of the Earth and Greenpeace operate on a similar basis. If we can publicize this fact we should be able to reduce the support of these pressure groups.

Included in this section, though not in the pure sense, are the churches, scientists, doctors, teachers and journalists. Particularly active members are: 'The New Statesman'; Duncan Campbell; Lord Zuckerman, Bishop Hugh Montefiore; and the Open University.

In schools, teachers are using 'Peace Studies' and 'Modern Studies' as platforms for their leftwing and unilateral beliefs.

The BBC is also having an insidious effect with the documentary 'Path to Armageddon' presented by Ludovic Kennedy. He introduced this programme by saying that he was non partisan, but the editorial content was clearly pro CND, both with regard to the technical details of weapons and the nuclear shelter industry.

Local Radio phone-ins are becoming a very popular mouthpiece for activists, and there seems to be a well organised campaign both by the broadcasters and the listeners to get as much coverage as possible.

Last but not least is the 'extraparliamentary' action taken by left-wing Local Authorities, who have been manipulating and even breaking the law concerning their statutory responsibilities.

At the moment there have been criticisms that our arguments are too anti-unilateral and not pro-multilateral enough.

5 Public Opinion

Marplan (Guardian 23/9/82) Defence

Military Spending: (This table is included for comparison)

76% of those polled thought that we should spend the same or more on defence. This comprised 91% Conservative; 65% Labour; 77% Alliance. However more Labour supporters said that we should spend less rather than more (32% as against 25%). 5% of Conservative supporters wanted less spent on defence.

Table I (%)

	<u>All</u>	<u>Conservative</u>	<u>Labour</u>	<u>Alliance</u>
More	30	41	25	23
Same	46	50	40	54
Less	19	5	32	20
Don't Know	4	3	4	3

Nuclear Weapons:

This part of the poll raises some disturbing points for us. Only 15% thought we should improve our capability (19% Conservative; 13% Labour; 8% Alliance), where 'Improve' encompasses Trident and Cruise even more disturbing is the fact that almost as many Conservative supporters polled were unilateralists as 'improvers'.

Table II (%)

	<u>All</u>	<u>Conservative</u>	<u>Labour</u>	<u>Alliance</u>
Abandon	31	17	43	32
Maintain	51	61	42	56
Improve	15	19	13	8
Don't Know	3	3	2	4

In the last 3 years public opinion has been swayed by the effective, vociferous and emotional attacks by CND in particular. 'Education' by US must be operated on two fronts. Firstly,

.../...

the emotional and secondly the factual and intellectual. It must put great emphasis on destroying some of the misconceptions that the unilateralists produce.

If possible we should attempt to gather concrete evidence that CND, receives funding from Moscow or via a Moscow Conduite. The Soviets have said that they support financially the European peace movement, but we have not been able to cite specific recipients of aid. It is also highly probable that END (European Nuclear Disarmament) benefits from Soviet advice. In turn CND receives support from END.

In Britain much of CND's effectiveness has come from its horizontal system of organisation. The headquarters direct and give support to local groups which are particularly active and in turn finance the movement's activities.

6. Brief Points for Presentation

- The USA allocates 5.5% of its GNP for military expenditure; BRITAIN 5.1%; the SOVIET UNION 12-14%.
- RUSSIA spends approximately 10% more in real terms on the military than the United States.
- Last year, the SOVIET UNION increased its total number of nuclear warheads from 6,000 to more than 7,000.
- In Europe, the SOVIET UNION has increased the number of its nuclear warheads by 56% since 1977.
- The SOVIET UNION has $3\frac{1}{2}$ million men under arms; the USA has 2 million; Britain has 350,000.
- In Europe the WARSAW PACT has nearly 3 times more main battle tanks than NATO; 2 times the artillery; and nearly 4 times the surface-to-air missiles.
- The SOVIET UNION has a massive superiority in the air - bombers, fighters and ground attack.
- To prevent people from 'leaving' the SOVIET UNION there are 560,000 border guards.
- There is no independent 'peace movement' in the EASTERN BLOC.
- The SOVIET UNION has stated publicly that it funds European peace movements.
- In addition to its Eastern European Satellites, the SOVIET UNION occupies Afghanistan and is actively involved in destabilising countries in Central America and Africa.
- Guns or Aid? Britain alone gives more aid to the Third World than the entire WARSAW PACT.

7. Fallacies and Misconceptions

Q. Is it not unChristian not to be a unilateralist?

A. Individuals can choose to make sacrifices, but governments are committed to protect their citizens and cannot therefore sacrifice them.

Q. Nuclear Weapons are inherently evil, so why do we possess them?

A. Yes we agree, but the best means of reaching our goal is for every country to disarm together and in a balanced fashion.

Q. Why doesn't Britain give up her weapons and so influence non-proliferation?

A. Britain's lack of a deterrent would not prevent Libya, etc. from arming. In many cases they arm through fear of their neighbours intentions as well as for aggressive intentions.

Q. If we disarmed unilaterally, would we not be able to spend the money on other things?

A. We should negotiate disarmament first to ensure peace, then spend the money in other areas.

Q. Are we not with nuclear weapons on the brink of a life threatening catastrophe?

A. All weapons threaten humanity and 10 million people have been killed in Wars since 1945, but none by nuclear weapons.

Q. Civil defence is surely a sham because shelters etc. cannot afford protection?

A. Civil defence though not perfect must be the humanitarian objective of the Government. Improving the level of protection can cater for all contingencies including conventional war.

Q. Computer errors show that the NATO early warning system is unsafe. Is war more likely as a result of an accident?

A. Yes there have been computer errors, but the fail-safe back-up systems have been operated at 100% efficiency. Moreover a 'launch on warning' system is not part of NATO policy.

- Q. Have not the protests in Western Europe forced the USA to negotiate with the Soviets?
- A. The USA had been negotiating throughout the 1970s, long before the emergence of the protest movement.
- Q. Surely we cannot afford to spend money on our nuclear deterrent?
- A. It costs us only 3% of the total defence budget and ensures that we do not have to match identically the mass of the Warsaw Pacts conventional forces.
- Q. Ultimately is it not a case of Red or Dead?
- A. Neither is the case. There is the third option of preventing war with our deterrent.

8. Glossary of Key Terms and Weapons

(a) Strategic:

Intercontinental Ballistic Missiles (ICMB) with the potential to hit the USA and USSR, e.g. Titan (USA), Minuteman II and III (USA) and principally SS-11, SS-18 and SS-19 (USSR).

Submarine launched Ballistic Missiles (SBLM) which can be targeted at the superpowers, e.g. Poseidon C-3 and Trident C-4 (USA), and SS-N-6, 8 and 18 (USSR), and Polaris (UK).

Airlaunched Nuclear Warheads comprise those delivered by long range bombers such as the US Boeing B52 and the Soviet TU-95.

(b) Intermediate:

These are concerned mainly with Europe and include the SS20 (range 5,000 km), the TU 22 Backfire (combat radius 4,025 km) and a small number of NATO aircraft such as the Vulcan (2,800 km) F-111 E/F (1,900 km) and Jaguar (720 km).

Pending the deployment of Cruise and Pershing II, NATO does not have any land based missiles based on the European mainland, other than the Pershing 1A.

(c) Theatre:

This section of the inventory includes long range

.../...

systems delivered over a shorter range and shorter range systems. The balance sheet does not always includes delivery vehicles, such as interceptor aircraft which can be converted to a secondary nuclear role.

(d) Warheads:

Care must be taken when quantifying NATO versus Warsaw Pact warheads. While the Soviet Union has more launchers, NATO (mainly the USA) by virtue of Multiple Independent Re-entry Vehicles (MIRV) has more warheads. A single missile which has two or more independently targeted warheads is a MIRV.

(e) Yield:

This term is often used as an indication of destructive power, however a simple increase in yield, for example 1-MT (Megatonne) to 10-MT does not result in 10 times the power. A more accurate definition is 'equivalent megatonnage' (EMT). Thus a 200-KT device does not have a fifth of the power, instead it has $(0.2)^{\frac{2}{3}}$ or 0.34 the power.

(f) Types of Device:

The most confusion concerns the Neutron Bomb which should be called an 'enhanced radiation device'. Its power does not lie in its blast, which is low, but in the high level of radiation which destroys living tissue. It is a 'clean' weapon and is therefore effective against advancing armour or infantry, when repossession of territory after a short period is essential.



~~MR BUTLER~~ ^{FRS}

Liaison Committee

1. The next meeting of the Committee has been arranged for 20 October. I thought I should let you have a note on the likely business before issuing an agenda.

2. At its last meeting the Committee commissioned a paper (by the Department of Energy) on the civil nuclear programme; a paper (by Research Department) on defence nuclear matters; a paper (by Mr Ingham) on the implications of Channel 4 and Breakfast TV; and asked that a paper already commissioned on industrial policy be considerably expanded (by Research Department, and Industry Ministers) in a number of directions. The present position is that the first paper is in course of preparation but will not, I am advised by Mr Moore's office be ready for the next meeting; but the second and third papers will be available. I understand from Mr Jenkin's office that the industrial policy paper will not on present plans be finished in time for 20 October - and in any case that he is inextricably committed elsewhere that morning.

3. The agenda therefore looks like being; the paper on military nuclear matters (which being based on existing material should not require lengthy discussion or the presence of a Defence Minister); the paper on Channel 4 TV; the usual diary of events by the Chief Press Secretary; and any other business that Committee members may raise orally. Unless you have any comments, I propose to issue an agenda on this basis before the weekend.

Cont .../.

4. For completeness I should add that of the papers approved by the Committee at its last meeting two (housing and education) have been circulated; the third (social security policies) will be circulated as soon as Mr Fowler has approved the changes made following the Committee's discussion. Finally, since there is evidence that in one case at least a Secretary of State's Private Office has not passed on copies of these notes to Junior Ministers in the Department (the Cabinet Office distribution arrangements send all the Department's copies to the Cabinet Minister) I am issuing a note to Private Secretaries drawing their attention to the importance of ensuring that all Ministers receive their copies without delay.



ANDREW WARD
Lord President of the Council's Office

13 October 1982



Econ Pol
1) ✓
2) FCB ✓ *Pelo*

MEETING NOTICE

The meeting of the Liaison Committee which was to be held at No Ten Downing Street on Wednesday 13 October at 11.00 am has been cancelled.

The next meeting of the Liaison Committee will take place at No Ten Downing Street on Wednesday 20 October 1982 at 9.30 am.

11 October 1982

S/S Scotland
Chief Secretary
S/S Employment
John Wakeham MP
(M/State, Treasury)

Chairman of the Party
Mr Cropper (Central
Office)
Mr Bernard Ingham

ECONOMIC POLICY

Caroline

ROBIN

P1. Tell Mr. Ward to cancel the meeting and inform the others (unless we do that?), but we will need to arrange another meeting soon. The PM attaches importance to this.

Andrew Ward telephoned about Liaison Committee on Wednesday. He and Peter Cropper advise, since it is quite clear that Industry Ministers are still working on the paper on industrial policy, that there is not much point in having the meeting as the papers are unlikely to be ready.

PERB

11-10

I said one of us would ring and let him know the outcome of this message to you.

- ① Mr Butler
- ② C.A.

Caroline
Mary thanks

PERB

Angela

11.10.

Now at
930 on 20 av
12.55
es.

14/10

233,3494.



NOTE OF LIAISON COMMITTEE MEETING, FRIDAY 10 SEPTEMBER 1982

Present: Prime Minister
Lord President of the Council
Secretary of State for Education and Science
Secretary of State for Social Services
Secretary of State for Employment
Chairman of the Party
Minister of State, Treasury (Mr Wakeham)
Prime Minister's Chief Press Secretary
Mr Lawson, Marketing Director, Conservative Central Office
Mr Cropper, Conservative Research Department (and
Research Department staff)
Mr Ward, Lord President of the Council's office

Presentation of Social Security Policies

The Committee considered the revised paper on the presentation of Social Security policies. The following points were made in discussion:

- (a) The paper would benefit from additional material on the NHS, with a more positive presentation of how much the Government had done to protect the NHS and Social Security system in a period of recession.
- (b) There were, of course, problems in the NHS which had still to be resolved in the longer term. The paper should acknowledge the existence of these longer term problems in an additional paragraph which would give a balanced exposition of the realities. But it should be kept in mind that the



purpose of these papers, and indeed of the Committee itself, was to provide Ministers with speaking guidance on policy issues, with information on policy achievements in other departments, and to bring together the work of the Party organisations and the Government on policy presentation and promotion, rather than policy analysis.

(c) It was agreed that the paper was a valuable quarry of useful facts which would be very helpful both to Ministers and to their special advisers who in practice would research the material for them.

(d) It was agreed that at the earliest opportunity Central Office should issue a briefing note on the Government's policy achievements in respect of the NHS.

The Committee agreed that the paper, once it had been revised, in the light of this discussion, should be circulated to Ministers by the Lord President of the Council.

Presentation of Education Policies

Introducing a revised paper on the presentation of education policies, the Secretary of State for Education and Science said that in many respects there was a good story to tell. Contary to the public perception education expenditure per capita had not been cut. There was no ground for concern with the



quality of at least the top half of school leavers. But there was evidence, albeit much of it anecdotal, to suggest that standards among the lower half of the school leaving population were far lower than desirable. The reasons were qualitative not quantitative and had much to do with the quality of teachers as well as parental attitudes. This was one reason why his Department was making efforts to shift the emphasis from academic studies to practical studies for those not academically inclined. In discussion, the following main points were made:

(a) The paper should high-light, and preferably at the beginning, the Government's record on education expenditure per capita and on the pupil/teacher ratio compared with earlier years. But the paper should equally make it clear that money could not buy quality.

(b) The Government had an excellent record on the cash provision for education in a time of recession. The problem of higher standards could not be solved by money and, presentationally, there was much to be said for shifting the ground of argument to the wider issues of standards generally.

The Committee agreed, that subject to revision in the light of this discussion, the paper should be distributed to Ministers by the Lord President of the Council.



Note by the Minister of State, Treasury

(a) Introducing his note, the Minister of State, Treasury, said that he was particularly concerned to improve the presentation of the Government's policy towards the Nationalised Industries. He feared that the public perception was that the Government was selling off national assets to balance the books. This, of course, was a gross mis-understanding of the reasons for privatisation policies which were based on the Government's determination to make the industries more efficient, more responsive to their customers, and better placed for sound expansion. In discussion, it was further noted that a useful presentational point was the unsuitability of politicians and Civil Servants to supervise large industrial undertakings, but that although the policy concept was clear and convincing the language lacked appeal; privatisation was an ugly word. More emphasis should be put on the underlying significance on the shift of policies towards National Industries since the Government came into office but this would most helpfully be done in a wider context. It was agreed that Central Office's draft paper on the presentation of industrial policies should be expanded to take account of the Minister of State's, Treasury, suggestions. It should also include material on help to the new industries. The Minister of State, Treasury, was asked to give guidance to the author on how this might be done; to ensure that the Secretary of State for Industry and his ministerial colleagues were closely involved; and the Marketing Director, Central Office, should advise on the question of a more appealing presentational approach.



Clumsy. /
to state format
of his title!

(b) The Committee also considered the Treasury, suggestion for aspects of international affairs. At the point was made that it would concentrate on defence and nuclear no doubt - as media treatment of had demonstrated - of the need for public acceptance of the Government's Trident decision. Opponents were able to range widely in their criticism and to quote in their support sensible people who were concerned with conventional capabilities or industrial implications. The CND campaign was likely to constitute a serious and continuing problem. A great deal of valuable material had already been issued by the Government to explain its decisions in this area and Conservative Research Department should draw on what was already available in the preparation of a consolidated paper on the presentation of defence and nuclear policies. At the same time, it had to be recognised that the civil nuclear programme, which would involve the Government in some major decisions, aroused opposition both from environmentalists and from those already opposed to military aspects of nuclear policy. It was important that the Government's position be sustained across a wide front and it was therefore agreed that a paper should be prepared on the presentation of the Government's civil nuclear programme. The Minister of State, Treasury, was asked to take this up with the Secretary of State for Energy and ask him to take the lead; he would of course require inputs from other departments since the paper must cover medical, transport, and environmental aspects. There must be a scientific input and Professor Lewis' name was mentioned. It was recalled that the then Chairman of UKAEA had some years ago dealt very effectively with ill-informed criticism of the civil nuclear programme and the Chief Press Secretary was asked to look up the text and make it available.



(b) The Committee also considered the Minister of State's, Treasury, suggestion for papers on presentation of aspects of international affairs policy. In discussion, the point was made that it would be best for the moment to concentrate on defence and nuclear policy areas. There was no doubt - as media treatment of the recent Coulport announcement had demonstrated - of the need for continuous efforts to secure public acceptance of the Government's Trident decision. Opponents were able to range widely in their criticism and to quote in their support sensible people who were concerned with eg conventional capabilities or industrial implications. The CND campaign was likely to constitute a serious and continuing problem. A great deal of valuable material had already been issued by the Government to explain its decisions in this area and Conservative Research Department should draw on what was already available in the preparation of a consolidated paper on the presentation of defence and nuclear policies. At the same time, it had to be recognised that the civil nuclear programme, which would involve the Government in some major decisions, aroused opposition both from environmentalists and from those already opposed to military aspects of nuclear policy. It was important that the Government's position be sustained across a wide front and it was therefore agreed that a paper should be prepared on the presentation of the Government's civil nuclear programme. The Minister of State, Treasury, was asked to take this up with the Secretary of State for Energy and ask him to take the lead; he would of course require inputs from other departments since the paper must cover medical, transport, and environmental aspects. There must be a scientific input and Professor Lewis' name was mentioned. It was recalled that the then Chairman of UKAEA had some years ago dealt very effectively with ill-informed criticism of the civil nuclear programme and the Chief Press Secretary was asked to look up the text and make it available.



Presentational Issues for the Autumn

The Committee had before it a note by the Chief Press Secretary. On the four main presentational issues identified in the paper, pay would become a major issue with the opening of the iners negotiations, employment legislation would shortly be the subject of a Green Paper, and the EC Budget would clearly present difficult presentational problems. But it was likely that the Opposition Parties would concentrate their attention on the economy (while for its part the Government must emphasise the importance of wealth creation.) In discussion further points were made:

(a) The Government had to face the possibility that at the time of the next General Election unemployment would be at or close to the current figure of about three million and that the Government's opponents would concentrate on this. There was a danger that concentration on this one issue could overwhelm much else that was positive. The issue had to be defused and the causes properly understood in the public mind. It was agreed that the Chairman of the Party would take the lead in a wholly separate study assisted by the Secretary of State for Employment, the Lord President of the Council, Minister of State, Treasury, with other Ministers and Party officials as necessary and including a personal representative of the Prime Minister.

(b) It was noted that the Government had consistently tried to keep it in the public mind that the causes of unemployment were deep rooted and had much to do with the historical attitudes and behaviour of trade unions. Certainly the Labour Party had been able to make much less of the issue than might otherwise have been expected.



(c) The Secretary of State for Employment said he would like to take this opportunity of reminding his colleagues that the October unemployment figures would be the last to be published on the present basis. Thereafter, the figures would be published on the basis of voluntary registration. The effect, unavoidably, would be to reduce the totals, by a magnitude yet to be defined, and give rise to criticism of misrepresentation. In an effort to forestall the obvious question, he had decided that two sets of figures should be published in October so that comparisons could be made between the two systems.

Diary of Events

In discussing the Chief Press Secretary's diary of events, it was noted that the launching of Channel 4 on November 2 and later the launching of Breakfast TV would bring major new demands on ministerial time. Ministers must be selective in responding to invitations from the new ventures. It was agreed that the Chief Press Secretary would prepare a paper on this issue for the Lord President of the Council who would arrange for its circulation to Cabinet.

Date of Next Meeting

To be notified.

Distribution

Those present; Secretary of State for Scotland, Chief Secretary, Treasury.

MR BUTLER

Prime Minister

You may wish to use this note as a guide to the conduction of the Liaison Committee meeting, particularly x) and y).

Econ Pol

LIAISON COMMITTEE

F.R.B.

9.9.

I promised a note on the briefing for the above.

Liaison Committee was reactivated in February under the Prime Minister's chairmanship. Its terms of reference are: "to give guidance to MPs and Ministers on the interpretation of Government policy and to take such action as in their opinion is necessary to sustain public confidence in Government".

Its work was interrupted by the Falklands crisis which swept it to one side. However it has produced papers to guide presentation on:

- economic, employment and industrial issues;
- law and order;
- housing.

X Tomorrow's discussion of the Social Security policy is very much a laying-on of hands. Thus the main discussion will be of the education paper.

Mr Wakeham's paper suggests new topics, one of which is subsumed in the earlier economic paper - namely nationalised industries.

We need to be clear in relation to Mr Wakeham's paper how the Committee is to proceed and where the line is to be drawn between its work and the output of speaking notes or more substantial documents - eg. on the EC - by the Lord President.

The Committee has not yet exhausted its tour of Departmental topics but the agenda contains no provision for decisions on future work. I think the Prime Minister must be in a position to suggest new work, for example, on:

- agriculture;
- Defence;
- energy;
- transport;
- new technology;
- health.

I think I would suggest health, transport, energy or the new technologies for starters rather than such an amorphous subject as international affairs or at this stage efficiency of Government.

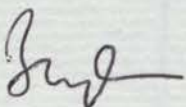
Y However, the Prime Minister does need to commission more work tomorrow to sustain the momentum and achieve her objective of a fairly comprehensive presentation folder guide before the election. Mr Wakeham's paper rather than any other business might be useful for concentrating the Committee's mind on future work.

I do not think the Prime Minister needs any briefing on my two papers on the main economic presentational issues for the autumn and the diary. These papers are intended primarily as background but also to:

- remind the Committee of the major presentation problems for the autumn and the need to keep progress under review; and
- draw attention to the extremely busy autumn both generally and for the Prime Minister in particular and to identify her main presentational platforms.

Mr Biffen may take a particular interest in the issues for the autumn though he had not sparked at the time of writing.

Content?



B. INGHAM

9 September 1982

SECTION 1 - Importance and Public Perception

1. Obviously, the education system is a vital concern of every family in the land. No other service provided by the state involves so many people so actively day in and day out. In the maintained sector, some 420,000 schoolteachers provide instruction for almost eight million children under a system in which important rights and duties are also conferred on parents (whose position has been strengthened significantly by our three Education Acts).
2. Recent opinion polls suggest that the existing system enjoys widespread public support, and is not felt to have grave structural deficiencies. NOP in February 1980 found that 91% of pupils interviewed were satisfied with the education they were receiving, and 82% of parents said they were satisfied with the standard of teaching being provided (33% were very satisfied).
3. While no strong demand for radical reform can be perceived, a feeling that a fairly marked deterioration has occurred in recent years may well be growing. The 1980 NOP poll questioned parents, teachers and employers. In all three groups the number who believed that educational standards had declined exceeded the number who felt that some improvement had occurred in the last few years. Pessimism was particularly strong amongst employers: only 9% said an improvement had taken place, while 60% said standards had fallen.
4. No systematic effort has been made to establish why such critical views of the recent performance of the education service have taken root. There does, however, seem to be a widespread disposition to lay at least part of the blame at the door of the comprehensive school. Amongst those interviewed by NOP in 1980, the comprehensive was seen as suitable for the less bright child by only half the teachers, 44% of parents and 37% of employers (its suitability for the bright child being seen, of course, as even more questionable). The doubts about the comprehensive system felt by many teachers also emerged in an NAS/UWT poll in 1978 which showed that 58% of the profession believed that the introduction of comprehensive education had lowered standards. Independent support for that view comes from Northern Ireland which obtains consistently better results than the rest of the Kingdom from its selective system.
5. Nevertheless, it seems unlikely that the abolition of comprehensive schooling would be widely welcomed. MORI, in a survey in 1981, found only 20% in favour of that course (slightly less than the number in favour of abolishing public schools). Evidence of serious dissatisfaction unaccompanied by demands for the ending of

comprehensive schooling for the efforts of ministers to induce LEAs and comprehensive schools to reorder their affairs in order to improve their standards. (MORI also shows that our determination to protect the independent sector is far from being an electoral liability).

6. Although abundant and detailed information is not available, it seems that the fact of falling school rolls and the consequent rationality of cutting expenditure on education has not so far been widely understood. NOP in 1980 did not seek to canvass opinion on this point; it is therefore all the more significant that 40% of the parents who were interviewed spontaneously stated that no cuts at all should be made in spending on education. There is a certain amount of anecdotal evidence pointing in the same direction. The "Average British Family" recently identified by The Times (May 1982) felt more strongly about "the Government's pruning of education" than any other issue.
7. A fuller understanding of the true position, and of the scope for savings without consequent damage, is likely to be held in some sections of the teaching profession. Interestingly, only 14% of teachers questioned by NOP in 1980 spontaneously denounced the very idea that savings might be made in education. (Teachers, not surprisingly, tend to favour cuts in administration). It therefore must be worth re-stating the sound case that exists for reducing expenditure in education at this time in the hope that greater awareness of the facts will eventually undermine the fashionable and rather simple-minded habit of assuming that cuts must inevitably be harmful.
8. The limited information that is available suggests that the public takes much the same view of cuts in universities as of cuts in schools. MORI, in November 1981, found that 60% were against the university cuts, and 30% in favour (with 50% opposing a cut in student grants). However, such reactions, uncovered in the immediate aftermath of the Government's decision to reduce expenditure on universities, may well diminish quite quickly with the passage of time.
9. No close connection has been established by opinion polls or other means between the public perception of the cuts (which the recent HMI report is widely thought to have confirmed), and the generally low standing of the Government on educational issues which the polls tend to show. (For instance Gallup in December 1981 found that 62% disapproved and only 27% approved of Government education policy). Disapproval may well stem also from other factors: such as widely publicised cases of indiscipline, the education crisis in Toxteth, or exaggerated hopes of improvement and gain (particularly by parents) arising from our major Education Acts.
10. Whatever the cause, the existing perception of education policy is disquieting. Amongst the electorate at large, Gallup in December 1981 found that education came fairly high on the list of subjects whose handling by the Government was attracting popular disfavour - well behind prices, taxation and employment, but only just behind the health service. Amongst Conservative supporters, 37% expressed disapproval, marginally less than Party disapproval of policies in health, and economic and financial affairs.

11. Education seems to have little power to sway votes at elections. In 'tracking' studies by Gallup since 1979, schools and education have consistently been seen as the most important political issue by no more than one to two per cent of those interviewed.

SECTION II - The Record

1. Introduction

- Three Education Acts have been passed in this Parliament which fulfilled most of the Manifesto promises, and halted the Socialist attempt to impose uniformity.
- Various measures have been, and are being, introduced which will lead to improvements in standards, but these take time. It has to be remembered that apart from legislation, the Government has remarkably little direct power over education provision. Much of the improvement has to come from persuasion since the powers of direction do not exist.
- Two major problems have loomed large: the need to reduce overall expenditure on education, and the need to accommodate the schools system to a rapid fall in the numbers of children of school age. To some extent these separate issues have complemented each other, in that it is easier to contain expenditure with fewer children to teach.
- BUT the increased numbers of post-16 year olds staying on in school lessen the possibilities of greater economies, and because of diseconomies of scale there can be no direct relationship between falling numbers and reduction of schools expenditure.

2. Variety, Choice and New Parental Rights

- Education Act 1979 saved the remaining grammar schools by removing the Labour Government's compulsion to go comprehensive contained in their 1976 Education Act. Local Authorities and the voluntary bodies once again have the freedom to preserve - and indeed to restore - the grammar schools.
- Education Act 1980/Parents' Charter: a very substantial legislative achievement which fulfilled many more election pledges, especially those contained in the "Parents' Charter". In particular, the Act:
 - * provides for full information about schools, including examination results, to be available to parents;
 - * for the first time gives parents a statutory right to express a preference for a particular school;
 - * complementing the parents' choice, places a statutory duty upon the Local Education Authority to meet that choice, except in well-defined cases where this is impossible;

- * gives a right to choose a school outside the area of the home Local Education Authority;
- * provides for clearer admissions criteria to be published for the benefit of parents;
- * sets up a local appeals procedure for parents not obtaining their first choice of school;
- * ensures that there is a separate governing body for each school, with certain exceptions;
- * puts parents and teachers on the governing bodies of maintained schools (normally two of each);
- * introduces the new Assisted Places Scheme which restores in an improved form the old direct grant system which Labour had scrapped. Once again children from families of limited means are able to go to highly academic independent schools (in many cases former direct grant grammar schools). Parents pay a contribution towards the fees according to income. The Scheme is now in its first year: two-thirds of all the children who have benefited come from families of below the national average income, (half of those had totally free places because of their low family income).
- Education Act 1981 extends the parental rights contained in the 1980 Act to parents of handicapped children, and children with "special educational needs". It sets the framework for a better and more appropriate educational provision for such children, implementing many of the Warnock Committee's 1978 recommendations. (Parts of the Act not yet in force will be brought in as conditions allow).

3. Standards

- The Government's document The School Curriculum (1981) is the first of its kind. Never before has full guidance been published on the school curriculum from five to sixteen.
- Our aim is to ensure that all primary school children receive education in the basic subjects, that they go on to a proper "core" curriculum in the secondary schools to include Mathematics, English and Science, plus a modern language, where appropriate.
- We are concerned to see that the law on religious education and the daily act of worship is properly enforced.
- The Public Examinations System has itself been examined to ensure that existing high standards are not lowered, and to see where improvements might be made:
 - * An early announcement confirmed that the GCE "A" levels were to stay, ending speculation initiated by the previous Government that they were to be replaced by examinations of a lower standard.

- * For the GCE "O" levels and CSE, a full-scale exercise has been mounted between the Government, the examining boards, and the teachers, to improve and standardise the syllabuses of these examinations, to ease the problem of choice between them, and to reduce the excessive number of examining boards. This work continues, and it is too early to say whether the result will be an amalgamation of "O" level and CSE, or whether the two examinations will continue in parallel, but improved and in greater harmony.
 - * A new Certificate of Pre-vocational education is to be introduced for less academic pupils aged 17+. It is to be set by a new board, combining existing boards in the pre-vocational field and will give young people, who at 16 have few or low examination achievements, coherent courses preparing them for either technical, clerical or vocational training. These courses will lead to assessments of character and application as well as externally moderated examinations where any are passed. It is intended that the new Certificate can be taken either in schools or colleges of further education.
 - Higher standards of entry are now required for candidates into teacher training (five "O" levels, including Mathematics and English, and 2 "A" levels).
 - Incentives have been introduced to encourage teachers to train, or to retrain, in the "shortage subjects" such as Physics, Mathematics, Craft and Design, and Technology. In 1981 there was an increase of 45% in the number of postgraduates enrolling to train for a further year as teachers of these subjects.
 - A special study has been carried out into the teaching of mathematics by the Cockcroft Committee whose report (1982) underlined the critical need for more teachers qualified in the subject. The Government is now urgently examining ways of implementing the report.
 - The Science budget has been maintained.
 - Two unions, the Professional Association of Teachers and the Association of Polytechnic Teachers, both moderate and responsible bodies, have been given places on Burnham Committees.
4. Expansion of Nursery Education
- Contrary to popular belief, the number of nursery places under this Government has actually increased. For example, in 1980/1981, it increased by 5,600 places. This expansion can be highlighted to disprove the sweeping charge that the Government is presiding over contraction in all parts of the system.
5. Training
- A £9 million programme is being carried out by the Department of Education and Science to familiarise teachers with micro-electronics applications, and to develop "software" for schools. This complements the Department of Industry's scheme to pay half the cost of new computers for schools.

- An additional £60 million has been made available for the expansion of educational training to post-16 year olds in both schools and colleges of further education, together with a further £35 million for additional provision in non-advanced further education. Further measures are being planned to pay particular attention to the 16-19 group in conjunction with the new training initiative.

6. Higher Education

- Reductions in the total funding for the universities have been implemented to produce savings of around £200 million by 1983/84 and £150 million a year thereafter. This has been done in a selective way, taking the opportunity to shift the overall balance from Arts to Science and Technology, to strengthen certain departments in universities, and reduce or remove other weaker courses. Action is now being taken to channel money specifically towards areas of high priority, such as biotechnology.
- The University Grants Committee for the university sector has been complemented by the creation of the National Advisory Board (1982) for the public sector of higher education. Our aim is to make better use of resources and to meet the national needs in both sectors.
- The Government has increased overseas students' fees to a figure approaching the economic cost, thereby reducing both the indiscriminate subsidy from the taxpayer and excessive demand for places from overseas. Yet through assistance from the Overseas Development Agency, selected overseas students who need financial assistance can still get it. Despite the increase in overseas students' fees, new enrolments have only fallen to the level of 1974/5, whilst the income derived from them has doubled, £50 million to £100 million, between 1978/79 and 1980/81. Altogether savings of over £100 million a year have been obtained. We have also introduced a scholarship scheme for very able postgraduate research students from abroad.
- A revised system of support for student unions and the facilities that they provide has been devised whereby a sum is agreed between the student body and its parent university or college, the money coming from the total grant to the university or college. This replaces the previous system where the sum was set by the union itself, and compulsorily levied on each student's Local Education Authority.
- Student grants in 1982/3 are to be raised in conformity with the 4% guideline, and a new enquiry into student loans has been undertaken.

SECTION III - Some Comments on Presentation

1. We face three very obvious difficulties:
 - (a) Endless controversy about the so-called cuts and their effects could overshadow and obscure the Government's achievements, diverting attention in particular from the

three Education Acts whose significance could as a result be grossly underestimated by the public.

- (b) The full effects of the action taken to implement the 1979 manifesto (virtually in full) are not yet visible which again makes accurate public perception of its importance hard to attain. For instance, the local appeals system is only now coming into operation.
- (c) The limited power which the Government possesses makes it dependent in many respects on the co-operation and goodwill of LEA's, qualities which some of these bodies are unlikely to exhibit.

2. The Cuts

Ministers have dealt firmly and clearly with this issue pointing out in emphatic terms that:

- more is being spent in real terms per pupil than ever before;
- the pupil/teacher ratio stands at a record level;
- the total education budget has only been trimmed marginally in real terms;
- the number of pupils to be taught is falling faster than the education budget;
- just as increases in expenditure do not necessarily bring about an improvement of standards, so decreases in expenditure do not necessarily cause a worsening of standards.

It is obviously important that such points should be repeatedly hammered home. No opportunity should be lost to challenge those who accuse the Government of making swingeing and irresponsible cuts. So far the tone adopted in some sections of the party has perhaps been unduly defensive and apologetic. At the same time greater efforts could be made to reveal and give prominence to cases where money is being wasted by LEAs.

3. The Labour Party

Between 1976 and 1979 the Labour Party itself cut the education budget. Yet since the election it has affected outraged indignation about our education policy, and has sought to pose as the ardent champion of that wide range of pressure groups which believe that spending on education should only be allowed to move upwards. Not nearly enough attention has been paid to Labour's past, and we could profitably spend more time reminding them that their 1976 - 1979 cuts removed some £200 million in real terms from the education budget. With the aid of that record, we can make their current promises

to spend money like water sound pretty hollow.

4. Standards

The three Education Acts provide the clearest proof of Conservative concern to maintain existing excellence, and promote higher standards. In the defence of educational standards, we clearly stand a long way in front of other parties. That advantage must not be lost, and we must endeavour to ensure that the issue of standards continues at the heart of political debate about education. In some quarters there may well be a feeling that the three Acts did not go far enough, or that the results have been disappointing. Action might be considered to counter such feelings. It should be emphasised that the legislation, coupled with other measures (eg improving the quality of teachers and the curriculum) provides clear evidence of Conservative determination to lay down a framework through which higher standards can be achieved.

5. Parents

The Government's legislation shows that we are the guardians of the rights of parents. However, the party's advantage over its opponents could be reduced by a sense of disappointment on the part of some parents who believed that the 1980 Act would guarantee a place at the school of their choice, even if it is already full. We should impress upon such doubters that the Act has improved choice, and has also improved the response that Local Authorities make to the expression of choice.

6. Universities

Once patiently explained, the selective nature of the university cuts is understood and often agreed with. Nevertheless, the way the university cuts have been presented may have led some traditional Conservative middle-class voters, especially if they have young teenagers of their own, to be highly critical, and sometimes angry.

Emphasis needs to be concentrated particularly on the most positive aspect of this process of university restructuring:

- within the overall reduction, there will be an absolute increase in numbers studying certain subjects of crucial importance to the future of our country (engineering and technology, mathematics and physical sciences).

7. Some points that should have a secure place in our education policy speak for themselves and require little comment. The following list is far from being exhaustive:

- the retention of traditional teaching methods
- support for good discipline
- support for the enforcement of religious education and the daily act of worship

- opposition to trendy sex education, politics in schools etc.
- support for the retention of academic sixth forms.
- support for selection and the selective process.
- support for grammar schools, technical schools, and specialist schools.
- a general move away from the monolithic large comprehensive school.

8. Conservatives are often thought to be concerned about academic excellence to the almost total exclusion of everything else. The Government's record shows a deep interest in the position of the less academically orientated student. By providing additional money for further education, and by introducing a new examination at 17+, we are improving the prospects of those who need to be equipped directly for their working lives. Moreover, we have recently announced an initiative for the least able. £2 million are to be set aside for the development of new methods of teaching and examining. We can legitimately claim to be just as preoccupied with the needs of the "bottom 40%" as with the enhancement of prospects for those who take exams at 16.

Conservative Research Department

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REPORT OF LIAISON COMMITTEE

ON PRESENTATION OF

CONSERVATIVE SOCIAL SERVICE POLICIES

SECTION I - Importance and Public Perception

In this paper the term "social services" includes the social security system, the National Health Service and the personal social services administered by local government. Special attention is also paid to non-state provision by volunteers and families.

1. Although the most urgent political issues in the minds of the electorate are mainly in the economic field, the Conservative Party has traditionally recognised the importance of wider values.
2. These values underpin the kind of society to which the Conservative Party is committed and the policies which are needed to sustain them.
3. Conservative values include the cohesion and stability of our society; the establishment of good standards of learning and behaviour; freedom of choice for individuals and their families as well as the devolution of responsibility to them; and the humane and religious tradition of caring for those in real need.
4. These qualities are reflected in good family life where children are brought up with stability, security and love and are prepared for adult life as responsible citizens. Families also play a major role in caring for disabled relatives and there is no evidence that the modern family has given up its caring functions.
5. Against this background, one of the main functions of the statutory services is to back-up the family and help it to carry out its responsibilities.
6. Clearly these services also have a major role to play where there is no family or where the family are unable to cope.
7. In the final analysis the statutory services act as a safety net. No-one is denied medical treatment because he cannot afford it and no-one need be reduced to real poverty, by unemployment, widowhood or old-age. In a very real sense the social services in Britain re-inforce the claim that a free enterprise economy and a compassionate society go hand in hand. Each are different sides of the same coin.

..../

8. There is strong support in principle for the present system of social services. For example, last year's poll found that 71% of those asked about the National Health said that it represented value for money and 83% would oppose replacing it by private medicine. (Marplan, December 1981). Popular support for a system which provides an income for old people is equally high. When given a list of seventeen things the 1981 budget should or should not have done, the one issue easily topping the list was raising pensions - which was favoured by 95% of the respondents and was more popular than raising tax allowances (favoured by 73%).
9. The elderly strongly identify with Conservative values and as a result about 30% of those voting Conservative at the last General Election were over pensionable age.
10. The Government's overall record in the social services is a very creditable one and many achievements have been carried out of which we can be proud. Unfortunately there is absolutely no reason to think that this is getting through to any but a small section of the electorate.
11. For example, a Gallup survey in December 1981 showed that 64% of respondents disapproved of the way the Government was handling the Health Service and only 28% approved. (In June last year, the figures were 55% and 33% respectively). It is likely that the public, if asked whether the Health Service was being expanded or reduced, would almost unanimously assume the latter. The fact that the real resources going into the NHS have never been higher is almost certainly disbelieved.
12. Similarly, 55% of respondents disapproved of the way in which the Government was handling pensions whilst only 34% approved.
13. Other poll evidence shows that in our first three budgets (but not the fourth) the majority of people felt that pensioners and families with children had actually been made worse off, whilst in all our budgets widows and the low-paid were seen as being the worse-off.
14. In sum the social services are an essential element in our society and command widespread support; they are directly relied upon by large numbers of people; although the Conservative record is very creditable the majority of the electorate do not share this view.

SECTION II - The Record

1. The present Government has fully lived up to the tradition of the Conservative Party in protecting the old and recognising the special needs of the disabled; in safeguarding those who are most in need; and in improving the National Health Service.

...../

The Elderly

- pensions have been fully protected against prices, as we promised at the last General Election. Indeed by November 1982 they will have been raised during our period of office slightly ahead of prices
- the £10 Christmas Bonus has been paid each year
- the weekly amount pensioners can earn without loss of pension will have been increased from £45 under Labour to £57 by November 1982
- poor pensioners on supplementary benefit receive more help with their heating costs than they received under Labour
- the number of sheltered housing places for the elderly, with a warden service, has been increased in England from 264,000 in March 1979 to 302,000 in March 1982
- The Government's prime economic objective of reducing the rate of inflation is of great importance to the elderly, because inflation erodes the value of their savings as well as any fixed income they may have. The inflation rate is expected to fall from 12% at the beginning of 1982 to 7½% by the end of the year.

3. The Disabled

- the attendance allowance paid to 300,000 handicapped people has been fully protected against prices
- the mobility allowance will have been raised from £10 per week under Labour to £18.30 by November 1982. Its value will therefore have been increased by 83% under the Conservatives. In addition, the mobility allowance has been made non-taxable and this will benefit some 40,000 disabled people, many of who are in work and thus have other taxable income
- in total, social security expenditure on the long-term sick and disabled has risen by 5% in real terms between 1978-9 and 1981-2
- Under the Companies Act 1980, company policy towards the disabled must be set out in the director's report
- measures taken by the Government last year include doubling the tax allowance for the blind and the Education Act 1981, updating the law on the special education of handicapped children

4. Low-income Groups

Supplementary benefits assist 6 million people (including dependent wives and children) and the main categories are pensioners, the unemployed and single-parent families.

The Government will have raised supplementary benefits fully in line with the increases in prices in the four years to November 1982.

This means that the very poorest in our society have had their living standards maintained. The idea that we are inviting the poor to bear the brunt of our economic strategy bears no relation to the truth.

5. The National Health Service

- in 1979 the Conservative Party promised to increase the resources of the NHS and this commitment has been fulfilled. Between 1978-9 and 1981-2 spending on the National Health Service rose by about 5% in real terms and now runs at some £14,500 million p.a. in Britain.
- over £1000 million has been set aside for 123 important new hospital building schemes costing over £2 million each
- to increase NHS efficiency, a series of initiatives have been launched including regional reviews of plans and performance - in particular manpower plans, development of performance indicators, the introduction of "scrutinies" under the guidance of Sir Derek Rayner and the experimental use of commercial auditors
- staff employed in actually caring for patients have been greatly increased. In two years to September 1981 the number of nurses and midwives in Britain (whole-time equivalents) rose by over 41,000; the number of doctors and dentists directly employed in the NHS by 2,300; and the number of GPs and General Dental Practitioners by 2,350.
- until the industrial dispute in the NHS this year waiting lists were being reduced and patients were being treated more quickly. The number of people waiting for admission to hospital fell, in England alone, from 752,000 in March 1979 to 619,000 in September 1981
- administration is being simplified in England by the removal of one administrative tier (the area health authority); decision-making will be nearer to the point where health care is actually delivered; and some £30 million p.a. will be saved on administration and transferred to patient care
- private medicine has been encouraged by abolishing Labour's legislation to phase out paybeds; easing restrictions on private hospitals and restoring tax relief on employer/employee medical schemes. These measures have increased total health care in the UK and relieved the strain on the NHS

6. Personal Social Services and Voluntary Effort

- local authorities have increased their spending on the personal social services in real terms and there have been increases in the number of home helps, as well as meals-on-wheels and other services, since 1978-9. Such services together with social security improvements like those made in the mobility allowance, help more people to be cared for in their own homes, where they want to be
- important changes are being made in "joint finance" arrangements, which foster collaboration between health authorities, local authorities and voluntary bodies in schemes for more "care in the community" so that, for example, fewer mentally handicapped people have to be in long-stay hospitals

- the amount of voluntary effort in the personal social services is actually greater than that provided by local government and budgetary concessions worth over £30 million p.a. have been made by the Government to help charities. In addition, central Government has maintained the value of its grants to voluntary organisations and the DHSS in particular will be helping some 250 voluntary bodies in England to a total of about £9 million in 1982-3. Local authority support for the voluntary sector in England has risen substantially from £15.6 million in 1979-80 to £23 million in 1981-2

- it has been made easier for the unemployed to do voluntary work without losing entitlement to benefit. In addition, £4 million will be available in 1982-3 in Britain to help provide opportunities for unemployed people to do voluntary work in the health and personal social services field

SECTION III - Themes and Presentation

1. Improving the Social Services 1979-82

- (a) It must be accepted that the propaganda climate in recent years has been a difficult one. Some hard but necessary decisions have had to be taken in which certain benefits have been cut in real value (e.g. unemployment benefit, sickness benefit and child benefit) and earnings-related benefits abolished. This has been aggravated by a constant barrage of ill-informed press and TV comment about "the cuts" and rumours about further proposed public expenditure economies in the last two years. The end result has been to create a climate of opinion in which everything is seen to have been cut even if it is untrue. Many Conservatives appear to share these widespread misconceptions.
- (b) Fortunately we now have a good practical record in Government and we can claim to be judged on what we have done. Furthermore, on the assumption that the public expenditure programmes are established and will be adhered to, there will be a period of relative calm and consolidation. Now is a good time for a much more aggressive approach in selling our achievements.
- (c) Public opinion will, on all the polling evidence that is available, strongly support our positive actions in the social services and there is no reason to believe that the unfavourable attitude currently displayed by the electorate is somehow set or immovable. Interestingly, in the 1981 budget we were seen for the first time, by a small majority, as making the disabled better-off and in the 1982 budget we were seen as making pensioners better-off (by 31% to 19%), also for the first time. This shows that with imaginative measures, like doubling the blind allowance, and good presentation it is possible to alter public perception of the Government.
- (d) In the Health Service we should stress not only our record but also the dedication shown by the nurses, and hence the damage done to patients as well as to their own interests by health service workers going on strike.

- (e) Unemployment is the most important political issue at the present time and, although it is not a DHSS matter, the electorate may well see the Government's response as an important indication of its social attitudes. This suggests that our publicity in the social services field should be complemented by similar illustrations of what we are doing to help the unemployed (e.g. educational provisions, training and job release) whilst the economy is being put on a sounder footing.
- (f) We have done as much for the social services as any responsible Government could do and this is a point which we should aim to get across to the electorate. By contrast, the Labour Party proposals for massive extra public borrowing, in the social services as elsewhere, carry little conviction and highlighting them may help us to damage Labour's credibility

2. Paying for the Social Services

- (a) Although any Government would obviously like to improve the social services, the fact is that huge sums are already being spent and that extra expenditure has to be paid for.
- (b) This year the personal social services will cost over £2000 million; the NHS around £14,500 million and the social security programme over £32,000 million. This means that out of every £10 of public spending, £4 goes on the social services.
- (c) Emphasis must be constantly laid on the fact that expenditure on the social services is financed out of taxation and that the increases in expenditure since 1979 have had to be financed by increasing taxation. For example, the NI contribution paid by employees since 1979 has risen from 6.5% to 8.75% mainly to finance expenditure on social security benefits and the NHS.
- (d) Any responsible Government must strike a balance if only because heavier taxation can damage the very groups which the social services are trying to help. Increases in personal taxation mean that people on low incomes are made worse-off whilst increases in business taxation simply results in higher unemployment.
- (e) In the longer term, the most important reason for controlling expenditure and taxation is that such restraint is vital to the Government's economic objectives and hence to a healthier and more productive economy. Unless we can achieve industrial recovery we will not create the wealth that is necessary to put into effect our plans and aspirations. People dependent upon the social services, including the unemployed, are among those who will gain most from the success of the Government's economic strategy.

3. Strengthening the Family

- (a) The family provides the framework in which almost all children are brought up and develop as individuals and as members of society. The quality of family life is therefore of fundamental importance to our country.
- (b) In the social services field the family is important not only because of its role in raising children but because of its functions in caring for disabled relatives. A survey by "Age Concern" confirms that very few elderly people are ever visited by a social worker or a voluntary worker and that the bulk of supporting help for the elderly disabled is met by the family. ("Beyond Three Score and Ten", 1978). Of some 700,000 elderly people suffering from dementia, only 13,500 are being cared for in hospital and the vast majority are being looked after by their families.
- (c) It is totally in accord with Conservative values to help families who wish to look after their relatives. The social security system can help ease the financial strain on the family (e.g. the attendance allowance, introduced by the last Conservative Government, is especially helpful) and the personal social services are becoming more family-orientated. For example, some local authorities take disabled people into residential accommodation for short periods so that families can be given a break.
- (d) The removal of children in care from institutional homes and placing them with carefully chosen foster parents is a good example of family policy. It is in the interests of the children to be brought up in a family and they are most likely to accept social discipline in adulthood.
- (e) Conservatives have strengthened the family in other areas. The sale of council houses means that many working families can, for the first time, acquire their own home and a major financial asset, which they can leave to their children. The Education Act 1980 has established a Parents Charter in our schools and given parents more say in how their children are educated.
- (f) Families have duties as well as rights and in the past too little emphasis has been laid on parental responsibility. The Criminal Justice Bill makes parents face up to their responsibilities by normally paying the fines imposed on their children or entering into recognisances to ensure their good behaviour.
- (g) However, the family is coming under strain as a result of the rising divorce rate. Whatever the effects may be on adults, studies show that divorce is generally a devastating experience for children. There are important implications for public policy because of the heavy burdens that divorce places on the legal system, the social service departments and social security benefits. It also seems probable that divorce leads to an increase in juvenile delinquency among the children involved. Calls

have been made for more effective conciliation and reconciliation procedures and the Government is studying these recommendations.

4. Privatisation and Freedom of Choice

- (a) The Conservative Government has strongly encouraged the growth of the private sector in the social services.
- (b) About half of all earnings-related pensions are in the private sector and the reliance on state pensions provided after the war has been radically diminished. The introduction of the new sick pay scheme means that employers rather than the state will be responsible for administering income during the first eight weeks of their employees' sickness and this will cut out some 3000 civil service jobs.
- (c) The private medical sector is also rapidly expanding and over 4 million people now have medical insurance with the provident associations.
- (d) Conservative policy is to encourage the private medical sector, thereby widening freedom of choice and easing the strain on the NHS. The policy is strongly supported by the electorate and indeed a BUPA survey of September 1981 shows that 57% of all union members would be in favour of accepting a wage deal which included private medical insurance (excluding the 6% who already have this type of insurance) and only 24% would not be in favour.
- (e) Conservative policy is therefore going with the grain of public opinion, whereas the Labour Party - which has traditionally opposed private medicine - and the SDP/Liberal Alliance, which appears to favour restrictions on private medicine, are both in some difficulties. The Conservative Party could take a much more aggressive approach in its publicity in this area.

5. Encouraging the volunteers

- (a) The role of the volunteer is valued by the Conservative Party. Volunteers embody individual responsibility in a free society and represent a personal response to social needs. The voluntary movement often does what the state cannot do and in addition, is innovative, quick and flexible.
- (b) Some 1½ million people take part in voluntary work in the community every week and the amount of voluntary effort in the personal social services exceeds that provided by the statutory services. Many disabled people, especially those without families or friends to support them, are only able to live in their own homes because of voluntary workers.

- (c) The voluntary and the statutory workers are being encouraged by the Government to work in partnership and as a result many local authorities now provide basic services in conjunction with voluntary bodies.
- (d) The suggestion that charities should be helped by tax concessions is extremely popular. When, after the 1981 budget, people were given in a poll a list of seventeen measures which they would have liked to have seen in the budget, the third most popular proposal (after raising retirement pensions and tax allowances) was tax concessions for charities. In fact, the 1980 budget gave about £30 million in tax relief for charitable giving and that was the biggest incentive to charities for half a century.

PRIVATE AND CONFIDENTIAL

LIAISON COMMITTEE - MEETING TO BE HELD IN NO 10 DOWNING STREET
AT 2.30 pm ON FRIDAY 10 SEPTEMBER 1982

AGENDA

- FLAG A 1. Presentation of Social Security Policies
Revised draft - to be circulated
- FLAG B 2. Presentation of Education Policies
Revised draft - circulated herewith
- FLAG C 3. Note by Minister of State Treasury, dated 1 September 1982
Already circulated
- FLAG D 4. Presentation issues for the Autumn
Note by Chief Press Secretary, already circulated
- FLAG E 5. Diary of Events
Note by Chief Press Secretary, to be circulated
6. Any other business
7. Date of next meeting

Notes

1. The Secretary of State for Health and Social Security is invited to attend for item 1.
2. The Secretary of State for Education and Science is invited to attend for item 2.
3. The Director of Marketing, CCO, has been appointed a member of this Committee.

PRIME MINISTER

DIARY TO END OF YEAR

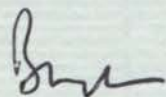
The diary at Annex I looks forward over the rest of this year with the more important issues in capitals. A diary for 1983 is in the course of preparation.

It is an extremely busy period in which the main events apart, from pay negotiations, are:

- Your visit to Far East (September 16-29);
- Party Conference season (starting September 20 with the Liberals);
- TUC day of action supposedly over NHS pay (September 21-22);
- Falklands Victory Parade (October 12);
- Election to Northern Ireland Assembly (October 20);
- Your bilaterals with Schmidt and Mitterrand (October 28-November 4);
- Queen's Speech (November 3);
- Your Lord Mayor's banquet speech and Nato speeches (November 15 & 17);
- Chancellor of the Exchequer's statement on economic forecasts/public expenditure (late November);
- European Council, Copenhagen (December 3);
- Your speech at Conference on Information Technology (December 8);
- Franks Report on handling of Falkland Islands crisis (due late December).

In addition, the period will bring the first of important developments in the media with Lord Hunt's report on cable TV due by the end of this month; and the launching of Channel 4 on November 2. BBC and Commercial TV will launch breakfast TV early in the New Year.

These developments will bring new opportunities and demands on Ministers and officials and are being considered by Departmental Heads of Information.



B. INGHAM

7 September 1982

SEPTEMBER

13-17 European Parliament, Strasbourg.
 13 LORD SHACKLETON'S REPORT PUBLISHED.
 13 McCARTHY RSNT REPORT ON RAIL PAY DUE TO BE PUBLISHED.
 15 NCB MEETS NUM ON PAY ETC.
 16-29 PRIME MINISTER IN JAPAN, CHINA AND HONG KONG.
 16-17 Scottish Prison Officer's Association conference.
 16 GOWER BY-ELECTION.
 → 17 INDEX OF RETAIL PRICES AND CYLICAL INDICATORS (August).
 17 HMS Invincible returns home, Portsmouth.
 20-25 LIBERAL PARTY ASSEMBLY, Bournemouth.
 20-21 EC: Foreign Affairs and Agriculture Councils.
 21 UNEMPLOYMENT FIGURES.
 21 PRINT STRIKE IN FLEET STREET IN SUPPORT OF NHS PAY DISPUTE.
 22 DAY OF ACTION IN SUPPORT OF NHS PAY DISPUTE.
 21-22 EC: Fisheries Council, Luxembourg.
 22 TUC General Council; Labour Party National Executive.
 26-28 PRIME MINISTER IN HONG KONG.
 26-30 British/Soviet Joint Commission, Moscow.
 27-1 Oct. LABOUR PARTY CONFERENCE, Blackpool.
 28 Prime Minister's working breakfast with Mrs Gandhi, New Delhi.
 29 Report: Developments in the European Community (Jan-June).
 30 DEADLINE FOR HUNT REPORT ON CABLE BROADCASTING.
 Late Sept. Government response to Select Committee Report on Efficiency in the Civil Service.

OCTOBER

4 NEDC.
 4 Official reserves.
 4 EC: Fisheries Council, Luxembourg.
 5 CONSERVATIVE PARTY CONFERENCE, Brighton (to 8).
 5-13 HM Queen and Duke of Edinburgh visit Australia.
 8 PRIME MINISTER'S SPEECH TO PARTY CONFERENCE.
 11 EC: European Parliament, Strasbourg (to 15).
 11 CGBR; WPI.
 11 SDP CONFERENCE, Cardiff (to 12).
 12 HOUSE OF LORDS RETURNS.
 12 FALKLANDS VICTORY PARADE, City of London.
 13 Prime Minister meets Prime Minister of Korea.
 13 SDP CONFERENCE, Derby (to 14).
 15 PRIME MINISTER VISITS NORTH WEST.

Oct. contd.

15 INDEX OF RETAIL PRICES.
15 SDP CONFERENCE, Great Yarmouth (to 16).
18 HOUSE OF COMMONS RETURNS.
18 EC: Finance and Agriculture Councils, Luxembourg.
19 PLAID CYMRU CONFERENCE (to 21).
20 Prime Minister opens new Bank of Scotland Premises.
20 ELECTIONS TO NORTHERN IRELAND ASSEMBLY.
20 International Motor Show, Birmingham.
20 Institute of Personnel Management Conference, Harrogate.
24 Clocks go back.
25 EC: Foreign Affairs Council (to 25), Luxembourg.
25 European Parliament, Strasbourg (to 29).
26 UNEMPLOYMENT FIGURES.
27 Prime Minister talks with Prime Minister of Luxembourg.
27 TUC General Council; Labour Party National Executive.
28 PRIME MINISTER'S BILATERAL WITH CHANCELLOR SCHMIDT, BONN (to 29).
28 or 29 Parliament rises.

NOVEMBER

1 Pay settlement dates for NUM and BL.
2 Official reserves.
2 CHANNEL 4 OPENS.
3 QUEEN'S SPEECH.
3 Prime Minister's talks with Prime Minister of Swaziland.
4 BILATERAL WITH PRESIDENT MITTERRAND, PARIS (to 5).
9 CGBR.
10 NEDC.
10 Prime Minister's talks with Emir of Qatar (or 24 Nov).
11 PRIME MINISTER ATTENDS ROYAL ACADEMY CENTENARY DINNER.
12 INDEX OF RETAIL PRICES.
13 Lord Mayor's Show.
13 Prime Minister's speech at British Legion.
14 Remembrance Sunday.
15 PRIME MINISTER'S SPEECH, LORD MAYOR'S BANQUET.
16 Visit of Queen Beatrix of the Netherlands (to 18).
17 PRIME MINISTER'S SPEECH TO NORTH ATLANTIC ASSEMBLY, LONDON.
18 Presentation of Humble Address to Queen.

Nov. contd.

19 PRIME MINISTER'S REGIONAL TOUR OF CORNWALL AND WEST COUNTRY.
23 UNEMPLOYMENT FIGURES.
23 GATT MINISTERIAL MEETING (to 26).
24 TUC General Council; Labour Party National Executive.
26 PRIME MINISTER'S ST. ANDREW'S NIGHT DINNER SPEECH, GLASGOW.
29 Annual Conference of British/Irish Association, Lambeth
Palace.
30 Deadline for settlement of EC Budget problem
late ECONOMIC FORECASTS/PUBLIC EXPENDITURE STATEMENT BY
CHANCELLOR OF EXCHEQUER.

DECEMBER

2 Official reserves.
3 EUROPEAN COUNCIL, COPENHAGEN (to 4).
6 WPI.
8 PRIME MINISTER OPENS CONFERENCE ON INFORMATION TECHNOLOGY,
BARBICAN.
9 CGBR.
15 Association of University Teachers' conference, Bradford
(to 17).
17 PRIME MINISTER'S SOUTH EASTERN TOUR.
17 INDEX OF RETAIL PRICES.
21 UNEMPLOYMENT FIGURES.
22 TUC General Council; Labour Party Executive.
24 Recess.
By 31 Dec. FRANKS REPORT ON HANDLING OF FALKLAND ISLANDS.

PRIME MINISTER

LIAISON COMMITTEE

PRESENTATION ISSUES FOR THE AUTUMN

At its meeting on 29 July, the Committee agreed to discuss further Government presentation of the economic issues most likely to dominate the last quarter of the year. This paper suggests, as a basis for discussion, the main considerations affecting our approach to each of the issues.

Economic Performance/Public Expenditure

In spite of some temporary respite following the Wall Street boom, comment has tended to harden. The bad production and unemployment figures and continuing CBI gloom have offered satisfaction to critics and caused some anxiety among supporters. If indicators of output and activity do not improve through the autumn, we might expect some intensification of this mood as supporters increasingly fear that the trends will not turn before the next election. A media-created crisis could quickly be reflected in opinion polls which would reinforce the trend.

Attention will increasingly focus on the late November statement of forecasts, public expenditure decisions etc with speculative comment about reflationary measures. We need to consider, in the light of what is known of the Chancellor's judgement, whether opinion should be prepared in any way to help avoid suggestions of the Government's being forced or panicked into measures. Alternatively, if the decision is that there is no room for relaxation, then the Government will need to present a resolute and united front in defending the medium-term strategy in terms of the necessary initial process of decelerating prices and falling interest rates.

If the indicators of output and activity begin to improve then of course the sailing will be plainer.

Pay

E Committee has already discussed presentation and a small official information group has been set up to advise on particular issues and commission speaking material as necessary.

We enter the autumn with a number of pluses and minuses. On the positive side there is little doubt that expectations have been sharply lowered. The July Gallup political index suggested that respondents on average expected to get 5.6% increase over the next 12 months (a significant fall even since the May figure of 6.2%). The deceleration of prices ought to help although there is not much evidence from Gallup that this is registering itself very powerfully. Real incomes have not fallen over the past two years - although this is not well understood and individual experience will vary.

A combination of factors including the labour market situation, the perceived Government resolution in dealing with public service groups and the absence of formal incomes policies reduce the likelihood of the "3rd year syndrome" establishing itself. We might hope for a reasonably low national engineering agreement which is psychologically helpful at an early stage in the round.

On the other hand, the lingering NHS dispute may strengthen the hand of those in the public sector seeking combined action. Certainly union leaders see it as a means of raising morale and stiffening resistance. The unions are playing the situation with some skill and there is already some crumbling in media support for the Government's position. This presents a major dilemma. There must be no perceived weakening of Government resolve. The prolongation of the dispute may continue to strengthen the unions' position.

Additionally we have to deal with the Scargill factor and the expectation that some groups may hold back to see what the miners achieve. Finally we are likely to start with no clear signal from a cash limit pay factor.

Employment Legislation

The enactment of the present Bill and speculation about further measures may inevitably become caught up with pay issues. Already some unions are trying to turn the NHS dispute to their advantage. They will seek martyrs and some firms may want to flex their muscles by taking on unions under the new legislation.

The Government has enjoyed wide support so far from the general public in the measures it has introduced. That may well continue but it would be unwise to be complacent. Some widespread disruption over a seemingly trivial incident - attributed by the unions to the new law - and talk of a further round of "anti-union" measures against the background of continuing high unemployment could start to sway working class public opinion against the Government. It has always to be borne in mind that most of the correspondents reporting these affairs are distinctly union orientated in their outlook.

The polls have consistently suggested that people believe the Government's economic policies are "not fair to all concerned". At present the division is 67% to 25%. It is true that the Government has never tried to pretend that it was aiming for "fairness". But the existence of this feeling is pertinent to public understanding of what the Government is trying to do in its general economic policy and on the pay front. It may reflect a crude belief that the Government's policies are class-based policies. To the extent that this is so, it could lend support to any growing view that the Government was confronting the unions through narrow ideology rather than for economic and broadly libertarian reasons.

All of this may be stretching the argument too far. It is important, however, not to take for granted continuing public support on this issue and to continue to argue vigorously that any measures are not directed against unionists and unionism but against ossified and self-defeating institutions.

d
EC Budget

The Government has staked a good slice of its credibility on securing an equitable solution to the Budget issue although it is not at all clear what the public would accept as equitable. Anything that were interpreted by the press as "failure", however, would go some way to dissipate the advantages gained by the Falklands victory. The impact would be the greater if it were presented against further apparent trimming of domestic expenditure. It is important that any briefing over the coming months should be carried out with as clear as possible an understanding of where we are prepared finally to settle.

Review

The Committee may feel that it should keep the presentation of these issues under review on the basis of reports, as required, from the Chief Press Secretary.

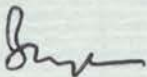
Summary

The four main presentational issues over the rest of this year are likely to be:

- economic performance/public expenditure;
- pay;
- employment legislation; and
- European Community budget.

The paper rehearses the dangers inherent in each issue which are to some extent inter-related. These need to be given close attention, especially against the background of the unresolved NHS pay dispute with the risk that this will become increasingly caught up with campaigns against the Government's economic policy and union legislation.

Particular care is required over handling the lead-up to as well as the actual presentation of the November statement on forecasts and public expenditure decisions; the progress of pay negotiations and the Scargill factor; the need to argue the national case for trade union legislation; and the need to develop a firm posture in our EC negotiations which takes due account of our overall objectives.



B. INGHAM

6 September 1982

PRIVATE AND CONFIDENTIAL



10 DOWNING STREET

From the Principal Private Secretary

Mr. Ward

Liaison Committee

The Prime Minister has seen Mr. Wakeham's minute of 1 September of which I think that you will have received a copy.

She would like this paper to be put on the agenda for the meeting on Friday, 10 September.

E. E. R. BUTLER

6 September, 1982.

File with
FERB
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8/9



*Add to Appendix
for new meeting
not*

PRIME MINISTER

LIAISON COMMITTEE

I believe the papers we are producing on the public perception and presentation of Government policy by Departments are most helpful and the reviews are very encouraging. However, I am concerned that there are one or two more important issues that do not lend themselves to such treatment and perhaps we should consider commissioning some work to cover these areas.

1. Nationalised Industries

This is a most important area, where our policies are not understood and our achievements not appreciated. It is an area of continued concern but we have taken and are taking quite a number of steps to improve the efficiency and successful development of the Nationalised Industries, both amongst those whose correct role is in the Private Sector and also amongst those that are likely to remain in the Public Sector.

We all know of the areas of concern both by private consumers and the business community. We should set out our policies in this area very clearly.

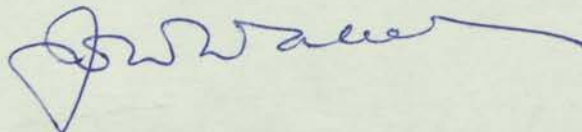
2. International Affairs

The story here spreads across several different Departments, not just the FCO and Defence. MAFF and Trade have important contributions to putting into proper perspective our policies, problems and achievements in this area.

3. Efficiency of Government

Our efforts to improve the efficiency of Government, and the effect of the Government's policies on private individuals and business needs to be spelt out. It is not just Rayner and Civil Service numbers but also our pressures on Local Authorities as well as changes in procedures in the Inland Revenue, etc. Reductions in form filling, and the lessening of the burden of Government on individuals and business.

I have copied this minute to other members of the Liaison Committee.

A handwritten signature in blue ink, appearing to read 'John Wakeham', with a long horizontal flourish extending to the right.

JOHN WAKEHAM

1 September 1982

SEP 1982
V B O V U
G R G A

PART 1 ends:-

I. Gow + Chris Lawson 26/8/82

PART 2 begins:-

m/s HMT to PM 1/9/82

