

New File Cover

Confidential Filing

PM's meetings with Sir Hector Laing

PRIME MINISTER

[In attached folder:
United Biscuits: Ethics & Operating
Principles]

March 1980

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
19.6.87							
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TCC's

Training the



10 DOWNING STREET

ANDREW TURNBULL

Thanks for letting me know
the background to this.

I agree entirely that the
BIC note is very misguided.

Given that some of the papers
for me are sent to you, and
vice versa, I think one of
us will have to change our
name by deed poll!

Andrew T.



10 DOWNING STREET

1 Andrew Dunlop.

This is a misunderstanding

So Heats phoned me to say he was sending me some notes on TEE's but he was not sure whether they should be put to the PM. When we discussed the content I said that two of the major propositions were false

(i) The major Clause's idea has been dropped

(ii) There are no plans to have enterprise/small firms bank & DTI (this side of the election)

In the light of this he agreed that notes should not be sent to PM.

In the event they seem to have gone to you but I have pulled them out of the box.

Andrew J.
2/3

2. Back to me.

PAUL GRAY

Prime Minister
You may wish to glance at this before you
see Hector Laing 2 March 1990 on Sunday.

To my ~~mind~~ mind most of the key points in
PM's MEETING WITH SIR HECTOR LAING the attached BIC
note were either misguided in the first place
or have been corrected. RAC 6

Sir Hector Laing has sent me the attached notes on TECs. He
thought it might be helpful for me to see them before his meeting
with the Prime Minister on Sunday. You may feel that the Prime
Minister should see them in case Sir Hector wishes to raise
some of the points with her. 2/3

The notes make three main points:

1. Resources: The Government is cutting expenditure on training; TECs have inadequate resources;
2. Enterprise Initiatives: The DTI harbours ambitions to set up Chambers of Commerce as a rival delivery mechanism to TECs. This would undermine TECs from their inception;
3. Credits: a national credit scheme by April 1991 would leave TECs with little to do - again alienating the businessmen involved.

On resources, TECs will have - by any standard - substantial budgets under their control. But it was always envisaged (and set out in the Employment White Paper) that employers would have to shoulder an increasing proportion of the cost of training. This has been accepted, for example, in the recent CBI proposals for training vouchers.

On enterprise initiative, I understand Michael Howard and Nick Ridley have discussed the relative roles of TECs and Chambers of Commerce. Nick Ridley has apparently backed off his earlier desire to set up the Chambers as a rival to TECs.

On credits, the concerns expressed in the notes have been clearly overtaken by events. Piloting will leave much of the initiative with TECs to come forward and bid should they wish to do so.

pp. D.A. Lewis
ANDREW DUNLOP

BACKGROUND BRIEFING ON TRAINING AND ENTERPRISE COUNCILS (TECs)

This provides a background briefing note on some current problems with the TEC programme, and highlights key messages for business leaders to give to the Government on TECs.

THE PROBLEMS

1. Inevitably, the razzamatazz and hype of the promotion of TECs with its emphasis on the scale of the challenge, the opportunities, and the real discretion available, and the resources being offered by Government was what fired-up the initial enthusiasm of TEC Boards. 'Men will die for a sentence - not for paragraphs.'
2. It was equally inevitable that the initial promotion would be followed by more detailed 'give and take' about how far the national rules were to apply and how much discretion would be given to the TECs. After some bumpy periods, eg. the first draft of the TEC/Training Agency Contract, there has been some good progress on freeing-up the national rules. There is some substantial discretion being proposed for TECs.
3. The value of that discretion, however, is seriously undermined because the budgets being proposed for the first TECs are substantially less than current spending in the TEC areas. The Treasury gave discretion with the one hand, then snatched back its relevance with the other. Budgets for the first thirteen TECs are going to be down around 8.5% in cash terms in 1990/91 versus current financial year and therefore, with inflation, they will be down around 15%.
4. The Government's argument is that: Unemployment is going down; there are fewer young people because of the demographic changes; and there are more school leavers staying on at school after 16 than was previously foreseen. It is possible, therefore, to make substantial savings.
5. There is a major policy issue here: Is the money for job creation? ie with less unemployment, less is needed; or do you exploit the demographic window of opportunity to invest in pump-priming of a real up-skilling by business? Unless you subscribe to the cold-shower doctrine, that the skills shortage will force major increases in business investment in training (surely even less convincing as an argument in the current economic outlook), then there is a strong case that investment by Government in training is about removing a very real barrier to future economic growth. Short-term savings for the Treasury or investment in the future? As Allen Sheppard pointed out to the Prime Minister's Training Seminar on 2 February, business is not necessarily asking for more training cash from government, but at least what is now has.
6. There is a technical argument that the figures given by the Training Agency for the first thirteen TECs (ie those which have prepared their corporate and business plans for a potential April start), are

less than in practice they will have. This is because the Training Agency held back some of its own allocation in order to cover late billing from local authorities, who are training providers (Apparently, local authorities often delay billing the Training Agency for anything up to three to six years!) because they want to have a buffer of debtors: ie. TECs' real budgets may not be quite as bad as they appear - but query whether any TEC chairman would be prepared to authorise additional spending on the basis that the bills won't come in until future years.

7. In any event, it appears that the PES figures for TECs for 1991/92 currently look even worse. ie. there may be an even more disproportionate cut in TEC budgets in their second year.
8. Apart from the long-term policy issue about the level of investment by Government in skills training in Britain, there is a very short-term, tactical issue: viz at the precise moment when TECs are starting, do you want to enforce the fears of those who believe that TECs are really only about Government reducing its own spending?
9. There is a very real danger of demotivation, because Board members in the first TEC areas feel that their own personal credibility in their communities is at stake. They have been going out telling public meetings that TECs will mean better quality training and opportunities for local innovation. Whatever the small print, they feel that they have been given a false prospect by ministers and senior civil servants. There are threats of resignations and of refusal to sign contracts.
10. This, however, would be nothing to the DTI time-bomb. In December, Nicholas Ridley consulted with ABCC and the CBI on the future organisation of DTI's support for business.
11. The ABCC (Association of British Chambers of Commerce) has been looking for sometime, at the future organisation of Chambers of Commerce - especially in the context of 1992. They have looked approvingly at the statutory base of German and French chambers. A report by Coopers & Lybrand for ABCC in 1989 recommended the amalgamation of many Chambers of Commerce and Chambers of Trade, and the emergence of a new network of larger, super-chambers of commerce accredited to a national organisation.
12. In developing their proposals over Christmas/New Year DTI initially backed ABCC proposals for a statutory base for chambers. Under Department of Employment pressure, they pulled back from the statutory base, but still propose to run major new DTI enterprise initiatives through the super chambers of commerce. DTI and ABCC papers also refer to an eventual convergence of chambers and TECs (a Sir Humphrey-ism for chambers taking over the TECs).
13. Additionally, DTI argued that DE only got enterprise because Lord Young was there and that DE should now hand back all its enterprise responsibilities to DTI: ie, the TEC enterprise budget (Small Firms Service, Business Growth Training, and EAS (?) should go to DTI and thus to chambers - not TECs).

14. This approach would obviously alienate the private sector: "no sooner have we found out about one initiative, and Government changes the rules and wants us to march off in a totally different direction."
15. Putting enterprise through chambers rather than TECs would also deny established Government policy to move public sector investment in the enterprise agencies from block grants to fees for Government contracts. It would destroy the enterprise agencies' strategy, to generate more of their own income. Apart from those few agencies which are self-sufficient (because of managed workspace, etc.) LEAs would have to close or be taken over by chambers. Few of the best, entrepreneurial LEA chief executives would want to become chamber employees (several entrepreneurial directors are already flagging up privately, their frustrations at increasingly capricious behaviour by their public sector funders).
16. We have made considerable efforts to convince national corporate sponsors of enterprise agencies, that their continuing support for LEAs can help the agencies to win TEC contracts. It is unlikely that we would continue to hold the private sector funding in line for the LEAs if Government contracts were not available. We would, therefore, see wholesale enterprise agency closures over the next two years.
17. A further complication on the horizon is Michael Howard's major theme which is to take up the CBI proposals for training vouchers. He wants a national scheme operating by April 1991. This would require much of existing YTS/ET budgets.
18. This would leave the TECs with an accreditation and policing role certainly not the role held out for them by the Prime Minister personally when she launched the TEC prospectus in March 1989; or by senior ministers and civil servants subsequently!
19. Private sector resilience and song froid may view such substantial changes of heart by Government with equanimity. On the other hand, many of the individuals who have been inspired for the first time to become involved in the community may be highly demotivated. This may alienate them from not just the TECs but the whole idea of becoming involved in the community: "Why should I bother if Government shafts us before we even have a chance to prove ourselves."
20. It was fascinating, for example, giving a speech to the AZTEC Board Retreat last week, about Enterprise and TECs. They have a young, enthusiastic chairman who is MD of a British Aerospace division. He was not previously involved in the community. He is really fired-up and convinced that AZTEC are creating effective partnerships amongst many organisations not previously in contact. The Government has achieved, overall, some very impressive TEC Boards who are generating a great deal of enthusiasm.
21. The motivation factor is particularly important right now because the Training Agency is being very tough for the first thirteen TECs

on their corporate and business plans in order to send signals about quality and standards to TECs generally. This is, of course, very sound. It does mean, however, further pressure on those first TECs and, in the short-term, will appear as yet more 'bad news' for them.

22. In passing, if the individuals who have been fired-up for TECs are alienated, and leave, it will be difficult to find replacements, and even worse, it would be very difficult to fire those individuals up again for anything in the future. What price then Business in the Community's drive to attract tomorrow's business leaders into our kind of work?
23. Whatever happens on the DTI proposals with the Chambers, there is an underlying message here. These proposals would never have been able to get as far as they have if there was a very clear understanding in Government that TECs were a high government priority and there was a very clear political commitment to them from the top.
24. Separately, it does not appear that there is any clear Government overview about what it is expecting from the private sector and how different Government initiatives will actually have an impact on how positively the private sector takes up any particular proposal. Someone, somewhere in Government needs to be having an overview of how individual policies will effect the overall policy of giving more business leadership in the community.

25. ACTION

1. Need to get across to the Prime Minister and senior Ministers that there has to be the clearest, possible signals about the Government commitment to TECs.
2. Must make distinction between strategic responsibility (TECs) and delivery agents for training, enterprise, etc. (Chambers of Commerce, LEAs, other non-profit organisations, commercial providers).
3. We should also be emphasising the need for someone holding the overview on the Government-Business Leadership interface.

Finally, some movement on the funding front would be very helpful!

DRG

Fm

PRIME MINISTER

Hector Laing came to see me principally to leave with me some papers written by the Chairman of a US pharmaceutical company operating in the UK. (He is also a colleague of Hector's on the Exxon Board.) The papers argue that the proposals in the NHS reforms to get a better grip on drug costs will cause international pharmaceutical companies to relocate elsewhere in Europe. I have asked the Policy Unit for a view, but my initial impression is that I have heard it all many times before.

Hector also mentioned that a history of United Biscuits is being written. Although it is meant to be about the company, much of it will be about Hector who has presided over its expansion in the last 25-30 years. He has asked whether you would be willing to contribute a foreword.

Your link is properly with Hector and not the company. Though you may admire what it has achieved, I think in public you should be neutral. To contribute a foreword to one company's history will expose you to pressure from elsewhere. You are indicating your admiration for Hector's achievements by attending a dinner of the Board in May. I see no reason to go further.

Agree?

Yes - I think he needs an illustration of financial to write such a foreword

I took the opportunity to bend his ear on the Bank of England salaries. For the most part he was unrepentant, although he conceded that the case for a £80,000 rise in the Governor's salary, part way through his term of office was rather weak.

AT

mt

ANDREW TURNBULL19 January 1990

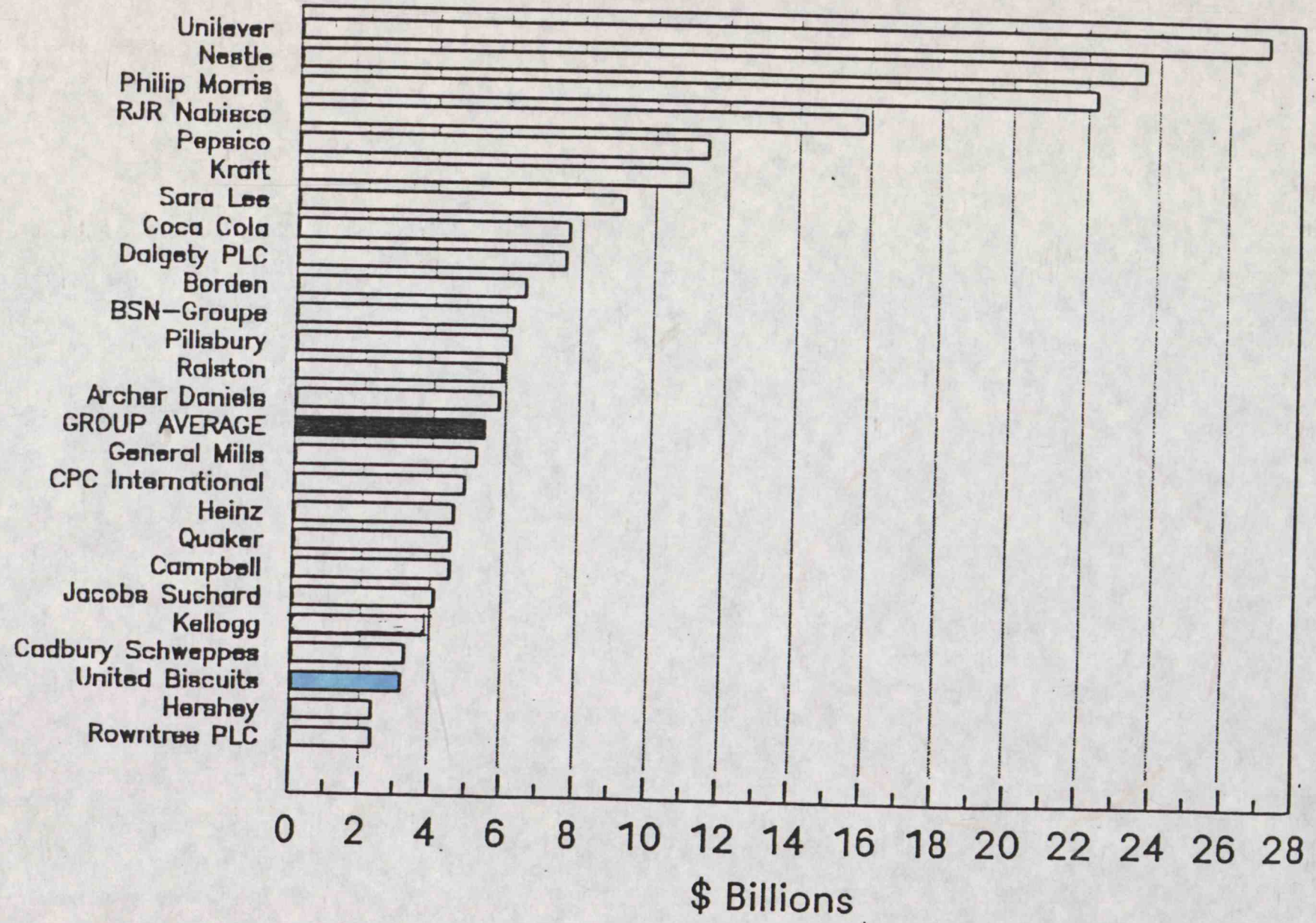
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Total Sales

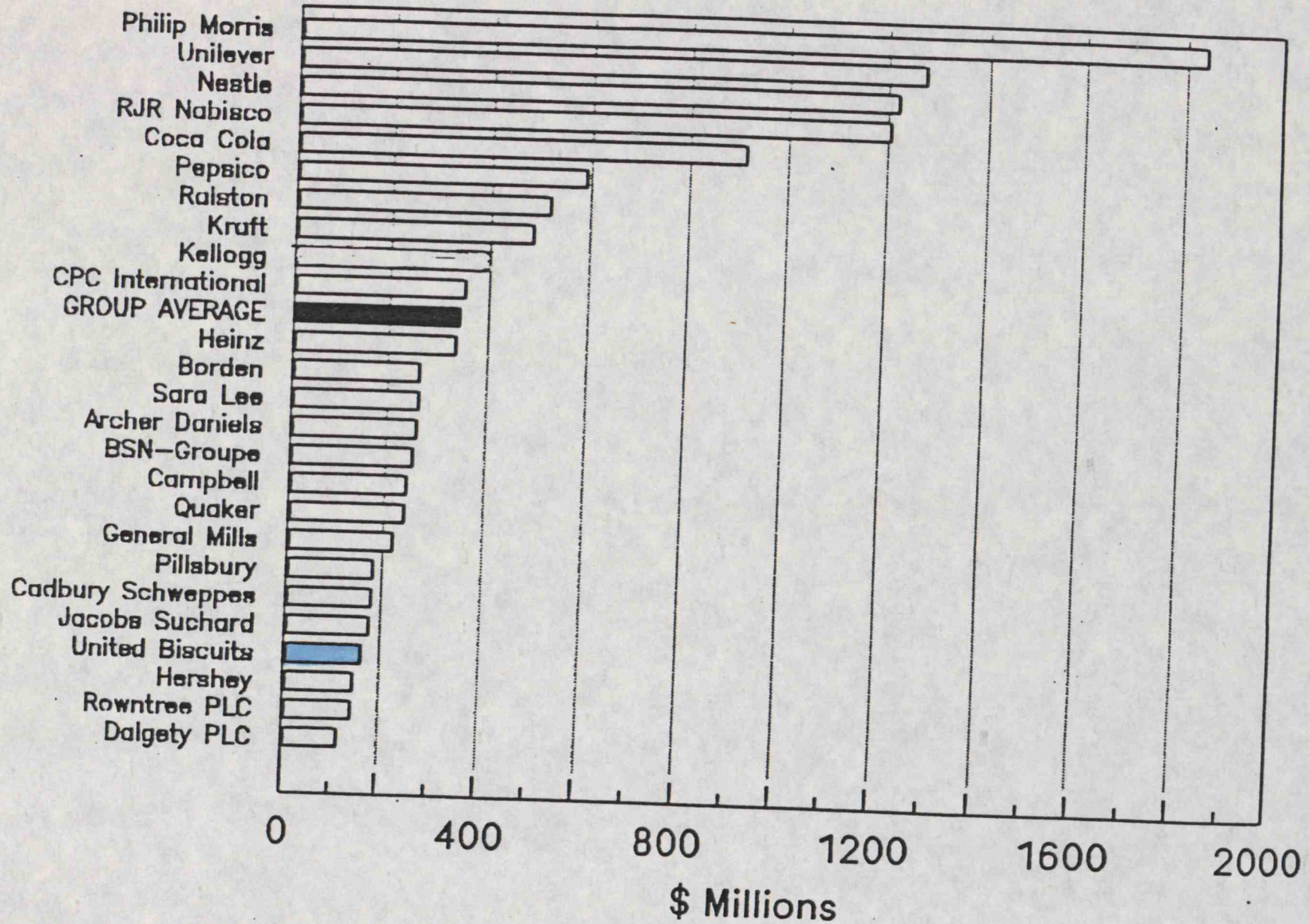
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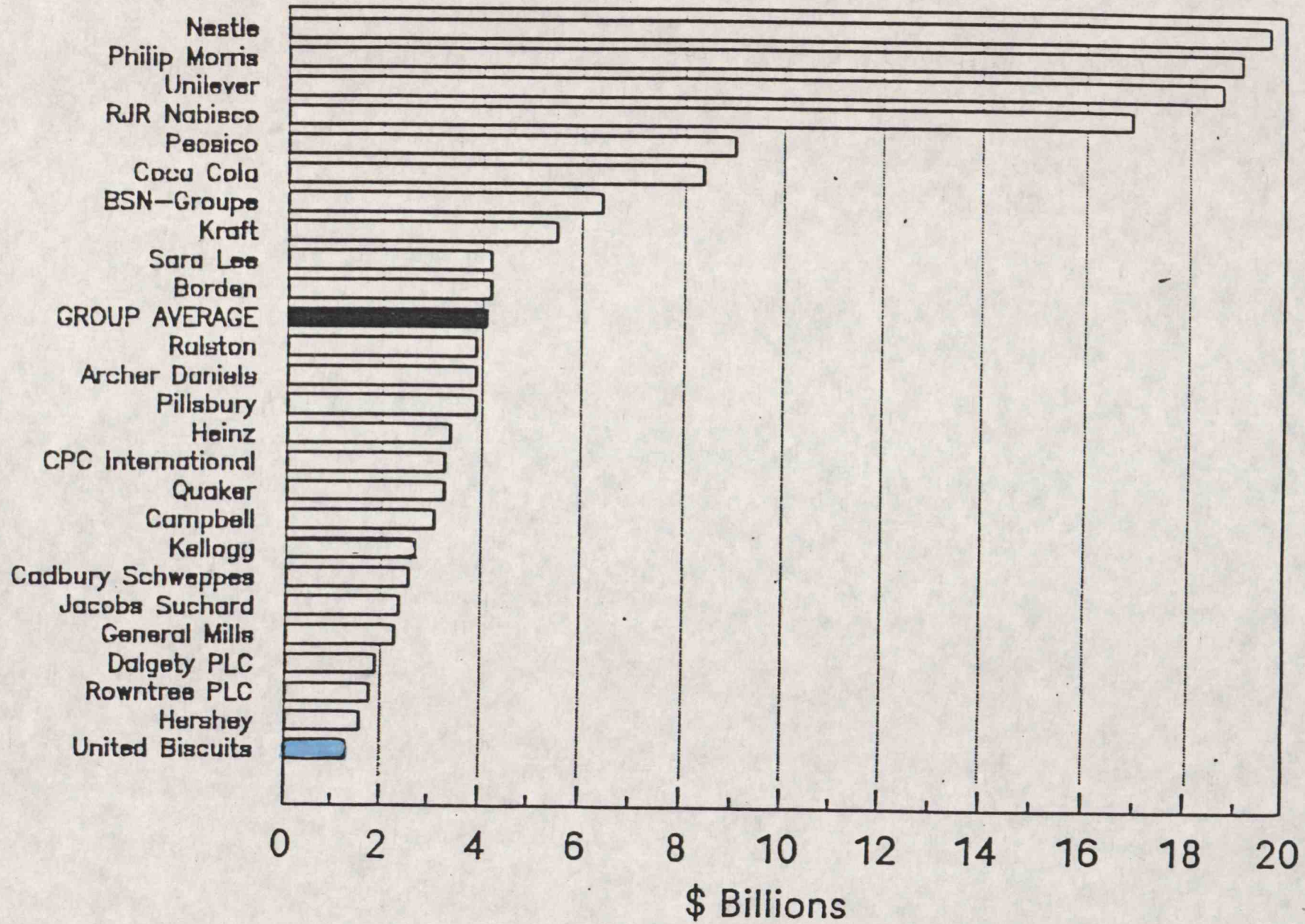
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Fiscal Year - 1987



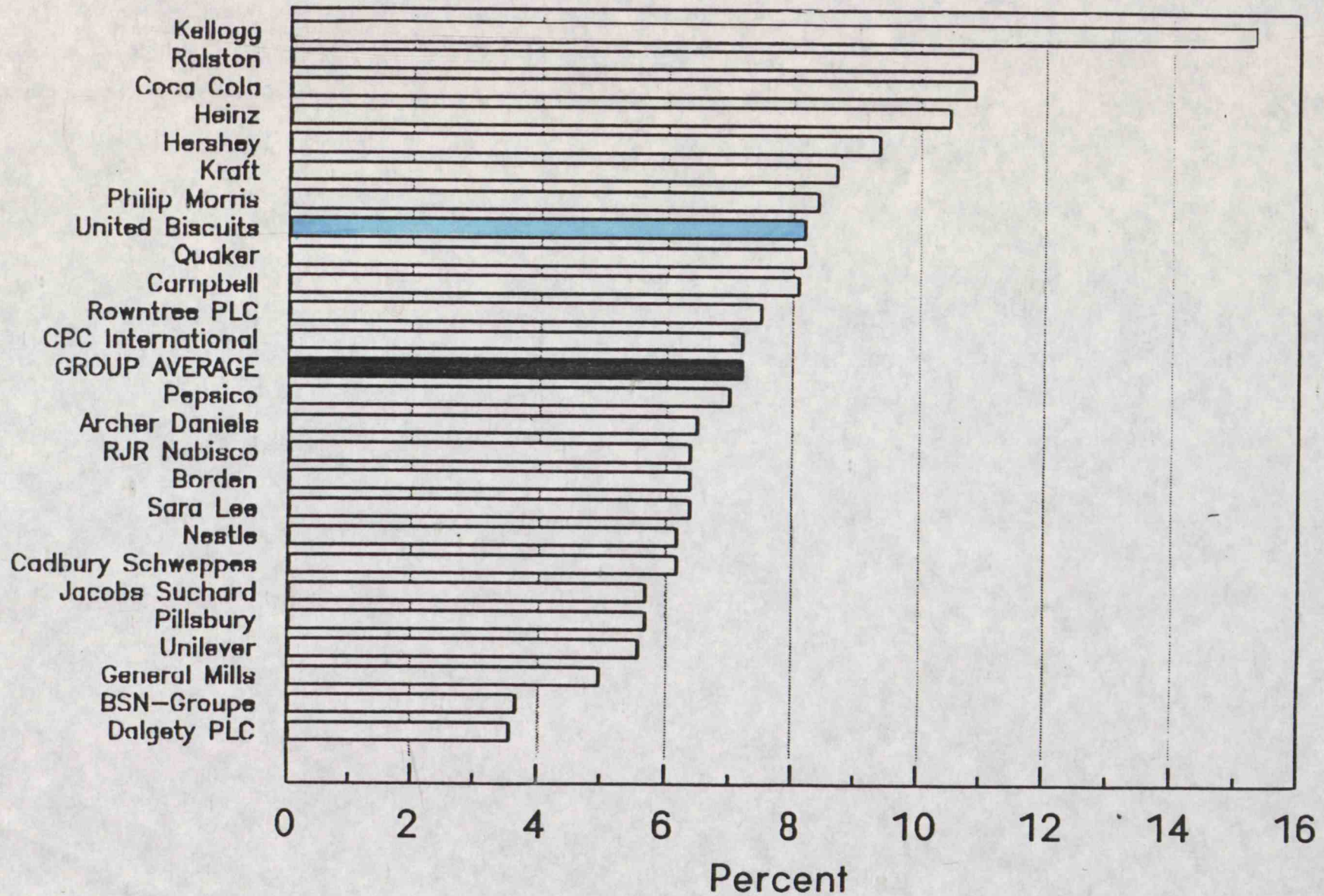
Total Assets

Fiscal Year - 1987



Average Return On Assets

Fiscal Years 1985 - 1987



United Biscuits

POLITICAL

CF

(P.M.M.G.)

SYON LANE
ISLEWORTH
MIDDLESEX

01-560 3131

Nigel Wicks, Esq.,
10 Downing Street,
London S.W.1.

19th June 1987

Dear Nigel

As you may know, I am coming to see the Prime Minister with Marcus Sieff at 5.30 pm on Thursday, 25th June, and I very much hope that she might see the enclosed before then.

Yrs
Heckler.



United Biscuits

01 200 201

United Biscuits

Prime Minister²

cc B/yp

01-560 3131

SYON LANE
ISLEWORTH
MIDDLESEX

Stephen - we should
see Stephen O'Brien.

The Rt.Hon. Mrs. Margaret Thatcher, MP,
10 Downing Street,
London S.W.1.

19th June 1987

Dear Prime Minister

mt

I wrote the enclosed thoughts on my way to the USA last week and I hope you may find them of some interest.

I also enclose an extract from a letter which Stephen O'Brien, the Director of Business in the Community of which I am a Vice-Chairman, wrote to John Wakeham in March, spelling out definitively some of the ways in which depressed areas are being successfully revitalised by local initiatives with BIC guidance. Stephen knows more about inner city problems than anyone I know - and more importantly, about how to set about solving them. I would like to suggest that you might ask him to come and see you to tell you more about what is being achieved - I am sure you would find it enormously helpful.

I am delighted to be coming to see you with Marcus Sieff on Thursday, 25th June at 5.30 pm when I hope to be able to explain my thinking more fully.

Yours

Hector.

* You met him at lunch at Dunphail two years ago with Graham Ross who is seconded from U. B. to run Scot Bic.

A Scotsman's Thoughts on Scotland

I can remember my father saying in the 30's that the dole had ruined Scotland because it had destroyed the independent character of its people. After the election, I asked my son Mark, who is manager of our Glasgow biscuit factory employing 1,500 people, what he thought had gone wrong in Scotland. He made a similar observation: that they had got used to hand-outs, expected to be supported with ever larger hand-outs, and there is too little personal ownership, so that too few of them feel they have any stake in society, let alone any proprietary pride or concern.

Ever since the Union, the centre of power and money and media has been in London and the Scots have been governed from the south, which is increasingly felt to be very remote. In recent decades most large companies founded and built in Scotland have moved their headquarters to the south and this has exacerbated the sense that Scotland has been drained of authority and power.

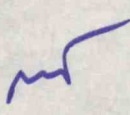
You may remember Mrs Cran at Dunphail: on many occasions I heard her say what a pity it was that the boys were born in England! The anti-English sentiment is very deep seated and the gulf is widening. As a Scot who never set foot south of the border before the war, I feel strongly about Scotland's alienation which I believe could be destabilising for the UK as a whole. It seems to me that one way to galvanise the Scots out of that attitude is to challenge their pride: to suggest that they cannot go on letting themselves get beaten by the English!

As Chairman of Scottish Business in the Community (ScotBIC) I do see encouraging evidence of a resurgence of the spirit of enterprise in Scotland. Many ambitious young Scotsmen are now starting their own businesses, demonstrating that attitudes are changing, but we need to accelerate the process.

You know my company policy of giving 1% of pre-tax profits, in secondments as well as cash, to community projects - last year that represented £850,000. I will now direct that more goes to Scotland and the north of England and will try to persuade other Per Cent Club members (now numbering 95) to do the same.

I believe it would be a mistake, however, to try and solve Scotland's difficulties from south-based businesses or London-based government. It is important to harness Scotland's energies and expertise, exploit the strong sense of national identity, and encourage their independence - the notion that they can do it themselves.

I believe that we could make a start by tapping the combined experience and expertise of ScotBIC, the SDA, Local Enterprise Trust chairmen and other Scottish leaders. ScotBIC could organise a conference in the autumn at which the Scottish opinion-formers would be challenged to put forward their constructive ideas on how we can galvanise the Scottish people to generate a new impetus. The movement must be essentially "bottom up" - inviting the people to tell us what they want to achieve in their communities, then lending them management skill to direct and channel their energies, injecting some money from the business sector, and some from government. I would like to invite Malcolm Rifkind to be the key speaker, and I would hope that you would authorise him to speak on your behalf and to publicise your total backing for a self-help campaign in Scotland. I believe this could do much to restore Scotland's confidence in itself. It will be a slow process, requiring much patience, but I think it is the only way.



Sir Hector Laing
19 June 1987

Extract from letter dated 23 March

to John Wakeham

from Stephen O'Brien

1. There are a rapidly increasing number of new local community based initiatives which can be of great benefit in developing and delivering new Government programmes.

I used the local Enterprise Agencies and Project Fullemploy as examples. These are mechanisms supported by private sector companies wishing to involve themselves on a cost effective basis in their local communities. The professionalism in such organisations is developing fast and the Government's recent initiatives in matching private sector funding with Government funding in, for example, the Enterprise Agencies and the Princes' Youth Business Trust is helping to guarantee this. These organisations like BiC itself, are essentially non-aligned politically. A fundamental aspect of their work is building partnerships across different sectors of local communities, often with diametrically opposed political views.

2. After the inner-city disturbances in 1985 we began to think out how BiC might help to create a feeling of 'ownership' at local level. In describing this we have adopted HRH The Prince of Wales' 'bottoms up' expression. This approach aims to involve all facets of a community in their own economic regeneration planning. It also breaks away from the divided and 'monolithic' approach to local economic development which I know the Government has recognised as a barrier to change and growth. In piloting this approach we have recently 'adopted' Halifax in Calderdale and Finsbury Park in North London to experiment with our new ideas. We plan to move on to five other inner urban areas, in some cases dovetailing with the Department of Employment's Task Force areas over the coming months. If we are successful this approach could create ways in which Government funding can be channelled more effectively into local communities.

3. The examples given and our growing experience have convinced me that there is nearly always a need for some 'targeting mechanism' or 'transformer' in order to allow Government funding to be used to the best advantage in tackling local conditions. The clear need for a 'bottoms up' approach with consultation built in as a starting point is demonstrated by, for example, the City Technology Colleges where I believe opposition could have been avoided had the growing band of expertise, which I am describing, been brought in to consider piloting such initiatives in the first instance away from the public spotlight.
4. I mentioned that many of the large private sector companies now understand that they are being asked by Government to become involved in a wide variety of initiatives. The response from these corporations has been very encouraging and a number of them have indicated that, after the election, it would be sensible to try and create a forum where Government could discuss its priorities. In this way, private sector support could probably be angled more effectively. I suggested that BiC would be delighted to take this forward.
5. I told you that many of our contacts in the black community felt that they were being taken seriously by the Government and particularly by Department of Employment ministers. This is leading to the development of small businesses within a framework of self-help within the Afro-Caribbean community. We have been much encouraged recently by similar initiatives in which we have been involved with Bangladeshi groups in East London.

BiC has become the main focus for corporate community involvement. Our President is HRH the Prince of Wales. We now have 240 major companies involved and a total of 3,000 companies in all supporting Enterprise Agencies locally.

(Scottish Business in the Community has 77 member companies and over 1,000 companies supporting local enterprise trusts).



United Biscuits

Pmc Minutes ⁴

SYON LANE
ISLEWORTH
MIDDLESEX

01-560 3131

Nigel Wicks, Esq.,
10 Downing Street,
London S.W.1.

To glance - an impressive
performance.

N.C.J.

19th February 1986

5.3

Dear Nigel.

I am sure you have plenty of time on your hands and nothing to read! However, I hope you might be interested in at least glancing at the enclosed - and perhaps even passing it on - which shows what one company is trying to do for the community, at a cost of about £600,000* a year.

Yrs

Heeti

gladly given - but get hell from
Andrew Alexander.

UNITED BISCUITS (UK) LIMITED

COMMUNITY AFFAIRS REPORT 1985

1. Summary of main activities and developments
2. Review of Year's Programme
 - 2.1 Youth Training
 - 2.2 Help for small firms to help job creation
 - 2.3 Industry-Education links
 - 2.4 Community Service
3. Publicity

1. SUMMARY OF MAIN ACTIVITIES AND NEW DEVELOPMENTS

1. Secondments

There were 13 managers on fulltime secondments to external organisations at any time during the year. The six managers who joined the programme are working with organisations where we have not previously made secondments. These are: Liverpool Community Transport, Youth Business Initiative in Liverpool, Technical and Vocational Education Initiative (Hertfordshire), Opportunities for the Disabled (North Humberside), Hull University and Work Wise in Glasgow.

2. Enterprise Agencies and Trusts

25 Enterprise Agencies (and Trusts) have received support including financial sponsorship, management assistance, premises and specialist consultancy help for some of their clients. At 18 factories and offices, UB managers are actively participating on the boards of the Agencies and/or providing other facilities. New Agencies started in the year with UB support were at Grimsby, Dalkeith, Stockport, Hounslow, Moray and Motherwell.

3. Training for work in the Community

Two major pilot schemes were supported to provide training for people who wish to work with their local communities. Details of The Prince of Wales Community Venture Scheme in Sunderland and Crawfords Endeavour Group programme for community leaders in Merseyside are given later in this report.

4. Youth Training Scheme

146 young people took part in the Youth Training Scheme in various locations. UB Companies operated five managing agencies for this MSC Programme.

2. REVIEW OF YEAR'S PROGRAMME

2.1 Youth Training

1. Youth Training Scheme

UB Companies arranged YTS training programmes at 15 factory and office sites, which included 5 managing agencies and 10 sponsors. Of the 98 trainees who started in September 1984, 77 young people were offered employment in the companies where they were trained and most of the others got jobs elsewhere. 48 trainees had work experience in the shops and restaurants of D.S. Crawford, and many of them obtained employment in that company at the end of their training.

2. The three factories which were able to offer employment to the largest number of trainees were Manchester (20), Terry's York (14), Carlisle (12). In UB Foods, 11 trainees completed their courses and were offered jobs.
3. Tom Boyes started as Regional Co-Ordinator for the Youth Business Initiative in Merseyside in April. He selected 60 young people (from 326 applications) and awarded them funds which total £75,000 to help them start their own businesses. Previously unemployed young people are now self-employed. They have undertaken to provide progress reports on their firm's results and to keep in touch regularly with a nominated business counsellor. The failure rate is low - 16% since 1982.
4. Work Wise is a training centre for disadvantaged unemployed young people from the inner city areas of Glasgow. M. Laing, Factory Director Tollcross, is a member of the Board and D. Gray, Factory Chief Accountant, is Finance Director. John Lang from the training department at Tollcross factory has started a secondment as an instructor at the centre. The project is also supported by a covenanted donation.
5. Fred Sieling worked on secondment to Endeavour Training for two years as an instructor. Many of the courses were for young people including some YTS trainees. He finished his secondment in June and is now employed by Endeavour Training as Management Training Executive. One of his regular commitments is to run a personal development and team building module which is included in management training courses at the Ashridge Management Centre.

6. At the Marlborough Centre, Hounslow, Clive Padgett (on secondment from UB Osterley) has been running a YTS Mode B scheme for ESN and other disadvantaged young people. The project which is sponsored by Hounslow Borough Council has a good reputation in the area and a high proportion of the trainees have obtained jobs subsequently.
7. Young Enterprise has been expanded in the North West in spite of some difficulties arising from the teachers strike action during the year. John Sankey, on secondment from UB Foods - who has an office provided by UB Biscuits Manchester - has increased the number of area boards to 12 (one extra) and Young Enterprise companies to 100 (from 74). Plans are well advanced to start 3 more area boards - in the Wirral, at Nelson and at Preston. Altogether this year 1500 young people in the North West will have learned more about team work, decision making and how to run a business through this scheme.
8. The "Start-up Your Own Business" courses of the Open Business School - part of the Open University - provides a structured course for students. As a sponsor company UB has provided covenanted financial support.
9. Opportunities Industrialisation Centre operates a training centre for ethnic minority inner city youth in Birmingham. The first stage is a 30 place Information Technology Centre. UB has committed support for four years.

2.2 Help for small firms to aid job creation

1. Scottish Business in the Community has been instrumental in the start and development of 24 Enterprise Trusts in Scotland (of a total of 30 Trusts). Graham Ross - seconded by UB - is the Director of ScotBIC and is responsible for the wide support the Trusts are getting. There are now 600 companies which are sponsoring the Trusts in partnership with local authorities and the Scottish Development Agency. It is estimated that 10,800 clients and 1350 new business starts were helped by the 19 Trusts which had operated for more than 12 months when a survey was made early in 1985.
2. Business Initiatives Carlisle under the Chairmanship of Peter Whitley, UB's factory director has extended and improved its business counselling service.

3. The small business counselling service of the Brent Business Venture has been expanded and 1062 clients were interviewed in the year (65% increase on 1984) most of whom (66%) were from ethnic minorities. Tony Nicholls - seconded by UB - is Director of the agency which claims to have helped 112 new business starts (up 27%) with jobs for 190 people in 1985.
4. At Stockport, UB Biscuits have made available premises in the Bowater Building for the newly formed Stockport Enterprise Agency. Factory Director (of that time) Paul Grant was on the steering committee and Board responsible for creating the agency. Bill Hurren, seconded by UB from Terry's National Accounts team, is the first Chief Executive.
5. The Youth Enterprise Scheme is designed to provide small loans (with subsidised interest rates) to young people who wish to start their own business. Help is also given in the preparation of business plans and advice is available in the early stages of operating. UB has given £25,000 to be paid by covenant over 5 years.
6. At the London Enterprise Agency, David Parker, on secondment from UB Foods, is Marketing Adviser in the Business Counselling Section. He has advised 306 clients in the year and estimates that 50 jobs have been started and 20 jobs saved by these small companies.
7. John Cutler is working at the Leicestershire Business Venture seconded by UB from Wimpy International. In their latest report, the Agency claim to have handled 900 enquiries and helped with advice 200 new businesses which started in the past 12 months. John was instrumental in persuading the NCB to become a sponsor of the Agency and enabling thereby a branch office to be opened in Coalville.

/Continued ...

2.3 Industry-Education Links

1. At Manchester UB Biscuits factory facilities have been made available to local schools to bring classes of students to the site to help them relate their curriculum studies with situations of everyday working life. Harry Dearden - Community Relations Manager - co-ordinates their activities as well as being responsible for the factory's Youth Training Scheme. Several hundred young people visited the factory during the year.
2. Brian Farmer has been seconded to Project Trident in Hounslow since July. In the second half of the year he increased the work experience opportunities for students by 19% (640 extra places) and he persuaded an additional 58 employers to offer places.
3. In Hertfordshire a new work experience centre is being developed at Stevenage to provide facilities for students on Technical Vocation Education Initiative courses. Tony Ure, on secondment to Herts Education Authority, has worked with colleagues from the education sector to design the new unit, which will be known as the Hertfordshire Youth Training & Enterprise Centre. Groups of 50 students will attend for 1 or 2 week periods which means that 1,000 students per year will be able to use the centre, thereby reducing demands on employers.
4. Schools Liaison Officers are young managers appointed by the companies to work with 8 independent schools and help develop industrial and commercial links which are useful to their teachers and students. During the year many visits were arranged at the schools and by students to company sites. One innovation was the two day "Introduction to Management" course run at Osterley HQ site for 10 Eton College sixth formers in which they undertook several case studies and discussed their results with UB managers. The two days were part of an industrial week at the College.
5. At Hull University David Geekie has been seconded from UB Frozen Foods to be Director of the Industrial and Commercial Development Agency. He is responsible for increasing the research and development work (with emphasis on the private sector) undertaken by university departments to generate additional funding for the university.

The programme will be assessed at the end of 18 months and if the results are satisfactory the university will establish a full-time post to be filled by a manager with industrial experience to continue the work.

6. Group Training managers have developed with CRAC a United Biscuits Production case study for use by universities and sixth formers to learn about production management. This was tested at a school and at Lancaster University and will be made generally available in 1986.
7. A meeting was held at Osterley of the Careers Masters and Industrial Liaison Officers from 10 independent schools and the UB Schools Liaison Officers which work with them to review current practice in schools-industry activities. The forum is designed to enable the schools to learn from the successes and failures of the projects in other schools.
8. Reg Pudney during the last six months before he retired (after 30 years in the UB Biscuits sales force) worked on secondment to Project Trident in Brent. He set out to persuade employers to provide work experience places for sixth form students. He was so successful in getting extra employers to participate in the scheme that Project Trident employed him two days per week in the second half of the year. During the year Reg signed up 210 new employers with 382 job opportunity places. His work will enable 1,500 students to have a wider choice in the type of work experience they select.
9. Terrys management team at York have arranged to sponsor enterprise groups in 6 local schools, through the North Yorkshire Schools and Industry Association. The Production Manager is on the management committee of the Association. The Personnel Department's computer has been made available for the analysis of results in the Tourism Survey which will be a major project for the schools in 1986.

2.4 Community Service

1. Community Involvement Teams at six UB locations raised funds for local charitable projects and the Company contributed an equal amount which in total was £4,350. All the UB operating companies had at least one team working during the year - UB Biscuits had teams at Harlesden and Carlisle. In addition, the management team at UB Foods Ashby undertook a major fund raising series of events to support the Cheshire Homes move to Netherseal. They raised £8,000 and UB supported them with a donation of £2,000.
2. The Liverpool Action Group at UB Biscuits Liverpool factory ran a community leaders course for ten people who wanted to get jobs as managers in voluntary organisations. The training scheme consists of a number of modules chosen by each participant including a large element of learning from the practical experience of arranging courses for other people. Candidates were picked by an independent panel and all but one finished the course and achieved a satisfactory standard. Endeavour Training and Crawfords Endeavour Group assisted in compiling the course elements and running the residential personal development unit of the course.
3. Joe Jones has been working on secondment from UB Distribution Services to Liverpool Community Transport, which provides garage and servicing facilities for the coaches and mini buses of 110 voluntary organisations in Merseyside. His contribution has been to improve the systems used which ensure that vehicles are maintained regularly and efficiently at the same time keeping costs to a minimum. The result has been a more reliable service for the 100,000 people - including pensioners, disabled and children - who used the buses during the year. He also helped to install a 24 hour security system which is funded by MSC.
4. The Goodwill Foundation in Glasgow is employing disabled people by renovating unwanted furniture clothing and household goods. UB helped Goodwill to attract public sector support by making a substantial grant (£4,500). This enabled them to employ three additional people and provide the greater output needed to supply a new retail branch in Buchanan Street.

/Continued ...

5. In Sunderland a pilot scheme for the Prince of Wales Community Venture was launched to train and motivate young people to give service to their community. Four teams of 12 Venturers will be trained each year. Two companies UB and BP each contributed £5,000 and underwrote the full contribution needed from the private sector of £25,000.
6. An opportunity was presented to the Merseyside Council of Voluntary Services to move from small overcrowded offices near the City Centre to a disused school where there is space to develop its activities. The Liverpool Action Group donated £10,000 to MCVS to provide for the re-furbishing of the new premises prior to their move.
7. Opportunities for the Disabled have extended their activities to include South Humberside as a result of the secondment to it by Derek Bell from UB Frozen Foods. Derek has opened an office in Hull to start this new facility (sponsored by private sector companies) to help disabled people in the area.
8. Staff at many locations in UB undertook fund raising activities for the NSPCC (National Society for Prevention of Cruelty to Children) during the year, with 10% of total to RSSPCC (Scotland). The programme was started by Ian Birks (Communications Manager) at HQ Osterley and he enlisted fund raising organisers at many company sites some through the network of UB Times correspondents. UB Times has encouraged many new fund raising activities by its regular publicity for the Appeal which is expected to raise £25,000 in the year.

3. PUBLICITY

1. The film "Lending a Hand" which was first shown at the Annual General Meeting in May describes some of the community involvement activities which the company supports. The film has been shown at many UB factories and other locations during the Chairman's visits.
2. "Lending a Hand" has been used extensively at public events by Business in the Community starting with the launch of Enterprise Week (sponsored by the Department of Industry) in May. Video copies have been borrowed on 25 occasions by other companies and community organisations.
3. 7,000 copies of "In the Community" have been made available from the Information Department to company sites and the public.
4. UB managers on secondment are regularly giving acknowledgement in written and verbal presentations that their work results from their secondment by the company - which commits 1% of UK pre-tax profits to the community.



CF
Prime Minister - to see ⁴

This throws a different light on Hectö, Laing's representations about v.a.t.

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

PERB

28.11.

27 November 1984

Robin Butler Esq
10 Downing Street
LONDON
SW1

Dear Robin

Thank you for your letter of 23 November about Sir Hector Laing.

... In return, you might be interested to see the attached letter to the Chancellor from Sir Hector, of 25 October, which touches on the same subject.

Yours ever
David

D L C PERETZ
Principal Private Secretary

United Biscuits

01-560 3131

SYON LANE
ISLEWORTH
MIDDLESEX

The Rt.Hon. Nigel Lawson, MP,
Chancellor of the Exchequer,
H.M. Treasury,
Parliament Street,
London SW1P 3AG

25th October 1984

Dear Nigel

Thank you very much for once again spending an evening with us. From the letters I have had everybody thought it was thoroughly worthwhile, and I hope you did too.

Just in case my notes on an early-retirement scheme have been consigned to the waste-paper basket, I will send Michael Portillo another copy. In relation to the money being spent on schemes to help the young unemployed, a considerable proportion of whom will not get permanent jobs, I think the cost of what I am suggesting, which would give permanent jobs, is relatively modest.

With regard to VAT, although I support the idea of widening the base, I feel very strongly that it would be wrong to impose it in such a way that it divides an industry, benefitting one part and damaging another, at least in the short term. I believe the two rates of VAT should be 5% and 15% rather than the present 15% and zero, and that all food should carry the 5% rate. While I know that the Prime Minister has been reported as saying that food would not be taxed, I find it difficult to reconcile that with the fact that VAT is paid on over £200 million of United Biscuits' turnover in our UK food business.

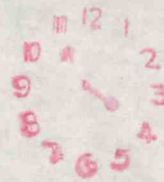
If it was thought that the introduction of two rates at 5% and 15% would present administrative difficulties for smaller businesses which are VAT-registered, the base level at which VAT becomes payable might be raised. This would have the added advantage in the grocery trade of redressing the balance of power of the supermarkets,

because the small shops' buying price is often higher than the supermarkets' selling price. Therefore the higher the level at which the small grocery shops had to register for VAT, the more the balance would be redressed.

Yours
Hector.

PM : Hecta Lang : March 80

1984



FILE SAHAFJ



10 DOWNING STREET

From the Principal Private Secretary

23 November, 1984

Sir Hector Laing called on me yesterday evening and, among other things, said that he was worried about reports that the Chancellor might be considering extending VAT to biscuits. He is considering launching a campaign on behalf of his industry against such a proposal. His argument is that during the European Election campaign the Prime Minister made clear that the Government had no intention of extending VAT on food, and Sir Hector Laing expounded - in no uncertain terms - his view that biscuits are food.

David Peretz, Esq.,
H.M. Treasury

ea

PRIME MINISTER

cc: Mr. Turnbull

MS

Sir Hector Laing called in this afternoon and left a letter for you which is in your tray. He wanted to see you briefly before Christmas, and, if you agree, I will arrange a slot in the week before you go to the Far East.

He was in a very excited state about the risk of VAT being put on biscuits. He has prepared a full page advertisement quoting your pledge in the European Elections against extending VAT to food and saying that therefore there will be no VAT on biscuits. He was also planning to send you the attached letter.

I said (truthfully) that I had no idea whether the Chancellor was considering extending VAT to biscuits. I said that I did not want to advise him ^{against} doing whatever he thought it was in the best interests of his company to do but I said, as a friend, that if he was going to wage a public campaign, I hoped that he would not address it so personally to you.

Hector said that he was quite ready not to fire off his guns but, if I saw any sign that VAT was to be extended to biscuits on the grounds that biscuits were not 'food', I should give him a chance to wage his campaign. I said that I would not be able to do that. But I would undertake to him that I would pass on to you his very strong representations that biscuits were an important part of the food of Britain and any extension of VAT to them would be contrary to your pledge; and I would warn you that if the Chancellor were to do any such thing, Hector would oppose it implacably. Hector appeared to think that this was a reasonable basis on which to leave matters. |

FERB

22 November, 1984

He was also passing the case for :-

- i. A £2 note
- ii. Your visiting Debden
- iii. Early retirement
- iv. ^{shareholders'} ~~shareholders'~~ voting on political contributions.

United Biscuits

01-560 3131

SYON LANE
ISLEWORTH
MIDDLESEX

22nd November 1984

I have been concerned to read what I must regard as well informed reports in the Press that the Chancellor, in seeking to broaden the base of indirect taxation, is considering placing VAT on biscuits. I do not believe that there can be any reasonable definition of Food that does not include biscuits. They are very much a part of the national diet, and their consumption is particularly important to the lower wage earner. This can be illustrated as follows :

Biscuit Consumption - Non-chocolate

50 grms per person per week	79% of total consumption
Lowest Social Group - Class DE	32% of total non-chocolate market

During the European Election Campaign you made it clear that the Government had no intention of putting VAT on Food. You are rightly respected for your straight talking, and I am sure it would be in the interests of all of us if any doubts could be removed now. A long drawn out campaign, which we shall feel obliged to wage if a categorical statement is not made, would be damaging both to the Government and Industry. It is one that you will know I am desperately keen to avoid. An answer now would in no way pre-empt or prejudice the Chancellor's budget not, in view of your statement, would it preclude bringing other items within the tax base. It would be read and be seen to do no more than clearly to re-iterate that your views during the European Election Campaign remained the policy of the Government.

TOTAL BISCUIT MARKET

Total Biscuit Tonnage	550,000 tonnes	100%
Non Chocolate	440,000 tonnes	80%
Chocolate	110,000 tonnes	20%

TOTAL BISCUIT CONSUMPTION

6.7 oz	190 grms. (7 oz approx) per person per week	Total	100%
5.3 oz	150 grms. " " " "	Non-Choc.	79%
1.4 oz	40 grms. " " " "	Choc.	21%

LOWEST SOCIAL GROUP - Class DE

		<u>% of total Market</u>
623m packets per annum	Total 100%	29%
465m packets per annum	non Choc. 75%	32%
158m packets per annum	Chocolate 25%	24%

RLB/HT
21.11.84.

BISCUITS - AN INDISPENSABLE PART OF BRITISH LIFE

1) THE FACTS ABOUT BISCUIT CONSUMPTION

Since the last century biscuits have occupied a uniquely important position within British basic food. The following facts show just how widespread is their consumption:

(i) Biscuit purchasing profiles:

	<u>SOCIAL CLASS</u>			<u>CHILDREN</u>		<u>SIZE OF HOUSEHOLD</u>					<u>AGE OF HOUSEWIFE</u>				
	ABC1	C2	DE	Yes	No	1&2	3	4	5	6+	16-24	25-34	35-44	44-64	65+
% Homes purchasing	93	93	93	95	92	92	93	95	96	93	89	93	94	93	93
% market volume	31	37	32	46	54	38	17	28	12	5	3	17	25	34	21
% households in research panel	31	34	35	35	65	52	17	21	7	3	3	16	18	35	28

Source: TCA 48 weeks 1983
Sweet & Semi-Sweet Biscuits

In summary, biscuits are purchased by almost all households.

Relative to their proportion of all households, biscuit purchasing is concentrated in C2 households (skilled working class) and households with children. Over 20% of biscuit volume is purchased by the over 65's.

(ii) Per capita consumption at 190g per person per week is amongst the highest in the world. (Non chocolate biscuits 150g per person per week).

(iii) Over 550,000 tonnes of biscuits are produced by British companies for UK consumption every year. 440,000 tonnes are non chocolate biscuits (80%). This tonnage has been virtually constant over the last 15 years. The value of the biscuit market is over £765m per annum (through all outlets). This important British industry employs directly over 30,000 people and is 94% home produced. The industry also supports employment in agriculture, materials processing, packaging and the service sectors.

- (iv) Around 70p per week per household is spent on biscuits from an average £30 food bill
- (v) The importance of biscuits is further highlighted by comparing the % of households buying in a week and expenditure per person per week to other basic foods.

	<u>Households purchasing in week of survey</u>	<u>p/person/week expenditure</u>
	(%)	(p)
Biscuits (non chocolate)	60	12.9
Biscuits (chocolate)	33	9.2
Eggs	70	20.0
Cheese	69	29.6
Potatoes	62	21.8
Fish	65	40.5
Tea	50	15.8
Instant Coffee	28	12.8
Fresh Apples	48	11.6
Fresh Oranges	25	4.6
Brown Bread	28	5.6
Breakfast Cereals	41	14.1
Pork Sausages	27	7.5

Source: Household Food Consumption
& Expenditure(MAFF) 1982 & 1983

2. THE REASONS

As well as tasting good, biscuits have a number of important benefits as a basic food.

(i) Biscuits are convenient, versatile and are used throughout the day

- * Morning coffee and tea break
- * Part of a snack lunch at home
- * In a lunch box at school or work
- * Afternoon tea
- * Picnics
- * Children's parties
- * As a filler when children return from school and wait for their evening meal
- * As a hunger abater throughout the day
- * After dinner as a dessert
- * After dinner with cheese
- * As part of a recipe - e.g. Digestive in cheesecake
- * Whilst watching television
- * With a hot drink at bedtime

(ii) Biscuits are an important energy source, particularly to keep children 'going' and for older people

(iii) Biscuits are easily stored and keep fresh for at least 6 months. This characteristic is particularly important for people living on their own e.g. old age pensioners.

(iv) Biscuits are extremely versatile e.g. a packet of Digestive or Cream Crackers is a handy long life alternative to bread

Prime Minister



10 DOWNING STREET

PRIME MINISTER

As Sir Hector Laing asked to come and see you I have put him in the diary for 15 minutes tomorrow morning at 11.45am.

C.S.

PP

1 April 1980

To: *Caroline*

From: JOHN KITCHEN

Date: 11/4/80

*Sir Hector feels sure he
put copies in the envelope
with his own fair hand,
but here are copies,
Chairman's Statement &
Institute of Directors' Speech.*

*I have put 11.45
tomorrow Wednesday Ind
in the diary.*

*Kind regards
John*

HUMAN RELATIONS - COMING TO TERMS WITH CHANGE

Sir Hector Laing

Amidst

A good speech

[Handwritten scribble]

*12
874*

The theme of this Conference - Prosperity or Poverty - is a sombre one. I too have a somewhat sombre theme - or text - although I hope you will consider that the views I put forward point to an optimistic conclusion.

Let me quote - rather loosely, I have to admit - from the Book of Daniel :

CHART 1 MANUFACTURING INVESTMENT
(Annual growth trends)

2 EFFICIENCY OF CAPITAL USE

3 LEVELS OF GDP PER EMPLOYEE

"In the same hour came forth fingers of a man's hand, and wrote upon the plaster of the wall of the king's palace. And Daniel said : "I will read the writing and make known the interpretation.

"God hath numbered thy kingdom. Thou art weighed in the balances and found wanting."

We have indeed been found wanting. In all sectors of society - political, industrial, commercial and trade union - we have preferred the easy options. We have all, in our different ways, turned aside from difficult paths and unpalatable decisions.

Had we not done so, and had we matched the average growth of our main international competitors since 1950, net disposable income per employee would have been 50% higher, at nearly £7,000 a year in 1978 instead of about £4,500.

4 LEVELS OF GDP PER EMPLOYEE
(assuming average performance by UK)

Many distinguished scholars : economists, sociologists and political philosophers have dissected, analysed and agonised over the many,

varied and formidable reasons for our decline. I have a rather simple mind, and it seems to me that there is one simple underlying reason : a failure of leadership.

However, I believe we now have what could indeed be a "last chance" to reverse our depressing downward drift. I believe this for a number of reasons.

Firstly, fortune has dealt us a trump card - North Sea Oil - which, if played effectively, gives us a breathing space in which to correct some of our mistakes and to plan a bolder, more progressive strategy for the future.

Secondly, the advent of micro-processing presents tremendous opportunities for regenerating industry, and greatly increasing our wealth-creating capacity.

Perhaps most significantly, the climate of public opinion is changing, as was highlighted by the recent Times survey on trade union power and by the election of a Government which believes in free enterprise.

This Government is giving us in industry the freedom to control our own destinies, but greater freedom imposes greater responsibility, and now that the Government has taken a step back, we - management - must take a step forward ; must display greater courage and vision, and provide more positive leadership.

A substantial proportion of the nation's savings has been entrusted to management for the specific purpose of creating wealth : to management - not politicians, not civil servants, not academics. The savings of millions of people are channelled into our keeping, which means that we are responsible for creating the wealth on which the quality of life in our society depends.

We will only achieve that purpose if we pursue policies which inspire the trust of our workforces, and communicate both the purpose and the policies in a way that will win their hearts and minds - that is, their informed commitment.

Dynamic leadership and determined efforts within our businesses to break down historic barriers of suspicion and mistrust, and in their place to build bridges of understanding, can and will promote mutual confidence and a sense of common purpose.

Trust is the essential first principle. We must place confidence in those who work with and for us. Confidence is the foundation of friendship and of trust. If we give it we will receive it. If we are open and honest with people, we will gain their understanding and they will respond with their trust.

Communication is the key : communication of the sometimes uncomfortable - and currently decidedly harsh - facts of economic life.

How should we set about communicating and leading ? The impetus must come from the top. Those at the top of a business must be committed to the objective of winning the trust of their employees, and must be prepared to allocate the necessary time, effort and resources. The Chairman or Chief Executive must get round his business and talk to people face to face. For my own part, I speak every year to about 12,000 or our U.K. workforce - that's about a third - in groups of anything from 20 to 200, covering all shifts, believing that it is as important for the man who in the end calls the shots to be seen and heard in person as it is for his management to be preaching the authorised version of his gospel. After all, if he is a stranger to the vast majority of his employees, never communicating his policies to them in person, how can he hope to win their trust ?

If his philosophy and his company's policies are to be known and understood on the shopfloor, it is equally important to have a properly structured chain of command.

At a seminar I attended quite recently, I heard a Corporal who had just returned from his third tour of duty in Northern Ireland, talking about leadership. I was particularly struck by his comment that Northern Ireland was a Corporal's war, and it occurred to me that industry too is a Corporal's war, but we seem to have forgotten, or overlooked that point.

Morale and discipline are as critical in a factory as in an Army, but we have allowed the status and authority of some of those on whom it depends, the corporals and sergeants - our junior management - to be undermined.

Throughout history, leaders have been notable as much for their charisma as for their intellect, so we must select and appoint managers for character and personality as well as for technical ability. Junior managers in industry have too often been inadequately paid and inadequately trained and, what is worse, too often by-passed by more senior management going over their heads to union representatives, and using the union communication channel in a vain attempt to get a management message to the shopfloor. We therefore need to devote more time to training managers, not only in the technical skills, but also in the arts of communication and leadership. Having done so, we must give them the responsibility to take decisions, and then back them in their decisions. That is the way to build confidence and authority, and to breed respect.

At the same time we must aim to give operators on the shopfloor as much responsibility as they can handle. The more they are trusted to make decisions for themselves about their immediate working patterns, the more pride they will take in their work, the more job satisfaction they can enjoy and, no less importantly, the fewer layers of management required, which means less distortion of communication, whether up or down the line, and therefore better mutual understanding.

In today's world, management will only manage effectively with an informed workforce who understand the reasons for decisions which affect their working lives.

When the Lord of Ancient Israel was searching for the most withering rebuke and the most devastating penalty he could lay on a miscreant people, he asked that they be robbed of the capacity to see and to understand. "Make the heart of the people fat" he thundered, "and make their ears heavy, and shut their eyes; lest they see with their eyes, and hear with their ears, and understand with their heart - and be healed."

Clearly our ears have been heavy - our eyes have been shut - and the heart of our people has grown fat. If we are to be healed, we must ensure a capacity to understand, perhaps most importantly, understand why a business must create wealth, and how that wealth is distributed.

We use the concept of Added Value to explain our results, measure our performance and to show how the wealth we create is shared out. Added Value can be simply defined as the difference between what a company is paid for its products, and the cost of the materials and services it has to buy in. It is the very simplicity of the added value concept which I find makes it so useful.

In United Biscuits, over the last ten years, on average, our added value has been distributed as follows :

Employees	71%
Re-investment	20%
Dividends and Interest	5%
Taxation	4%

From this it can be easily demonstrated - and as easily understood - that if employees demand and get increased pay without increasing the overall added value, the percentage allocated to re-investment is the most probable, if not the only possible, source of funds, because it is the only one large enough to make any significant difference.

I explain that our future ability to compete, and therefore our future job security, depends on keeping up-to-date and on investing in the latest technologies so that, in addition to the 71% going to employees directly in wages and salaries, 20% is going to secure their future jobs. Of the balance, 4% goes to the exchequer to help fund the services provided by the State and, as for dividends, since over half the equity capital in the UK is owned by pension and insurance funds, and similar institutions, the majority of dividend payments are going not to a few privileged individuals, but to "the people" themselves.

Over two thousand years ago, Socrates said "Democracy will end when the people discover they can vote themselves money." It is no less true today, and the same principle applies to the sharing out of wealth created. No one sector can get a larger share except at the expense of others.

CHART 5 WAGES v. PROFITS

Profits must be the main source of funds for investment, but for too long now, those of us who work in industry have been increasing our share at the expense of the funds which should have been going to re-investment.

By our complicity in agreeing to wage settlements much higher than justified by productivity increases, managements and unions have jointly been contributing to Britain's uncompetitiveness.

6 UNIT LABOUR COSTS

Last year I heard a national trade union leader talking about the power of 16 million trade unionists. What too few people seem to realise is that those 16 million have even greater power as consumers. As has been demonstrated in all too many industries, as consumers we reject what we, as wage-earners, have produced, preferring the values offered by wage-earners in those countries where a more enlightened view is taken on investment and the efficient working of it.

7 PENETRATION OF IMPORTS

And we can hardly expect other nations to buy our products when we ourselves have rejected them as poor value.

8 SHARE OF WORLD MARKETS.

That spells inevitable unemployment - and the tragedy is that it is a self-inflicted wound.

Surely we can find a way of overcoming this suicidal tendency. I believe we can, and my suggested remedy is based on the fullest possible exploitation of new technology, coupled with security of employment.

The silicon chip and micro-processor present a great challenge to us all. Our international competitors are certainly going to exploit their potential to the full. We are likely to see radical changes in working patterns, and substantial reductions of industrial workforces. This prospect is naturally somewhat frightening. Change implies uncertainty and insecurity, and these are incompatible with trust. But change will take place whether we like it or not, and we must take full advantage of the opportunities which will be presented to us. As Darwin proved, evolution means the survival of the fittest, and the fittest are those who adapt most readily. However, no-one can be expected to welcome new equipment with enthusiasm if it means joining a lengthening dole queue. The human dimension must therefore always be given high priority in our investment planning.

In order to foster a spirit of trust and co-operation in a rapidly changing world, when investment in new technology is seen as a threat to jobs, we, in our company, are trying to work out - with our employees - a formula in which security of employment is an integral part.

We are currently discussing a proposition whereby - subject to force majeure - the company would guarantee a defined share of the added value to the employees and would implement a job security scheme on a length of service qualification, if in return the employees agree that the first charge on our added value must be to allocate to re-investment a sufficiently high percentage to match the investment levels of our international competitors and, no less importantly, agree to work such investment efficiently and flexibly.

To those who protest that it is impossible to guarantee job security, I can only say that in my company, natural wastage can relatively painlessly reduce overall numbers.

If natural wastage does not bring about the required reduction in numbers, then voluntary redundancy and voluntary early retirement can be brought into the equation. It may also be that to fulfill the guarantee, large companies will have to assume the mantle of the entrepreneur. They may have to start - or help to start - new enterprises to employ profitably those who might otherwise have to be made redundant.

Fear of redundancy is a dominant psychological and emotional problem and if that fear cannot be allayed, there will be massive resistance to the structural and technological changes which British industry must make if we are to survive - let alone prosper - in a highly competitive world.

There is usually at least a two-year lead time between the identification of redundancy and the actual closing of a plant or a change in process, so that long-term planning can ensure that many, if not all, of the most adverse effects can at least be mitigated, and probably often prevented entirely.

What I am suggesting is not particularly novel - job security has, after all, been one of the major factors in the post-War success of Japanese industry. So long as hiring and firing are used as a means of regulating the profitability of a business, so long will an atmosphere of hostility and suspicion persist, so long will we suffer from confrontation and disruption, and so long too will managements fail to react with sufficient speed and imagination to provide profitable jobs for their employees when the going gets tough.

Of course I realise that in some of our older traditional industries which, for one reason or another, have been unable to adapt to changing conditions, the problem is now so acute - socially as well as economically, that they might not be able to apply the sort of policies I am advocating. But I am sure that most sectors could adopt a similar approach.

Another area in which I think we can take positive steps to break down the barriers between the so-called "classes" in industry, is the different terms and conditions of service which apply to weekly and monthly paid employees. During the road haulage dispute, we gave notice of the discontinuance of the guaranteed working week to our wage-earning employees. This meant that someone with perhaps 40 years' service on the shopfloor could have received such notice whereas his daughter, who might have started a salaried job in the office only weeks, or even days before, would not. We should not go on differentiating between people in this way - or in many other ways - and in my company I hope we will be able to introduce single status in due course, although this is obviously something which will have to be negotiated.

As a further step towards building trust, and encouraging mutual confidence and mutual responsibility, I think we should be re-examining the relationship between working members of a company and the shareholders. While I am a strong supporter of employee share-ownership schemes as a means of helping employees to take a financial stake in their company, it seems to me that a commitment of working life is as valuable to a company as the commitment of money. I would like to find a way of enfranchising those employees who do not wish to commit their money, so that they will have rights and responsibilities similar to those of shareholders. Of course there would have to be certain constraints on employees' votes so that a proper balance is maintained, and to ensure that the system did not become a charter for worker control.

What I am talking about is a whole new approach to relationships between people at work. But it obviously cannot be one-sided. Just as a constructive suggestion from employees would hopefully receive consideration by management, so must any initiative from management be met by a positive response from employees. I envisage that management would be looking for such things as two-year wage settlements, with no-strike agreements for the term of the settlement, and for constructive co-operation in phasing out restrictive practices to achieve greater flexibility of working. Tighter discipline is important - self-discipline by general consensus among the workforce, if at all possible - on such problems as absenteeism, bad time-keeping and waste. After all, there can be no rights without parallel responsibilities.

As we move into the 1980's - a new decade - we are moving also into a new industrial revolution. If we are to reap full benefit from the wealth-creating potential of the new technologies, we will need to formulate and put into practice human relations policies which are as revolutionary as the technology.

Our challenge is to prove that private enterprise best serves the long-term interests of the majority of people - indeed that our independence as individuals and our freedom as a nation depend upon the success of free enterprise.

Somerset Maugham once said "If a nation values anything more than freedom, it will lose its freedom ; and the irony of it is that if it is money or comfort that it values more, it will lose that too." I think we have come dangerously close, but active, dynamic and visible leadership from business people can ensure that we lose neither our freedom nor, in the long term, our standard of living. At this critical time, the business leadership represented here can and must provide the ideas, the energy and the dedication - all 27,000 of us who make up the Institute of Directors, and with us our management teams.

Let us not go down in history as the generation which saw the writing on the wall, and understood it well enough, but did not care enough to accept responsibility for providing the leadership so that we would carry with us our millions of employees who have a personal stake in the success of free enterprise.

Chairman's Statement

1979 was a very challenging year. Profits before tax at £43.7 million were £1.5 million higher than those for 1978.

Significant factors affecting these results were :

UNITED KINGDOM

The road haulage dispute which adversely affected all areas of the business.

The increased rate of Value Added Tax which resulted in a temporary fall in volume on the affected products which account for about 40% of our UK turnover.

The continued high level of marketing investment necessary to develop our frozen food and fast food businesses.

UNITED STATES OF AMERICA

Keebler's profit, after an excellent first half, flattened out in the second half, compared with the same period in the previous year when margins were exceptionally high. In addition, the second half of 1979 bore the cost of very heavy investment in new product launches.

Specialty Brands, which joined the Group in June 1979, exceeded the pre-tax profit forecast for the year of \$6.1 million by \$0.3 million.

INTEREST

Heavy capital investment in the UK and USA, the acquisition of Specialty Brands and high interest rates raised our net interest costs from £3.8 million to £6.3 million

Although we have failed to meet our corporate objectives in respect of profit margin to sales and return on capital employed, this was almost entirely due to our profit decline in the first half of the year. In the second half we achieved a pre-tax profit increase of £3.9 million or 16.7% over the corresponding period in 1978.

In the circumstances our profit performance in 1979 can be regarded as reasonable. However, the above figures are measured in historical accounting terms. In the present inflationary conditions I believe it is more realistic to present our results on a current cost basis in the belief that they provide a more realistic reflection of a company's performance. For too long industry has deluded itself with the misleading impression of profitability given by historical accounting which, in a time of high inflation, bears little relation to reality. Accordingly we have given more prominence to presenting our results on a current cost basis. These show that our profit before taxation for 1979 would be £34.0 million (1978 : £34.7 million) and that dividends would be covered times (1978 : 3.5 times).

- 5 A firm commitment to investment with the objective of improving productivity has been an important factor in our Group's success over the last quarter of a century. Although it might sometimes appear expedient to reduce capital expenditure in order to improve short-term profitability, we intend to do our utmost, despite the difficult economic climate, to maintain capital investment at approximately the same level in real terms as in 1979.

6 Now that we are free from government-imposed income restraints, we propose during the coming year to re-structure our wage and salary scales in the UK in order to remove some of the distortions which have arisen as a result of the years of controls. We are aiming at a structure in which skills and qualifications, experience and responsibility are properly rewarded.

7 THANKS TO EMPLOYEES

For any company, long-term success depends on team work. - in our case it is a very large team - over 30,000 employees in the UK, 10,000 in the United States, and over 1,000 in other countries around the world.

8 Our Group is fortunate in having so many skilled and dedicated people who understand our commitment to quality and who identify themselves with our aims. With such a team, the difficult times which lie ahead can be faced with confidence.

9 On behalf of the Directors, I would like to express to all who have played a part in helping the Company to succeed, our sincere thanks and appreciation for their efforts.

10 HUMAN RELATIONS

In December last year, at an informal meeting with some of our shop stewards, the comment was made that the prospects for a company's profitability, as forecast in a Chairman's Statement, can sometimes take on a different complexion at a pay negotiation meeting. The continuing use of historic accounting in statutory accounts, as against the increasing attempts by management to express profitability in 'real' terms when explaining performance to employees, can result in a credibility gap.

- 11 Nothing contributes more to misunderstanding and mistrust between managements and workforces than the mistaken impression that a company is making a significant increase in profits when in real terms they may have barely matched the previous year's level.
- 12 The difference of emphasis in the presentation of results has contributed to management's failure to communicate the economic facts of life effectively. Indeed, it has been made difficult for the workforce to see the necessity either for increasing productivity or for restraining wage demands in order to allow the company to invest at a level at which it can provide job security for employees and financial security for shareholders.
- 13 It is hardly surprising, therefore, that there is still a widespread lack of understanding that the cost of wage increases which have not been earned by productivity increases will ultimately be borne by employees themselves - in lost jobs. Any disruption of the wealth-creating process in support of an unrealistic wage claim will inevitably reduce the added value available. This is clearly against the best long-term interests of employees.

31 MAR 1980



- 14 In Reporting on the year in which we took legal action to prevent secondary picketing during the road haulage dispute, I think it appropriate to consider

WHO GAINS FROM STRIKE ACTION WHICH DESTROYS WEALTH ?

- 15 Not the Owners of Capital - Approximately 50% of equity capital is held by institutions : pension funds, insurance companies, investment and unit trusts, banks, etc. These institutions are managing the savings of ordinary people. For the most part it is "the people" who are the owners of capital today, and it is the pensioners who receive, through their company pension funds, a high proportion of dividends paid by public companies.
- 16 Not the Company - Any disruption of trade results in lower sales and loss of markets, and therefore less income, reduced investment, loss of efficiency and competitiveness, all of which put the company's stability, and therefore jobs, at risk
- 17 Not Management - They are not "bosses" in the sense of "owning" the company ; they are paid employees, with the same desire for job security and a reasonable standard of living as all other employees, and with the same interest in the prosperity of their company.

- 18 Not Our Suppliers - When we, as their customers, have to reduce our purchases of raw materials from them because production has been interrupted, their businesses suffer and their employees' jobs are put at risk.
- 19 Not the Consumer - When stocks run out, the consumer is unable to obtain the products he or she wants to buy, and therefore has less choice.
- 20 Not the State - The services provided by the State depend for their funds on the wealth created by industry and commerce. Any disruption of this process reduces the funds available for government spending.
- 21 And the Strikers ? - If they achieve their objective, they will have won a short-term victory in increased wages, but in the long-term they too are certain to be losers, primarily as employees. As has been seen in too many industries, it is not difficult to price one's products out of the market, and therefore to price oneself out of a job.
- 22 So Who Does Gain ? - The answer is clear - our international competitors, and the employees in those countries where there is a better understanding of the necessity for a sensible balance between short-term reward and long-term security, so that a more enlightened view is taken of the importance of keeping inflation under control by moderating wage claims.

Other nations are only too eager to satisfy demands in our markets, many of which, particularly where exports are concerned, could be lost to us permanently.

- 23 While many years ago it may have been necessary for working people to use the strike weapon to obtain fair rewards, a very different situation pertains today. As we move into the 1980's, surely the time has come not only to acknowledge that any strike action will have damaging consequences for everybody, but also to take every opportunity to argue strongly in our places of work, our trade unions, our communities and our homes against the destruction of wealth, so that negative attitudes and senseless confrontation will become things of the past.
- 24 I believe that the "Policy for Creating Understanding and Building Confidence" linking investment to job security, which I described in my Chairman's Statement last year, provides a practical formula for ensuring both security of employment and the highest standard of living which the consumer is prepared to pay for. This so-called 'social contract' is still under discussion with our unions, and I am encouraged by the response from many people throughout the business, where there is a growing understanding of the need for investment in new technologies and of the importance of job security.

25 OUTLOOK

I welcome the freedom from regulation given to industry by the Government and wholeheartedly support their determination to conquer inflation, but recognise that the measures required to cure the disease mean that there will be little or no growth in the economy in 1980. Nevertheless, as I have said before, people must eat, and we have a broad range of products which will stand us in good stead in a time of recession and which, when the upturn comes, will enable us to take advantage of improving conditions.

26 The determination in the United States to reduce inflation means that growth is likely to be slower in their economy as well. However, our North American operations, including Specialty Brands and Koffman Food Importers Ltd., a Vancouver-based food distributor, should all produce satisfactory trading profits.

27 After a period of serious losses and many disappointments in Spain, I am delighted to be able to report that, following the re-organisation which I mentioned last year, Productos Ortiz made a trading profit in the second half of the year, and we expect the company to maintain this improvement

28 RIGHTS ISSUE

The Board proposes that the Company should raise approximately £xx million by the issue of xxxxxxxxxxxxxx new Ordinary shares of 25p each by way of Rights on a one for xxxxxxxx basis at xxp per share, payable in full on acceptance not later than 9th April 1980.

Reasons for the Issue

The Group's capital expenditure, which has been running at a high level in recent years, both at home and overseas, has improved productivity, introduced new technologies and has enabled the Group to enter new markets which provide opportunities for greater growth.

In particular, our UK Biscuit Company, which has traditionally been the major profit earner for the Group, is embarking on a very substantial re-investment programme costing £100 million over the next five years, designed to ensure its continuing competitive position in the market in which it operates.

In recognition of the importance and long term nature of this investment, and to ensure that the Group continues to be in a position to take advantage of opportunities for profitable expansion in the future, your Board now considers it appropriate to raise further equity capital.

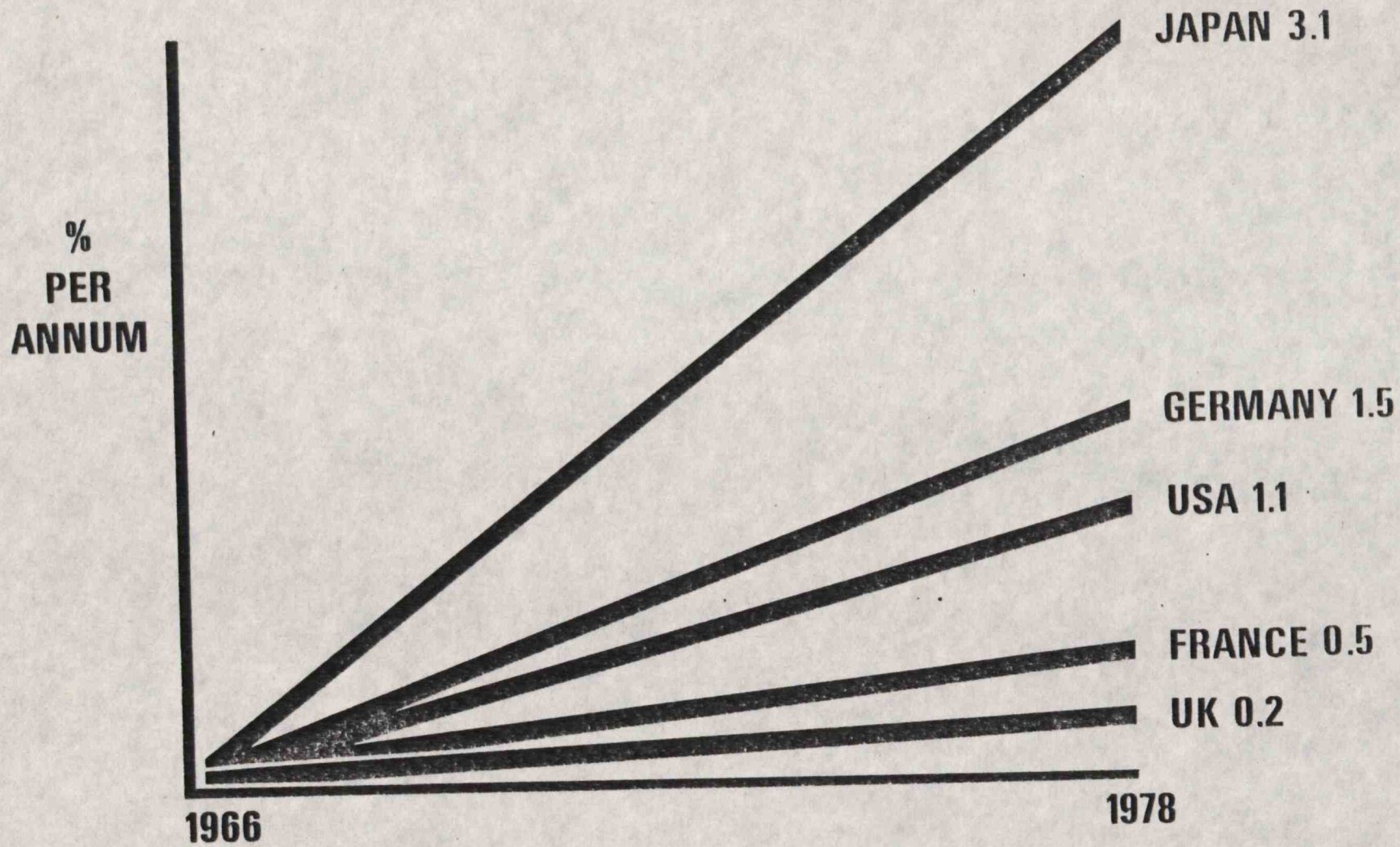
Dividends

The Board is recommending the payment on 1st July 1980 of a final dividend for the 52 weeks ended 29th December 1979 of xxp per share which, together with the interim dividend of 1.7p per share, makes a total of xxp. This represents an increase over the previous year of xx per cent.

Together with the associated tax credit at the current rate, the total net dividends are equivalent to gross dividends of xxp per share (1978 : 4.29024p) and provide a gross yield of xx per cent per share at the issue price.

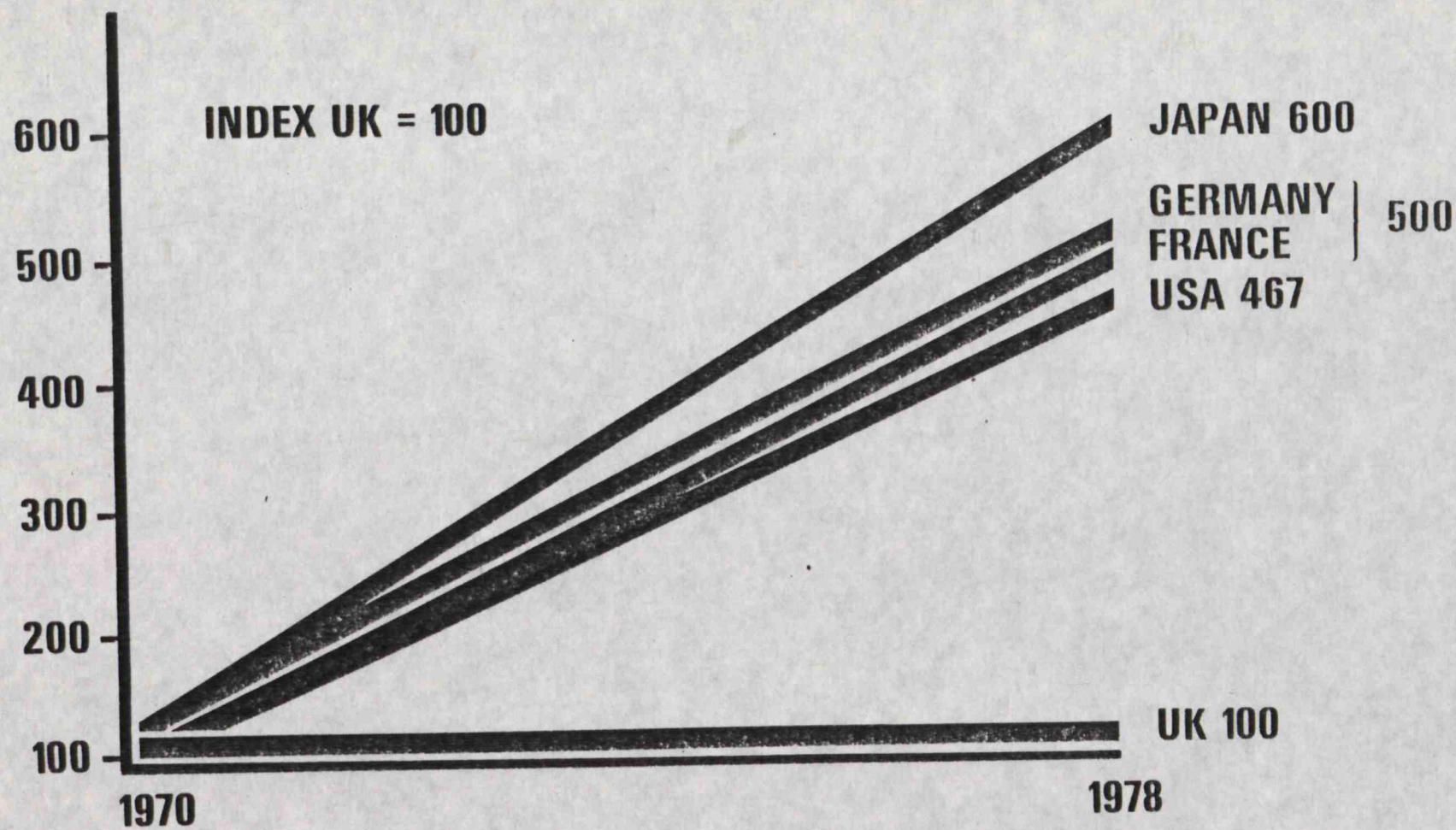
MANUFACTURING INVESTMENT

ANNUAL GROWTH TRENDS 1966-1978

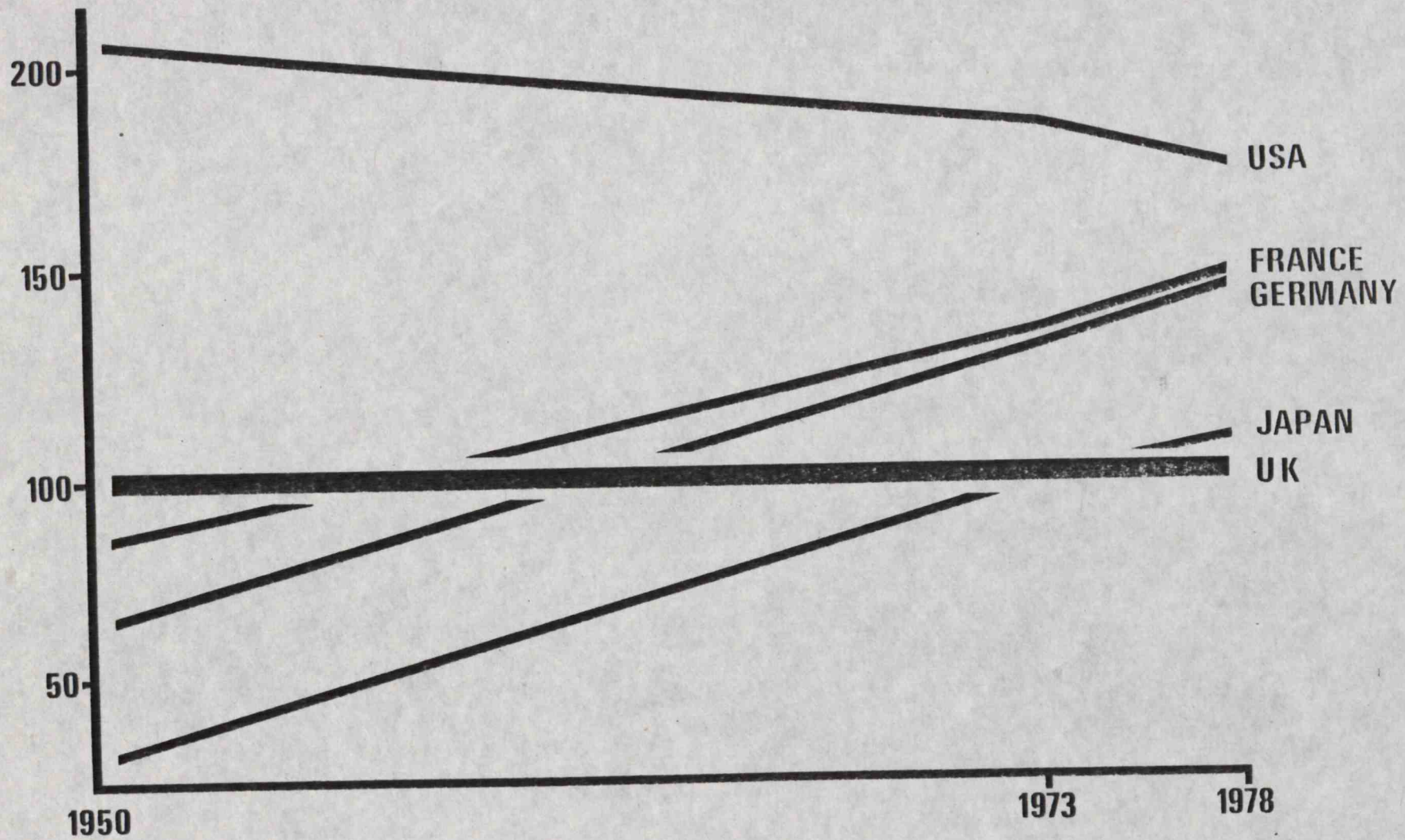


EFFICIENCY OF CAPITAL USE

TRENDS 1970-1978

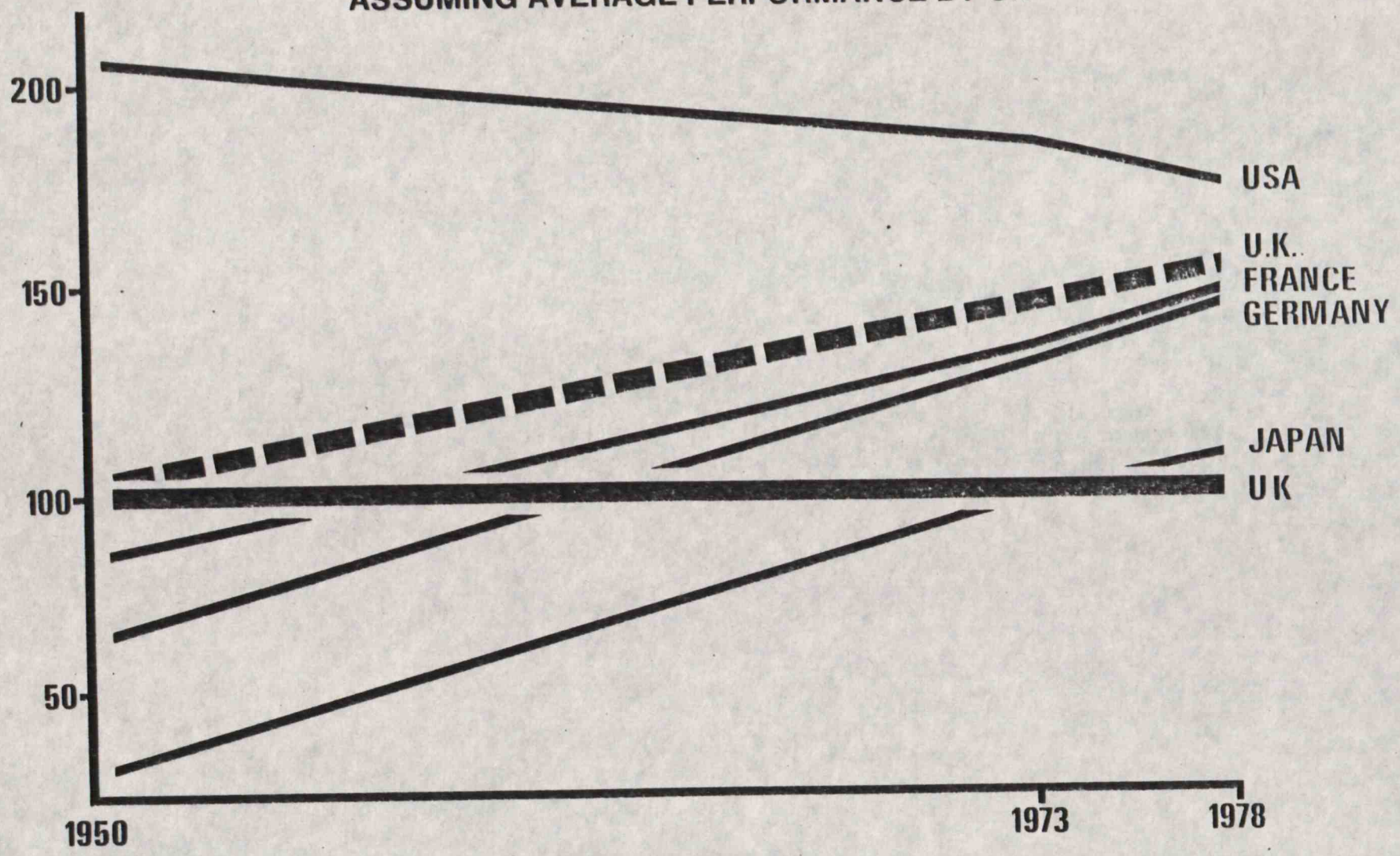


LEVELS OF G.D.P. PER EMPLOYEE



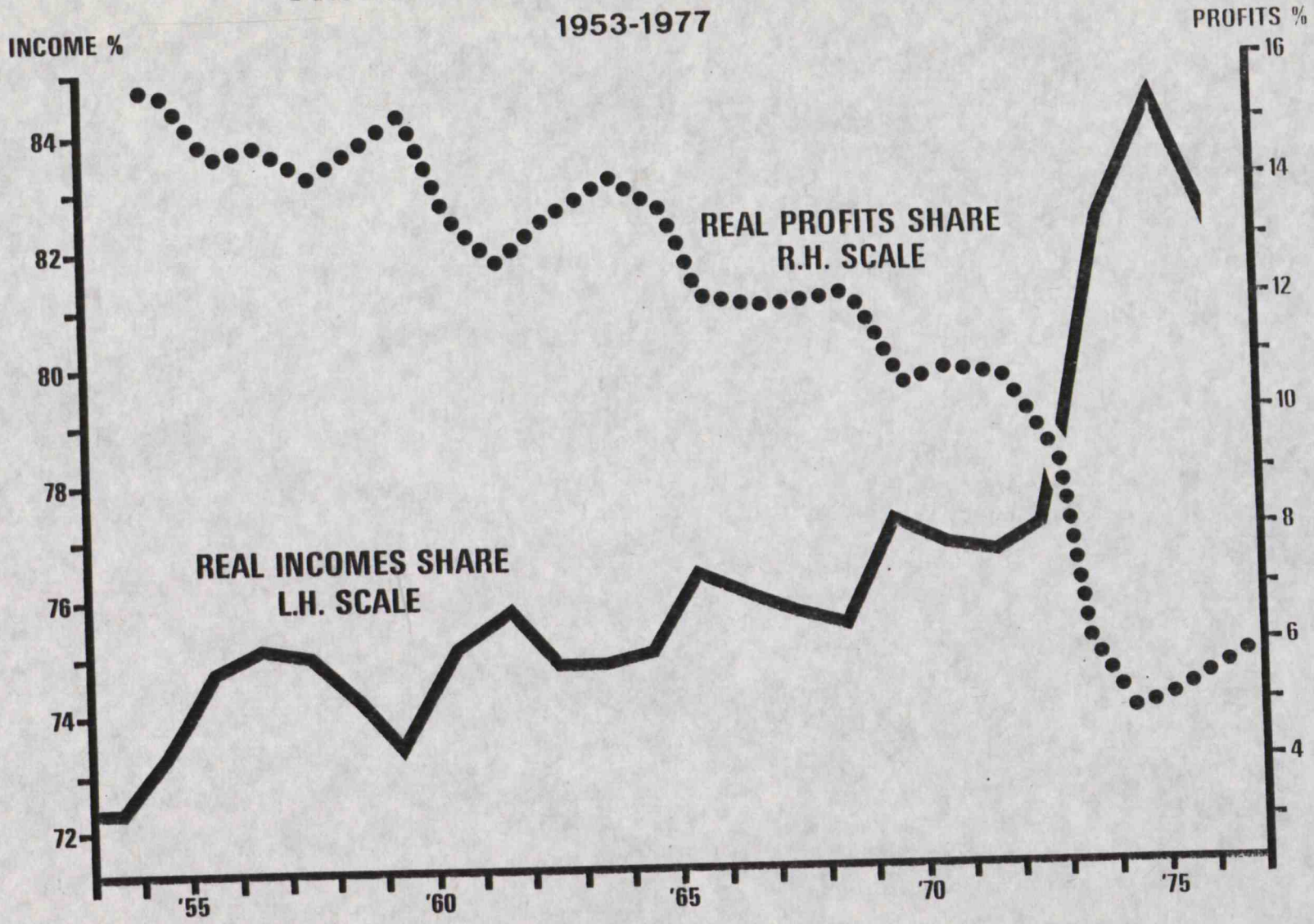
LEVELS OF G.D.P. PER EMPLOYEE

ASSUMING AVERAGE PERFORMANCE BY UK

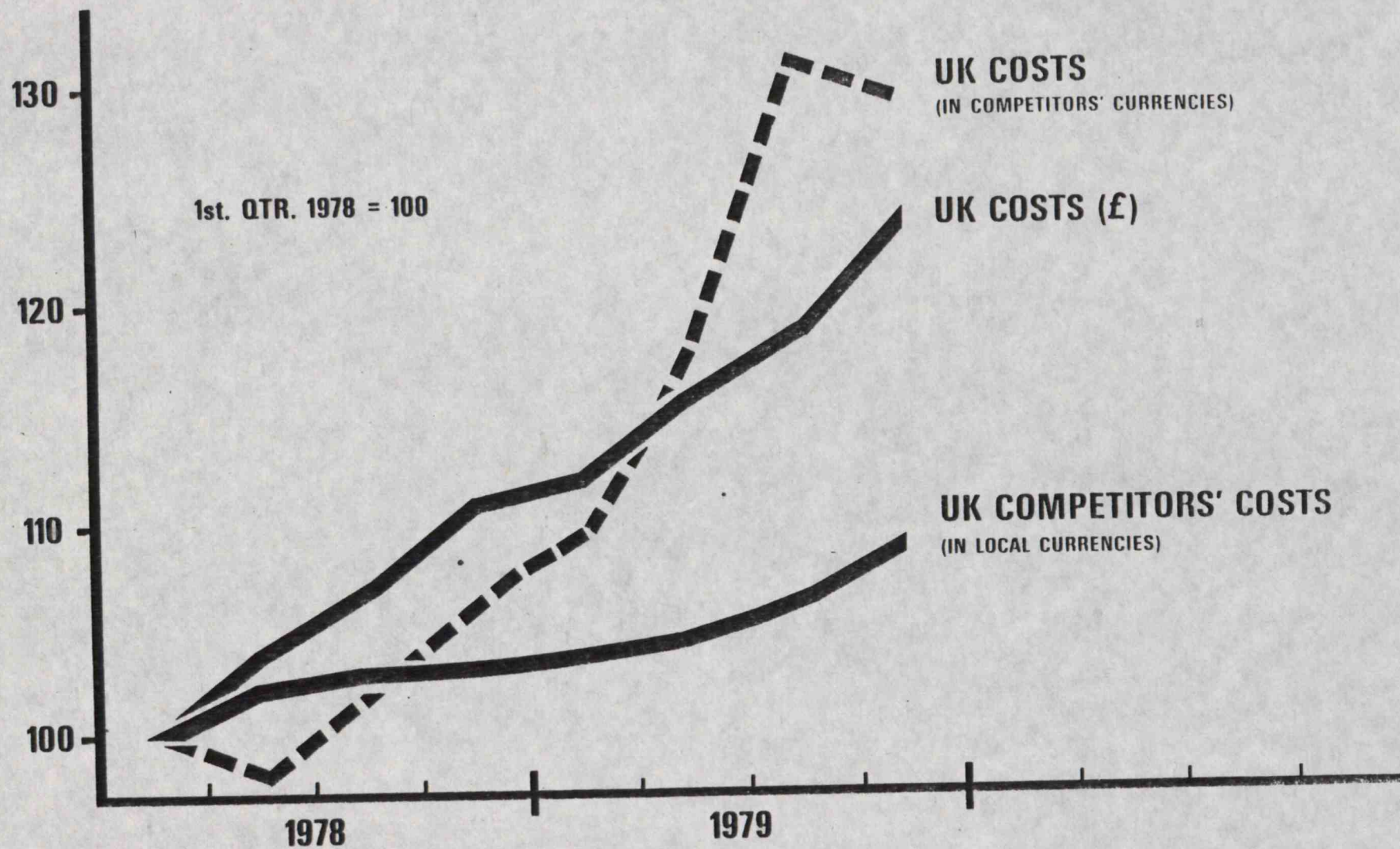


SHARE OF NET DOMESTIC INCOME

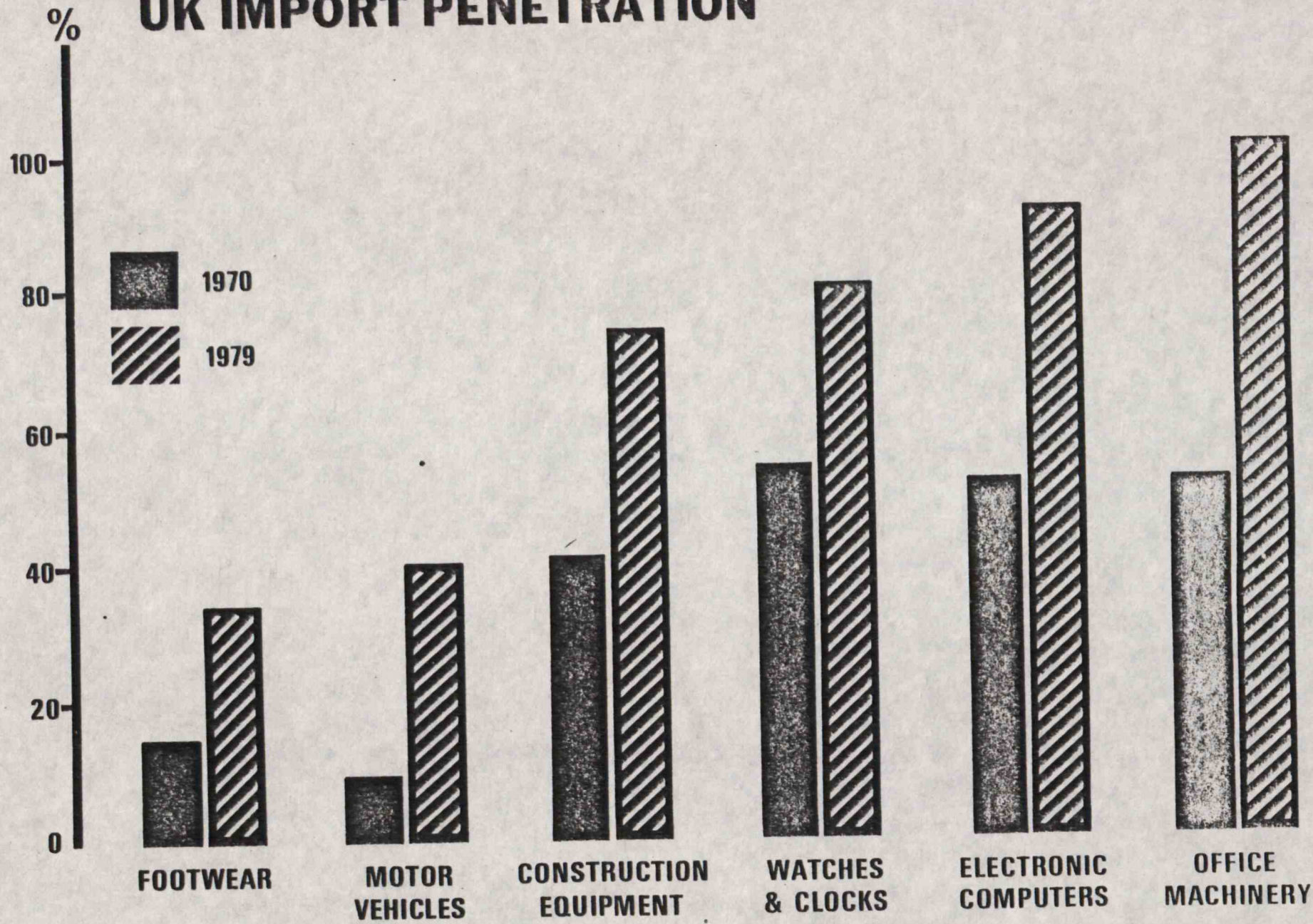
1953-1977



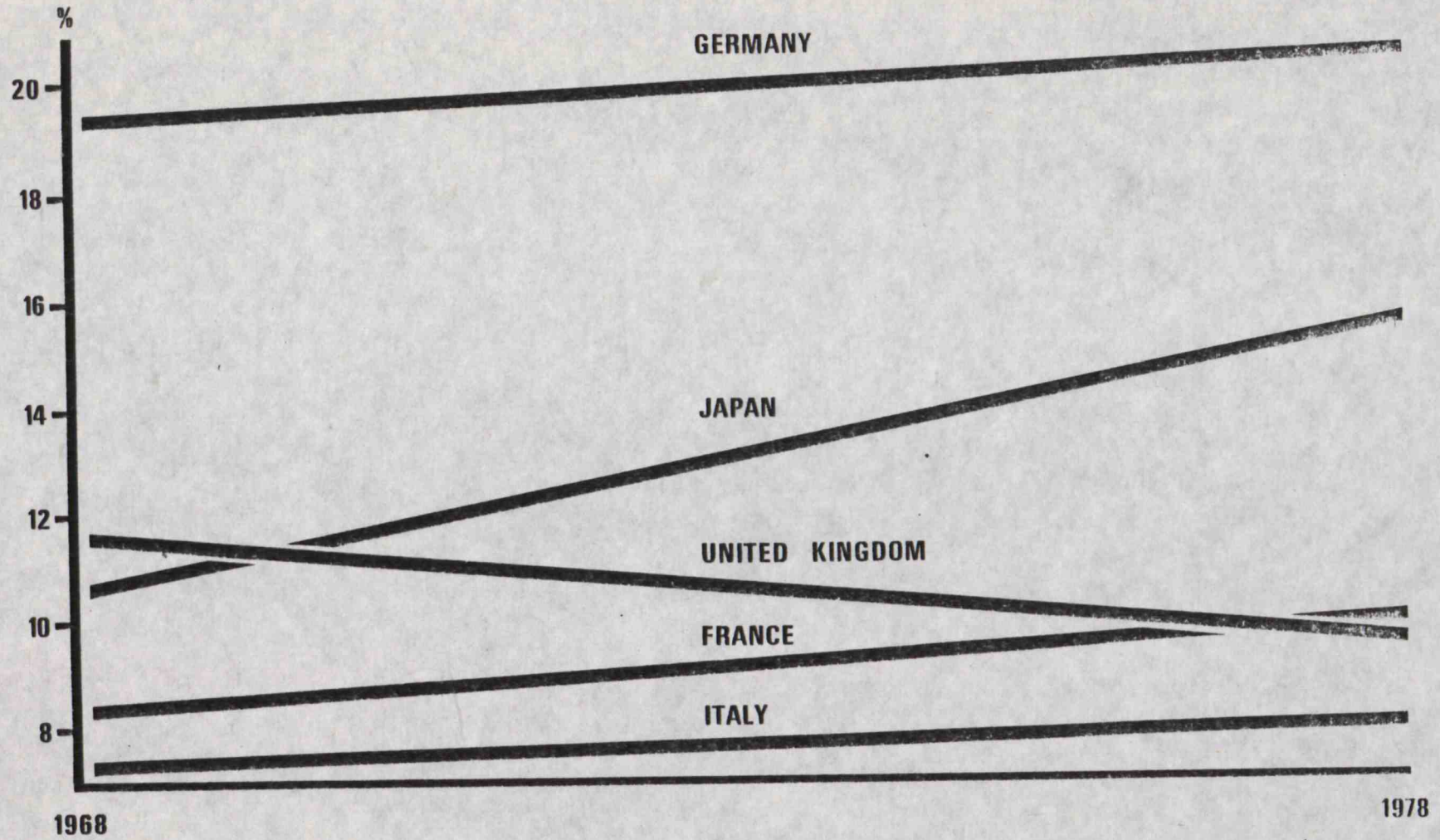
UK UNIT LABOUR COSTS



UK IMPORT PENETRATION

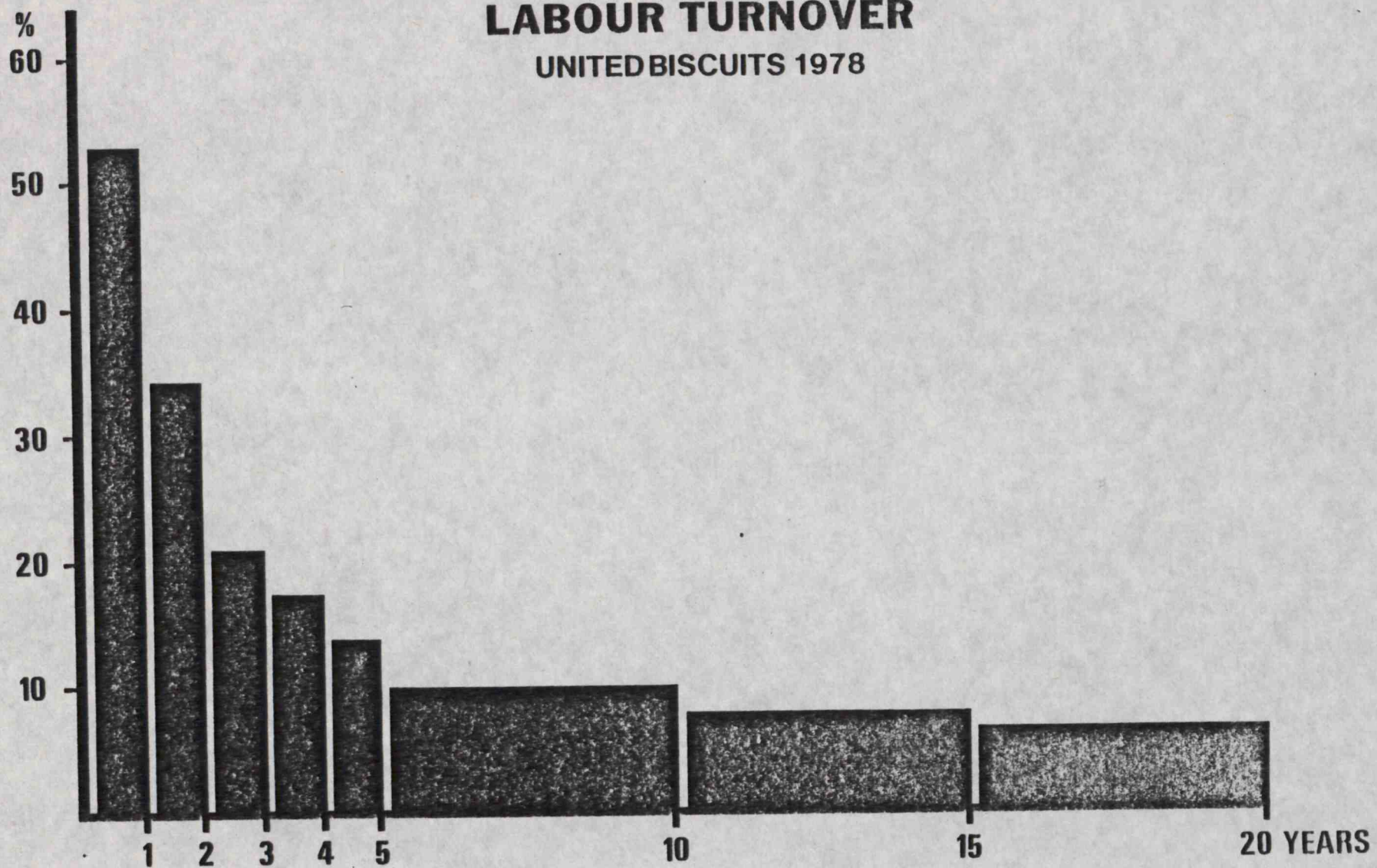


SHARE OF WORLD EXPORTS MANUFACTURED GOODS



LABOUR TURNOVER

UNITED BISCUITS 1978



Grey Scale #13



A 1 2 3 4 5 6 **M** 8 9 10 11 12 13 14 15 **B** 17 18 19

