

~~012~~
Part B

CONFIDENTIAL
(Circulate under cover and
notify REGISTRY of movement)

begins: 16/2/82.
Ends: ~~27/2/82~~ 29/3/82


PO -CH /GH/0023

PART B

Chancellor's (Howe) Papers:

**REPRESENTATIONS ON THE
1982 BUDGET**

Disposal Directions: 25 Year

J. Anderson
24/7/95.

PO -CH /GH/0023
PART B



The U.K. Particleboard Association

(Company Limited by Guarantee)

4th FLOOR, EAST WING, 29 ST JAMES'S STREET, LONDON SW1A 1HL
TELEPHONE: 01 839 2822 TELEX: 8953314 UKPA

Director-General: D.G. DUKE EVANS, MA, FSAE Secretary: Mrs. J.I. MASSEY

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

CH/EXCHEQUER	
REC.	17 FEB 1982
ADVIS.	PS / FST
SERIES	
TO	

cc ~~ca~~ / ex. 22100
16th February 1982

Dear Chancellor

BUDGET 1982 - ENERGY PRICES FOR INTENSIVE INDUSTRIAL ENERGY USERS

You will be fully aware that a handful of industries in this country carry a severe burden, as defined intensive energy users, in regard to the prices they have to pay for their energy. The subject can be treated either from the point of view of current comparison with prices paid by our competitors in other countries (c.f. the NEDO Energy Task Force report), or from the equally significant angle of the objectively high prices which are paid by those of such industries which are beleaguered by low-cost import competition in this wide open UK market.

Particleboard (chipboard) manufacturing companies are intensive energy users by the same criteria as are applied to those in, for example, the paper and chemical industries. Indeed, the cost significance for particleboard, in relation to the total costs of manufacture, is virtually the same on average as for the production of paper and paperboard, and the periodical differentials which emerge between the energy prices paid by our members compared with those paid by their Northern European competitors are the same as are observed by the paper industry. The almost exact similarity between the two wood-converting industries from this viewpoint is well-established (our data being always available), and my purpose is therefore not to press upon you further arithmetical analysis but to underline the strong need, within the exercise of your budgetary powers and influence, for the measures of relief which have been proposed to you and widely canvassed by the Paper & Board Industries Federation, and the application of those measures at least to the energy-intensive industries. The important requests are, namely :

- amendment of the bulk electricity supply tariffs in a degree significant to the cost structures of the intensive energy users;
- a reduction (long deserved and long delayed) in the heavy fuel oil tax; and
- loans on concessionary terms to promote investment in energy efficiency improvement measures.

In the case of our own particleboard manufacturing sector, I would add that in 1971 our companies paid for bulk supplies of electricity at a price cheaper or no dearer than the price paid by the same industry in 11 out of 14 other West European countries. Over the next ten years, this advantage (at constant Jan.1971 US \$ exchange rates) was so totally reversed that the UK price to our companies became cheaper than only the price in Italy (very slightly). The average percentage advantage acquired in the electricity price in those countries as compared with the UK price over that period was 63%. (This position is derived from European statistics collected yearly by our European trade confederation, the detail of which we gave to the Department of Industry last August).

The absolute reversal of an advantage formerly enjoyed by a sector in which energy can account for up to a quarter of the manufacturing cost, and which competes in its home market with the European product under ever more disadvantageous conditions, is a crucial matter for our competitiveness, and we are asking in effect that the trend thus displayed should be measurably rectified.

The inconsistency between the industry's high costs and realisable price due to low-cost competition increases in significance each year, and 20% of our manufacturing capacity has been lost in the past two years. We look for the re-emergence of a commercial return that will provide sufficient incentive to replace the plants that have been lost and to begin an expansion that would lead to meaningful import-saving.

The enclosed press release from the Timber Growers' organisation makes this point well.

With every good wish,

Yours sincerely,

DAVID DUKE-EVANS
Director-General



Press Release

Timber Growers England and Wales Ltd.

Agriculture House
Knightsbridge
London SW1X 7NJ
Tel: 01-235 2925

The organisation representing
private forestry

Immediate Release

10 February 1982

INCREASE IN IMPORTS OF TIMBER PRODUCTS CAUSES GRAVE CONCERN

The Timber Growers England and Wales, who represent the interests of private woodland owners have expressed grave concern over the latest import figures for timber and timber products.

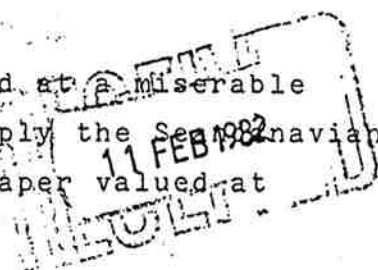
Tony Richardson, the Secretary of the organisation, explained, "It was appalling in 1979 and 1980 when we spent £2.7 billion each year on importing timber and timber products and could only supply some 8% of the market from our own resources, but in spite of the recession we are now importing at a rate of £3.3 billion a year. These figures are basic on the last four months of 1981. During the same period in 1980 the rate was down to £2.5 billion year, so the real increase is of the order of 33%. This is well over the inflation rate and reflects one of the results of the forced closure of many of our pulp and chipboard mills."

"The private sector of forestry is doing its best to support the Government's policy that we should plant more trees. Applications have been made to plant another 18,000 hectares during the last four months."

"An increasing quantity of home grown timber is coming onto the market as a result of the post war planting which made good the deprivations to our woodlands during the war of 1939-45."

"What is, however, totally scandalous is that in spite of the increasing supply of home grown timber, the timber industry in Britain has been contracting."

"Half a million tons of British pulp wood valued at a miserable £7 million is being sent to Sweden each year to supply the Scandinavian pulp mills, so that they can send back to Britain paper valued at over £70 million."



"We urge the Government to support British Timber industries - sawmills, pulp mills, chipboard mills, furniture industries, mining timber, pallet makers, and others - by providing energy at a reasonable price and other incentives to encourage enterprise and development."

"The labour is available, the timber is available, the price of the timber is reasonable, data is available from studies carried out by the Welsh Development Agency and the Scottish Development Agency."

"It is absolutely imperative to reduce this massive import bill for timber and timber products. The world is selling Britain an increasing proportion of manufactured timber goods which is increasing both our unemployment and our national debt."

"The woodland owners are investing in trees. We look for the Government to encourage a similar expansion of the timber processing industry now."

ENDS

For further information please contact:

Tony Richardson

Timber Growers England and Wales Limited

Agriculture House

Knightsbridge

London SW1X 7NJ

Telephone 01-235-2925

The Savers' Union

4 Broad Street Place, Blomfield Street, London EC2M 7HE (Reg. Office) Telephone 01-638 9571

cc ~~cr~~ ~~EX~~

16th February 1982

The Rt. Hon. Sir Geoffrey Howe, QC, MP,
Chancellor of the Exchequer

EX/CHEQUEUR	
REC.	17 FEB 1982
SECTION	U/ET
TO	

Dear Sir Geoffrey

As Vice Chairman of The Savers' Union, I am delighted that you have felt able during the past year to come to the aid of savers. All members of this Union will be grateful to you, especially for your success in steadily lowering the rate of inflation.

Because savers cannot hope for an end to inflation they must be enormously grateful to you for having persuaded the Treasury to accept the principle that monetary compensation for losses arising directly from inflation is not regarded as income and is therefore totally tax exempt. This principle has clearly been established by the issue of what are called index linked National Savings Certificates to everyone. One is very proud that it is a Conservative Chancellor who has brought to an end the swindling, perhaps unintended, of the small savers.

However, if this economy is to rely on a continuing level of savings sufficient to meet the demands of both public and private sectors, ought you not, in your forthcoming budget, do something to halt the losses of savers in banks and building societies? Income tax on savings has, for several years, effectively operated as a capital levy. What is now to happen to old people living on their diminished savings if interest rates fall? I understand that to adjust, for tax purposes, interest income by the fall in its purchasing power during each tax year would involve the Inland Revenue staff in a minimum of effort.

I would be most grateful if you would bear these points in mind when making the final decisions in the forthcoming Budget.

Yours sincerely



INLAND REVENUE
POLICY DIVISION
SOMERSET HOUSE

17 February 1982

1. MR CRAWLEY *jr. 17/2/82*
2. CHANCELLOR OF THE EXCHEQUER

NORTH SEA FISCAL REGIME: INCREMENTAL INVESTMENT

1. In UKOOA's letter of 4 February they repeat their concern about the tax treatment of incremental investment, especially in satellite fields. Following our informal discussions with them, they have taken the point that if SPD is abolished (whether or not replaced by APRT) effectively post-tax IRRs on such projects are identical to pre-tax IRRs. However, they argue that additional relief is still justified because in their view net present values are inadequate to justify the expenditure of resources. They fear that this will lead companies to devote resources to free-standing fields rather than incremental projects.

2. The point is a subtle one. Effectively they are saying that they prefer separate field treatment, which leaves them carrying the whole of the original cost on which they earn a low return but on a large capital amount, to sharing the costs with the Government (through immediate tax relief) and earning a high return on the remaining capital cost. This does make some sense if skilled manpower rather than capital is the main constraint on investment (but it is inconsistent with their case that development would expand greatly if only tax were reduced since their manpower resources would not increase).

cc Minister of State (Lords)
Mr French
Mr Middleton
Mr Battishill
Mr Wicks
Mr Robson

Mr Dalton
Mr Rogers
Mr Crawley
Mr Stephenson
Mr Whitear
Mr Johns
PS/IR

CONFIDENTIAL

3. How strong this argument is and whether there is any risk of a diversion of effort from incremental projects to free-standing fields is difficult to evaluate. If UKOOA are right, there should be no overall reduction in development effort but a risk that incremental projects are lost because they are only economic at a particular stage in field life whereas free-standing fields would be developed earlier than otherwise although they are generally less time-sensitive. In any case as UKOOA concede, they were utterly unable to find any workable scheme in discussions with us. They seem to accept you are unlikely to be bringing in any proposals on the lines of a separate oil allowance or separate field treatment in the Budget and propose further talks after 9 March.

4. Whether or not such talks would be helpful and what they should cover will depend in large part on UKOOA's reaction to the Budget proposals. These will, of course, contain a significant benefit for incremental developments in the replacement of SPD by APRT. At this stage we suggest a brief holding reply on the lines of the attached draft.



M A JOHNS

(PWP)

CONFIDENTIAL

FROM: ROBIN HARRIS
17 February 1982



*Perhaps the most interesting & important
question is whether there is an inconsistency
between 'x' and 'y' on leaf. Dr
Budd clearly finds them inconsistent. !!
PWP*

- CHANCELLOR
- CHIEF SECRETARY
- FINANCIAL SECRETARY
- ECONOMIC SECRETARY
- MINISTER OF STATE (L)
- MINISTER OF STATE (C)
- MR BROOKE MP
- SIR D WASS
- SIR K COUZENS
- SIR A RAWLINSON
- MR RYRIE
- MR BURNS
- MR KEMP
- MR RIDLEY
- MR FRENCH

*1.5 minutes
this as an
unimportant
before*

- cc Sir L Airey - IR
- Sir D Lovelock - C+E+
- Mr Ian Stewart MP

CONSERVATIVE PARTY FINANCE COMMITTEE - 16 FEBRUARY 1982

The meeting was addressed by Dr Alan Budd.

Dr Budd noted that he was neither the architect of the Government's economic policy nor of monetarism. However, he had no doubts either about the necessity of controlling the money supply in order to reduce inflation nor of the need to control the budget deficit in order to control the money supply. It had always been impossible to know what the short term effects of the Government's monetary policy would be. There were bound to be mistakes. However, there was no point in refusing to learn from them.

Dr Budd listed a number of lessons which he personally had learnt as a result of what had happened over the last two and a half years. First, he had learnt how difficult it was for any government - perhaps a Conservative Government above all - to cut public expenditure. Secondly, he had observed how difficult it was to pursue a counter-inflationary policy at a time when, perhaps for perfectly good reasons, the Government was putting up prices. Thirdly, he had learnt how difficult the Governments' intermediate target of £M3 was to control by the methods adopted by the Government, particularly at a time when the corset and exchange controls had been abolished. He concluded that £M3 was not a reliable indicator of short term monetary conditions.

CONFIDENTIAL

Dr Budd listed the consequences which had flowed from the Government's economic policy. First, there had been moderate success in controlling inflation after it reached 20%. Secondly, there had been rapid growth of productivity. Third, there had been a big fall in output and unemployment had doubled. With hindsight, he believed that the Government should not have increased VAT and that it should have held interest rates down in 1980 (even though he had argued the contrary case at the time). The exchange rates would then have been held down, there would have been lower growth of £M3 and also fewer problems for industry. Inflation would have been lower, and unemployment lower also. However, there would not have been the valuable shake out of labour and increase in productivity.

Dr Budd believed that the main question was whether the Government should now be more flexible in its economic policy. In an ideal world the aim should be pre-announced flexibility. By this he meant that policy should be made with regard to the medium term but it should be announced that it would be changed in the light of changed circumstances. Changes in policy must, though, be announced in advance. In the past flexible policies had just been adopted for short term economic or political advantage. Now, however, this Government had earned the right to some flexibility. The direction of policy had been clearly seen for two to three years. Flexibility would therefore be more credible.

In the budget the Chancellor should state the continued commitment of the Government to reduce inflation through cautious fiscal and monetary policies. Dr Budd, himself had agreed with the last budget. However, it was arguable that output was worse because businesses were disappointed by it, however irrationally. In fact, there was little that Government could do to increase industry's orders. However, the psychological factor should not be ignored. The arguments between cutting NIS or income tax were very finely balanced.

Dr Budd believed that the high level of short and long term interest rates were the greatest problem. In part, they were high because financial institutions were worried that after 1984 and a possible Conservative election defeat there might be rapid expansion of demand.

CONFIDENTIAL

Anything raising the probability of Conservatives' winning that election would lead to lower interest rates and so would in fact improve the Party's chances of winning.

Mr Hamilton noted that financial institutions would also be worried by a Government which itself sought to stimulate excessive demand in the economy. If the Government had not been prepared to see an increase in interest rates there would have been a run on sterling. There were, therefore, two sides to each of Dr Budd's arguments.

Dr Budd agreed. However, he believed that in 1980 a lower exchange rate would have been beneficial.

In answer to Mr Eggar, Dr Budd said that it was desirable that the PSBR should decline as a percentage of GDP. However, as Mr Lawson had pointed out, the downward path need not be so steep in years of recession. He believed that the Medium Term Financial Strategy should not now rely on targets for £M3 as a year by year objective, but rather have reference to the broader PSL2 and the narrower M1.

In answer to Mr C Morrison, Dr Budd did not agree that the way to generate orders for private industry was by increasing nationalised industry investment. It was undesirable that the public sector should expand further.

In answer to Mr J Browne, Dr Budd agreed that the private sector had borne most of the pressure of adjustment.

In answer to Mr Renton, Dr Budd said that there was no need for more reflation now or in the future. He wished to see a steady progression towards a PSBR of about 1½% of GDP and towards much lower inflation.

Mr Townend doubted whether the Government could have funded its debt with lower interest rates in 1980 or whether it could do so now.

Dr Budd, however, said that conditions in 1980 had been extraordinary. The rise in interest rates brought about as a reaction to the swift

CONFIDENTIAL

rise in £M3 had led to distress borrowing from the corporate sector. High interest rates had thus created a vicious circle. A cut in interest rates should have been brought about.

In answer to Mr Hastings, Dr Budd agreed that there was little in practice which the Government could do about the level of interest rates, at least in the long term. International conditions were important. However, the Swiss had lower interest rates than we did. Governments did have short term control over interest rates and the exchange rate.

In answer to Mr Patten who wondered whether a £10-11½ billion PSBR would be in line with the MTF5 projection, Dr Budd said that according to the MTF5 assumptions £9 billion was the projected figure for 1982-3.

Dr Budd said that the London Business School forecast predicted hardly any fall in unemployment up to 1984. If even half the rate of productivity growth achieved recently continued there would be no scope for falling unemployment. Unemployment was therefore bound to be high in 1984.

In answer to questions from Mr Foreman, Dr Budd said that in his view some estimates of great industrial spare capacity were much exaggerated. His feeling was that firms had begun to learn to live with lower levels of stocks.

In answer to Mr Lester, Dr Budd felt that it was wrong to imagine that the level of unemployment was inflationary; indeed the opposite, through the effect in keeping wage increases down, was likely to be true.

In answer to Mr Whitney, Dr Budd said that it was his tentative view that the US economy would recover by the second half of the year and that there would be continuing progress in reducing inflation. However, greatly fluctuating interest rates in the US were likely to be a continuing problem.

RH

ROBIN HARRIS

17 February 1982

The Spastics Society

12 Park Crescent
London W1N 4EQ
Telephone 01-636 5020

Patron HRH The Duchess of Kent

Honorary Officers
Chairman: Mrs Joyce Smith JP
Vice-Chairman: Derek Ashcroft
Hon. Treasurer: William Huddleston

Director: Tim Yeo

30th ANNIVERSARY
1952-1982
Thirty years helping
cerebral palsied people

cc: CH (ex)

The Rt. Hon. Sir Geoffrey Howe, QC MP
Chancellor of the Exchequer
HM Treasury
Whitehall
London SW1

CH/EXCHEQUER	
REC.	19 FEB 1982
ACTION:	RS / EST
COPIES	
12	

17th February 1982

Dear Sir Geoffrey,

We are writing in order to set out the fiscal reforms for charities and changes in benefits which The Spastics Society would like to see included in the forthcoming Budget on 9th March. We are sending a copy of the relevant part of the letter on changes in benefits to the Secretary of State for Social Services and are releasing this letter to the press.

1. FISCAL REFORMS

The Government's commitment to the voluntary sector and the value which it places on the services it provides is well known. However, the development and expansion of these services such as the Government would like to see requires an increase in resources. The Spastics Society was grateful for the financial concessions which were granted to charities in both the 1980 and 1981 Budgets and has made great efforts to take full advantage of them. However, we must point out that the benefit to the Society of these concessions has only amounted to £60,000 in the present financial year - a small amount in relation, for instance, to the Society's VAT bill of £300,000. We believe that the Government could help in further ways.

(i) VAT

As you will know, The Spastics Society is leading the campaign of the VAT Reform Group to get VAT relief for charities. We have received widespread support from the public which is reflected in the House of Commons by the significant number of MPs who have signed Early Day Motion number 184 'VAT Relief for Charities'.

We are hopeful that you will make an announcement on this issue on 9th March. We would take this opportunity of reminding you that the Conservative Party VAT Task Force produced a report in 1977, commissioned by you, which states in Recommendation 8 'Charities should be relieved of VAT on their non-trading activities and be able to reclaim VAT on their expenses (subject to a de minimus rule)'.

(ii) Company Covenants

Although companies can make donations to charities by covenant, the unpredictability of company profits means that very few companies

The Rt. Hon. Sir Geoffrey Howe, QC MP

17th February 1982

are willing to enter into four-year commitments. We therefore would suggest to the Government that any registered company be permitted to make charitable donations and to set these donations against profits for Corporation Tax purposes - up to an agreed limit of, for example, £10,000 in any single financial year.

2. CHANGES IN BENEFITS

The Spastics Society feels that the International Year of Disabled People increased the awareness of the problems faced by disabled members of our society. The various types of financial support for disabled people introduced by successive governments over the years have resulted in anomalies and confusion.

The Spastics Society recognises the need for a clarification of the system and urges the Government to fulfil the pledge contained in the Conservative Party Manifesto - 'to provide a coherent system of cash benefits to meet the costs of disability'. Although this is clearly a long term aim, we suggest that the Government introduce a Green Paper during the lifetime of this Parliament, to allow a full consultation process prior to the introduction of a comprehensive disability income and allowance.

Until such an allowance is introduced we would urge the Government to take action on 9th March on the following issues which concern The Spastics Society.

(i) Invalid Care Allowance

The Spastics Society welcomes the recent extension of I.C.A. to non-relatives but believes that this has highlighted the anomalous and unfair position of married women who do not qualify for this benefit. The Government has made repeated references to the important role of the family in caring for handicapped people. However, this blatant discrimination against married women who are "carers" contradicts this commitment to family support. We would remind the Government that the cost of extending I.C.A. to married women is a fraction of what such women save the country in terms of social services and residential care.

(ii) Housewives Non-Contributory Invalidity Benefit

The Spastics Society is concerned that the Household Duties Test is unfair and discriminates against disabled married women. We would urge the Government to end this discriminatory test, a move which we welcome as being a long-overdue reform.

(iii) Invalidity Pension

We welcomed the Government's decision not to make a further 5% statement of Invalidity Pension in November 1981 but we urge the Government to announce a firm date for bringing this benefit into taxation on 9th March and to give a commitment that no further abatement will be made.

The Rt. Hon. Sir Geoffrey QC MP

17th February 1982

(iv) Maternity Grant

We believe that one of the significant causes of perinatal mortality is maternal poverty in pregnancy. One simple and immediate way to alleviate this poverty would be to increase the non-contributory maternity grant to £125 to restore its 1949 value. The present grant of £25, one of the lowest in Europe, is scandalously inadequate. We urge the Government to announce an increase on 9th March.

The issues outlined in this letter are by no means exclusive. They are, however, areas where immediate action would be of great benefit to disabled people themselves and the voluntary organisations who are providing services for them.

We hope that you will respond favourably and sympathetically to the points we have outlined in the Budget speech on 9th March.

Yours sincerely,
Tim Yeo

Tim Yeo
Director

TRG

TORY REFORM GROUP

41289

cc antex

CH/EXCHEQUER	
REC.	22 FEB 1982
ACTION	IS / PST
COPIES TO	
9 Poland Street, London W1V 3DG	
01-734 5902	

17th February 1982

Dear Sir Geoffrey

There now appears to be a growing consensus among observers that the forthcoming Budget should be significantly reflationary. Recent reports, however, seem to indicate that you remain unreceptive to this idea. If so, we would urge you to reconsider, since we believe that this Budget will be the last real chance for an increase in demand to have effect, and thereby set the scene for recovery instead of further degeneration.

The Government's own stated intentions - of lowering inflation, cutting the PSBR, and helping British industry - have not been met. Inflation has yet to reach single figures, and there are signs that it will not do so over the next year. The attempts to cut the PSBR are, we suspect, impossible to achieve - given the Government's present fiscal stance - without irreparable damage being done to spending programmes, industry and social cohesion.

Indeed, the Government appears to have set itself a trap whereby the restrictions on the economy (and despite Government denials our fiscal stance appears to have been substantially more restrictive than that of our OECD partners) only lead to further bankruptcies and unemployment which in turn raises the deficit through higher public spending and less tax revenue. The Government's reaction has then been to cut spending programmes over which it has direct control in an effort to cut that deficit - thereby deepening the recession.

Private industry has taken the brunt of the recession, with little help for companies in the private sector, and you will have seen that industrial output has dropped again. Indeed, despite optimistic noises from certain Government Ministers, there are no real signs of any sustained recovery. The Government

President: Rt Hon Peter Walker MBE MP

Patrons:

Rt Hon Lord Butler of Saffron Walden KG CH
Rt Hon Lord Carr of Hadley
Rt Hon Lord Carrington KCMG MC
Rt Hon Sir Ian Gilmour Bt MP
Rt Hon Michael Heseltine MP

Rt Hon Harold Macmillan OM
Rt Hon James Prior MP
Rt Hon Francis Pym MC MP
Rt Hon William Whitelaw CH MC MP

Vice-Presidents:

Mrs Lynda Chalker MP
Baroness Faithfull OBE
Sir William van Straubenzee MBE MP
John Watson MP

As argued that productivity in many firms has increased, thus proving the point that British industry is now 'leaner and fitter' and better able to cope with the next upturn, whenever it comes. We believe that, to a large extent, this argument is illusory. Productivity in many firms may have seemingly increased, but at the same time as this productivity seems to be rising closures of factories and companies suggest that the country's productive capacity is declining. Meanwhile, unemployment continues to rise past the three million mark, often in such an uneven fashion that some parts of our country have become virtual deserts. It causes immense hardship for many people, but particularly for the poorest - whom the Government has made worse off by cutting benefits in real terms - and dangerously undermines the cohesion of our society.

We in the Tory Reform Group have long argued that the Treasury's approach is wrong, and we believe that there is now enough evidence to show that, whatever the theoretical hopes, in practice the Government can give no real assurance as to when, if ever, these policies will bear fruit.


We urge, therefore, that the approach be changed, and that demand be injected into the economy of a sum greater than the £1½-2 billion often quoted as a compromise, and which we feel would, after taking account of inflation, only result in a 'neutral' Budget in demand terms. As for the PSBR, we would argue that this could be raised so that it remains the same proportion of our national income as in this financial year, a proportion which we understand to be lower than in the seventies, and lower than that of other OECD countries. We believe that it is possible to increase the demand and the money supply without raising inflation. There is reason to believe that the PSBR would in time fall as the numbers of jobs created rise.

The major priorities now must be to aid British industry, to protect the weakest in our society, and to boost capital spending both to help industry and to absorb some of our unemployment. We therefore support the CBI in its call for a cut in National Insurance Surcharge, and believe that serious consideration should be given to the demand for a reduction in energy costs. The cut - or even the abolition - of NIS would help company costs and boost industry's confidence. You may argue that any benefits will be frittered away in a wages explosion. We feel that this is unproven, and moreover would give the lie to the new air of 'realism' which Government Ministers claim now exists. In reality there will always be the risk of such a possibility, but we believe that, with three million unemployed, that risk is as low today as it is ever likely to be.

urge new capital spending on selective items, such as transport, construction and energy conservation, which will boost private industry and ease unemployment. It would also represent investment for the future as well as being an important statement of intent on the part of the Government. Much as we support the idea of a general reduction in taxation, we do not feel that this should take priority over the need to help the most vulnerable members of the community. We therefore believe that the real value of unemployment and child benefit in particular should be as a minimum maintained.

Looking to the longer-term we would ask you to consider amending the very restrictive provisions of the business start-up scheme so as to allow tax relief to employees investing in new business, on condition that the shares are offered to all full-time employees at the market price. Still looking to the future, we also believe that as we move further into the era of high technology and robotics - with the attendant fears for peoples' jobs - the Government must consider ways of revolutionising our training programmes - their methods, objectives and level of expenditure. We also feel that it would be useful to consider again a forum in which Government, employers, unions and professions might eventually agree on what the economy overall could be reasonably expected to afford in pay rises and require in investment. Such a forum would not replace budgetary policies, but might support them through increased public understanding.

Our proposals derive from both economic and political objectives. It has been argued by some Government supporters that to raise the question of politics is opportunism. That argument is both disingenuous and incorrect, and can hardly be levelled at the Tory Reform Group who have consistently argued for a shift in the Treasury's approach. Our argument is simply that there is no point in doggedly pursuing policies for which the time-scale is, at best, some unspecified time after the next election, if by doing so you lose that election to a new party whose policies could destroy any hope of the country's recovery. For we in TRG still believe that the best interests of the country will be served by the return of a Conservative Government, but one which is committed to taking the steps necessary to keep this country as one nation.

Yours sincerely


Clive Landa

Chairman

dauntless

BUILDERS' CASTINGS
FOUNDING CISTERNS

Established 1920

Registered in England
No. 732459

41288

Telephone : 021-557 5411

Telegrams : FOUNDRY, TIPTON

Telex : 337357

Thomas Dudley Limited

IRON FOUNDERS & PLASTIC MOULDERS

DAUNTLESS WORKS · P.O. BOX 28 · NEW BIRMINGHAM ROAD · DUDLEY · WEST MIDDLELANDS DY1 4SN

cc entry Registered Office:

CH/EXCHEQUER	
REC.	22 FEB 1982
ACTION	PS / FBT
Q.C. COPIES TO	

Our Ref. TID/DP
Your Ref.

The Right Honourable Sir Geoffrey Howe
11 Downing Street
LONDON
SW1

17th February 1982

Dear Sir

THE BUDGET

I have written today to the Prime Minister, urging her to take action in the forthcoming Budget, to save the Construction Industry and its many suppliers from the prospect of further closures and the losses of considerably more jobs. A copy of my letter is attached for your reference.

I fully understand that you are charged with the responsibility of formulating the details of the Budget, but in matters of policy, I believe in going straight to the top in order to make the greatest impact, and to obtain the most urgent attention which this matter requires.

In the circumstances, I trust you will forgive my indirect approach to you as Chancellor of the Exchequer, but obviously I am keen that you should be acquainted of our plight without delay.

I trust that my submissions will not be in vain, and I look forward to hearing some positive response from you on Budget Day in an effort to raise the Construction Industry from the extremely low level of production to which it has fallen over the past two years.

Yours faithfully
THOMAS DUDLEY LIMITED

T.I. Dudley
JT. MANAGING DIRECTOR

Copy To: Mr John Blackburn, M.P. (Dudley West)

Encs

dauntlessBUILDERS' CASTINGS
FLUSHING CISTERNS

Established 1920

Registered in England
No. 732459

Telephone : 021-557 5411

Telegrams : FOUNDRY, TIPTON

Telex : 337357

Thomas Dudley Limited

IRON FOUNDERS & PLASTIC MOULDERS

Registered Office:

DAUNTLESS WORKS · P.O. BOX 28 · NEW BIRMINGHAM ROAD · DUDLEY · WEST MIDLANDS DY1 4SN

Our Ref. TID/DP

The Right Honourable Mrs Margaret H. Thatcher
10 Downing Street
LONDON
SW1

Your Ref.

17th February 1982

Dear Madam

THE BUDGET

I write with an earnest plea that you take action in the forthcoming Budget in March to save the Construction Industry and its many suppliers from the prospect of further closures and the losses of considerably more jobs.

We have maintained our workforce at about 350 throughout the Recession by short-time working, which we commenced over two years ago. Currently our Foundry Division, which employs about two-thirds of our workers, is struggling to remain on a 3-day week, and half of our Plastics Division is on a 4-day week.

Unless there is a steady expansion in the building of houses and roads, and more resources are made available to Local Authorities for the modernisation of housing, there is a very real prospect of our Foundry ceasing to be viable, with a possible loss of nearly 200 jobs.

We are a private limited company, and throughout the history of the company, we have steadily ploughed back our profits by continual investment in buildings and up-to-date plant and equipment.

As a business owned and run by the Dudley family for nearly 62 years, with the fourth generation recently joined from university, we have managed to maintain the morale and support of the workforce throughout the recession.

Please do not put us in the position that we have to let down our team of loyal and experienced employees, and contemplate a major closure, with the consequential job losses.

We have a strong rapport with the Dudley Metropolitan Borough Council, who are constantly striving to improve employment within their area. We are also well-known to the Dudley West M.P., John Blackburn, who was closely involved with supplying the Construction Industry before entering the House of Commons. He also is dedicated to preserving and improving job opportunities, not only in his immediate constituency, but throughout this area. I am sure that the Dudley East M.P., John Gilbert, would share the same sentiments.

You must realise that a lot of effort has been, and will continue to be made in this corner of the West Midlands to keep unemployment to a minimum. However, no business can be run on a non-viable basis for long, without disastrous consequences. We seek your help, therefore, in taking prompt action to initiate some gradual expansion of the Construction Industry in general, and to boost Local Authority and low-cost private housing development in particular, to ensure our continued existence.

I enclose a photocopy of a recent advertisement showing our range of products from both the Foundry and the Plastics Divisions to provide you with a quick reference to our main product lines.

Continued / 2

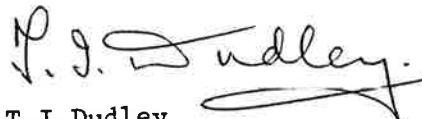
The Right Honourable Mrs Margaret H. Thatcher

17th February 1982

I am taking the liberty of sending a copy of this letter to the Chancellor of the Exchequer, and I sincerely hope that you will both take some account of the well-meant advice contained within it, and may it be sooner rather than later.

I offer you my personal best wishes, and the support of our company, in what is obviously a critical time for you and the Government. I trust that your efforts and determination will be steadily rewarded throughout the next two years.

Yours faithfully
THOMAS DUDLEY LIMITED

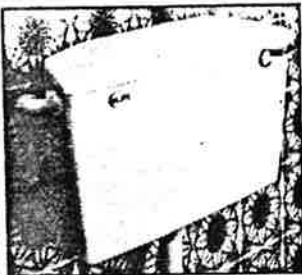

T.I. Dudley
JT. MANAGING DIRECTOR

Copies to: The Right Honourable Sir Geoffrey Howe Q.C.
Mr John Blackburn, M.P. (Dudley West)

Enc

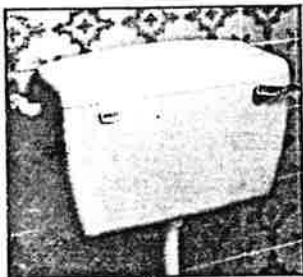
Dudley Cisterns

DUDLEY ELITE:



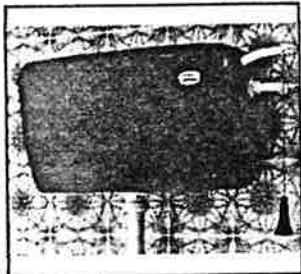
New design with front lever. The Elite has been the most popular panel cistern for many years. The design has now been improved to incorporate a front lever. All the latest bathroom colours.

DUDLEY TRISHELL:



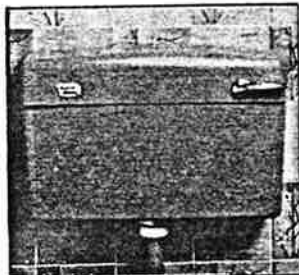
Heavy duty cistern for local authority, government, educational, medical and commercial establishments. The Trishell is the strongest plastic cistern on the market and also offers greater noise and condensation reduction than conventional plastic cisterns.

DUDLEY DIPLOMAT:



An economically priced, easy to fix plastic cistern for general housing use. Available in black, white and colours with high level or low level.

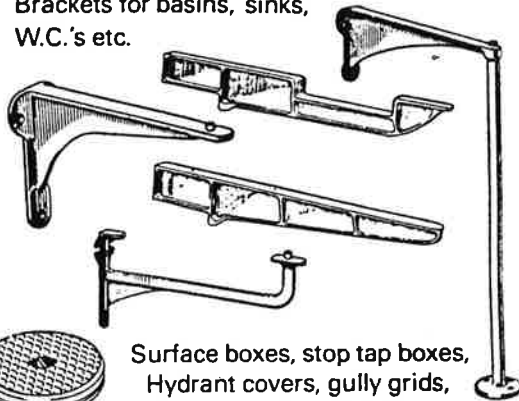
DUDLEY SLIMLINE



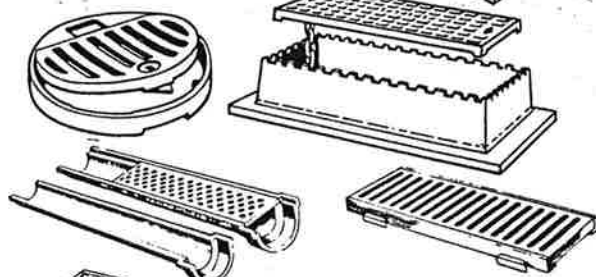
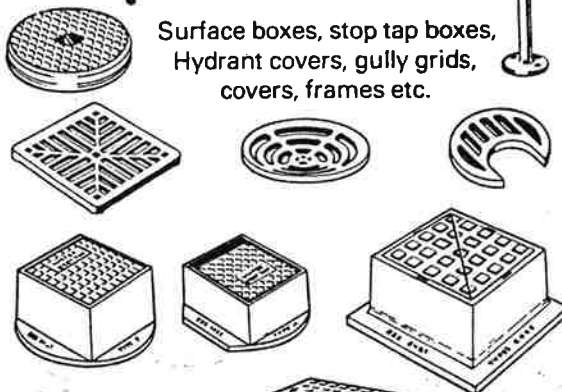
A new plastic slim line cistern for both visible or concealed fixing. Suitable for most homes and also ideal for site buildings, mobile homes and wooden frame buildings. We also manufacture a Slimline cistern in hard rubber plus the Dauntless Domino, Rubberwell and Rubberline cisterns.

Dauntless Castings

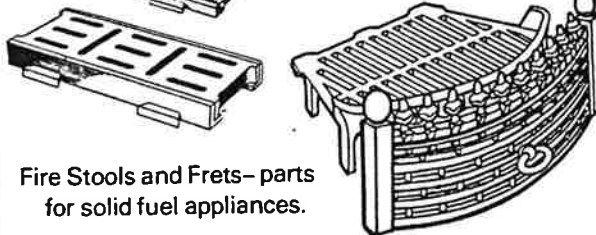
For Water supply, sewerage, buildings etc.
Brackets for basins, sinks,
W.C.'s etc.



Surface boxes, stop tap boxes,
Hydrant covers, gully grids,
covers, frames etc.



Channel gratings —
Light Medium or heavy duty.



Fire Stools and Frets— parts
for solid fuel appliances.

Many other items available.
Special designs can be manufactured.
Send for leaflets:

THOMAS DUDLEY LIMITED,

Dauntless Works, New Birmingham Road,
Dudley, West Midlands. DY1 4SN.
Tel: 021-557 5411. Telex: 337357.



BUILTS CASTINGS
FLU... CISTERNS

Established 1920

Registered in England
No. 732459

41288

Telephone: 021-557 5411

Telegrams: FOUNDRY, TIPTON

Telex: 337357

14

Thomas Dudley Limited

IRON FOUNDERS & PLASTIC MOULDERS

DAUNTLESS WORKS · P.O. BOX 28 · NEW BIRMINGHAM ROAD · DUDLEY · WEST MIDLANDS DY1 4SN

Registered Office:

Our Ref. TID/DP

Your Ref.

CH/EXCHEQUER	
REC.	22 FEB 1982
ACTION	fs/let
Q.C. COPIES TO	

17th February 1982

The Right Honourable Sir Geoffrey Howe
11 Downing Street
LONDON
SW1

Dear Sir

THE BUDGET

I have written today to the Prime Minister, urging her to take action in the forthcoming Budget, to save the Construction Industry and its many suppliers from the prospect of further closures and the losses of considerably more jobs. A copy of my letter is attached for your reference.

I fully understand that you are charged with the responsibility of formulating the details of the Budget, but in matters of policy, I believe in going straight to the top in order to make the greatest impact, and to obtain the most urgent attention which this matter requires.

In the circumstances, I trust you will forgive my indirect approach to you as Chancellor of the Exchequer, but obviously I am keen that you should be acquainted of our plight without delay.

I trust that my submissions will not be in vain, and I look forward to hearing some positive response from you on Budget Day in an effort to raise the Construction Industry from the extremely low level of production to which it has fallen over the past two years.

Yours faithfully
THOMAS DUDLEY LIMITED

T. I. Dudley

T. I. Dudley
JT. MANAGING DIRECTOR

FINANCIAL SECRETARY	
REC.	23 FEB 1982
CONTS TO	EST METL
	51A D. WASS
	MR RYRIE
	MR MIDDLETON
	MR BATTLEHILL
	MR ROBSON
	MR GORDON
	MR F. MARTIN
	MR FRENCH
	PS/IR

Copy To: Mr John Blackburn, M.P. (Dudley West)

Encs

Handwritten mark or signature

Handwritten mark or signature

DauntlessBUILDERS' CASTINGS
FLUSHING CISTERNS

Established 1920

Registered in England
No. 732459

Telephone : 021-557 5411

Telegrams : FOUNDRY. TIPTON

Telex : 337357

Thomas Dudley Limited

IRON FOUNDERS & PLASTIC MOULDERS

Registered Office :

DAUNTLESS WORKS · P.O. BOX 28 · NEW BIRMINGHAM ROAD · DUDLEY · WEST MIDLANDS DY1 4SN

The Right Honourable Mrs Margaret H. Thatcher
10 Downing Street
LONDON
SW1

Our Ref. TID/DP

Your Ref.

17th February 1982

Dear Madam

THE BUDGET

I write with an earnest plea that you take action in the forthcoming Budget in March to save the Construction Industry and its many suppliers from the prospect of further closures and the losses of considerably more jobs.

We have maintained our workforce at about 350 throughout the Recession by short-time working, which we commenced over two years ago. Currently our Foundry Division, which employs about two-thirds of our workers, is struggling to remain on a 3-day week, and half of our Plastics Division is on a 4-day week.

Unless there is a steady expansion in the building of houses and roads, and more resources are made available to Local Authorities for the modernisation of housing, there is a very real prospect of our Foundry ceasing to be viable, with a possible loss of nearly 200 jobs.

We are a private limited company, and throughout the history of the company, we have steadily ploughed back our profits by continual investment in buildings and up-to-date plant and equipment.

As a business owned and run by the Dudley family for nearly 62 years, with the fourth generation recently joined from university, we have managed to maintain the morale and support of the workforce throughout the recession.

Please do not put us in the position that we have to let down our team of loyal and experienced employees, and contemplate a major closure, with the consequential job losses.

We have a strong rapport with the Dudley Metropolitan Borough Council, who are constantly striving to improve employment within their area. We are also well-known to the Dudley West M.P., John Blackburn, who was closely involved with supplying the Construction Industry before entering the House of Commons. He also is dedicated to preserving and improving job opportunities, not only in his immediate constituency, but throughout this area. I am sure that the Dudley East M.P., John Gilbert, would share the same sentiments.

You must realise that a lot of effort has been, and will continue to be made in this corner of the West Midlands to keep unemployment to a minimum. However, no business can be run on a non-viable basis for long, without disastrous consequences. We seek your help, therefore, in taking prompt action to initiate some gradual expansion of the Construction Industry in general, and to boost Local Authority and low-cost private housing development in particular, to ensure our continued existence.

I enclose a photocopy of a recent advertisement showing our range of products from both the Foundry and the Plastics Divisions to provide you with a quick reference to our main product lines.

Continued / 2

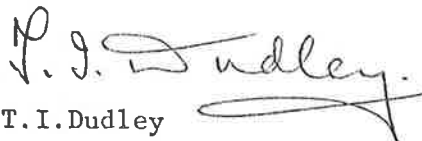
The Right Honourable Mrs Margaret H. Thatcher

17th February 1982

I am taking the liberty of sending a copy of this letter to the Chancellor of the Exchequer, and I sincerely hope that you will both take some account of the well-meant advice contained within it, and may it be sooner rather than later.

I offer you my personal best wishes, and the support of our company, in what is obviously a critical time for you and the Government. I trust that your efforts and determination will be steadily rewarded throughout the next two years.

Yours faithfully
THOMAS DUDLEY LIMITED



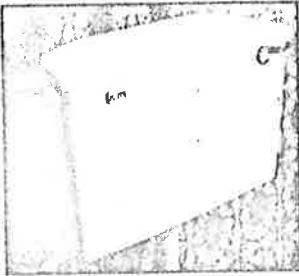
T.I. Dudley
JT. MANAGING DIRECTOR

Copies to: The Right Honourable Sir Geoffrey Howe Q.C.
Mr John Blackburn, M.P. (Dudley West)

Enc

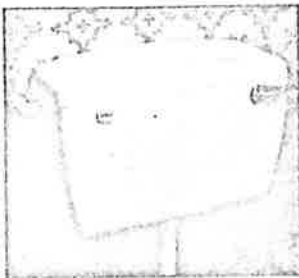
Dudley Cisterns

DUDLEY ELITE:



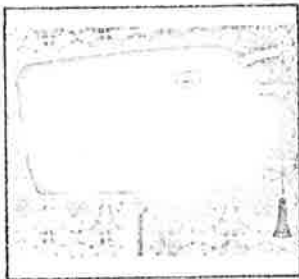
New design with front lever. The Elite has been the most popular panel cistern for many years. The design has now been improved to incorporate a front lever. All the latest bathroom colours.

DUDLEY TRISHELL:



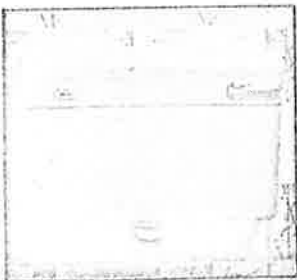
Heavy duty cistern for local authority, government, educational, medical and commercial establishments. The Trishell is the strongest plastic cistern on the market and also offers greater noise and condensation reduction than conventional plastic cisterns.

DUDLEY DIPLOMAT:



An economically priced, easy to fix plastic cistern for general housing use. Available in black, white and colours with high level or low level.

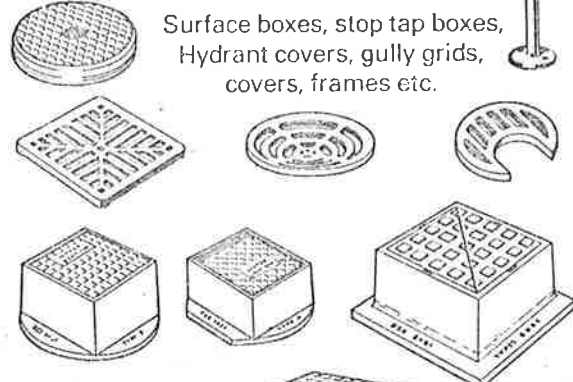
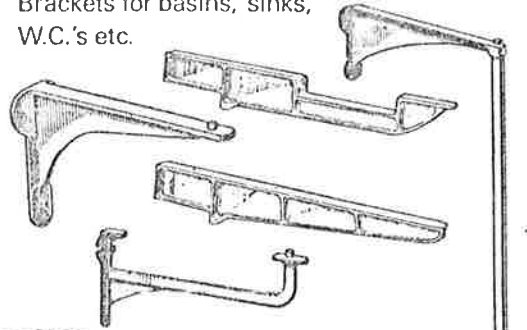
DUDLEY SLIMLINE



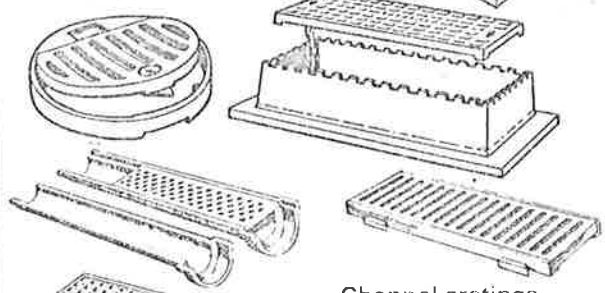
A new plastic slim line cistern for both visible or concealed fixing. Suitable for most homes and also ideal for site buildings, mobile homes and wooden frame buildings. We also manufacture a Slimline cistern in hard rubber plus the Dauntless Domino, Rubberwell and Rubberline cisterns.

Dauntless Castings

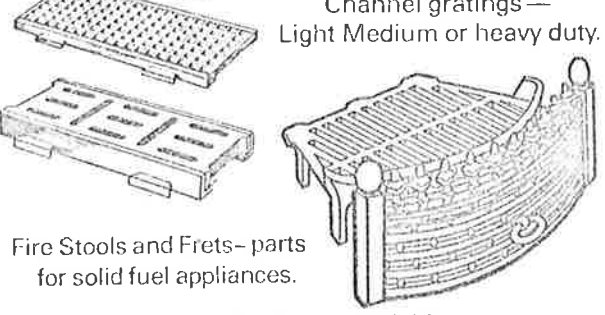
For Water supply, sewerage, buildings etc. Brackets for basins, sinks, W.C.'s etc.



Surface boxes, stop tap boxes, Hydrant covers, gully grids, covers, frames etc.



Channel gratings — Light Medium or heavy duty.



Fire Stools and Frets— parts for solid fuel appliances.

Many other items available. Special designs can be manufactured. Send for leaflets:

THOMAS DUDLEY LIMITED

Planting Works, New Birmingham Road
Dudley, West Midlands, B15 4SN
Tel: 021 357 3601 Telex: 282857

WIDER SHARE OWNERSHIP COUNCIL

JUXON HOUSE, 94 ST. PAUL'S CHURCHYARD, LONDON, EC4M 8EH

TELEPHONE: 01-248 9155

TELEX: 887521

The Rt. Hon. Sir Geoffrey Howe, MP
Chancellor of the Exchequer
The Treasury
Gt. George Street
London S.W.1

cc ~~inlet~~

17th February 1982
CH/EXCHEQUER

REC.	23 FEB 1982
ACTION	15 / EST
COPIES TO	

My dear Chancellor,

You and other members of HM Government have repeatedly confirmed that the wider ownership of shares in British industrial and commercial companies is a desirable objective of government policy. This Council is conscious that certain steps have been taken in pursuit of this objective, but we would strongly urge that considerably more encouragement needs to be given to savers if more direct personal investment is to be achieved. Such encouragement, as we feel sure you are aware, could in large measure be given by the removal or reduction of disincentives.

The attached memorandum contains the specific recommendations which this Council wishes to make in connection with your forthcoming Budget and the Finance Bill which will follow it.

Yours sincerely,

Edgar Palamountain,
Chairman.

WIDER SHARE OWNERSHIP COUNCIL

1982 Budget Recommendations

1) GENERAL

1.1 The Council exists to promote wider direct investment in British industry. It believes that a wide spread of ownership acts to diffuse wealth and power, and re-inforces a free market economy.

1.2 The Council assumes that HM Government shares its objectives.

1.3 The Council has long been conscious of the problem that the extension of share ownership requires justification in the sense that the saver must feel entitled to expect that his investment will prove rewarding. This can only be assured by the re-establishment of conditions in which a significant real return on capital is capable of being earned by companies in whose shares the saver invests. As HM Government is aware, no such satisfactory rate of return has been capable of achievement for many years. The Council trusts that all possible steps will be taken to restore the profitability of British industry and commerce.

1.4 Since the rewards of equity investment are materially affected by taxation, the Council again urges that the burden of such taxation should be lightened as recommended below.

1.5 The Council also draws the attention of HM Government to the adverse effects on equity investment of high interest rates. While appreciating that many of the factors giving rise to such rates are beyond HM Government's control, the Council confides that HM Government will make their reduction one of its principal policy objectives.

2) POLICY PROPOSALS

2.1 Capital Gains Tax

The Council again draws attention to the confiscatory nature of capital gains tax as it applies to the generality of equity investments. While it is well understood that abolition would be regarded as unacceptable, a substantial move in the direction of tapering and/or indexation and/or a further raising of the threshold would, in the Council's view, be defensible and right.

2.2 Investment Income Surcharge

The tax surcharge of 15% on investment incomes starting at £5,500 is particularly harsh for individuals who, out of already-taxed income, have accumulated and invested savings over their working life and hope to secure an adequate income in later years. While it is understood that outright abolition of the surcharge would be difficult in the absence of more fundamental taxation reform, the Council recommends as an interim measure either that the rate be halved to a surcharge of 7½% or that the threshold be raised to £10,000.

2.3 Loi Monory

2.3.1 The Council, while welcoming recent legislation to encourage employee share schemes, is conscious that such schemes ipsa natura exclude those who are not employed in companies with a sufficiently large capital base to sustain them and provide, in any case, only a partial fulfilment of the objective of extending personal equity ownership.

2.3.2 The Council accordingly urges the introduction of a UK equivalent of the French Loi Monory, to enable individuals investing in UK equities (or in investment media so investing) to claim income tax relief up to an investment ceiling of, say, £1,000 in each tax year.



3.3 It is recognised that safeguards will be needed to prevent avoidance, and attention is drawn in this context to the terms of the New Clause tabled by Mr. Richard Wainwright MP (one of the Council's Deputy Chairmen) at Standing Committee considering the Finance Bills in 1980 and 1981. It is regretted that HM Government's response was decidedly more lukewarm in 1981 than in 1980.

2.3.4 The attention of HM Government is also drawn to the Report entitled ASSET FORMATION by the House of Lords Select Committee on the European Communities (Session 1980/1, 36th Report); the Committee (at paragraph 26) specifically recommended that HM Government should give "careful attention" to schemes such as Monory, not least because of the potential spread of investment and hence also of risk.

2.3.5 It is specifically considered that Monory is compatible with HM Government's general philosophy of supporting a property-owning democracy.

2.4 Stamp Duty

The Council urges a reduction in transfer duty on securities to the permitted EEC minimum of 0.6%, and the abolition of duty on transfers to non-residents. These changes would assist the maintenance of a healthy capital market, and remove a prejudicial element in the competitive position of the London Stock Exchange as against overseas markets.

2.5 Employee Share Ownership Schemes

2.5.1 The Council recommends that the annual limit of £1,000 on the value of shares which may be appropriated to an individual through an approved Employee Share Ownership Scheme should be increased to reflect inflation since 1980. Thereafter, as advocated by the then Conservative Opposition in 1978 (Hansard, Standing Committee A, 15 June, Cols: 1270-82), it should be subject to some form of indexation.

2.5.2 Consideration should also be given in the longer term to a relaxation in the treatment of "excess shares"; a suggested scheme is included at paragraph 3.3 below.

2.6 Savings-Related Share Option Schemes

2.6.1 The Council recommends that a participant in an approved Savings-Related Share Option Scheme should be able to postpone his choice of "exercise window" until the fifth anniversary of his SAYE Contract, and should then be able to elect for a "window" of six months following either that or the seventh anniversary, in the latter case conditionally upon his not withdrawing the proceeds of his SAYE contract until that seventh anniversary.

2.6.2 The Council considers that the minimum monthly saving of £10 has acted as a deterrent to some companies wishing to adopt such schemes, and recommends that this be reduced to £5. This requires no primary legislation, merely a change in the related SAYE prospectus.

3) TECHNICAL PROPOSALS

3.1 Employee Share Ownership Schemes: Rights Issues

The Council reiterates its recommendation that HM Government legislate on this matter, either in line with the Council's own recommendations or on any other basis to maximise simplicity consistent only with obviating any material risk of tax avoidance.

3.2 "Insider Dealing"

The Council is concerned that the Revenue feel obliged to consider that "Insider Dealing" rules (whether statutory; complying with The Stock Exchange's Model Code; or internal to any particular company) may constitute "restrictions" in terms of Section 79 of the Finance Act 1972 and Schedule 8 to the Finance Act 1973. Legislation on this point would be somewhat heavy-handed, but a statement of practice would be appreciated.

3.3 Employee Share Ownership Schemes: "Excess Shares"

The proposed relaxation referred to in paragraph 2.5.2 above may be summarised as follows:-

- (1) The appropriation of excess shares should not attract an immediate charge to income tax.
- (2) Excess shares, if released to the participant at any time before state retirement age or the age at which he is bound to retire under the terms of his contract of employment ("the Normal Date"), should be charged to income tax on 100% of their market value at the time of such release.
- (3) If excess shares are released to the participant on or after the Normal Date, he should be charged to income tax on the initial market value of the shares in accordance with the "tapering" provisions of Section 54(7) of the Finance Act 1978 (as amended).
- (4) These proposals in effect constitute the provision of additional retirement benefits on a tax-advantageous basis. Accordingly, the value of excess shares released after the Normal Date should be aggregated with the value of other retirement benefits to the intent that, if these are together in excess of the applicable Inland Revenue limit on retirement benefits, there would pro tanto be a charge to income tax on 100% of the market value of the excess shares at the time of such release.

Attachment: ~~Placed in folder~~
From: D C French
Date: 18 February 1982

CHANCELLOR

cc Chief Secretary
Financial Secretary
Economic Secretary
Minister of State (C)
Minister of State (L)
Mr Ridley
Mr Harris

WOMEN'S NATIONAL ADVISORY COMMITTEE

✓ Angela Hooper has asked me to seek confirmation that you would be happy for her to issue a press release based on the accompanying Budget submission. It looks to me to be alright and I will advise her that she may proceed unless you feel otherwise.

✓ 2. She tenders her apologies that it did not work very well into their theme for you to speak at the Women's Conference in May but they would be delighted if you were able to consider a date later in the year. I understand that it would be a speech at Central Office beginning at 2.15 in the afternoon and lasting for about 20 minutes. She has given me four possible dates which presumably would be best considered at the next meeting of your Speech Committee.

Douglas French
D C FRENCH

Not for them:

We're OK on (3) + (4)

(2) is one I've already asked to be considered but not for now I think it's premature

(1) is under consideration on N.F.'s horizon
Are we considering both halves?

Conservative and Unionist Central Office

32 Smith Square Westminster SW1P 3HH Telephone 01-222 9000 Telegrams Constitute London SW1

Chairman of the Party: THE RT HON CECIL PARKINSON MP

Deputy Chairman: THE HON R. ALISTAIR McALPINE

Vice Chairmen: LORD MARSHALL OF LEEDS
SIR ANTHONY ROYLE KCMG MP
MICHAEL SPICER MP
THE RT HON THE BARONESS YOUNG

9th February 1982

During 1981, the Conservative Women's National Advisory Committee took a particular interest in The International Year of Disabled People and the position of women in the taxation and benefits system. Our work in each of these areas has prompted us to recommend that in the preparation of public expenditure plans the Chancellor of the Exchequer should consider the following proposals as a priority for budgetary reform.

Earnings Limit for Disabled People

The International Year of Disabled People has done much to promote the view that disabled people can be helped to live as normal a life as possible in their family surroundings.

However, we are concerned that some parts of the Social Security system go against this principle. In particular, it seems to us that the rule whereby under the Therapeutic Earnings Limit an invalidity Pensioner loses all his or her pension if he has earnings of more than £16.50 per week is a disincentive to such independence and discourages people from providing for themselves.

In the short term we recommend that:

- (1) - consideration be given to raising the earnings limit;
- above this new limit there should be a sliding scale reduction in benefits instead of the total loss of benefit that occurs at present. ✓?

As a long term objective, we would wish to see Britain joining her European neighbours in making better and comprehensive provision for the disabled as promised in our last Manifesto.

The Invalid Care Allowance

A fundamental principle of Conservative philosophy is to support and strengthen the family unit. Most elderly people prefer the familiarity and security of their own homes but many would be unable to remain there without the help of their family.

.../...

In our submission on the Taxation of Husband and Wife we drew attention to discrimination in the tax system against a married woman who stays at home to raise a family or care for a dependent relative. We are concerned that such discrimination also persists in the benefits system. The Invalid Care Allowance makes a significant contribution towards sustaining the independence of the elderly. However, we are concerned that the Invalid Care Allowance currently available to single men and women and married men is not available to married women.

Consequently, recognising the substantial costs that could result from bringing married women into immediate eligibility for the Invalid Care Allowance, we recommend that steps be taken to phase in married women.

The Mobility Allowance

We welcome the Government's initiatives in raising the value of the Mobility Allowance and bringing larger numbers of people into eligibility. However, recognising the particular needs of the disabled beyond retirement age, we recommend that like the Attendance Allowance and other non-contributory benefits, the Mobility Allowance should be treated as a non-taxable benefit.

Child Benefit

We again re-affirm our strong commitment to supporting family life and to the well-being of mothers bringing up young children. Whilst Child Benefit is clearly too low to meet the cost of actually raising a child it makes an important contribution to family finances.

We are concerned about the shortfall in the value of Child Benefit and recommend that:

- the Chancellor raises the level of Child Benefit to keep pace with prices.

Angela M. Hooper
Deputy Director of Organisation
and Chief Woman Executive

The Rt. Hon. Sir Geoffrey Howe, QC, MP,
11 Downing Street,
London, S.W.1.

J, Pps don't seem
to be out here
18/2

CONFIDENTIAL



pmf

FROM : P A MICHAEL

DATE : 18 FEBRUARY 1982

PRINCIPAL PRIVATE SECRETARY

cc Mr Middleton
Mr Battishill
Mr Wicks
Mr Robson
Mr French
Mr Dalton
Mr Crawley
Mr M A Johns
PS/IR

} IR

NORTH SEA FISCAL REGIME : INCREMENTAL INVESTMENT

The Minister of State (Lords) has seen Mr Johns' minute to the Chancellor of 17 February. He agrees with the line taken by the Inland Revenue.

pm
P A MICHAEL
Private Secretary

CONFIDENTIAL

urbed

Urbed (Urban and Economic Development) Ltd.

359 The Strand
London WC2R 0HS
Telephone 01-379 7525

CC 21/22

CH/EXCHEQUER	
REC.	22 FEB 1982
ACTION	PS/ST
COMES TO	

CC/TM

Sir Geoffrey Howe Q.C. M.P.
Chancellor of the Exchequer,
The Treasury,
Whitehall,
London SW1.

18th February, 1982

Dear Sir Geoffrey,

Business Start-Up Scheme

As you will know from previous correspondence, we at URBED share your concern to promote new enterprise. Last year we welcomed your Business Start-Up Scheme (Finance Act 1981, Sections 52-67) and suggested improvements, many of which you were able to incorporate into the legislation. However there does still seem to be major weaknesses in the way in which the scheme has been extended to include investment funds (Section 66). I am therefore writing to you while the 1982 Finance Bill is in preparation to urge you to make further improvements.

Problems

The main problem is that while the purpose of the Business Start-Up Scheme is to promote investment by individuals in new companies, it is illegal under the Prevention of Fraud Act 1958 to promote this type of investment in private companies. To all intents and purposes new companies will be private companies. Thus Section 66 is completely negated. What is required is that certain funds can become "approved" for the purposes of Section 66, and that approved funds should be exempt from the relevant parts of the Prevention of Fraud Act.

The second problem is that tax relief is given only when the fund makes an investment rather than when the individual makes the investment in the fund. The intention behind the present legislation is obvious, but in practice it seems designed to impede the desired investment. If it is to succeed the scheme must be as simple as possible from the investor's point of view. One thing anyone seeking a tax shelter wishes to know is precisely when it becomes operative.

.../2

The third problem is that the fund cannot receive even a modest fee out of the tax-deductible part of an investment. Again this complicates the issue and puts people off. The result of these three problems is that the scheme has not been as successful as it could have been.

Solutions

The solution would seem to be to set up a mechanism whereby a limited number of funds are approved (by the Inland Revenue) as respectable and responsible investment funds, and allowed by law to

- . promote and make investments in qualifying new private companies
- . obtain for their investors the income tax reliefs set out in Sections 52-77 of the 1981 Act on the money the investors actually invest in the fund (subject to provisos equivalent to those in the Act, and subject to the fund investing in qualifying companies within a reasonable period)
- . charge a specified management fee out of tax relieved income. (Further the fund might be required to charge and pay a second fee to the Inland Revenue to cover the monitoring of the funds).

I believe that the simplest way to ensure that only suitable funds are established is to limit approval only to funds organised and administered directly by Local Enterprise Agencies or Local Enterprise Trusts (which are joint local authority - private sector bodies set up to encourage the development of new and small firms in a specified area. They are usually under the chairmanship of a respected local businessman).

I am aware that neither the Inland Revenue nor the Department of Trade is likely to be keen on the idea of running another "approval" scheme. However the alternatives are either to have an unregulated free-for-all, or to have the present unproductive straight jacket. I am sure that a reasonable monitoring system for Local Enterprise Trust Funds could be devised and that cost of the monitoring could be covered from the investment stream. If you and your colleagues in government are really determined to bring about more investment in new enterprise then I am sure that the excellent ideas underlying in the Business Start-Up Scheme can be enabled to work in practice.

A small amount of further legislation will be required, and the forthcoming Finance Bill will provide the opportunity for it.

Yours sincerely,



P.P. C.J. Cadell

CONFIDENTIAL

FROM: ECONOMIC SECRETARY
18 February 1982



psp

P. Brooke acting on X

CHANCELLOR —

cc Chief Secretary
Financial Secretary
Minister of State (C)
Minister of State (L)
Mr Ridley
Mr French
Mr Harris



A large, stylized handwritten signature in red ink, possibly reading 'L' or 'J'.

I had a lunch today for a small cocktail of "wets" and more or less 'dry's". Those present were:

Sir Russell Fairgreave
Tom Benyon
David Knox
Tristan Garel-Jones
Barry Porter
Paul Marland
Robin Harris

For what it is worth, I thought I should pass on one or two of the gems of wisdom offered, although I am well aware that many of them are already well known.

Garel-Jones is, as you know, obsessed with PSBR numbers. He calculated that £11 billion was a figure which Sir Ian Gilmour and George Gardiner could be persuaded to support. With anything significantly less, one or two might well decide to quit the party and people like Ted Heath and Ian Gilmour might be expected to put their names to amendments which they would be prepared to press to a division against the Government. This would be disastrous for the party. But he did not seem to care much about how the figure was arrived at, apart from saying that Terence Beckett

CONFIDENTIAL

obviously knew much more about industry than he did.

David Knox made it clear that he regarded £11 billion as chicken-feed (and indeed left an undefined impression that such modesty would not receive his support). He was, however, more specific. Yes, of course we should slash the NIS. But his top priority was significant reductions in indirect taxation, particularly VAT. We had nothing whatever to show for ourselves on the economic front, so we might as well get what brownie points we could on inflation.

Russell Fairgreave thought that the essential thing was to show to the private sector that we were obliging the public sector to swallow the medicine which it had absorbed for the past two years. When pressed for specifics, he was pretty vague, except that he thought we should go for the remaining elements of employment "protection" legislation, and be seen to be tackling overmanning in the public sector. He did not at any point mention petrol.

Barry Porter was keenest on industrial specifics; electricity charges (from which Garel-Jones specifically dissented, on the grounds that they helped only a few particular industries); stamp duty; and the ceiling on mortgage interest relief (on both of these he appeared to be in a minority of one).

Towards the end, there was something of a dog-fight between Garel-Jones and Knox on the one side, and Porter, Benyon and Fairgreave on the other. Knox and Garel-Jones argued that the other three were ignoring the politics and also the strains on the loyalty of backbenchers; while the other three argued that Knox and Garel-Jones were ignoring the exasperation of the party faithful in the country which would stem from a panic abandonment of what we had been trying to do to date.

But perhaps the most interesting point concerned our old friend VAT and charities. At the very beginning of the lunch, Tom Benyon brought this up as an issue of major concern. But when I had explained to him the difficulties, he seemed to be considerably impressed; and he got no support from any of the others (although,

CONFIDENTIAL

in fairness, that may have been because they felt this was rather a peripheral issue to spend time on when they were confronted with a real live Treasury rattle-snake). Nevertheless, this experience does reinforce my feeling that there really would be something to be said for my facing the backbench DHSS Committee in its den. I honestly do think that many of them remain basically unaware of the complications in this issue, and are liable to be impressed by having them spelt out.


JOCK BRUCE-GARDYNE

CONFIDENTIAL

SCOTTISH ASSOCIATION FOR PUBLIC TRANSPORT

Chairman: M. Bradley BSc, PhD (031-229 6854)
Secretary: F.H. Neville BA (Open)
113 West Regent Street, Glasgow G2 2RU
and 11 St. Colme St., Edinburgh

AFFILIATED TO TRANSPORT 2000

Freight Consultant and Past President:

Sir James Farquharson, KBE, BSc, FICE

President: Professor A.W. Hendry, PhD, DSc, FICE

Vice Presidents:

Lord Thomson of Monifieth PC, LL.D., D. Litt., D.Sc

Professor D.I. Mackay, MA, T. Hart, MA, LLB

F. Olaf Thornton MBIM, AFRAeS, LLD

Vice Chairmen: T.J. Tiffney BSc

Treasurer: D.S. Brown, CA

Membership Secretary: H. Broadbent, M.A. (041-638 4721)

To Sir Geoffrey Howe, Chancellor of the Exchequer

BUDGET SUBMISSION 1982

REC. 22 FEB 1982	
ACTION	PS / PST
COMES TO	

cc ch/ex.

18/2/82

Budget Policy and Transport Policy

Following our submissions of previous years, this Association would again draw your attention to the need to align budget policy with wider economic and social objectives. We welcome the forthcoming review of rail finance but consider that preliminary steps towards reforming transport finance should be taken in the forthcoming budget. At present, neither road and rail finances nor private and public transport finances are on a basis which positively encourages the effective implementation of economic and social objectives. Excessive resources are being consumed in transport (aided by both tax and subsidy policies) while there is serious neglect both of investments with a long-term value and of those subsidies of most help to those in greater need. These defects cannot be remedied by budget changes alone but the Budget should be seen to be used, not as a neutral device, but as an aid to improved programmes for transport, the economy and the total environment (the latter being interpreted to include better employment prospects as well as narrower aesthetic gains).

It is therefore submitted that the 1982 Budget should be used to begin a process of reform under the headings Taxation, Subsidy and Investment.

Taxation

The fringe benefits of company cars and petrol, etc. should be fully taxed (this would increase government revenue and reduce both real costs and expenditure by encouraging a more selective use of cars and greater use of public transport)

Car Tax should be reduced to £50 a year with a simultaneous increase of 20p per gallon on Petrol Duty (this would provide a fairer basis of taxation for the many car users with low mileages and economical cars while the increase in costs directly related to car use would encourage a more selective use of cars and greater use of public transport)

Derv Tax should be increased by 5p per gallon (to take account of inflation while aiding haulage costs and fuel efficiency by widening the differential between Derv and Petrol Taxes)

Subsidies and Tax Rebates

The tax changes outlined above would reduce the volume of subsidy required for public transport to achieve stated objectives (since the competitive framework would no longer contain disincentives to public transport use). Nevertheless, in recognition of the social and environmental need to reverse the decline in the use of local public transport, the existing bus fuel duty rebate given for stage carriage buses should be increased in real terms

and converted to a payment related to scheduled local mileage actually operated and conditional on most fares not exceeding the marginal costs of car use and parking. (Such fares already apply in Edinburgh and have INCREASED bus use).

This is regarded as a fundamental reform to achieve equity in transport subsidy while it would also encourage cumulative oil-saving by increasing the use of public transport by car owners, not least at peak periods. Similar forms of aid would be made available for local rail, ferry and air services.

As a further reform to aid those who, for various reasons, are forced to spend a relatively high proportion of their income on travel to work costs, it is proposed that tax credits should be introduced for those on below average incomes who can show that travel to work costs exceed 10% of their total income. Government should also announce that it is willing to make a contribution to 'off-peak' Local Travelcards for the unemployed provided that the charge for such cards does not exceed a specified amount.

Investment

Though falling below commercial rates of return, investment authorised now can serve national objectives by stimulating employment in the construction and equipment industries and in securing cumulative reductions in transport operating costs over a period in which there is no dispute that the use of crude oil in transport will have to be phased out. Accident savings and environmental gains can also be obtained through increased investment but it is essential that such investment be related to future needs.

At present, rail investment is being held down to a commercially justifiable level yet this means that many industries are being starved of orders despite international evidence of sound long-term prospects for the railway industry. Main-line routes are being modernised too slowly while many rural lines with a clear social value are being operated far more expensively than would be possible given comparatively small investments in track renewals, automatic level crossings and radio signalling.

In contrast, despite a severe recession which has reduced road traffic and levels of profitability in road haulage and bus operation, road investment - not least in Scotland - continues at a high level and is being justified on non-commercial grounds. Such differential treatment of investment in road and rail infrastructure cannot be defended on either economic or social grounds and the Association is asking that the Budget should introduce equivalent treatment by including a substantial programme of rail infrastructure investment in an enlarged programme for public investment going beyond commercial criteria.

Specifically, the Association would urge early authorisation, as part of a programme of increased public investment, of:-

- 1) through electrification from Ayr and Hunterston/Largs to Glasgow and Edinburgh (extending southwards over the East Coast Main Line)
- 2) cost-reducing investments - e.g. radio signalling and track improvements - on the rail routes to Stranraer, Oban, Fort William, Kyle and Caithness
- 3) a 'station improvement' programme ranging from minor improvements to new stations and bus/car/rail/air interchanges as at Prestwick Airport, Edinburgh (Turnhouse Airport), Edinburgh (Lothian Road), Glasgow (Blythswood), Auchinleck/Cumnock, Dundee and Inverness.

F.H. Neville
F.H. Neville, Secretary
113 West Regent St., GLASGOW G2 2RU

18th February, 1982

CHANCELLOR

1. cc. Sir C. C. ...
to note

WLR
** is for exhortation - but
for holding consideration down
more importantly
is important for spend.*

plow *cut* *A20*
Budget Speech
FROM: A N RIDLEY
DATE: 19 February 1982
c.c. Chief Secretary
Financial Secretary
Economic Secretary
MST (C)
MST (L)

Mr Harris
Mr French

Mr MEETING WITH BACKBENCH MPs FEBRUARY 18

- Present:-
- Chancellor
 - Peter Brooke MP
 - Ian Stewart MP
 - Bill Benyon MP
 - Sir John Eden MP
 - Sir Paul Bryan
 - Maurice Macmillan
 - Michael Heseltine MP
 - Paul Dean MP
 - Mr Ridley

*The Achilles' heel of the
next 12 months.
And of*

Mr Benyon opened the meeting for the visitors with a question about the exchange rate and the risks of further inflation if it fell. Would it really matter very much if the exchange rate went down with lower interest rates given that demand was so tight? Paul Bryan expressed a certain pessimism, from which he deduced that the Government must above all appear to be responsible. In that context it was clear that industry should get the lion's share of any assistance the Chancellor could offer rather than the individual. Maurice Macmillan followed the same thought, and asked whether a balance of payments deterioration would make a significant difference. He also observed that nationalised industry prices were becoming another serious problem for industry, which provoked sympathy from the others present.

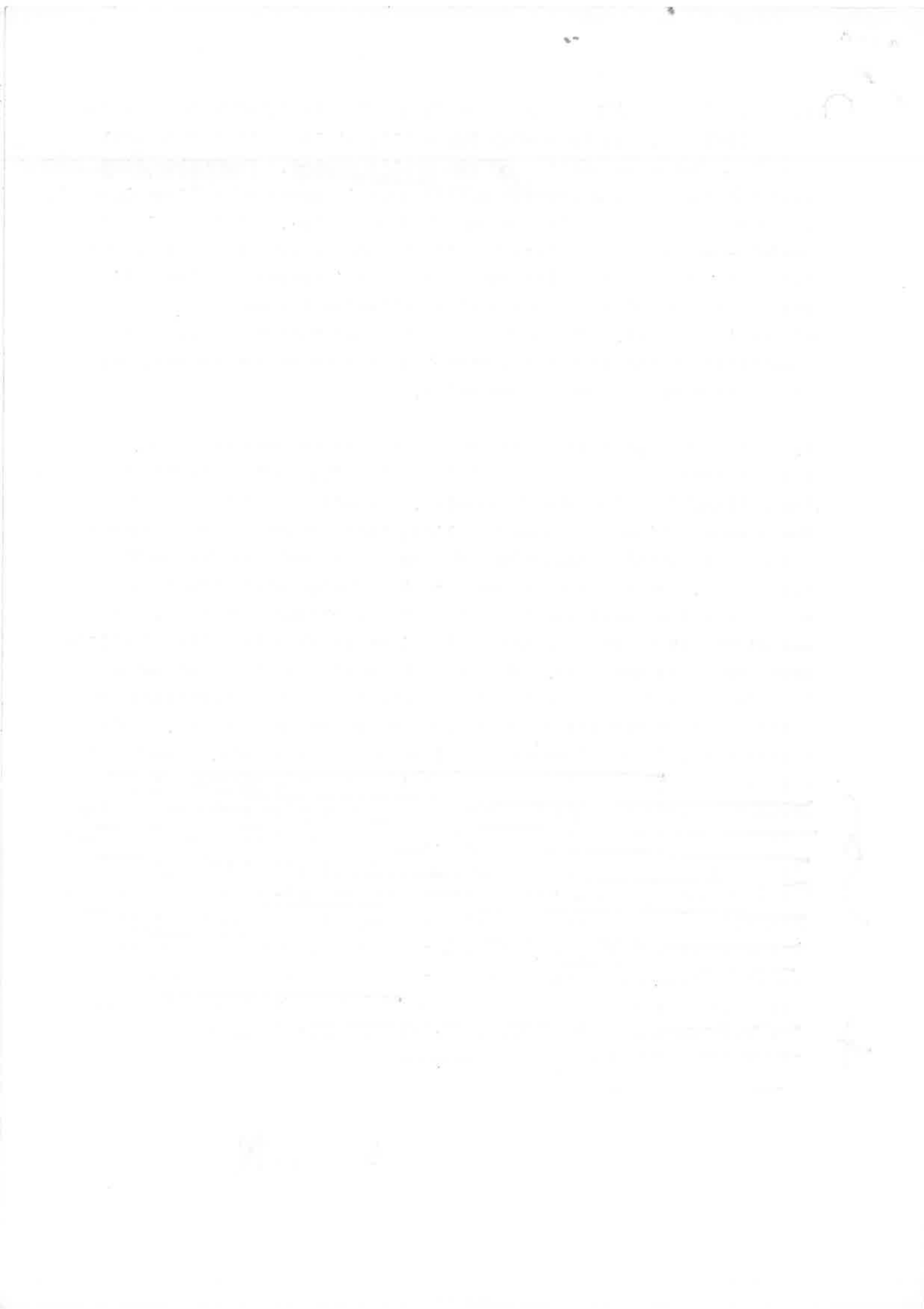
2. Sir John Eden argued for a balanced budget package, spreading assistance fairly evenly between industry and the individual. He also favoured a VAT reduction, for its beneficial effect on inflation, demand and wage claims. There seem to be scope to encourage investment in new technology if one was looking at industry's most acute needs. The tourist industry must not be forgotten, too, e.g. the problem of capital allowances. While it was necessary to appear responsible from a political point of view, it was also vital to remember the next budget could not be seen as a give-away one without courting political disaster. Far more important to have a measure of generosity today which might help bring unemployment substantially down by election time.

3. Maurice Macmillan urged the Chancellor to take further action on capital tax, and to remind the public at large that this would benefit a large proportion of the public sector. Something like half the jobs in the private sector were in areas of self-employment, unincorporated enterprise or unquoted companies. That should go hand-in-hand with less taxation of the poor - was there not a case for a high level of excise duty increases (perhaps advalorisised) - and a further switch to thresholds following the general strategy of the '79 Budget. Sir Paul Bryan observed that there were other specialist claims in the industrial sector to be remembered, such as shipping and TV rental companies.

4. Sir John Eaton asked if more could not be done to get round the problems of the PSBR definition, with its endless implications for nationalised industry borrowing. Maurice Macmillan asked for a more active procurement policy, particularly geared towards assuring a certain proportion of government business for small businesses. Bill Benyon stressed that a fundamental objective of the strategy must surely be to get unemployment falling. It was difficult to see how one could fight an election with 2½ million unemployed and not lose. Why not take a risk on interest rates in this Budget? Maurice Macmillan reverted to the importance of cutting industries costs if employment was to be effected. Going beyond that, it was important to look at the rhetoric. People did not yet clearly perceive the extent to which the Government was struggling with the massive forces of the outside world and taking a positive, sensible view about them. The Budget Speech or broadcast might cover the UK and our European partners efforts to cut interest rates; the EC'S efforts to get fairer trading conditions with Japan; and any other initiatives one might be contemplating in international finance. He concluded the meeting by underlining the vital importance of getting a coherent statement of why nationalised industry prices were so persistently increasing, and what the Government is doing about it and could hope to do to alleviate the position.



A N RIDLEY





United Commercial Travellers' Association Section

Association of Scientific Technical and Managerial Staffs

Bexton Lane Knutsford Cheshire WA16 9DA

astms

Telephone Knutsford 4136

National Secretary: R Tomlinson, ACIS, MFT, Com, FSCT

FINANCIAL SECRETARY	
2 FEB 1982	
PPS	CYE
EST	MSTL
SIR D. WASS	
MR RYRIE	
MR MIDDLETON	
MR BATTLEWILL	
MR GRIFFITHS	
MR F. MARTIN	
MR FRENCH	

Your Ref

Our Ref RT/GMS

22 February 1982

The Rt Hon Sir Geoffrey Howe, QC, MP
 Chancellor of the Exchequer
 11 M Treasury
 Parliament Street
 London
 SW1P 3HE

CHIEF EXCHEQUER

REC. 1 23 FEB 1982

ACTION	
COPIES TO	

Dear Sir Geoffrey,

Petrol Prices - 1982 Budget

As you will know, this Section of ASTMS comprises the largest number of sales and marketing management, sales representatives and commercial agents, in membership of any Union in this country.

Their security of employment is directly linked to their operating costs which, although beyond their control, directly affects their livelihoods.

For these reasons I strongly urge you to resist any temptation to effect a further increase in the tax on petrol, which is already too high.

On a more general aspect may I ask you to bear in mind that every additional pound taken in taxation reduces the purchasing power of the public generally and will certainly lead to even higher unemployment.

Yours sincerely

R TOMLINSON
 National Secretary

REED EXECUTIVE LIMITED

Directors:
A.E. Reed, ACMA, ACIS, FECI
M.J. Whittaker, MECI
J.M.P. Cooper, FCA, MECI
M. Newham, MECI
G.R. Rawes, FCA, FECI



cc cre/et.

CHIEF CHEQUER	
REC	24 FEB 1982
ACTION	PS/FST
COMS	
TO	

Please reply to:

114 Peascod Street
Windsor
Berkshire SL4 1AY
Tel: Windsor 68277

AER/SG

22nd February, 1982

The Rt. Hon. Sir Geoffrey Howe, Q.C. M.P.,
The House of Commons,
London,
S.W.1.

Dear Sir Geoffrey,

BUDGET 1982

As you must be aware thousands of normally healthy Companies are at present facing a liquidity crisis having suffered continual losses over the last two years.

I can appreciate that whilst it is desirable to adhere to present policies in the fight against inflation, another problem could emerge with the ultimate liquidation of many of these Companies. Would it, therefore, be prudent to extend the facility allowing Companies to set off losses against earlier years. Thus assisting them to survive to make further profits in the future and thereby giving continuous employment. Whilst I realise that section 1733A of the 1970 Income and Corporation Taxes Act does go some way towards meeting these losses, if this could be done with actual losses, then the benefit to Companies would be far greater.

This small change in the tax law would mean that assistance only be given to normally profitable Companies and must, therefore, have a very good chance of making profits again if they can survive the recession.

The cost of this to the Treasury would be relatively minimal, but the effect of the assistance given would represent a great investment on the Country's behalf.

Yours sincerely,

Alec Reed
Chairman

cc Confederation of British Industry
Institute of Directors

CONFIDENTIAL

JU63

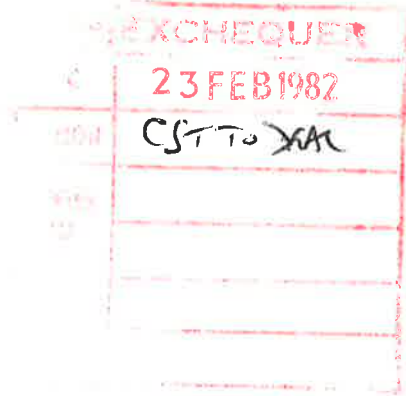


DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB
TELEPHONE DIRECT LINE 01-212
SWITCHBOARD 01-212 7676

3301

Secretary of State for Industry

23 February 1982



The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
HM Treasury
Whitehall
SW1

Dear Geoffrey,

PROBLEMS OF THE PETROCHEMICAL SECTOR: ICI AND BP CHEMICALS

I have recently received representations from ICI and BP Chemicals about the problems (and possible opportunities) facing the United Kingdom petrochemical industry in general and those two companies in particular. I am now writing to give you a brief indication of the position, the measures we are being asked by the companies to consider, and to suggest what steps we should be taking in the context of the forthcoming Finance Bill.

2 Petrochemicals form approximately a third of the chemicals industry which in turn accounts directly for over 10% of total manufacturing production, over 15% of manufacturing industry's exports and of its net capital investment. It is also a major customer for the process plant industry.

3 Having enjoyed a period of sustained and rapid growth throughout the 50s and 60s the European petrochemical industry has faced relatively flat demand since 1973. However, continued investment throughout the 70s has resulted, in circumstances of recession, in substantial over capacity (30% - 40%), and widespread price cutting with serious effects on margins. Feedstock costs, meanwhile, have risen rapidly. The UK industry has been particularly badly affected because of the early onset of the recession in the UK market, the strength of sterling (over 40% of UK output is exported), and the serious difficulties faced by a number of its principal UK customers - notably the construction, textile and automotive industries.

4 ICI and BP Chemicals, faced in 1980 with losses on their petrochemical and plastics operations of £90 million and £108 million respectively with worse expected in 1981, have turned to the Government for help in the form of more flexible taxation arrangements on their feedstocks. (Feedstocks account for over

CONFIDENTIAL



70% of the cost of the making of ethylene - their main intermediate material). Briefly, the two companies argue that:

- a the UK industry is efficient and internationally competitive as shown by its high export ratio;
- b by virtue of our North Sea resources the UK has a major natural advantage over its Continental competitors - if we succeed in exploiting it effectively. This could safeguard activity in the UK even when a number of Middle East petrochemical developments come on stream in the late 80s;
- c their problems will be exacerbated by a new ethylene cracker being built by Shell-Esso at Mossmorran in Fife using for feedstock their own ethane, the tax base for which will benefit from a clause (the so-called Mossmorran Amendment) in the Finance Bill - itself the product of an undertaking given by Ministers last summer when the project looked like being cancelled;
- d without help there is a real likelihood of substantial contraction at Grangemouth (loss of up to 1,500 jobs) and at Teesside (around 3,500 jobs), both Development Areas with heavy unemployment. Around 18% of UK petrochemical activity would be directly at risk including over 30% of existing ethylene, propylene and butadiene capacity;
- e allowing petrochemicals to decline and concentrating on down-stream speciality chemicals is not a feasible option. According to ICI, contraction of petrochemicals would be likely to have knock-on effects throughout the chemical industry. For example, the large UK plastics processing industry would be weakened by inter alia reducing its access to technical service and research back-up and forcing it to become more dependent on imported plastics materials, the price for which could be expected to rise in the absence of adequate supplies from UK sources. ICI estimate that 60-70,000 jobs could be at risk through the chemicals and associated down-stream sectors;
- f providing them with the help they seek would cost the Exchequer less than allowing contraction to take place when the full direct and indirect costs are taken into account.

5 Knowing the past reluctance of ICI and BP Chemicals to seek Government help, I find the points they are now making carry a good deal of weight. Economically the key issue, to my mind, is



whether the progressive weakening of the chemical industry generally would come about. Chemicals has been one of our most successful industries; in 1980 it achieved a positive trade balance of £2.1 billion (compared with £3.6 billion for all manufacturing industry). Parts, such as biotechnology, offer major opportunities for future growth.

6 Politically, ICI and BP Chemicals are far from being lame ducks and major closures at Grangemouth and Teesside would face us with the charge of failing to seize the opportunities offered by the North Sea. Our decision last September not to go ahead with an integrated gas gathering system in the Northern Basin has in any case drastically reduced the amount of ethane (an ideal petrochemical feedstock) likely to become available.

7 Unfortunately, it is easier to see the problem than its solution, particularly since any on-going help could only be provided through the tax system. While the "Mossmorran Amendment" clause in the Finance Bill provides an opportunity to make certain limited changes of help to BP Chemicals at Grangemouth, the two companies' main proposals would have far-reaching implications for our North Sea tax structure. Moreover, helping one company may tend to damage the interests of another. ICI's position is particularly difficult in that their access to feedstock is much less flexible than that of their oil company competitors.

8 I therefore propose that we arrange for two studies to be undertaken in parallel:

a a study of the economic justification for helping the petrochemicals sector with particular reference to the problems and opportunities identified by ICI and BP Chemicals - and considering, inter alia, the possible size and duration of such help. I myself would hope that such a study could be undertaken by the CPRS;

b a study of the technical feasibility of the ICI and BP Chemicals' proposals with a view to identifying a suitable tax mechanism for encouraging petrochemical activities in the UK with particular reference to the problems and opportunities identified by ICI and BP Chemicals. I would hope this could be undertaken by the Inland Revenue.

9 I appreciate that both the CPRS and the Inland Revenue are heavily-loaded, particularly at present. Nevertheless I hope that they could take these on and indeed give them some priority so that we should be able (subject to the outcome of the studies) either to insert appropriate provisions in the Finance Bill during its passage through Parliament or, if this is not feasible, at least to give ICI and BP Chemicals the assurances they seek while the Bill is before the House.

Handwritten marks or scribbles in the top right corner.

A small, dark mark or character.

A small, dark mark or character.



10 Finally, on the scope of the "Mossmorran Amendment" as presently drafted I would favour the exclusion of methane; the inclusion of mixed gas streams (such as Forties Dry Gas) containing more than a specified proportion of ethane; and the limitation of the clause to material for use as petrochemical feedstock. This approach would be in line with my objective of using North Sea materials to strengthen our petrochemical industry. While inclusion of mixed gas streams might be criticised by ICI (on the grounds that it would benefit BP Chemicals at Grangemouth) I would not see this as a crucial objection since the material would otherwise be lost to petrochemical use. I appreciate that exclusion of methane might be regarded as illogical but in my view we could with justification argue that it would be best to look at the position in the light of removal of the BGC's monopsony. Moreover, excluding methane would help in some degree to mollify ICI: inclusion could have adverse implications for their fertiliser business. However, it would be sensible to consider the position of methane in the studies which I have proposed in this letter.

11 I am copying this letter to Nigel Lawson, George Younger, Nicholas Edwards and Robin Ibbs.

Yours ever
Ratcliffe

31

25/2/82

13

Staffordshire Development Association



From the Chairman
P.O. Box 11, County Buildings, Martin Street, Stafford ST16 2LH. Tel. 3121 Ext. No. 7204

Our Ref: ALM/JM Your Ref:

Date: 25th February 1982

CHIEF EXCHEQUER	
REC.	- 1 MAR 1982
ACTION	
COPIES	
NO	

Sir Geoffrey Howe, M.P.,
Chancellor of the Exchequer,
11 Downing Street,
LONDON.

Dear Sir Geoffrey,

Budget Provisions : Industrial Building Allowances

The Executive of this Association, which exists to stimulate and encourage jobs and commercial activity in Staffordshire, has asked me to write to you over the important question of the way in which your forthcoming Budget may affect industrial building allowances. Whilst in common with other areas, Staffordshire has experienced a flow of new small unit development following from the new provisions in the 1980 Finance Act, there is evidence of a growing number of problems:-

1. The uncertainty over the definition of an industrial building is now, in our judgement, beginning to inhibit further development schemes. It is a matter of particular concern that the present definitions do not relate to the developing trends towards a higher office content, especially in high technology units. In excluding storage of finished goods, present allowances also inhibit improvements in distribution techniques which it is felt Government policy should also seek to foster. In Staffordshire, on the evidence of recent small unit development probably as much as a half of the floorspace constructed would not be eligible for the industrial building allowances in terms of the present definition as the attached table illustrates.
2. The imminent termination of the allowances at the end of this financial year is likely to mean that the incentive is unlikely to operate much after the middle of this year because of the time involved in bringing forward and executing relevant schemes.
3. The restrictions on the allowances on units of up to 2,500 sq. ft. do nothing to overcome the inevitable shortage of premises in the 2,500-5,000 sq. ft. range which will be a necessary corollary of the recent expansion in small businesses occupying units less than 2,500 sq. ft.

I would strongly urge you to examine the scope in your forthcoming Budget for widening the terms of the present allowances to cover all these points.

Yours sincerely,

G. L. GREAVES
Chairman

FINANCIAL SEC	
REC	- 4 MAR
ACTION	
COPIES	
NO	

PP/IR
EST. COST
EST. MATH
SIR D. WASS
MR RYRIE
MR MIDGLETON

MR ROBSON
MR F. MARTIN
MR FRENCH

Chairman: G. L. Greaves, MBE, ARIBA, AATRB; Acting Vice Chairman: D. Y. Mathison;

County Planning Officer: E. Mary Riley, BA; Honorary Secretary: J. R. P. Hughes; Honorary Treasurer: G. Woodcock, FCA, IPFA

MR DATTISWILL

NEW INDUSTRIAL DEVELOPMENT SURVEY : STAFFORDSHIRE : 1979/1981

UNITS UNDER 2,500 SQ. FT. CONSTRUCTED APRIL 1979/MARCH 1981

<u>Major Uses</u>	<u>Numbers of Units</u>	<u>%</u>
Manufacturing	35	41.2
Warehouse	18	21.2
Office	2	2.3
Other	14	16.5
Combinations including manufacture	7	8.2
Other Combinations	9	10.6
<u>TOTAL</u>	<u>85</u>	<u>100.0</u>

Source: County Planning Department.

J.M. RAISMAN

EXCHEQUER	
REC	26 FEB 1982
SECTION	Mr Middleton
DATE TO	MSTL ✓ 33/82
	Sir D Wass
	Mr Byrne
	Mr Battisell
	Mr French

Shell-Mex House Strand London WC2R 0DX

Telephone 01-438 3701

Press
Chase replies
JM

26th February, 1982.

Mr Dalton
AS/IR

Dear Chancellor,

I hesitate to write to you at this late stage before the Budget but I feel I would be culpable in not drawing to your attention the extremely adverse impact which the present depressed state of the oil market is likely to have not only on Government revenues from tax, but also on the cash flow and economic prospects of companies developing oil fields in the North Sea.

When you introduced SPD and changes to Petroleum Revenue Taxation in your last Budget the general expectation was that the price of oil was likely, at least, to remain stable and in all probability to rise in real terms for the foreseeable future. One or two of us were sounding warning notes at that stage but few could then have foreseen the extent to which the oil price rises of 1979 and 1980 would be reversed by market reaction, although the effect of this has been somewhat dampened both for Government and the oil industry by the concurrent weakening of Sterling against the Dollar. What gives me most concern at the moment is not so much the absolute level of Sterling oil prices to-day, nor indeed the fact that prices may still have some way to fall, but that with the combined effect of recession, substitution and conservation, we can no longer feel confident in forecasting a stable or rising trend of oil prices at anywhere near the level which could have been expected a year or even six months ago. As a result, and given the current structure and level of taxation, very few fields awaiting development in the UK offshore are likely to be considered sufficiently economic to warrant developing and many projects currently at an early stage are likely to be shelved.

Thus, notwithstanding the obvious difficulties for the Government caused by the prospect of reduced revenues from existing fields, I would urge you to give very careful consideration to the equally important effect on the revenues of the oil companies from which the development of new fields has to be financed, as well as to the tax burden such fields would be required to bear, before reaching a final decision on any modifications either to the structure or level of upstream taxation which you may decide to include in your forthcoming Budget. In particular I feel I should warn you that there is a very real danger that if you do not significantly reduce the fiscal burden on the smaller fields awaiting development, which would require the introduction of a system of non-discretionary Royalty relief as part of a modified structure, along the

(2)

lines proposed by UKOOA and presently being jointly examined, the current low level of oilfield development activity will inevitably decline still further. This will both shorten the duration of Britain's self sufficiency in oil and in the process damage the many British firms directly or indirectly involved in carrying out, supplying or servicing offshore oil and gas development.

I am taking the liberty of copying this letter to the Secretary of State for Energy.

Yours sincerely
John Lawson

The Rt. Hon. Sir Geoffrey Howe, QC, MP,
Chancellor of The Exchequer,
Treasury Chambers,
LONDON, S.W.1.

TYNE AND WEAR COUNTY COUNCIL

WBB/SH

26th February 1982

Mr. Bell 340

CHIEF EXCHEQUER
REC. 5 MAR 1982

PPS
CST
EST
MSTL
SIRD. WASS
MR RYRIE
MR MIDDLETON
MR DATTISHILL
MR GRIFFITHS
MR WICKS

MR CULLIN
MR F. MARTIN
MR FRENCH

Dear Chancellor,

I am to inform you that this County Council has passed the following Resolution which I am to bring to your attention:-

"This Council, in reiterating its priority to stimulate employment regrets that Central Government by its existing and threatened reductions in grant has made it impossible to ensure that rates are not increased beyond the level of 1981/82. It further notes the excessive and penal 'supertaxes' on fuel introduced by the Government; and the reduction of employment brought about by the National Insurance surcharge. It therefore calls for

- (a) the National Insurance surcharge to be abolished;
- (b) the introduction of gas and electricity rebates to domestic users and small businesses;
- (c) the introduction of a 100% rate relief for small businesses in special development areas with full compensation by a special grant to local authorities".

Yours sincerely,

Chief Executive and County Clerk.

Rt. Hon. Sir Geoffrey Howe, Q.C., M.P.,
Chancellor of the Exchequer,
11 Downing Street,
LONDON.

RotaTrim

ROTATRIM LIMITED
 43 DUDLEY STREET,
 LUTON LU2 0NP
 BEDFORDSHIRE
 ENGLAND

MAKERS OF FINE CUTTERS
 Telephone: LUTON (0582) 420441
 Telex: 13 825966 CUTTER G

27th February, 1982

Our Ref: AH/cm

Sir Geoffrey Howe,
 11, Downing Street,
 London

PRO
 CST
 EST
 MSTL
 SIRD. WASS
 MR RYRIE
 MR MIDDLETON
 MR BATTISHELL
 MR ROSSON
 MR F. MARTIN
 MR FRED CH
 P5/IR

REC. - 1 MAR 1982

ACTION 13 3.57

COPIES TO

11000

Dear Sir Geoffrey,

RotaTrim is a small company making paper cutters, we are competing with the Germans, Japanese and Italians for this world market, by holding our own prices stable since October 1980. We have trebled our export sales.

On the last three Saturdays, three of our staff have worked overtime a total of 72 hours at a total cost to the company of £385.67, from this they receive only £211.29, the Government receive the balance of £174.38.

The breakdown is as follows :

Overtime earned.....£	339.36
Company graduated contributions £	46.31
P.A.Y.E. totals.....£	102.00
Employees extra graduated contributions.....£	26.19

We strongly urge you to amend particularly graduated contributions in your forthcoming budget, as you can see it makes nonsense for staff to work overtime, only to be heavily penalised for their efforts, apart from which it reduces our competitive edge in an expanding export market.

Yours sincerely,



ALAN HALL
 Managing Director.

FROM: ECONOMIC SECRETARY
10 March 1982



mp

✓
h

CHANCELLOR -

cc Chief Secretary
Financial Secretary
Minister of State (L)
Minister of State (C)
Mr Ridley
Mr French
Mr Harris

IMMEDIATE BUDGET REACTIONS

1. The Colleagues

All I spoke to in the corridor last night were verging on the euphoric, "very shrewd political Budget" was the usual sort of reaction. Indeed so much so that my only worry was the old Ian McLeod theory that if they rang the bells in April they would be wringing their hands in August - and vice versa. But I am sure that the general reception greatly reduces the risks of trouble over VAT and charities and such like (and the general impression seemed to be that the Scots had got away with murder! although this was accepted cheerfully on the grounds of Hillhead).

2. The Institute of Directors

I also had a session with Walter Goldsmith last night. He had come hot-foot from a 3½ hour marathon on LBC (?) during which, so he told me, Monty Finniston had appeared to unburden himself of a load of bile about the "3 million unemployed created by this Government" and the Budget being a hopelessly inadequate response to events.

Walter Goldsmith himself was pretty polite on the whole. The main thing he said was that you had not "reflated", and his members had been more afraid of your doing that than of anything else. So that was very satisfactory. He supposed the NIS cut was inevitable after all the lobbying that the CBI had done.

But it was much more of a "Budget for Big Business" than a "Budget for Business". It was the big boys who would benefit from NIS because they were the ones who wasted labour; and it was big boys who would benefit from the concession on energy costs. There was really nothing in it for average employees after you allowed for NIC and the indirect taxes and it was likely to lead, he thought, to a fairly sour wage negotiation climate this summer and autumn. No doubt our back benchers would be well pleased because they had been indoctrinated by the CBI. But they were going to find that their constituents would not altogether share their pleasure.

Finally the one thing he was really stroppy about was the golden handshake tax. A "thoroughly socialist measure"; it was preposterous to legislate because of a press furor^l over one man.



J
JOCK BRUCE-GARDYNE

JACK STRAW, M.P.

✓ 22/3/82
Mr. Ridley



HOUSE OF COMMONS
LONDON SW1A 0AA

CST
FST
EST
MST(L)
MST(C)
Sir DWSS
Mrs Gilmore
Mr. French
Mr. Harris

22nd March 1982

Private Secretary,

You will wish to know
that I am releasing a
copy of the attached letter to
the Channel to the Press.

Yours sincerely,

Jack Straw

Private Secretary to
the Channel to the Press

JACK STRAW, M.P.



HOUSE OF COMMONS

LONDON SW1A 0AA

22nd March, 1982.

The Rt. Hon. Sir Geoffrey Howe, QC, MP,
Chancellor of the Exchequer,
Treasury Chambers,
Whitehall,
London S.W.1.

Dear Sir Geoffrey,

In the course of opening your Budget statement on the 9th March, you said (having referred to Britain's relative decline over the previous decade) that:-

"At the last election, we made all this very clear. We made it plain, too, that reversing this decline would require a major effort - an effort that would need to be sustained over the lifetime of more than one Parliament. And so it will be."

(Hansard 9.3.82 Co. 727)

You opened your Ministerial radio and television broadcast that evening in similar terms.

I have now read through every speech in the House of Commons Library made by you, and by the Prime Minister during the course of the 1979 General Election campaign. It is possible (though unlikely) that the Library's collection of your speeches is incomplete, but in those that I have read (35 in all) I can find no reference that "the effort" required by the Conservatives' programme would need to be sustained "over the lifetime of more than one Parliament". Nor is there any specific reference that I can see within the Conservative Party Manifesto to such a time scale of "more than one Parliament".

There are, of course, some general references within both the Manifesto and your speeches to things taking a little time. The Manifesto said at the end "We make no lavish promises ... Too much has gone wrong in Britain for us to hope to put it all right in a year or so". But one of its opening pledges was "We may be able to do more in the next five years than we indicate here. We believe we can".

In a speech in Birmingham on the 19th April, 1979, the Prime Minister said:-

"It will take time to turn things round." She went on to say:-
"There's nothing inevitable about rising unemployment".

And in a speech on the 24th April, 1979, in Whitefield, you said:-

"We do not claim to be able to work a miracle cure to solve all the problems of the economy."

Cont'd/....

- 2 -

But all the specific indications made by you both during and before the Election which I have found make clear that, while you foresaw some period of difficulty, the time scale of success which you had was within the lifetime of one Parliament.

For example. in a major interview in The Times on the 3rd August, 1978, you said:-

"Of course we should want to alter the whole climate as soon as possible, not least because the benefits will be some time a-coming. That is why we are talking about three to four years..."

"Fighting inflation is top priority, with the eventual aim of reducing British inflation to between 2 or 3 per cent in about three years' time..."

"Of course, we should not want to proceed in such a way as to produce what some people would call a dramatic short-term recession."

In a speech to the Conservative Party Conference on the 5th October, 1976 (Conference Record, page 24), you said:-

"We shall announce, and shall stick to, clear targets for the control of the money supply. They will be designed to reduce inflation over three years to the level that was acceptable in the 1950's."

(The average level of inflation in the 1950's was 3-4%.)

In a speech at the close of the General Election campaign on the 30th April, 1979, in Pentlands, Edinburgh, you said:-

"Creating secure jobs: the Conservative way ... It's high time for a fresh approach, in Scotland as well as in the rest of the United Kingdom. The next Conservative Government will give Scotland that new approach. We must make sure the next five years are not as bad as the last."

(My emphasis)

Moreover, if the idea of the Conservatives' "effort" taking two Parliaments was central to your Election message, one might expect some reference to it to be found in the Prime Minister's Election broadcast on the 30th April, 1979, and her final major speech in Bolton on the 1st May, 1979. But both are silent on this matter.

This Government, like any other, will be judged at the next Election by the degree to which its promise, and the expectation it created, has been matched by its performance. The expectation which I remember you creating at the last Election was one of lower taxes on incomes, less crime, and less unemployment. (The Labour Party are "the Party of unemployment. We are the Party of opportunity" were the Prime Minister's words on the 23rd April, 1979, in Darlington.)

The Rt. Hon. Sir Geoffrey Howe, QC, MP.

22nd March, 1982.

- 3 -

So where, during the Election, did you specifically refer to this "effort" needing to be "sustained over the lifetime of more than one Parliament"?

Since you no doubt had the reference to hand when you wrote this part of your Budget speech, I shall look forward to an early reply.

Yours sincerely,

A handwritten signature in cursive script that reads "Jack Shaw". The signature is written in dark ink and is centered on the page below the typed text.

JACK STRAW MP (LABOUR) - Throwing Down The Gauntlet.

Transcript from LBC, City Week. 28 March 1982.

PRESENTER: The recent improvement in some of the economic statistics didn't, in the event, help the Government over much at the Hillhead by-election despite all those *Sychophantic* references to Scotland by the Prime Minister and others in the Commons recently. And the Government knows that whatever else they may achieve it's unlikely they'll be going into the next election with any significant reduction in current levels of unemployment. Leading Treasury Ministers have now taken to saying that the Government's programme will need 2 Parliaments to bear fruit and that they warned the electorate of that fact back in 1979. But according to one of Labour's economic spokesmen, that's not true and to prove it, Jack Straw has combed back through every single speech made by Mrs Thatcher and Sir Geoffrey Howe (believe it or not) in the run up to the last general election.

STRAW: I can't find any reference to them ever saying any such thing. I may have missed something. here's a lot of repetition. There are promises about lower taxes, more jobs more law and order; things that look like very much something in the past but there was nothing about it all taking 2 Parliaments. Indeed, what I did find was an article, an interview in 'The Times' that Sir Geoffrey gave in August 1978, where he said that the benefits would take some time in coming, that is why we are talking about 3 to 4 years and then he goes on to say 'The eventual aim of the Conservatives is of reducing British inflation to between 2 or 3% in about 3 years time'. Now that was a year ago and inflation is still higher than it was at the general election.

INTERVIEWER: Right, so the Government has not produced what it said it would produce when it came to office but then if you threw that brickbat you could throw it at every Government, including Labour

Governments of the past, couldn't you. People never ~~do~~ produce *what* they promise in Manifestos?

STRAW: Well if they don't then they deserve to get kicked out which is what happened to us in the previous Government. What is so important about this is that the Government are now trying to re-write history. They're trying to say that, at the last election, we didn't promise lower taxes, more jobs, less crime, we promised blood, sweat and tears not just for 5 years but for getting on for 10. If they can get away with re-writing history then at the next election they'll be able to go into the election saying give us another term. Now the truth is very different. The truth is that they promised something quite different. They promised lower taxes, more jobs - we're the Party of opportunity was what Mrs Thatcher said - less crime on the streets and I want Sir Geoffrey Howe to come clean and either admit that he made, shall we say, an error in the Commons when he made that claim or give me the references. I don't believe that he'll be able to do that.

INTERVIEWER: Is there a note of unease in your voice that the Government is actually feeling optimistic at the moment because some of the indicators are turning its way and that Sir Geoffrey, and indeed many of the other Conservatives, have at last got something approaching a smile on their faces?

STRAW: Well few of the indicators, in truth, are turning their way. The key indicator of manufacturing output was down last month for the third month in succession and it is now back to its lowest point in the spring of last year. But if you say am I apprehensive? I'm certainly apprehensive about the prospect of a Conservative Government, backed by a majority of newspapers which are overwhelmingly sympathetic to the Conservative Party, getting away with the idea that they always said that it would be as tough as it is. *I'm apprehensive about that because it happens to be natural and that is the purpose of my letter to Sir Geoffrey.*

JACK STRAW MP (LABOUR) - Throwing Down The Gauntlet.

Transcript from LBC, City Week. 28 March 1982.

PRESENTER: The recent improvement in some of the economic statistics didn't, in the event, help the Government over much at the Hillhead by-election despite all those *Sychophantic* references to Scotland by the Prime Minister and others in the Commons recently. And the Government knows that whatever else they may achieve it's unlikely they'll be going into the next election with any significant reduction in current levels of unemployment. Leading Treasury Ministers have now taken to saying that the Government's programme will need 2 Parliaments to bear fruit and that they warned the electorate of that fact back in 1979. But according to one of Labour's economic spokesmen, that's not true and to prove it, Jack Straw has combed back through every single speech made by Mrs Thatcher and Sir Geoffrey Howe (believe it or not) in the run up to the last general election.

STRAW: I can't find any reference to them ever saying any such thing. I may have missed something. here's a lot of repetition. There are promises about lower taxes, more jobs more law and order; things that look like very much something in the past but there was nothing about it all taking 2 Parliaments. Indeed, what I did find was an article, an interview in 'The Times' that Sir Geoffrey gave in August 1978, where he said that the benefits would take some time in coming, that is why we are talking about 3 to 4 years and then he goes on to say 'The eventual aim of the Conservatives is of reducing British inflation to between 2 or 3% in about 3 years time'. Now that was a year ago and inflation is still higher than it was at the general election.

INTERVIEWER: Right, so the Government has not produced what it said it would produce when it came to office but then if you threw that brickbat you could throw it at every Government, including Labour

Governments of the past, couldn't you. People never ~~do~~ produce *what* they promise in Manifestos?

STRAW: Well if they don't then they deserve to get kicked out which is what happened to us in the previous Government. What is so important about this is that the Government are now trying to re-write history. They're trying to say that, at the last election, we didn't promise lower taxes, more jobs, less crime, we promised blood, sweat and tears not just for 5 years but for getting on for 10. If they can get away with re-writing history then at the next election they'll be able to go into the election saying give us another term. Now the truth is very different. The truth is that they promised something quite different. They promised lower taxes, more jobs - we're the Party of opportunity was what Mrs Thatcher said - less crime on the streets and I want Sir Geoffrey Howe to come clean and either admit that he made, shall we say, an error in the Commons when he made that claim or give me the references. I don't believe that he'll be able to do that.

INTERVIEWER: Is there a note of unease in your voice that the Government is actually feeling optimistic at the moment because some of the indicators are turning its way and that Sir Geoffrey, and indeed many of the other Conservatives, have at last got something approaching a smile on their faces?

STRAW: Well few of the indicators, in truth, are turning their way. The key indicator of manufacturing output was down last month for the third month in succession and it is now back to its lowest point in the spring of last year. But if you say am I apprehensive? I'm certainly apprehensive about the prospect of a Conservative Government, backed by a majority of newspapers which are overwhelmingly sympathetic to the Conservative Party, getting away with the idea that they always said that it would be as tough as it is. *I'm apprehensive about that because it happens to be untrue and that is the purpose of my letter to Sir Geoffrey.*

23/3/82

cc DPS - 2

1982

✓
What is my draft
rtk?



- PS/CST
- PS/FST
- PS/EST
- PS/MST(C)
- PS/MST(L)
- Mr Kemp
- Mr R I G Allen
- Mr Ridley
- Mr French

C
Mr Harris preparing
this today
PJ

PARLIAMENTARY CLERK

BRIEFING FOR PRIME MINISTER'S QUESTIONS: LETTER FROM MR STRAW MP

It is possible that mention may be made at PM's Questions of a letter from Mr Jack Staw MP to the Chancellor of 22 March 1982, released to the press and mentioned in today's Financial Times in connection with the Chancellor's speech at Hillhead last night (letter attached). Mr Staw challenges the Chancellor to justify his assertion in the budget statement that "we made it plain, too, that reversing this decline would require a major effort - an effort that would need to be sustained over the lifetime of more than one parliament" (Hansard 9.3, 1982 col 727).

Points to make:

- the thrust of Conservative Party economic pronouncements for several years before the election had been to emphasise the long term nature of Britain's economic difficulties and the long term nature of the task of dealing with them.

- The 'Right Approach' published as long ago as October 1976 noted:

"... it is sustained recovery that is needed. For the troubles of our economy are by now long standing and deep seated. To make the structural changes that are necessary to restore the dynamic of a mixed economy will need a settled approach over a long hard haul. It is idle to talk, as so often before, of an economic miracle that is round the corner. The foundations of economic health will not be relaid in less than a decade. Our best hope is to start this difficult task sooner rather than later".

- Mr Staw himself seems to recognise this, quoting in his letter the Prime Minister and the Chancellor to the effect that it would take time to effect a turn-round in Britain's economic performance.

- The same general message was reinforced at the time of the election /NB: The only quotation which answers Mr Straw's specific point about a period of more than a parliament is that in the 'Right Approach' (above)7. See Annex B.
- The Chancellor will, of course, be replying to Mr Straw in due course.

RH

ROBIN HARRIS

23 March 1982

ELECTION QUOTATIONS

16 April 1979

Mrs Thatcher "Now is the Time to Choose"

"I make no extravagant promises. For one thing, people are rightly fed up with too many promises too seldom kept. For another, Governments have very limited power on their own."

23 April 1979

Mrs Thatcher "I don't under-estimate the difficulty of getting inflation down and getting ^{it}/turned round, particularly with the increases that Labour has got in the pipeline."

30 April 1979

Mrs Thatcher: Party Election Broadcast

"I don't mean sudden change" "None of us is so naive to believe that cutting taxes will, by itself, suddenly transform everything and make our country prosperous overnight."

29 April 1979

Mrs Thatcher Addressing the Conservative Trade Unionists Rally at the Wembley Conference Centre

"Of course we cannot make life better for everyone overnight"

The Conservative Manifesto 1979 Page 32

"We make no lavish promises. The repeated disappointment of rising expectations has led to a marked loss of faith in politicians' promises. Too much has gone wrong in Britain for us to hope to put it all right in a year or so. Many things will simply have to wait until the economy has been revived and we are once again creating wealth on which so much else depends."

RESTRICTED



*Chancellor
A good succinct reply I think. Best to
send it tomorrow morning (or possibly
today). Should be relevant enough*

FROM: ROBIN HARRIS

CCO.

24 March 1982

PH

25.3

PRINCIPAL PRIVATE SECRETARY

cc Mr Ridley
Mr French

*I've tried to shorten
it a bit. My version
is the first below.
Robin's version is
the second.*

*Foot
JL's 20 go*

DRAFT REPLY FROM THE CHANCELLOR TO MR STRAW MP

*(See also Admin's
minute below)*

I attach a draft reply from the Chancellor to Jack Straw.
If it is wished to release this through Conservative Central Office
rather than the Treasury (I am unclear as to procedure) please let
me know.

I would advise that it should not go out before Friday 25 March ie
after Hillhead: there is no point in raking up the issue before then.

RH

ROBIN HARRIS

24 March 1982



UNITED STATES DEPARTMENT OF JUSTICE

UNITED STATES DEPARTMENT OF JUSTICE

UNITED STATES DEPARTMENT OF JUSTICE

UNITED STATES DEPARTMENT OF JUSTICE

UNITED STATES DEPARTMENT OF JUSTICE

UNITED STATES DEPARTMENT OF JUSTICE

UNITED STATES DEPARTMENT OF JUSTICE

UNITED STATES DEPARTMENT OF JUSTICE

UNITED STATES DEPARTMENT OF JUSTICE

UNITED STATES DEPARTMENT OF JUSTICE

UNITED STATES DEPARTMENT OF JUSTICE

UNITED STATES DEPARTMENT OF JUSTICE

UNITED STATES DEPARTMENT OF JUSTICE

UNITED STATES DEPARTMENT OF JUSTICE

M. Kype

Jack *Eq*
DRAFT REPLY TO MR STRAW MP
House of Commons

Thank you for your letter of 22 March.

I was delighted to see that you have been studying my Budget speech and all the speeches which the Prime Minister and I made in the course of the 1979 General Election.

But I am surprised that you should have failed to note how often and emphatically we stressed before the Election that Britain's deeply rooted and long standing economic problems would not be ~~easily or quickly~~ ^{instantly or easily} solved. Many of the quotations which you list in your letter make precisely that point.

And I am puzzled at your apparent failure to find any mention of the need to sustain, over the life-time of more than one Parliament, the effort to reverse the national economic decline. You imply that, contrary to what I said on Budget Day, this was a startling new thought, ~~just~~ ^{only} revealed after our 1979 election victory.

This is just not so. The 'Right Approach' - widely regarded at the time and since as the most important statement of our policies in Opposition - was published as long ago as October 1976. It said:

"... it is sustained recovery that is needed. For the troubles of our economy are by now long-standing and deep seated. To make the structural changes that are necessary to restore the dynamic of a mixed economy will need a settled approach over a long, hard haul. It is idle to talk, as so often before, of an economic miracle that is round the corner. The foundations of economic health will not be ~~related~~ ^{re-laid} in less than a decade. Our best hope is to start this difficult task sooner rather than later."

/That "decade" began

That "decade" began in May 1979.

I myself believe that our willingness to ^{tell} give the electorate the ^{truth} ~~true facts~~ about this country's long-term difficulty¹⁰³ and our declared determination to tackle these difficulties vigorously and over a sustained period, were a key factor in the last Election, and will be no less important in the next one. I cannot recall from the Labour Party, in Government or more recently in Opposition, an equally thorough diagnosis or as straightforward a prescription.

Since you released your letter to the press, I shall similarly release this reply.

A handwritten signature in cursive script, appearing to be 'J. G. ...'.

M. type as
clean draft
Jim

DRAFT REPLY TO MR STRAW MP

Thank you for your letter of 22~~nd~~ March 1982

I ^{was} delighted to see that you had ~~been~~ have been studying ^{so thoroughly} ~~it~~ is good to know that you have read through all of ^{Speech and all} the speeches ^{which the} made by the Prime Minister and ^{I made} me in the course of the 1979 General Election. ^{what is odd} However, I find it difficult to understand how you should have failed to note how often and emphatically we stressed ^{before the Election} the fact that Britain's deeply rooted and long standing economic problems would not be easily or quickly solved. ~~Indeed~~ Many of the various quotations which you list in your letter make ^{precisely} that point.

And I am puzzled at your ^{apparent} failure to find any mention You specifically refer to the fact that in none of the speeches or documents you have read have you found mention of the need for ^{to sustain the effort} efforts to reverse ^{the national} economic decline, being sustained, over the life time of more than one parliament. You imply that ^{a new} this was ^{some} startling ^{novelty} devised after our ¹⁹⁷⁹ election victory. ^{new thought, just revealed}

^{Eng.} This is just not so. You are wrong. The 'Right Approach' - widely regarded at the time and since as the most important statement of our policies in Opposition - was published as long ago as October 1976. It said:

"..... it is sustained recovery that is needed. For the troubles of our economy are by now long

Contrary to what I said on Budget Day,

standing and deep seated. To make the structural changes that are necessary to restore the dynamic of a mixed economy will need a settled approach over a long, hard haul. It is idle to talk, as so often before, of an economic miracle that is round the corner. The foundations of economic health will not be relaid in less than a decade. Our best hope is to start this difficult task sooner rather than later."

That "decade" began in May 1979.

Stated by

I doubt whether any previous government, certainly not the last Labour Government, made so explicit the severity of Britain's long term difficulties and length of time it would take to put them right.

Since you released your letter to the press, ~~so am releasing~~
I shall similarly release this
~~I this letter in~~ reply.

I myself believe that our ^{willingness to give the electorate} honesty ^{in telling} the true facts about this country's long-term ^{economic} difficulties and our ^{declared} ~~evident~~ determination to tackle ^{these} these difficulties ~~is a sustained and~~ vigorously and over a sustained period, were a key factor in the last Election, and will be no less important in the next one. I cannot recall ^{from} that the last Labour ^{Party, in government} ~~Government~~ ^{or the} ~~more recently~~ Labour Party in Opposition, has ^{been} ~~been~~ an equally straight through ⁱⁿ diagnosis or as straight-forward ~~in~~ a prescription.

From: ADAM RIDLEY
25 March 1982

A.20

MR KERR

cc Mr French
Mr Harris

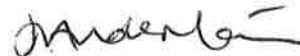
DRAFT REPLY FROM THE CHANCELLOR TO MR STRAW MP

Mr Harris's draft would be stronger still if it also included the other key quote we found earlier this week to the effect that the Government's economic policies would only be seen to be bearing visible fruit when the upturn/recovery in economic activity comes. It was, as I recollect, said by Mrs Thatcher during the election. Both the timing and the point strengthen the reply a good deal.

I've checked, with Robin:

Adam means De Dejereto quote (p32)
that's below (A) But no timescale here
is "a year or two". Not about
the present purposes. (And it's a
passage not Straw quoted!)

I'd fear it out. Robin agreed
Adam doesn't want to press no point



ADAM RIDLEY



From: ADAM RIDLEY
26 March 1982

B.3

cc CST
Sir A Rawlinson

CHANCELLOR

J. 4;
*Clear lesson for
future. This is
a lesson not!
See in Scotland,
Lynette?*

NOTE ON SCOTLAND AND THE BUDGET

... You should see the attached minute from Sir Anthony Rawlinson, who has kindly warned me about the Scottish Office's anxiety over the briefing note which we prepared and sent to all Scottish MPs on Scotland and the Budget. As you will see, the Scots are concerned about Section 10, which talks about the benefit to Scotland of various decisions relating to the inner cities.

*Should
be at least
sent to
London
with the
brief,
on P.S.*

I do not see that there is a great deal we can do about this at the moment, beyond drawing the inaccuracies in our brief to the attention of Peter Brooke, so that he can warn his colleagues in the Whips' Office. I would agree with Sir Anthony that there is no need for a post mortem. The explanation for the error is simply the extreme speed with which it was necessary to prepare this, and other, Budget briefing documents, which led us to rely solely on Mr Allen's Budget brief, rather than sending drafts round within the Department (in this case to LG) for vetting. This is something for which I must, obviously, accept responsibility. However it is fair to add that the relevant sections in Mr Allen's Budget brief (for example C3 and K12) did not give us any indication that the measures in question did not apply to Scotland; while in other matters (for example energy costs, discussed in C4) a separate note was included to cover the position in Northern Ireland.

*All the same this kind of
mistake is obviously regrettable, &
we will redouble our efforts in
future.*

AR.

ADAM RIDLEY

UNCLASSIFIED

From: Sir A Rawlinson
Date: 24 March 1982


MR RIDLEY

NOTE ON SCOTLAND AND THE BUDGET

You should be aware of the letter from Sir William Fraser dated 18 March attached. When I was in Edinburgh last Friday I had representations in the same sense.

2. I understand that LG were not consulted about the preparation of the note in question.
3. I see no need for a post mortem, but you should be aware that there have been complaints.



A K RAWLINSON



SIR WILLIAM FRASER KCB
PERMANENT UNDER-SECRETARY OF STATE

SCOTTISH OFFICE
WHITEHALL
LONDON SW1A 2AU
01-233 8229 or 7602

18 March 1982

Sir Anthony Rawlinson KCB
HM Treasury
Parliament Street
London SW1

New Anthony, Ark.

I heard on the day following the Budget that the Treasury had put round on Budget Day a note headed "Scotland and the Budget". I am not sure whether this went to all Scottish MPs; but it has given us some cause for concern here. I attach a minute which Ian Penman put to Ministers. Having seen it the Secretary of State asked that arrangements be made to bring the point to Mr Ridley's notice in case the errors are perpetuated. Can I leave this to you?

*Yours well,
Ken.*

PS/S of S

Copy to PS/Mr Rifkind
PS/US of S
PS/CS
PS/SEPD
PS/SDD
Director SIO

SCOTLAND AND THE BUDGET: INNER CITIES

I refer to the summary of the budget proposals as they affect Scotland, prepared by Mr Adam Ridley, Special Adviser, and circulated last week on Treasury notepaper. (A copy was passed to me by the Principal Finance Officer following the Secretary of State's meeting with the Lobby last week.) The text was prepared without consultation with this office, as far as I know, and was not circulated through Government information channels.

The purpose of this minute is to draw attention to serious errors in the paragraph headed "Inner Cities" (copy attached). That passage is wrong in the following particular respects:-

- (a) The £70 million referred to is available in England only. As the Chancellor's speech made clear what is involved is a decision which Mr Heseltine has already announced.
- (b) The period for which the higher rate of improvement grants is to run is the 31 December 1982 (and not to the end of the financial year).
- (c) Although the Treasury's GB package includes reference to £10 million for home insulation in Scotland, we have, in consultation with the Treasury, been careful to avoid any suggestion that additional resources are needed in Scotland for home insulation (where the available provision has consistently been underspent). We are instead, with Treasury agreement, hoping to top up the resources available for improvement grants related to works on lead in water.
- (d) The 75% first year capital allowances for new building to rent are not available in Scotland. They are available only in relation to assured tenancies which were introduced by the English Housing Act of 1980 and find no place in the Tenants' Rights Etc (Scotland) Act of 1980.

(e) The reference to increases in derelict land grants is inappropriate in Scotland. These are grants to local authorities in England and Wales, but responsibility in Scotland for clearance of derelict land lies with the SDA.

I. D. PENMAN

SDA

15.3.82

9. ~~Energy Costs: Industry to be helped by: freeze in industrial gas prices; new tariffs for largest electricity users; no further increase in list prices of foundry coke till next winter: extension of boiler conversion scheme; no change in fuel oil duty.~~

10. Inner Cities: Provision for Urban Programme in 1982-3 is over 20% higher than estimated outturn 1981-2. £70 million of this programme earmarked for joint public/private sector development schemes, so drawing in private capital for these areas. Also budget increases rate of improvement grants (from 75% to 90% in 1982-3 only), so accelerating work on improvement, introduces £10 million home insulation scheme and 75% 1st year capital allowances for new building to rent and increases derelict land grants. ?

11. Oil Tax Changes: new structure provides more stability for industry, slightly reducing Government tax and marginal tax rate, spreads payments more evenly during year and helps keep North Sea attractive for investors.



H M Treasury
Parliament Street London SW1P 3AG

Switchboard 01-233 3000
Direct Dialling 01-233 5618

A N Ridley
Special Adviser

9 March 1982

TO _____

SCOTLAND AND THE BUDGET

The Chancellor of the Exchequer has asked me to let you have a copy of the enclosed brief note, which is being sent to all Scottish MPs.

ADAM RIDLEY

SCOTLAND AND THE BUDGET

The following aspects of the Budget have a direct impact on Scotland.

1. Petrol: The Government recognise the importance of petrol prices to Scottish rural communities. But it is worth recalling that the 9p per gallon increase in petrol leaves most pump prices lower in money terms than at the end of last year, and in real terms no higher than 1979, well below the levels of 1981 in general, and also well below 1975 levels (after the first oil crisis). Budget leaves UK petrol prices among the lowest in EC. Independent studies show rural motorists, while doing more miles, get higher mileages per gallon than urban ones. So total consumption in town and country much the same.
2. DERV: Budget widens differential between petrol and DERV (latter up 7p per gallon). Increase in DERV slightly less than full revalorisation. Almost all used by businesses and will help those in Scotland.
3. Vehicle Excise Duty: Budget reduces VED rate on commercial vans, helping businesses. For licences from 10 March, new car rate of £80 extended to commercial vans of under 1 ton and from 1 October to commercial vans of under 1½ tons: (1st October changes affect 1.2 million vans).
4. AVGAS: Duty on AVGAS (previously same rate as petrol) is reduced to half new petrol rate, benefitting piston engined aircraft eg air taxis and other local air services important in Scotland.
5. Whisky: Importance to Scotland of whisky industry recognised in budget. Increase on spirits is held at 30p - not 50p of full revalorisation. Real price of whisky still same as 1979-81, $\frac{2}{3}$ of 1970, and just over half 1962.
6. Employment Measures: Focus of budget's proposed new employment scheme on long term unemployed (5% of Scotland's working population cf 3.7% in UK generally) particularly useful for Scotland. Government willing to finance 100,000 places nationwide; those involved to work on community projects at (broadly) benefit level plus expenses.
7. Enterprise Package: 11 separate items to help new and expanding small businesses - vital for revival of Scottish inner cities. Most important measures: doubling of business start-up scheme limit for relief, improved loan guarantee scheme, tax relief for contributions to local enterprise agencies (aim to help local businesses).
8. Innovation Package: £100 million extra support (over 1982-3 to 1984-5), focussing on information technology and electronics applications - both important, flourishing sectors for Scotland.

9. Energy Costs: Industry to be helped by: freeze in industrial gas prices; new tariffs for largest electricity users; no further increase in list prices of foundry coke till next winter: extension of boiler conversion scheme; no change in fuel oil duty.
10. Inner Cities: Provision for Urban Programme in 1982-3 is over 20% higher than estimated outturn 1981-2. £70 million of this programme earmarked for joint public/private sector development schemes, so drawing in private capital for these areas. Also budget increases rate of improvement grants (from 75% to 90% in 1982-3 only), so accelerating work on improvement, introduces £10 million home insulation scheme and 75% 1st year capital allowances for new building to rent and increases derelict land grants.
11. Oil Tax Changes: new structure provides more stability for industry, slightly reducing Government tax and marginal tax rate, spreads payments more evenly during year and helps keep North Sea attractive for investors.

JACK STRAW, M.P.



HOUSE OF COMMONS
LONDON SW1A 0AA

29th March, 1982.

The Rt. Hon. Sir Geoffrey Howe, QC, MP,
Chancellor of the Exchequer,
Treasury Chambers,
Whitehall,
London S.W.1.

Dear Geoffrey,

Thank you for your letter of the 26th March, in reply to mine of the 22nd March.

I was well aware of the reference to which you drew my attention in "The Right Approach" but this was published nearly three years before the General Election. The claim you made in the House in your Budget Speech was a very specific one. It was that you had "made it plain" that economic recovery would need to be sustained over the lifetime "of more than one Parliament" "at the Election". My letter to you asked you to say specifically where "during the Election" you had actually said this. I must assume from the silence of your letter that my suspicions (and my reading of your Election speeches) were correct and that you never made any such specific claim at the Election. If this is not the case, please let me know.

If this is the case, I think you should make it clear to the House that you were in error in claiming what you did on the 9th March. Whatever you may have said in 1976, your message in the run-up to and during the Election campaign was of a much shorter timescale, as your reference to recovery taking "3 - 4 years" and inflation coming down to "between 2 - 3%" in the Times interview made clear.

Yours sincerely,
Jack Straw

M. copy to PS/CST
PS/PST
PS/EST
PS/MST(C)
PS/MST(L)
PS/Sir D. Wood
Mr French
Mrs Gittmore
Mr Harris
Mr Ridley O.R.

Agreed at prayers
on 30/3: No
further action.

PWP

Jdl.

C.

2 Think we can let this rest now

2 But you might want to
check it out properly this time

Jdl.

