PO-CH/NL/0022

PART A

CONFIDENTIAL

PO -CH /NL/0022

PART A

PO -CH /NL/0022

PART A

1987 BUDGET AIDE MOIRE

DD'S 25 years NAZIZ 23-3-95.

17.3.87

1987 Budget
Budget
Aide Memoire

PO/CH/NL/0021
PART. A

R10.3

Working Copy Amended. NGF 9/2.

CONFIDENTIAL

FROM: N G FRAY

DATE: 6 January 1987

1 Mr Pickford

Mr A C S Allan
Mr Kuczys
Mrs Ryding
Mrs Lester
Mrs Henson
Mr Lyons
Miss Camp
Mrs Spragg
Miss Rutter
Mr Heywood
Mr Barnes
Mr Judge
Mr Saunders
Mr Monck
Mr Lavelle
Mr Turnbull
Mr Scholar
Miss C Evans
Mr Walters
Mr Romanski

Mr K Sedgwick
Miss O'Mara
Mr Pickering
Mr S Kemp
Mr Culpin
Mr Pickford
Mr Woodall
Mr R Evans
Mr Dyer
Mr Savage
Mr Dolphin
Mr Porteous
Mr Rawlings
Mr Cropper
Mr Tyrie
Mr Ross Goobey
Mr Lilley H/C
PS/Inland Revenue
PS/Customs & Excise

He will.

Assuming that I will continue to do the Snapshot, this seems OK to me so far as the few references to 'RE' are concerned

2 Mr Fray.

(my telephone No. needs amending.)

Richard Evans 7:1:87.

1987 BUDGET AIDE MEMOIRE

I attach the first and, hopefully last, draft of this year's Aide Memoire.

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Item 12: Would Mr Dyer confirm the date for the Ten Minute Rule Bill to be handed to the Public Bill Office?

Item 19a: Would Mr Monck confirm that he wishes to deliver the Budget packages to the CBI personally as last year?

Item 19d: I have assumed that Mr Sedgwick, as Peter Edwards replacement in FP, will act as the 'Scotland' messenger. Would Mr Walters confirm?

Item 27: Would Mr Allan and Mrs Lester set up the Chancellor's Budget Briefing meeting?

7/1/79

F10.3
3/84

CONFIDENTIAL

FROM: N G FRAY
DATE: 6 January 1987

Mr A C S Allan
Mr Kuczys
Mrs Ryding
Mrs Lester
Mrs Henson
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Miss Camp
Mrs Spragg
Miss Rutter
Mr Heywood
Mr Barnes
Mr Judge
Mr Saunders
Mr Monck
Mr Lavelle
Mr Turnbull
Mr Scholar
Miss C Evans
Mr Walters
Mr Romanski

Mr K Sedgwick
Miss O'Mara
Mr Pickering
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Mr Culpin
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Mr Dyer
Mr Savage
Mr Dolphin
Mr Porteous
Mr Rawlings
Mr Cropper
Mr Tyrie
Mr Ross Goobey
Mr Lilley H/C
PS/Inland Revenue
PS/Customs & Excise

Sgph

Ross
pl ack
Mr Gray if he
can find anyone in
IAE 3 who can
remember what we
did last year.
N.

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R10.3

CONFIDENTIAL

FROM: N G FRAY

DATE: 6 January 1987

Working Copy Amended NGF 9/2.

Mr. Fray

A few pernickety comments. I'm not yet sure where I shall fit in to all this activity, so am happy not to feature, but please could I see copies in future?

AH 6.1.

Mr A C S Allan
Mr Kuczys
Mrs Ryding
Mrs Lester
Mrs Henson
Mr Lyons
Miss Camp
Mrs Spragg
Miss Rutter
Mr Heywood
Mr Barnes
Mr Judge
Mr Saunders
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R10.3
3/84

Philip Wynn Owen

CONFIDENTIAL

FROM: N G FRAY
DATE: 6 January 1987

Working Copy Amended.
[Double check with Phil]
NJF 9/2

Rose pl give J Chaplin a phone N
Spk

Mr Monck

Mr A C S Allan	Mr K Sedgwick
Mr Kuczys	Miss O'Mara
Mrs Ryding	Mr Pickering
Mrs Lester	Mr S Kemp
Mrs Henson	Mr Culpin
Mr Lyons	Mr Pickford
Miss Camp	Mr Woodall
Mrs Spragg	Mr R Evans
Miss Rutter	Mr Dyer
Mr Heywood	Mr Savage
Mr Barnes	Mr Dolphin
Mr Judge	Mr Porteous
Mr Saunders	Mr Rawlings
Mr Monck	Mr Cropper
Mr Lavelle	Mr Tyrie
Mr Turnbull	Mr Ross Goobey
Mr Scholar	Mr Lilley H/C
Miss C Evans	PS/Inland Revenue
Mr Walters	PS/Customs & Excise
Mr Romanski	

Rose
pl ask Mr Gray if he can find anyone in IAE 3 who can remember what we did last year.
N.

No one in IAE3 remembers, but Nigel Fray says you asked specially for the CBI package to go to your office (not to the Enquiry Room for collection by the CBI) last year, so you could give it (or arrange for its delivery) to the CBI yourself?

If you want to do the same this year, we could spare our CO as a courier*, but I don't see why the CBI should not pick up from the door like the others.

Pl: let me know what you want to do.

Phil Wynn Owen
9/1

* provided the 2nd floor could lay on a taxi.

Mr Fray
I think Phil has already told you we do want to repeat last year's arrangement. It is now that CBI come and fetch it (after Chancellor has sat down) for IAE 3.
But pl. set time and I will ~~do not~~ arrange now.
NM 16/1

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CONFIDENTIAL

cc Pete

Pl have a word

Sir

FROM: N G FRAY

DATE: 6 January 1987

Working Copy Amended, but Check 107

MGT 9/2.

Spoke to IDT. MGT.

Nigel

Add P.E. to the attached list of Aide Memoire contacts. Thanks. P.

Mr A C S Allan
Mr Kuczys
Mrs Ryding
Mrs Lester
Mrs Henson
Mr Lyons
Miss Camp
Mrs Spragg
Miss Rutter
Mr Heywood
Mr Barnes
Mr Judge
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CONFIDENTIAL

Item 80:	Would Simon Woodall provide a list of 'volunteers' to take packages to TV and radio studios?
FSBR:	Would FP check that dates and deadlines are acceptable?
Budget Briefing + Snapshot:	Would EB check that dates and deadlines are acceptable?

Nigel Fray

N G FRAY

CONFIDENTIAL

1987 BUDGET AIDE MEMOIRE

AA	Alex Allan	(4330)
AK	Tony Kuczys	(4519)
CR	Cathy Ryding	(5004)
DL	Debbie Lester	(5011)
NF	Nigel Fray	(5012)
MH	Meena Henson	(5014)
TL	Tony Lyons	(5013)
JC	Janet Camp	(5015)
PS	Pat Spragg	(5167)
MS	Michael Scholar	(4419)
DW	Doug Walters	(5179)
KS	Kevin Sedgwick	(5169)
MOM	Margaret O'Mara	(4549)
SK	Simon Kemp	(5208)
RC	Robert Culpin	(4420)
SW	Simon Woodall	(5188)
RE	Richard Evans	(5184)
BP	Brian Porteous	(4830)
RR	Rod Rawlings	(4889)
TD	Tony Dolphin	(5546)
PC	Peter Cropper	(4359)
CT	Chris Titmuss	(4840)
PE	Peter Edwards	(5248)

PRELIMINARY

Preparation in weeks before the Budget

(1) Arrange audience of The Queen with her Private Secretary — DL/CR
Clear date of Budget with No.10 (checking that there are no State Visits, Archbishop's enthronements etc). — FP/AA

(2) Check with Speaker on allocation of guest seats available. — DL/CR

(3) Consult Chancellor on distribution of seats. Make arrangements for collection of tickets for Speaker's Gallery and under the Gallery. Inform other guests of arrangements for collecting the tickets for Distinguished Stranger's Gallery and Speaker's Gallery (East). — DL/CR

(4) Arrange for sufficient 1075 machines, stocks of paper and a mechanic on call to be available from Saturday before Budget Day. — NF/RR

(5) Arrange for TV Broadcast, in conjunction with Chief Whip's Office. Discuss arrangements for TV Broadcast with the BBC. — RC/SW

(6) Arrange for members of Chancellor's Registry and volunteers from other Private Offices' clerks, if required, to be available to collate papers on weekend of 14/15 March and on Budget Day. (For IDT as well).
Check with EOG (David Lodge) for overnight accomodation to be provided. — NF

(7) Submit publicity arrangements to Chancellor. — RC

(8) Make arrangements for providing Press Gallery (P.A.), P.A. Newsroom ~~and~~, Reuters, A.P. DOW JONES, BBC, ITN, IRN, Oracle, Ceefax and Financial Times with Speech section by section (see item 80). — NF/SW

(9) Arrange for Budget Box to be collected from PRO — PE ~~SW~~

(10) Arrangements for laying of White Papers, etc. — BD

(11) Circulate roster of Ministers covering Treasury Bench and officials covering official box (or available on the 'phone) for Budget Statement, remainder of Budget Day and three days of subsequent Debate. (Note that Ministers are required for T.V. Broadcasts.) — CR

16 Sitting Days before Budget Day

(12) Contact Mr Lilley to confirm that a Member will sleep overnight in the Conference Room adjacent to the Public Bill Office (Whips Office provide a put-u-up) so that notice of a Ten Minute Rule Bill can be handed in immediately the Public Bill Office opens (circa 10.00am) the following morning. — BD/Peter Lilley

Two Weeks before Budget Day

(13) Seek Chancellor's wishes as to speakers in Debate; inform them and the Whips. Take into account Ministers' TV and Radio engagements. — AA/RC

(14) SW to organise arrangements for Budget Box photograph. SW

(15) Draft of T.V. Broadcast to be produced and circulated to other Ministers for comment. RC/AA

(16) FP co-ordinate along with ~~SW~~ PE, BD and CR, letter to Departments about detailed arrangements for production of Press Notices including number required (see Annexes). FP send similar note to Treasury Divisions and Revenue Departments. PE ~~SW~~ to write to other Departments Chief Press Officers. Both letters to give deadline for arrival of PN's (midday Friday 13 March). EB to get advance copies of PN's. (~~SW~~ PE to confirm number). FP/~~SW~~ PE/CR/BD

(17) Prepare addressed envelopes or labels for those listed below under Items 19,48,80,87,88,92,94,111,112,113. Chancellor's Office

Week before Budget

(18) Budget Box photograph at HMT. SW

(19) Make arrangements for those entitled to collect copies of Speech, Snapshot, FSBR, Resolution and other Command papers from Enquiry Room after the Chancellor has sat down* viz: NF

* (ensuring that the Press are kept separate from Diplomats, CBI etc).

(a) NEDO (211 3000)	)Each to have 3 (CBI to receive 4) copies of Speech,
CBI (379 7400)	)Snapshot, FSBR, Command Papers and
TUC (636 4030)	)any Press Notices + 1 Resolution for CBI
Conservative Research Dept (222 9000)	

NB. CBI package to be given to Mr Monck along with his own advance package.

(b) MH to arrange with IF2 Division (TD) to collect for issue after Budget Speech to Australian and New Zealand High Commissions, EEC Diplomatic Missions (including Portugal + Spain), and Mr Newman, US Embassy, Canadian High Commission and Japanese Embassy set of 1 copy of each of the above documents (17 sets in all). Check with IDT/IF2 whether any other Embassies have requested Budget Docs, and alter no's required accordingly. IF2 prepare envelopes. MH/TD

(c) MH to arrange with DW for collection of 5 copies each of Speech, Snapshot, FSBR, other Command Papers and Press Notices for Mr McKay, Clerk to the Treasury and Civil Service Committee. (See item 107) MH/DW

(d) RR to arrange shuttle flight for messenger to take package(s) to Scotland. RR

(20) FP arrange with Parliamentary Counsel's Office, IR, C&E, Treasury Divisions and other Departments for correct number of FP

copies of Resolutions, Command Papers and any Press Notices to be delivered to NF and RR in CRU as appropriate (see Annex) by midday on Friday 13 March at the latest. FP arrange for correct number of Green Paper to be delivered. Also arrange with Central Unit for correct number of copies of FSBR to be delivered by 10.00 a.m. on Tuesday 17 March.

(21) Decide whether we should send guidance telegram to overseas posts on Budget Day to give gist of Budget and prepare draft. If so, NF to check despatch arrangements with Foreign Office. DW/NF

(22) All offices to inform RR of requirements for messengers, security guards and vans. RR to send reminder to offices asking them of their requirements. RR

(23) BD to write to Vote and Printed Paper office concerning embargoes to be observed on the FSBR and related documents. BD

Wednesday 11 March

(24) EB to provide second draft of Brief to Treasury Minister's Offices. (2 copies for Chancellor's Office, 2 copies for other Ministers). EB

Thursday 12 March

(25) Inform IDT of likely length of Speech. AA/RC

(26) Contact Cannon Row Police Station to ensure crowds are allowed to congregate behind barrier opposite No.11 for benefit of photographers when he leaves for the House. (Clear with No.10 security co-ordinator) SW

(27) Chancellor's Budget Briefing meeting (4.00 pm) AA

(28) EB to receive Chancellor's comments on second draft of Brief. MOM/CR

(29) Chancellors final comments on FSBR to FP. FP return 2nd page proofs to printer at 12.00 noon. AA/MS

Friday 13 March

(30) Work as necessary to produce final version of speech. AA

(31) Send copy of latest draft of Speech to PM if Chancellor wishes. AA

(32) RE to submit draft Snapshot to Chancellor's Office (to be shown to Chancellor). ~~SW~~/EB/RE

(33) Finalise arrangements with BBC for TV Broadcast. SW

(34) Prepare summary for The Queen (may also be used at Budget Cabinet). Submit to Chancellor's Office. MS

(35) Submit final draft of TV broadcast if available. PC/RC
Chancellor's Budget Broadcast meeting. AA

(36) Check with AA whether any other Ministers or officials are to receive advance copies of Budget documents other than those at Annex. NF/AA

(37)	Check despatch of overseas copies of speech etc. with the arrangements for FCO. (see item 111).	NF
(38)	Check catering and sleeping arrangements for Chancellor's office for 13 and 16 March.	NF/RR
(39)	Check with FP/GE & CR precisely which documents will be in Budget package (eg. any Command Papers), and let RR know.	NF/RR
(40)	Check with SK that he will be available on Saturday a.m. to collect copy of speech.	NF/SK
(41)	DL to check with BD to ascertain timing of main speakers in Budget Debate, and leave time free in the Chancellor's diary so that he may (if he wishes) listen to the main speakers.	DL/BD
(42)	Check arrival of press notices against numbers expected (see Annex). Issue required numbers to NF and Committee Section in accordance with list in Annex.	Comm Section/NF

SATURDAY-MONDAY

Saturday 14 March/Sunday 15 March

(43)	Collation of Press Notices by Committee Section and volunteers.	BP/RR
(44)	Book proofs of FSBR received by FP, 10.00 a.m., to be returned at 2.00 p.m.	DW
(45)	Chancellor: photo-call.	SW
(46)	Type Snapshot on A4 paper.	IDT/EB
(47)	Check and make corrections in Chancellor's speaking copy, section by section.	Chancellor's Office
(48)	Roll off and collate 36 copies of speech for: - Private Secretaries (3) - EB (3 copies) - to check Brief, Snapshot and Guidance telegrams - Chancellor (2) - Prime Minister - Governor & Treasury Ministers=(5) - Permanent Secretaries (4), Deputy Secretaries (6), Mr Scholar, Mr Culpin, Mr Dyer, Mr Cropper, Mr Tyrie, Mr Ross Goobey, Miss Evans, Mr Turnbull, Miss Peirson, PS/IR, PS/C&E.	NF
(49)	As soon as possible Mr Cropper lets Miss Titmuss have the master copy of the Backbenchers Budget Brief. Miss Titmuss will run off 400 copies. Mr Cropper will arrange for these to be distributed by the Parliamentary Private Secretaries following the Budget Speech.	PC/CT
(50)	Send speaking copy and spare to Chancellor.	NF

Monday 16 March

(51)	8.00 a.m. FP sign off final FSBR proof.	FP
(52)	Collect Budget Box from IDT.	NF/SW
(53)	9.00 a.m. Ensure that copies circulated by hand as in item 48.	NF
(54)	See item 66 - phone C&E, IR, B of E.	MH
(55)	CR to arrange with Parliamentary Section for a member of Parliamentary to be available in Speakers Yard to greet Chancellor and Mrs Lawson and show latter to her seat. Thereafter to go to Chancellor's PPS's room to guard over copies (see item 92) while Budget Speech is in progress.	RS/CR
(56)	Chancellor's Office to receive from EB 2 copies of near-final draft of Brief and Snapshot during course of day.	SK
(57)	Confirm likely length of speech with IDT to guide radio/TV.	AA/RC
(58)	By 12.00 noon: Receive <u>FINAL</u> comments on speech. Start amending speech as necessary.	AA/PS
(59)	Check any corrections section by section.	Chancellor's Office
(60)	Evening - either obtain confirmation from Chancellor that Speech can be regarded as final or amend speaking copy in accordance with his instructions. <u>Text must be finalised.</u>	AA/PS
(61)	Produce index for speech.	Chancellor's Office
(62)	Chancellor due at Buckingham Palace, 6.00 p.m.	DL
(63)	Chancellor's Office receive Snapshot from EB(SK) for checking.	MOM/SK
(64)	Check that Green Paper, CST Summary and Guide, and Resolutions have arrived in Chancellor's Office.	NF
(65)	Final check of Snapshot before collating.	MOM
(66)	As soon as final version of brief is available let PS/IR, PS/C&E and BofE know so that they can send a messenger to collect. (Brief will not be ready until very late).	NF
(67)	Photocopy 36 copies of final text section by section for - Chancellor - Prime Minister - Other Treasury Ministers (4) See Annex - Officials and Advisers (23) - Private Secretaries (5) - 2 copies for CH/EX's office	Chancellor's Office
(68)	CX's office rolls off 250 copies of speaking copy, section by section and CRU rolls off 1700 copies of snapshot.	Chancellor's Office/CRU

BUDGET DAY: 17 March

(69) 0845: Chancellor (+ family) photocall in St James' Park — SW

(70) Tabling of Budget Resolutions by Parliamentary Counsel.

(71) Order taxis to take CR, TL & MH with speech sections to House at 3.00 pm. — MH

(72) 10.00 am: FP to check that FSBR has arrived. — FP

(73) 10.00 am: SW to supervise BBC team at No.11 for TV Broadcast — SW

(74) 10.30 a.m.: Budget Cabinet.

(75) RE to "mark up" (sideline) final version of speech — SP / RE

(76) By 11 a.m. the "compact" master copy of Speech is to be given to Miss Titmuss in the CRU for 500 copies to be rolled off for distribution to the Lobby and Press Gallery in House of Commons and to IDT (see Items 80 and 83). From Private Office production of Speech (222 copies) send two copies by hand to MOM EB Room 97/2) as soon as possible. One to be marked up for PA, other for reference. When master copy of "marked up" speech is returned to the private office, 11 ~~10~~ unstapled copies to be made for BBC TV, BBC Radio, IRN, ITN, Reuters, AP DOW JONES and PA Newsroom, Financial Times Newsroom, Oracle and Ceefax. — CT/MH/MOM

(77) By 11.00 am six copies of speech run off by NF, FSBR, Command Paper(s), Press Notices, EPR to give to KS (as decided at item 19d) to take to Scotland. (See Item 105) — NF/KS

(78) By 11.00 am SK to give KS a copy of the Snapshot. KS then takes 5 copies. — SK

(79) Inform Leader of House of Lords Office and Mr Christopher (IRSF) that they should collect their packages from PPS's room at the end of the speech. — CR

(80) Prepare packages as follows: — Chancellor's Office

(a) Press Gallery via TL (see item 95)

- 30 copies of sectioned version of Speech (each section to be marked individually), in separate envelopes each marked with number of section.

- 1 copy of Snapshot, with each final section (ie 30 snapshots)

(b) ITN, Wells Street (Lindsay Nicolle. .... to collect)

- 16 copies of sectioned version of Speech, in separate envelopes each marked with number of section.

- 2 ~~1~~ unstapled Speech with sidelines and headlines for page-by-page distribution*

- 2 envelopes, each containing 1 copy of Speech, Snapshot, FSBR, Command papers and all press notices addressed to:-

1. Sue Tinson, ITN Budget Programme
2. Economics Editor, Channel 4.

(NB: These envelopes to be handed over at the end of Chancellor's speech)

(c) BBC, TV White City (Francis Bogan .... to collect)

- 11 copies of sectioned version of Speech, in separate envelopes each marked with number of section

- ~~1~~ 2 unstapled Speech with sidelines and headlines for page-by-page distribution*

- 2 separate envelopes, containing 1 copy of Speech, snapshot, FSBR, Command Papers and Press Notices, addressed to:-

1. Producer, BBC Budget Programme
2. James Long: BBC Economics Editor.

(NB: These envelopes to be handed over at the end of Chancellor's speech).

(d) BBC Radio, Broadcasting House (Nigel Williams .... to collect)

- 11 copies of sectioned version of Speech, in separate envelopes each marked with number of section

- 1 unstapled copy of speech with sidelines and headlines for page-by-page distribution*

- 2 envelopes each containing a copy of the Speech, snapshot, FSBR, Command Papers and all press notices addressed to:-

1. BBC Economics Correspondent
2. Producer, PM Budget Special

NB: These envelopes to be handed over at end of Chancellor's speech

(e) Independent Radio News (Debbie Francis .... to collect)

- 5 copies of sectioned version of speech, in separate envelopes and marked with number of section

- 1 unstapled speech with sidelines and headlines for page-by-page distribution*

- 1 envelope enclosing a copy of the Speech, Snapshot, FSBR, Command papers and all press notices, addressed to:-

Mr Douglas Moffit,
Economic Editor, LBC

NB: This envelope to be handed over at end of Chancellor's speech

(f) Reuters Newsroom (Guy Westhead .... to collect)

- 1 unstapled speech with sidelines and headlines for page by page distribution *

- 1 envelope containing a copy of the Speech, Snapshot, FSBR and all Press Notices addressed to Mr David Keefe, Reuters.

  NB: This envelope only to be handed over at the end of the Chancellor's speech.

add (g) A.P. DOW JONES (similar arrangements to Reuters Newsroom.) Pauline Wilkes.

MARSHALL GITTLER
Editor
AP-DOW JONES
EDITORIAL OFFICES
LONDON INTERNATIONAL
PRESS CENTRE,
76 SHOE LANE
LONDON. EC4A 3JB.

~~(g)~~ (h) P.A. Newsroom (.......... to collect) Kathy Meason

- 1 unstapled speech with sidelines and headlines for page by page distribution. *

~~(h)~~ (I) P.A. Gallery (.......... to collect) Janine Murphy

- 1 unstapled speech with sidelines and headlines for page by page distribution*

~~(i)~~ (J) F.T. Newsroom (.......... to collect) Max Falstead

- 1 unstapled speech with sidelines and headlines for page by page distribution. *

- 1 envelope containing a copy of the Speech, Snapshot, FSBR and all Press Notices addressed to:

  Mr David Walker
  News Editor, Financial Times

  NB: This envelope only to be handed over at the end of the Chancellor's speech.

~~(j)~~ (k) Oracle (.......... to collect) Liz Francis

- 1 copy of sectioned version of speech, in separate envelopes and marked with number of section

- 1 unstapled speech with sidelines and headlines for page by page distribution*

- 1 envelope enclosing copy of Speech, Snapshot, FSBR, Command Papers and all Press Notices, addressed to: Mr Peter Hall, Editor, Oracle.

~~(k)~~ (l) Ceefax (.......... to collect) Marie Finnegan

- 1 copy of sectioned version of speech, in separate envelopes and marked with number of each section.

- 1 unstapled speech with sidelines and headlines for page by page distribution*

- 1 envelope enclosing copy of Speech, Snapshot, FSBR, Command Papers and all Press Notices, addressed to: David Wilson, Manager Teletext.

---

* ~~10~~ 13 'marked-up' copies of Speech (unstapled) are to be provided by JC by 2.30 p.m. JC

(81) Check arrival in Chancellor's Office of 50 copies of Resolutions from Parliamentary Counsel's Office, 150 copies of FSBR from HMSO via Central Unit, 150 copies of Command papers and 13 Briefs (From EB - first 3 to AA, AK and CR). — NF/TL/MH/SK

(82) Issue 150 copies of FSBR, 150 copies of Command papers, 50 copies of Resolutions and 5 (as soon as available) copies of Brief from SK, to NF for distribution as in Annex. (Other 3 Briefs to AA, AK and CR). — SK/NF

(83) Committee Section pack up documents indicated in parcels addressed as below. (Speeches, etc. should be packed separately in pre-addressed envelopes provided by IDT. Copies of Speech are <u>not</u> provided by Chancellor's Office):- — RR/~~SW~~ PE

> 105 copies of Speech and 130 copies of Snapshot 70 copies each of FSBR, HMT's PN, Other Gov. Dept's PN's, other Cmnd Papers to Home Press, Gallery, House of Commons
>
> 10 copies of speech and 10 copies of snapshot in separate envelope to "the Secretary, Press Gallery", marked "for OVERSEAS CORRESPONDENTS".

The above parcels should then be packed for transmission to the House.

(84) Start collation of full text of Speech with index and checklist. — Chancellor's Clerks and Typists

(85) <u>Before 12.00</u>: CR gives copy of speech to BD who will let Speaker's Private Secretary know roughly how long Speech will last. — CR/BD

(86) Parliamentary Section to be given 6 copies of FSBR by FP for laying before Parliament. — FP/BD

(87) <u>By 12.30 p.m.</u>: Make up and despatch SECRET envelopes containing

1 copy each of Speech, FSBR, Resolutions, Command Papers + Press notices to:- — Chancellor's Clerks

> Prime Minister
> Chief Secretary
> Financial Secretary
> Economic Secretary
> Minister of State
> Chancellor of the Duchy of Lancaster
> Officials, etc. (See Annex for list)
> (NB. Sir T Burns receives 2 copies of the FSBR)

BP to provide extra messenger to report to NF by 2.15 pm

> Speaker (via Mr Dyer)
> Chief Whip (via Mr Dyer)
> 1 Set of above to Mr Walters (for Northern Ireland Office). — BD
> NF to seek authorisation from AA to issue packages to other Ministers and Officials. — AA/NF

(88) <u>At 12.30 p.m.</u>: SECRET envelopes containing Speech, Snapshot and FSBR, + other Command Papers to be given to messengers from:-

- Customs & Excise (6 copies of each) - including 1 to Isle of Man
- Inland Revenue (6 copies of each)
- Bank of England (6 copies of each plus 6 copies of press notices)

(NF phones PS/IR, PS/C&E & Bank to arrange that these messengers come to the Chancellor's Registry.) NF

(89) <u>At 12.30 p.m.</u>: 14 copies of Speech, Snapshot, FSBR, Command Papers and Press Notices to be issued to ~~RC~~ SP for allocation to members of IDT ~~RC~~ SP
(Copies of Brief will be send direct to RC by EB for monitoring teams.) SK

(90) <u>At 12.30 p.m.</u> Committee Section to pack for IDT: RR/~~SW~~ PE

- 500 copies of Speech (supplied by CRU)
- 470 copies of FSBR and 350 of other Command Papers.
- 460 copies of other Depts'. Budget Press Notices
- 550 copies of Snapshot
- 683 copies of Tsy Press Notices (103 copies for Treasury Mailing list)
- 440 Cmnd Papers (Green Paper + CST Summary and Guide)

in pre-addressed envelopes (provided by ~~SW~~ PE) for Press and other callers to collect

(91) 1 set each of Speech, Snapshot, FSBR, Resolutions, Command Papers and Press Notices to be given to AA, AK and CR, and of speech only to TL. NF

(92) 1 set each of Speech, FSBR, and Command Papers in sealed envelopes addressed to: CR/NF

Leader of the House of Commons: (Mr Biffen)

Leader of the House of Lords: (Viscount Whitelaw)

Leader of the Opposition (Mr Kinnock)
Shadow Chancellor (Mr R Hattersley)
Chancellor's PPS (Mr P Lilley)
Mr Christopher (IRSF) - plus Press Notices + Snapshot (not Command Papers)
Sir William Clark (Chairman of Conservative Finance Committee)
Mr Sheldon, Chairman PAC
Mr T Higgins, Chairman TCSC
Mr T Sainsbury (Treasury Whip)
Mr R Boscawen (1 copy of speech only) for HM the Queen

to be given to CR to take with him to Mr Lilley's room, for member of Parliamentary Section to guard over and for Mr Lilley and other PPS's to pick up directly after speech and give to those concerned.

(93) Take Gladstone Box to Chancellor. Make up package consisting of speaking copy of Speech, and copies of FSBR, Resolutions, Snapshot, Command Papers and Press Notices for Chancellor. Ensure he has a copy of the Budget Brief. AA/NF

Budget Day: After lunch

(94)	Envelope copies of Speeches and FSBR for distribution to members of the Cabinet (other than PM, Chief Secretary LPS + LPC) to be despatched after the Chancellor has sat down.	NF/Chancellor's Office
(95)	TL takes 30 copies of sectioned versions of Speech and snapshot to Gallery/Lobby at the House for IDT (for release during Speech). (See item 80) ?	SW/TL
(96) *	MH to take copy of speech to official reporters, to be handed over page by page when Chancellor delivers speech. MH to remain in Hansard Office until Ch/Ex sits down.	MH
(97)	Chancellor + Mrs Lawson photocall outsde No.11 before going to House.	SW
(98)	At 3pm a member of IDT and Mr Lyons assisted by four messengers and a Security Officer, take 30 copies of the speech in sections (provided by the Chancellor's Office), 105 copies of the complete speech and 130 copies of the "Snapshot" and 70 each of FSBR, Cmnd papers, and related Press Notices to Miss Stella Thomas in the Press Gallery. They will also have a separate package of 10 copies of the Speech and 10 copies of the Snapshot for the Overseas Press. (Turn up in Committee Section (75/G), to collect papers at 2.45 pm). Security Guard to remain with TL.	RR/~~SW~~ PE/TL
(99)	Ensure all officials covering the Official Box have copies of the brief.	SK
	IDT to collect packages (see item 90) from Committee Section	S~~W~~
(100)	<u>During the Budget Speech:</u> The sections will be released to the Press Gallery, TV, radio and IDT monitoring teams by the following drill:	IDT
	(a) In the Press Gallery, a member of IDT will authorise the release of the 30 sectioned copies of the Speech.	SW
	(b) In the ~~7~~ 11 broadcasting studios and Newsrooms (ITN, BBC-TV, BBC radio, PA Newsroom IRN, FT, Reuters Newsroom, AP DOW JONES, Oracle and Ceefax) the page-by-page unstapled copy of the Speech and the sectioned copies of the Speech will be released when the Treasury official hears (from the Radio 4 live speech broadcast) that the page/section has been completed.	
(101)	Delivery of Snapshot, Treasury Press Notices and other Departments' Press Notices to Vote and Printed Paper Offices	RS
(102)	Laying of FSBR, Chief Secretary's Memorandum and Supply Estimates.	RS
(103)	During Speech: Note changes from typed version.	CR

* Volunteers collect packages for page by page release (see 80) PE.

At end of Speech

(104) Set to go to Leader or Deputy Leader of the House of Lords (see Item 92). CR

(105) DW to phone KS in Scotland to authorise release of documents. DW

(106) Despatch by hand copies of Speech to other members of Cabinet (see Item 94). NF

(107) On instructions from TL, Security Guard (in PPS's Room) will hand over complete copies of Speech, etc. to IDT (see Items 80,83+95). TL

(108) Release copies of Speech and FSBR for Cabinet Ministers, (see item 94), Press (see item 98) and envelopes (see item 19) for NEDO, CBI (via Mr Monck), TUC and Conservative Research Department to Messengers to take to Enquiry Room; also release copies for Australian and New Zealand High Commissions etc. as at Item 19 to IF2 Division. Also release copies to DW for TCSC (see item 19c) MH/TD/DW

(109) Check Hansard. CR

(110) Check whether Debate is likely to continue beyond 7.00 pm if so, confirm duty Minister's extensions for bench, taking into account Minister's media engagements (in consultation with RC) CR/RC

(111) Send copies as follows:- MH

	Speech and Brief	Snapshot Resolution, Press Notices	FSBR	Cmd Papers
Mr T Lankester British Embassy Washington	1	3	3	3
Mr D Bostock UKREP Brussels	1	3	4	4

Send 1 copy of each of above papers to:
Director of British Information Services, NY

Mr M C S Weston, British Embassy, Paris. BY 6.00 p.m. Bag
Mr E T Davies, UK Delegation, OECD, 19 Rue de Franqueville, 75775, Paris, Cedex, France (1 copy of brief only).

(Copies obtained from LW)

(112) Give 8 copies of Speech, Snapshot, FSBR, Government Papers and any Press Notices to RS for depositing in the Libraries of the House of Commons and House of Lords. NF/RS
NF to give 2 copies of Resolutions to RS for Butterworths Law Publishers. NF/RS

(113) Provide one set of Speech, Snapshot, FSBR, Command Paper(s), all Press Notices and White Papers to Table Office. BD

ANNEX I

RECIPIENTS	UNSTAPLED SPEECH	WHOLE SPEECH	SECTIONED SPEECH	SNAPSHOT	RESOLUTIONS	FSBR	COMMAND PAPER(S)	CST SUMMARY + GUIDE	HMT PRESS NOTICES	OTHER DEPT PRESS NOTICES	EPR
NEDO	–	3	–	3	–	3	3	3	3	3	3
TUC	–	3	–	3	–	3	3	3	3	3	3
CBI	–	4	–	4	1	4	4	4	4	4	4
CONSERVATIVE RESEARCH DEPT.	–	1	–	1	–	1	1	1	1	1	1
DIPLOMATIC MISSIONS (17)	–	17	–	17	–	17	17	17	17	17	17
TCSC	–	5	–	5	–	5	5	5	5	5	5
SCOTLAND	–	6	–	6	–	6	6	6	6	6	6
PRESS GALLERY	–	–	30	30	–	–	–	–	–	–	–
ITN	1	2	16	2	–	2	2	2	2	2	2
BBC TV	1	2	11	2	–	2	2	2	2	2	2
BBC RADIO	1	2	11	2	–	2	2	2	2	2	2
IRN	1	1	5	1	–	1	1	1	1	1	1
REUTERS	1	1	–	1	–	1	–	–	1	1	1
PA	1	–	–	–	–	–	–	–	–	–	–
PA (GALLERY)	1	–	–	–	–	–	–	–	–	–	–
FT	1	1	–	1	–	1	–	–	1	1	1
ORACLE	1	1	–	1	–	1	1	1	1	1	1
CEEFAX	1	1	–	1	–	1	1	1	1	1	1
PARLIAMENTARY SECTION	–	2	–	1	–	7	1	7	1	1	1
PRIME MINISTER	–	1	–	1	1	1	1	1	1	1	1
HMT MINISTERS (4)	–	4	–	4	4	4	4	4	4	4	4
SPEAKER	–	1	–	1	1	1	1	1	1	1	1
CHIEF WHIP	–	1	–	1	1	1	1	1	1	1	1
HMT OFFICIALS (17)	–	17	–	17	17	17	17	17	17	17	17
N.I. OFFICE	–	1	–	1	1	1	1	1	1	1	1
SIR L AIREY - IR	–	1	–	1	1	1	1	1	1	1	1
SIR A FRASER - C+E	–	1	–	1	1	1	1	1	1	1	1
CUSTOMS + EXCISE	–	6	–	6	–	6	6	6	6	6	–
INLAND REVENUE	–	6	–	6	–	6	6	6	6	6	–
BANK OF ENGLAND	–	6	–	6	–	6	6	6	6	6	–
SUB-TOTAL (1)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RECIPIENTS	UNSTAPLED SPEECH	WHOLE SPEECH	SECTIONED SPEECH	SNAPSHOT	RESOLUTIONS	FSBR	COMMAND PAPER(S)	CST SUMMARY + GUIDE	HMT PRESS NOTICES	OTHER DEPT. PRESS NOTICES	EPR
IDT (PRESS + CALLERS)	–	500	–	550	–	470	440	440	683	460	–
MR T HIGGINS	–	1	–	–	–	1	1	1	–	–	–
CHANCELLOR, RL, AWK + PWO (4)	–	4	–	4	4	4	4	4	4	4	4
TONY LYONS	–	1	–	–	–	–	–	–	–	–	–
LEADER H/C	–	1	–	–	–	1	1	1	–	–	–
LEADER H/L	–	1	–	–	–	1	1	1	–	–	–
LEADER OF THE OPPOSITION	–	1	–	–	–	1	1	1	–	–	–
SHADOW CHANCELLOR	–	1	–	–	–	1	1	1	–	–	–
MR LILLEY	–	1	–	–	–	1	1	1	–	–	–
MR CHRISTOPHER (IRSF)	–	1	–	–	–	1	–	1	–	–	–
SIR W CLARK	–	1	–	–	–	1	1	1	–	–	–
HON. T. SAINSBURY	–	1	–	–	–	1	1	1	–	–	–
MR BOSCAWEN	–	1	–	–	–	–	–	–	–	–	–
CABINET (EXCL. PM, CST, LPC, LB)	–	18	–	–	–	–	–	–	–	–	–
HANSARD	–	1	–	–	–	–	–	–	–	–	–
VOTE + PRINTED PAPER OFFICE	–	–	–	1150	–	–	–	–	1150	1150	–
TABLE OFFICE	–	1	–	1	–	1	1	1	1	1	–
LANKESTER (WASHINGTON)	–	1	–	3	3	3	3	3	3	3	3
BOSTOCK (BRUSSELS)	–	1	–	3	3	4	4	3	3	3	3
DIRECTOR BIS (NEW YORK)	–	1	–	1	1	1	1	1	1	1	1
BRITISH EMBASSY, PARIS	–	1	–	1	1	1	1	1	1	1	1
UKDEL, OECD	–	1	–	1	1	1	1	1	1	1	1
H/C LIBRARY	–	4	–	4	–	4	4	4	4	4	4
H/L LIBRARY	–	4	–	4	–	4	4	4	4	4	4
HMT LIBRARY	–	–	–	–	–	200	–	–	–	–	–
BUTTERWORTHS	–	–	–	–	2	–	–	–	–	–	–
SUB - TOTAL (II)	–	548	–	1722	15	702	471	471	1855	1632	21
SUB - TOTAL (I)	10	97	73	126	26	102	94	100	96	96	78
TOTAL	10	645	73	1848	41	804	565	571	1951	1728	99

ANNEX II

REQUIREMENTS: FROM SOURCE

REQUIRED BY:	UNSTAPLED SPEECH	WHOLE SPEECH	SECTIONED SPEECH	SNAPSHOT	RESOLUTIONS	FSBR	COMMAND PAPER(S)	CST SUMMARY + GUIDE	HMT PRESS NOTICES	OTHER DEPT. PRESS NOTICES	EPR	BRIEF
CHANCELLOR'S OFFICE	10	145 (1)	73	148 (1)	41	150	150	150	118	118	99	
IDT		500 (2)		550 (2)		470	440	440	683	460		
PARLIAMENTARY SECTION				1150 (2)				7	1150	1150		
CENTRAL UNIT						15						
EB												170
HMT LIBRARY						200						
TOTAL	10	645		1848	41 (+9 SPARE = 50)	804 (+ SPARES = 835)	564 (+ SPARES = 590)	571 (+ SPARES = 597)	1951	1728	99	170
SUPPLIED BY:												
CHANCELLOR'S OFFICE	10	145 (1)	73	148 (1)								
HMSO (CU ORDER)						835						
HMSO (FP ORDER)							590					
PARLIAMENTARY COUNSEL (FP ORDER)					50							
COMMITTEE SECTION		500 (2)		1700 (2)					1951	1728	99	170
GEP (FROM HMSO)								597				
TOTAL	10	64[illegible]	73	1848	50	835	590	597	1951	1728	99	170

PACKAGE 'A': SPEECH, SNAPSHOT, RESOLUTIONS, FSBR, CMND PAPER, CST SUMMARY + GUIDE, HMT PN'S, OD PN'S, EPR.

PACKAGE 'B': SPEECH, SNAPSHOT, FSBR, CMND PAPER, CST SUMMARY + GUIDE, HMT PN'S, OD PN'S, E

PACKAGE 'C': SPEECH, FSBR, GREEN PAPER, CST SUMMA

ANNEX III

RESPONSIBILITIES FOR DISTRIBUTION: CHANCELLOR'S OFFICE

RECIPIENT	PACK A	PACK B	PACK C	OTHER	TIME TO BE DELIVERED
NEDO	–	✓(3)	–		
TUC	–	✓(2)	–		TO BE COLLECTED FROM ENQUIRY ROOM AFTER SPEECH'
CBI	–	✓(4)	–	+ 1 RESOLUTION	TO BE GIVEN TO MR MONCK IN ADVANCE. PACKAGE WILL [BE HANDED TO CBI AFTER SPEECH
CONSERVATIVE RESEARCH DEPT	–	✓	–		SEE 'X' ABOVE
AUSTRALIAN H.C	–	✓	–		
NEW ZEALAND H.C.	–	✓	–		
CANADIAN H.C.	–	✓	–		
JAPANESE EMBASSY	–	✓	–		
US EMBASSY	–	✓	–		
FRENCH EMBASSY	–	✓	–		
W GERMAN EMBASSY	–	✓	–		
LUXEMBOURG EMBASSY	–	✓	–		
BELGIAN EMBASSY	–	✓	–		EF2 COLLECT PACKAGES FROM CHANCELLOR'S OFFICE AT 3.30 EF2 DELIVER TO ENQUIRY ROOM FOR COLLECTION WHEN CHANCELLOR SITS DOWN.
DANISH EMBASSY	–	✓	–		
EIRE EMBASSY	–	✓	–		
ITALIAN EMBASSY	–	✓	–		
GREEK EMBASSY	–	✓	–		
NETHERLANDS EMBASSY	–	✓	–		
SPANISH EMBASSY	–	✓	–		
PORTUGUESE EMBASSY	–	✓	–		
TCSC	–	✓(5)	–		TO BE HANDED TO DW <u>AFTER</u> SPEECH
SCOTLAND	–	✓(6)	–		BY 11.00 am
PRESS GALLERY *	–	–	–	30 x SECTIONED SPEECH, 30 x SNAPSHOT	TO BE TAKEN TO HOUSE BY TL FOR PAGE-BY-PAGE DISTRIBN.
ITN	–	–	–	16 x SECTIONED SPEECH, 1 x UNSTAPLED	
SUE TINSON, ITN BUDGET PROG	–	✓	–		
ECONOMICS EDITOR, CH. 4	–	✓	–		
BBC TV	–	–	–	11 x SECTIONED SPEECH, 1 x UNSTAPLED	TO BE COLLECTED FROM 2.30pm AT CH/EX OFFICE FOR PAGE-BY-PAGE DISTRIBUTION AS CH/EX SPEAKS PACK 'B'; TO BE HANDED OVER AT <u>END</u> OF SPEECH
PRODUCER, BBC BUDGET PROG.	–	✓	–		
JAMES LONG, BBC ECONOMICS EDITOR	–	✓	–		

† Sir P Middleton, Sir T Burns (2x FSBR), Mr FER Butler, Sir G Littler, Mr Cassell, Mr Byatt, Mr Anson, Mr Monck, Mr Scholar, Mr Monger, Miss Peirson, Mr Culpin, Miss O'Mara, Miss Evans, Mr Cropper, Mr Tyrie, Mr Ross Goobey

RECIPIENT	PACK A	PACK B	PACK C	OTHER	TIME TO BE DELIVERED
BBC RADIO	–	–	–	11 x SECTIONED SPEECH, 1x UNSTAPLED	
BBC ECONOMICS CORRESPONDENT	–	✓	–		
PRODUCER, PM BUDGET SPECIAL	–	✓	–		
IRN	–	–	–	5x SECTIONED SPEECH, 1 x UNSTAPLED	
OUGLAS MOFFIT, ECONOMICS EDITOR, LBC	–	✓	–		
REUTERS	–	–	–	1 x UNSTAPLED	
DAVID KEEFE, REUTERS	–	✓	–		TO BE COLLECTED FROM 2.30pm AT CH/EX OFFICE
PA NEWS ROOM	–	–	–	1 x UNSTAPLED	FOR PAGE-BY-PAGE DISTRIBUTION AS CH/EX SPEAKS
PA GALLERY	–	–	–	1x UNSTAPLED	PACK B's TO BE HANDED OVER AT END OF SPEECH
FT NEWS ROOM	–	–	–	1 x UNSTAPLED	
VID WANGER, NEWS EDITOR, FT	–	✓	–		
ORACLE	–	–	–	1 x UNSTAPLED	
ETER HALL, EDITOR, ORACLE	–	✓	–		
CEEFAX	–	–	–	1x UNSTAPLED	
VID WILSON, MANAGER, TELETEXT	–	✓	–		
PRIME MINISTER	✓	–	–		
MT MINISTERS (4)	✓(4)	–	–		
MT OFFICIALS (17)†	✓ 17	–	–		
ORTHERN IRELAND OFFICE	✓	–	–		
SIR L AIREY - IR	✓	–	–		
SIR A FRASER - C+E	✓	–	–		
CUSTOMS + EXCISE	–	✓(6)	–		BY 12.30 (RL TO AUTHORISE RELEASE)
INLAND REVENUE	–	✓(6)	–		
BANK OF ENGLAND	–	✓(6)	–		
ANCELLOR, RL, ANK, PWD	✓ (4)	–	–	+ 4x BRIEF	
TONY LYONS (SEE * ABOVE)	–	–	–	1x SPEECH, 30x SECTIONED, 30x SNAPSHOT	- FOR PAGE-BY-PAGE DISTRIBUTION DURING SPEECH
LEADER H/C (BIFFEN)	–	–	✓		- DELIVERED BY PPS's
LEADER H/L (WHITELAW)	–	–	✓		- DELIVERED BY PPS's
ADER OPPOSITION (KINNOCK)	–	–	✓		TO BE TAKEN TO THE HOUSE BY PWD AT 3.00pm
ADOW CHANCELLOR (HATTERSLEY)	–	–	✓		AND RELEASED TO PPS's WHEN THE CHANCELLOR
R T HIGGINS	–	–	✓		HAS SAT DOWN.

RECIPIENT	PACK A	PACK B	PACK C	OTHER	TIME TO BE DELIVERED
MR PETER LILLEY	–	–	✓		
MR CHRISTOPHER (IRSF)	–	–	✓	NO GREEN PAPER	- SPOKEN TO IN ADVANCE
SIR W CLARK	–	–	✓		- TO BE TAKEN TO HOUSE BY PMO AT 3.00 pm AND RELEASED WHEN CHANCELLOR HAS SAT DOWN
MR R SHELDON	–	–	✓		
HON. T SAINSBURY	–	–	✓		
MR BOSCAWEN	–	–	–	1 x SPEECH (FOR H.M. QUEEN)	
CABINET, (EXCL. PM, CST, LPC, LPS)	–	–	–	18 x SPEECH	- TO BE DESPATCHED WHEN CHANCELLOR SITS DOWN
HANSARD	–	–	–	1 x SPEECH	- TO BE TAKEN BY MM BY 3.15 pm FOR PAGE-BY-PA DISTRIBUTIO
MR LANKESTER (WASHINGTON)	✓(3)	–	–	ONLY 1 SPEECH + 1 x BRIEF	
MR BOSTOCK (BRUSSELS)	✓(3)	–	–	1 x BRIEF, 4 x FSBR, 4 x SUMMARY, 4 x GREEN.	
DIRECTOR BIS (NEW YORK)	✓	–	–		- BY DIPLOMATIC BAG
BRITISH EMBASSY, PARIS	✓	–	–		
UKDEL, OECD	✓	–	–		
SPEAKER	✓	–	–		
CHIEF WHIP	✓	–	–		BY 12.30 (VIA BD)
BRIAN DYER (FOR SPEAKER'S PS)	–	–	–	1 x SPEECH	
TABLE OFFICE	–	✓	–		
H/C LIBRARY	–	✓(4)	–	NO EPR	TO RS BY 3.00 pm
H/L LIBRARY	–	✓(4)	–		

RESPONSIBILITIES FOR DISTRIBUTION: IDT

RECIPIENT	SPEECH	SNAPSHOT	FSBR	COMMAND PAPER(S)	CST SUMMARY + GUIDE	HMT PRESS NOTICES	OTHER DEPT. PRESS NOTICES
PRESS GALLERY	105	130	70	70	70	70	70
OVERSEAS REPS	20	20	–	–	–	–	–
FLEET ST. PRESS	150	150	150	150	150	150	150
NON-PRESS	180	180	180	180	180	180	180
DEPARTMENTS PRESS OFFICES	30	30	30	30	30	30	30
HMT MAIL LIST	–	–	–	–	–	103	–
SPARES, INCL. ENQUIRY ROOM	15	20	20	10	10	50	30
FFJG	–	20	20	–	–	–	–
TOTAL	500	550	470	440	440	683	460

RESPONSIBILITIES FOR DISTRIBUTION: PARLIAMENTARY SECTION

RECIPIENT		
SPEAKER'S PRIVATE SECRETARY	1 x SPEECH	TO BE GIVEN TO BD BY CHANCELLOR'S OFFICE
SPEAKER	PACK 'A'	
CHIEF WHIP	PACK 'A'	
JOURNAL OFFICE	6 x FSBR	- FROM CU
	6 x CST SUMMARY + GUIDE	- FROM ESTIMATES CLERK
TABLE OFFICE	PACK B	
VOTE + PRINTED PAPER OFFICE	1150 x SNAPSHOT	FROM COMMITTEE SECTION
	1150 x HMT PN'S	
	1150 x ODPN'S	
BUTTERWORTHS	2 x RESOLUTIONS	- FROM CHANCELLOR'S OFFICE
H/C LIBRARY	4 x PACK B	FROM CHANCELLOR'S OFFICE
H/L LIBRARY	4 x PACK B	

RESPONSIBILITIES FOR DISTRIBUTION: CENTRAL UNIT

RECIPIENTS	FSBR	PACK A	PACK B	
PARLIAMENTARY SECTION	6			FROM HMSO
CENTRAL UNIT (SPARE)	9			
TCSC			5	FROM CHANCELLOR'S OFFICE
N I OFFICE		1		
SCOTLAND			6	
TOTAL	15	1	11	

R10.3

WORKING COPY

CONFIDENTIAL

FROM: N G FRAY

DATE: 6 January 1987

Mr A C S Allan
Mr Kuczys
Mrs Ryding
Mrs Lester
Mrs Henson
Mr Lyons
Miss Camp
Mrs Spragg
Miss Rutter
Mr Heywood
Mr Barnes
Mr Judge
Mr Saunders
Mr Monck
Mr Lavelle
Mr Turnbull
Mr Scholar
Miss C Evans
Mr Walters
Mr Romanski

Mr K Sedgwick
Miss O'Mara
Mr Pickering
Mr S Kemp
Mr Culpin
Mr Pickford
Mr Woodall
Mr R Evans
Mr Dyer
Mr Savage
Mr Dolphin
Mr Porteous
Mr Rawlings
Mr Cropper
Mr Tyrie
Mr Ross Goobey
Mr Lilley H/C
PS/Inland Revenue
PS/Customs & Excise

1987 BUDGET AIDE MEMOIRE

I attach the first and, hopefully last, draft of this year's Aide Memoire.

2. I have kept the changes to this year's Aide Memoire to a minimum as last year's Budget ran reasonably smoothly. However, I should be grateful if all recipients would check through the Aide Memoire for any errors or additions, and in particular the following items:

Item 12: Would Mr Dyer confirm the date for the Ten Minute Rule Bill to be handed to the Public Bill Office?

Item 19a: Would Mr Monck confirm that he wishes to deliver the Budget packages to the CBI personally as last year?

Item 19d: I have assumed that Mr Sedgwick, as Peter Edwards replacement in FP, will act as the 'Scotland' messenger. Would Mr Walters confirm?

Item 27: Would Mr Allan and Mrs Lester set up the Chancellor's Budget Briefing meeting?

Item 80: Would Simon Woodall provide a list of 'volunteers' to take packages to TV and radio studios?

FSBR: Would FP check that dates and deadlines are acceptable?

Budget Briefing + Snapshot: Would EB check that dates and deadlines are acceptable?

Nigel Fray

N G FRAY

R10.4

CONFIDENTIAL

1987 BUDGET AIDE MEMOIRE

AA	Alex Allan	(4330)
AK	Tony Kuczys	(4519)
CR	Cathy Ryding	(5004)
AH	Andrew Hudson	(5021)
DL	Debbie Lester	(5011)
NF	Nigel Fray	(5012)
MH	Meena Henson	(5014)
TL	Tony Lyons	(5013)
JC	Janet Camp	(5015)
PS	Pat Spragg	(5167)
MS	Michael Scholar	(4419)
CE	Carys Evans	(5170)
DW	Doug Walters	(5179)
KS	Kevin Sedgwick	(5169)
MOM	Margaret O'Mara	(4549)
SK	Simon Kemp	(5208)
RC	Robert Culpin	(4420)
SP	Stephen Pickford	( )
SW	Simon Woodall	(5188)
RE	Richard Evans	(~~5184~~) 5245
PE	Peter Edwards	(5248)
BP	Brian Porteous	(4830)
RR	Rod Rawlings	(4889)
TD	Tony Dolphin	(5546)
PC	Peter Cropper	(4359)
CT	Chris Titmuss	(4840)
BD	Brian Dyer	(4520)
RS	Richard Savage	(5006)
TJD	Tony Davies	(5163)

PRELIMINARY

Preparation in weeks before the Budget

(1) Arrange audience of The Queen with her Private Secretary — DL/CR
Clear date of Budget with No.10 (checking that there are no State Visits, Archbishop's enthronements etc). — DW ~~FP~~/AA

(2) Check with Speaker on allocation of guest seats available. — DL/CR

(3) Consult Chancellor on distribution of seats. Make arrangements for collection of tickets for Speaker's Gallery and under the Gallery. Inform other guests of arrangements for collecting the tickets for Distinguished Stranger's Gallery and Speaker's Gallery (East). — DL/CR

(4) Arrange for sufficient 1075 machines, stocks of paper and a mechanic on call to be available from Saturday before Budget Day. — NF/RR

(5) Arrange for TV Broadcast, in conjunction with Chief Whip's Office. Discuss arrangements for TV Broadcast with the BBC. — RC/SW

(6) Arrange for members of Chancellor's Registry and volunteers from other Private Offices' clerks, if required, to be available to collate papers on weekend of 14/15 March and on Budget Day. (For IDT as well).
Check with EOG (David Lodge) for overnight accomodation to be provided. — NF

(7) Submit publicity arrangements to Chancellor. — RC

(8) Make arrangements for providing Press Gallery (P.A.), P.A. Newsroom, ~~and~~ Reuters, AP Dow Jones, BBC, ITN, IRN, Oracle, Ceefax and Financial Times with Speech section by section (see item 80). — NF/SW

(9) Arrange for Budget Box to be collected from PRO — PE ~~SW~~

(10) Arrangements for laying of White Papers, etc. — BD

(11) Circulate roster of Ministers covering Treasury Bench and officials covering official box (or available on the 'phone) for Budget Statement, remainder of Budget Day and three days of subsequent Debate. (Note that Ministers are required for T.V. Broadcasts.) — CR

16 Sitting Days before Budget Day

(12) Contact Mr Lilley to confirm that a Member will sleep overnight in the Conference Room adjacent to the Public Bill Office (Whips Office provide a put-u-up) so that notice of a Ten Minute Rule Bill can be handed in immediately the Public Bill Office opens (circa 10.00am) the following morning, Tuesday, 24 February. — BD/Peter Lilley

Two Weeks before Budget Day

(13) Seek Chancellor's wishes as to speakers in Debate; inform them and the Whips. Take into account Ministers' TV and Radio engagements. — AA/RC

(14) SW to organise arrangements for Budget Box photograph. SW

(15) Draft of T.V. Broadcast to be produced and circulated to other Ministers for comment. RC/AA

(16) ~~FP~~ DW co-ordinate along with ~~SW~~ PE, BD and CR, letter to Departments about detailed arrangements for production of Press Notices including number required (see Annexes). ~~FP~~ DW send similar note to Treasury Divisions and Revenue Departments. PE ~~SW~~ to write to other Departments Chief Press Officers. Both letters to give deadline for arrival of PN's (midday Friday 13 March). EB to get advance copies of PN's. (~~SW~~ PE to confirm number~~s~~ of PNs expected per Dept). MOM/~~FP~~ DW/~~SW~~ PE/CR/BD

(17) Prepare addressed envelopes or labels for those listed below under Items 19,48,80,87,88,92,94,111,112,113. Chancellor's Office

Week before Budget

(18) Budget Box photograph at HMT. SW

(19) Make arrangements for those entitled to collect copies of Speech, Snapshot, FSBR, Resolution and other Command papers from Enquiry Room after the Chancellor has sat down* viz: NF

* (ensuring that the Press are kept separate from Diplomats, CBI etc).

(a) NEDO (211 3000)
CBI (379 7400)
TUC (636 4030)
Conservative Research Dept (222 9000)

)Each to have 3 (CBI to receive 4) copies of Speech,
)Snapshot, FSBR, Command Papers and
)any Press Notices + 1 Resolution for CBI

STET ~~Wynn Owen for transmission to CBI~~

NB. CBI package to be given to Mr ~~Monck along with his own advance package.~~ (Mr Wynn Owen to assist in liasing with CBI for collection of package).

(b) MH to arrange with IF2 Division (TD) to collect for issue after Budget Speech to Australian and New Zealand High Commissions, EEC Diplomatic Missions (including Portugal + Spain), and Mr Newman, US Embassy, Canadian High Commission and Japanese Embassy set of 1 copy of each of the above documents (17 sets in all). Check with IDT/IF2 whether any other Embassies have requested Budget Docs, and alter no's required accordingly. IF2 prepare envelopes. MH/TD

(c) MH to arrange ~~with DW~~ for Messenger to take ~~for collection of~~ 5 copies each of Speech, Snapshot, FSBR, ~~other~~ Command Papers and Press Notices for Mr McKay, Clerk to the Treasury and Civil Service Committee. ~~(See item 107)~~ after the Chancellor's speech. MH/~~DW~~

(~~d~~ c) RR to arrange shuttle flight for messenger to take package(s) to Scotland. RR

(20) FP ~~arrange~~ confirm with Parliamentary Counsel's Office, IR, C&E, Treasury Divisions and other Departments for correct number of FP

copies of Resolutions, Command Papers and any Press Notices to be delivered to NF and RR in CRU as appropriate (see Annex) by midday on Friday 13 March at the latest. ~~FP arrange for correct number of Green Paper to be delivered.~~ ~~Also~~ DW to arrange with ~~Central Unit~~ FP for correct number of copies of FSBR to be delivered by 10.00 a.m. on Tuesday 17 March.

→ (39)

(21) ~~Decide whether we should send guidance telegram to overseas posts on Budget Day to give gist of Budget and prepare draft. If so,~~ NF to check despatch arrangements with Foreign Office ~~.~~ for guidance telegram to overseas posts on Budget Day. ~~DW~~/NF

(22) All offices to inform RR of requirements for messengers, security guards and vans. RR to send reminder to offices asking them of their requirements. RR

(23) BD to write to Vote and Printed Paper office concerning embargoes to be observed on the FSBR and related documents. BD

( ) Tuesday 10 March First draft of Backbenchers' Brief and structure cleared with officials, including EB and FP PC/EB/FP

Wednesday 11 March

(24) EB to provide ~~second~~ draft of Key briefs ~~Brief~~ to Treasury Minister's Offices. (2 copies for Chancellor's Office, 2 copies for other Ministers). EB

Thursday 12 March

(25) Inform IDT of likely length of Speech. AA/RC

(26) Contact Cannon Row Police Station to ensure crowds are allowed to congregate behind barrier opposite No.11 for benefit of photographers when he leaves for the House. (Clear with No.10 security co-ordinator) SW

( ) EPR supplement to printer RC

~~(27)~~ ~~Chancellor's Budget Briefing meeting (4.00 pm)~~ ~~AA~~

( ) EB to receive Chancellor's comments on drafts of key briefs. Meeting if necessary.

~~(28)~~ ~~EB to receive Chancellor's comments on second draft of Brief.~~ ~~MOM/CR~~

( ) Draft of Backbencher's Brief to Chancellor. (by 10.00am).

(29) Chancellor's final comments on FSBR to FP, FP return 2nd page proofs to printer ~~at 12.00 noon~~. AA/MS

( ) FP to clear with the Chancellor the number and subject of expected press notices and the order in which they are to be collated. FP

Friday 13 March

(30) Work as necessary to produce final version of speech. AA

(31) Send copy of latest draft of Speech to PM if Chancellor wishes. AA

(32) RE to submit draft Snapshot to Chancellor's Office having cleared with FP and EB (to be shown to Chancellor). ~~SW~~ CE/EB/RE

(33) Finalise arrangements with BBC for TV Broadcast. SW

(34) Prepare summary for The Queen (may also be used at Budget Cabinet). Submit to Chancellor's Office. MS

( ) EPR proof to Chancellor RC

(35) Submit final draft of TV broadcast if available. PC/RC
Chancellor's Budget Broadcast meeting. AA

(36) Check with AA whether any other Ministers or officials are to receive advance copies of Budget documents other than those at Annex. NF/AA

(37)	Check despatch of overseas copies of speech etc. with the arrangements for FCO. (see item 111).	NF
( )	Chancellor's comments on Backbenchers Brief to Special Advisers	AA/PC
(38)	Check catering and sleeping arrangements for Chancellor's office for 13 and 16 March.	NF/RR
move to after item 20 (39)	Check with FP/GE & CR precisely which documents will be in Budget package (eg. any Command Papers), and let RR know.	NF/RR
~~(40)~~	~~Check with SK that he will be available on Saturday a.m. to collect copy of speech.~~	~~NF/SK~~
(41)	DL to check with BD to ascertain timing of main speakers in Budget Debate, and leave time free in the Chancellor's diary so that he may (if he wishes) listen to the main speakers.	DL/BD
( )	DL to co-ordinate Chancellor's meeting with the Backbench Finance Committee	DL
(42)	Check arrival of press notices against numbers expected (see Annex). Issue required numbers to NF and Committee Section in accordance with list in Annex.	Comm Section/NF

SATURDAY-MONDAY

Saturday 14 March/Sunday 15 March

(43)	Collation of Press Notices by Committee Section and volunteers. (NB. 1150 collated sets of the Budget Snapshot, the EPR supplement and related Treasury and other Departmental PN's are required by Parliamentary section).	BP/RR
(44)	Book proofs of FSBR received by FP, 10.00 a.m., to be returned ~~at 2.00~~ p.m. (copied to Chancellor).	DW
(45)	Chancellor: photo-call.	SW
(46)	Type Snapshot on A4 paper.	IDT/EB
(47)	Check and make corrections in Chancellor's speaking copy, section by section.	Chancellor's Office
( )	EPR proof to printer (with Chancellor's comments)	RC
(48)	Roll off and collate 36 copies of speech for: - Private Secretaries ~~(3)~~ (4, including AH) - EB (3 copies) - to check with CE Brief, Snapshot and Guidance telegrams - Chancellor (2) - Prime Minister - Governor & Treasury Ministers=(5) - Permanent Secretaries (4), Deputy Secretaries (6), Mr Scholar, Mr Culpin, Mr Dyer, Mr Cropper, Mr Tyrie, Mr Ross Goobey, Miss Evans, Mr Turnbull, Miss Peirson, PS/IR, PS/C&E.	NF
( )	Mr Cropper has Backbenchers Budget Brief checked for factual accuracy by EB.	
(49) after item 68	~~As soon as possible~~ Mr Cropper lets Miss Titmuss have the master copy of the Backbenchers Budget Brief. Miss Titmuss will run off 400 copies. Mr Cropper will arrange for these to be distributed by the Parliamentary Private Secretaries following the Budget Speech.	MOM/PC/CT
(50)	Send speaking copy and spare to Chancellor.	NF

Monday 16 March

(51)	8.00 a.m. ~~FP~~ CE sign off final FSBR proof.	~~FP~~ CE RC
	IDT sign off EPR proof	
(52)	Collect Budget Box from IDT.	NF/SW
(53)	9.00 a.m. Ensure that copies circulated by hand as in item 48.	NF
(54)	See item 66 - phone C&E, IR, B of E.	MH
(55)	CR to ~~arrange~~ confirm with ~~Parliamentary Section for a member of Parliamentary to~~ Tony Davies that he will be available in Speakers Yard to greet Chancellor and Mrs Lawson and show latter to her seat. Thereafter to go to Chancellor's PPS's room to guard over copies (see item 92) while Budget Speech is in progress.	TJD ~~RS~~/CR
(56)	Chancellor's Office to receive from EB 2 copies of near-final draft of Brief ~~and Snapshot~~ during course of day.	SK
( )	Mr Evans gives Chancellor's office 2 copies of near-final draft of Snapshot during course of day	RE
(57)	Confirm likely length of speech with IDT to guide radio/TV.	AA/RC
(58)	By 12.00 noon: Receive <u>FINAL</u> comments on speech. Start amending speech as necessary.	AA/PS
(59)	Check any corrections section by section.	Chancellor's Office
(60)	Evening - either obtain confirmation from Chancellor that Speech can be regarded as final or amend speaking copy in accordance with his instructions. <u>Text must be finalised</u>.	AA/PS
( )	Final check of Backbenchers' brief by EB.	PC/EB
(61)	Produce index for speech.	Chancellor's Office
(62)	Chancellor due at Buckingham Palace, 6.00 p.m.	DL
(63)	Chancellor's Office receive Snapshot from ~~EB(SK)~~ RE for checking.	~~MOM/SK~~ RE
(64)	Check that ~~Green Paper,~~ CST Summary and Guide, ~~and~~ Resolutions and EPR Supplement have arrived in Chancellor's Office.	NF
( )	Advisers resubmit Backbenchers' Brief to Chancellor for final approval	PC/AA
(65)	Final check of Snapshot before collating.	CE/MOM
( )	CRU roll off 180 copies of Budget Brief	CT
(66)	As soon as final version of brief is available let PS/IR, PS/C&E and BofE know so that they can send a messenger to collect. (Brief will not be ready until very late).	NF
	MOVE TO 17/3	
( )		
(67)	Photocopy 36 copies of final text section by section for	Chancellor's Office

- Chancellor
- Prime Minister
- Other Treasury Ministers (4)   See Annex
- Officials and Advisers (23)
- Private Secretaries (5~~)~~, including AH)
- ~~2 copies for CH/EX's office~~

(68)	CX's office rolls off 250 copies of speaking copy, section by section and CRU rolls off 1700 copies of snapshot.	Chancellor's Office/CRU

*

BUDGET DAY: 17 March

Insert (66) →

(69) 0845: Chancellor (+ family) photocall in St James' Park — SW

(70) Tabling of Budget Resolutions by Parliamentary Counsel. — FP

(71) Order taxis to take CR, TL & MH with speech sections to House at 3.00 pm. — MH

(72) 10.00 am: ~~FP~~ DW to check that FSBR has arrived. — ~~FP~~ BW

(73) 10.00 am: SW to supervise BBC team at No.11 for TV Broadcast — SW

(74) 10.30 a.m.: Budget Cabinet.

(75) RE to "mark up" (sideline) final version of speech — SP/RE

( ) EB to double-check headlined version of the speech — EB

(76) By 11 a.m. the "compact" master copy of Speech is to be given to Miss Titmuss in the CRU for 500 copies to be rolled off for distribution to the Lobby and Press Gallery in House of Commons and to IDT (see Items 80 and 83). From Private Office production of Speech (222 copies) send ~~two~~ one cop~~ies~~y by hand to MOM EB Room 97/2) as soon as possible. One to be marked up for PA, other for reference. When master copy of "marked up" speech is returned to the private office, 13 ~~10~~ unstapled copies to be made for BBC TV, BBC Radio, IRN, ITN, Reuters, and PA Newsroom, Financial Times Newsroom, Oracle and Ceefax, AP Dow Jones — CT/MH/MOM

(77) By 11.00 am six copies of speech run off by NF, FSBR, Command Paper(s), Press Notices, EPR to give to KS (as decided at item 19~~d~~c) to take to Scotland. (See Item 105) — NF/KS

(78) By 11.00 am ~~SK~~ RE to give KS a copy of the Snapshot. KS then takes 5 copies. — RE ~~SK~~

(79) Inform Leader of House of Lords Office and Mr Christopher (IRSF) that they should collect their packages from PPS's room at the end of the speech. — CR

(80) Prepare packages as follows: — Chancellor's Office

(a) Press Gallery via TL (see item 95)

- 30 copies of sectioned version of Speech (each section to be marked individually), in separate envelopes each marked with number of section.
- 1 copy of Snapshot, with each final section (ie 30 snapshots)

(b) ITN, Wells Street (Lynsey Nicolle .... to collect)

- 16 copies of sectioned version of Speech, in separate envelopes each marked with number of section.
- ~~1~~ 2 unstapled Speech with sidelines and headlines for page-by-page distribution*
- 2 envelopes, each containing 1 copy of Speech, Snapshot, FSBR, Command papers and all press notices addressed to:-

1. Sue Tinson, ITN Budget Programme
2. Economics Editor, Channel 4.
(NB: These envelopes to be handed over at the end of Chancellor's speech)

(c) BBC, TV White City (Francis Bogan .... to collect)

- 11 copies of sectioned version of Speech, in separate envelopes each marked with number of section

- ~~1~~ 2 unstapled Speech with sidelines and headlines for page-by-page distribution*

- 2 separate envelopes, containing 1 copy of Speech, snapshot, FSBR, Command Papers and Press Notices, addressed to:-

1. Producer, BBC Budget Programme
2. James Long: BBC Economics Editor.
(NB: These envelopes to be handed over at the end of Chancellor's speech).

(d) BBC Radio, Broadcasting House (Nigel Williams .... to collect)

- 11 copies of sectioned version of Speech, in separate envelopes each marked with number of section

- 1 unstapled copy of speech with sidelines and headlines for page-by-page distribution*

- 2 envelopes each containing a copy of the Speech, snapshot, FSBR, Command Papers and all press notices addressed to:-

1. BBC Economics Correspondent
2. Producer, PM Budget Special
NB: These envelopes to be handed over at end of Chancellor's speech

(e) Independent Radio News (Debbie Francis .... to collect)

- 5 copies of sectioned version of speech, in separate envelopes and marked with number of section

- 1 unstapled speech with sidelines and headlines for page-by-page distribution*

- 1 envelope enclosing a copy of the Speech, Snapshot, FSBR, Command papers and all press notices, addressed to:-

Mr Douglas Moffit,
Economic Editor, LBC

NB: This envelope to be handed over at end of Chancellor's speech

(f) Reuters Newsroom (Guy Westhead .... to collect)

- 1 unstapled speech with sidelines and headlines for page by page distribution *

- 1 envelope containing a copy of the Speech, Snapshot, FSBR and all Press Notices addressed to Mr David Keefe, Reuters.

  NB: This envelope only to be handed over at the end of the Chancellor's speech. Pauline Wilkins

(g) AP Dow Jones (.....x... to collect)

- 1 unstapled speech with sidelines and headlines for page by page distribution*
- 1 envelope containing a copy of the Speech, Snapshot, FSBR and all Press Notices to Mr Gittler.

  NB: This envelope only to be handed over at the end of the Chancellor's speech.

~~(g)~~ h P.A. Newsroom (.......... to collect) Kathy Meason

- 1 unstapled speech with sidelines and headlines for page by page distribution. *

~~(h)~~ i P.A. Gallery (...Janiss Murphy... to collect)

- 1 unstapled speech with sidelines and headlines for page by page distribution*

~~(i)~~ j F.T. Newsroom (...Max Felstead... to collect)

- 1 unstapled speech with sidelines and headlines for page by page distribution. *

- 1 envelope containing a copy of the Speech, Snapshot, FSBR and all Press Notices addressed to:

  Mr David Walker
  News Editor, Financial Times

  NB: This envelope only to be handed over at the end of the Chancellor's speech.

~~(j)~~ k Oracle (...Liz Frankis... to collect)

- 1 copy of sectioned version of speech, in separate envelopes and marked with number of section

- 1 unstapled speech with sidelines and headlines for page by page distribution*

- 1 envelope enclosing copy of Speech, Snapshot, FSBR, Command Papers and all Press Notices, addressed to: Mr Peter Hall, Editor, Oracle.

~~(k)~~ l Ceefax (...Marie Finnegan... to collect)

- 1 copy of sectioned version of speech, in separate envelopes and marked with number of each section.

- 1 unstapled speech with sidelines and headlines for page by page distribution*

- 1 envelope enclosing copy of Speech, Snapshot, FSBR, Command Papers and all Press Notices, addressed to: David Wilson, Manager Teletext.

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* 13 ~~10~~ 'marked-up' copies of Speech (unstapled) are to be provided by JC by 2.30 p.m. JC

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(81) Check arrival in Chancellor's Office of 50 copies of Resolutions from Parliamentary Counsel's Office, 150 copies of FSBR from HMSO via FP ~~Central Unit~~, 150 copies of Command papers and 13 Briefs (From EB - first 3 to AA, AK and CR). NF/TL/MH/SK

(82) Issue 150 copies of FSBR, 150 copies of Command papers, 50 copies of Resolutions and 5 (as soon as available) copies of Brief from SK, to NF for distribution as in Annex. (Other 3 Briefs to AA, AK, AH and CR). SK/NF

(83) Committee Section pack up documents indicated in parcels addressed as below. (Speeches, etc. should be packed separately in pre-addressed envelopes provided by IDT. Copies of Speech are not provided by Chancellor's Office):- RR/~~SW~~ PE

105 copies of Speech and 130 copies of Snapshot 70 copies each of FSBR, HMT's PN, Other Gov. Dept's PN's, other Cmnd Papers to Home Press, Gallery, House of Commons

10 copies of speech and 10 copies of snapshot in separate envelope to "the Secretary, Press Gallery", marked "for OVERSEAS CORRESPONDENTS".

The above parcels should then be packed for transmission to the House.

(84) Start collation of full text of Speech with index and checklist. Chancellor's Clerks and Typists

(85) Before 12.00: CR gives copy of speech to BD who will let Speaker's Private Secretary know roughly how long Speech will last. CR/BD

(86) Parliamentary Section to be given 6 copies of FSBR by ~~FP~~ DW for laying before Parliament. ~~FP~~ DW/BD

(87) By 12.30 p.m.: Make up and despatch SECRET envelopes containing

1 copy each of Speech, FSBR, Resolutions, Command Papers, EPR Supplement + Press notices to:- Chancellor's Clerks

Prime Minister
Chief Secretary
Financial Secretary
Economic Secretary
Minister of State
Chancellor of the Duchy of Lancaster
Officials, etc. (See Annex for list)
(NB. Sir T Burns receives 2 copies of the FSBR)
Mr EP Kemp receives 2 copies of the FSBR)

BP to provide extra messenger to report to NF by 2.15 pm

Speaker (via Mr Dyer) BD
Chief Whip (via Mr Dyer)
1 Set of above to ~~Mr Walters (for~~ Northern Ireland Office~~)~~.
NF to seek authorisation from AA to issue packages to other Ministers and Officials. AA/NF

(88) At 12.30 p.m.: SECRET envelopes containing Speech, Snapshot and FSBR, + other Command Papers to be given to messengers from:-

- Customs & Excise (6 copies of each) - including 1 to Isle of Man
- Inland Revenue (6 copies of each)
- Bank of England (6 copies of each plus 6 copies of press notices)

(NF phones PS/IR, PS/C&E & Bank to arrange that these messengers come to the Chancellor's Registry.) NF

(89) At 12.30 p.m.: 14 copies of Speech, Snapshot, FSBR, Command Papers and Press Notices to be issued to ~~RC~~ SP for allocation to members of IDT SP ~~RC~~
(Copies of Brief will be send direct to ~~RC~~ SP by EB for monitoring teams.) SK

(90) At 12.30 p.m. Committee Section to pack for IDT: RR/~~SW~~ PE

- 500 copies of Speech (supplied by CRU)
- 470 copies of FSBR and 350 of other Command Papers.
- 460 copies of other Depts'. Budget Press Notices
- 550 copies of Snapshot
- 683 copies of Tsy Press Notices (103 copies for Treasury Mailing list)
- 440 Cmnd Papers (~~Green Paper +~~ CST Summary and Guide)

in pre-addressed envelopes (provided by ~~SW~~ PE) for Press and other callers to collect

(91) 1 set each of Speech, Snapshot, FSBR, Resolutions, Command Papers and Press Notices to be given to AA, AK, ~~and~~ L, AH CR, and of speech only to TL. NF

(92) 1 set each of Speech, FSBR, and Command Papers in sealed envelopes addressed to: CR/NF/RS

Leader of the House of Commons: (Mr Biffen)

Leader of the House of Lords: (Viscount Whitelaw)

Leader of the Opposition (Mr Kinnock)
Shadow Chancellor (Mr R Hattersley)
Chancellor's PPS (Mr P Lilley)
Mr Christopher (IRSF) - plus Press Notices + Snapshot (not Command Papers)
Sir William Clark (Chairman of Conservative Finance Committee)
Mr Sheldon, Chairman PAC
Mr T Higgins, Chairman TCSC
Mr M Neubert ~~Mr T Sainsbury~~ (Treasury Whip)
Mr T Garel-Jones ~~Mr R Boscawen~~ (1 copy of speech only) for HM the Queen

to be given to CR to take with ~~him~~ her to Mr Lilley's room, for member of Parliamentary Section to guard over and for Mr Lilley and other PPS's to pick up directly after speech and give to those concerned.

(93) Take Gladstone Box to Chancellor. Make up package consisting of speaking copy of Speech, and copies of FSBR, Resolutions, Snapshot, Command Papers and Press Notices for Chancellor. Ensure he has a copy of the Budget Brief. AA/NF

Budget Day: After lunch

(94)	Envelope copies of Speeches and FSBR for distribution to members of the Cabinet (other than PM, Chief Secretary LPS + LPC) to be despatched after the Chancellor has sat down.	NF/Chancellor's Office
(95)	TL takes 30 copies of sectioned versions of Speech and snapshot to Gallery/Lobby at the House for IDT (for release during Speech). ~~(See item 80)~~ Volunteers collect packages from Chancellor's office for page by page release (see item 80).	~~SW~~ PE/TL
(96)	MH to take copy of speech to official reporters, to be handed over page by page when Chancellor delivers speech. MH to remain in Hansard Office until Ch/Ex sits down.	MH
(97)	Chancellor + Mrs Lawson photocall outsde No.11 before going to House.	SW
(98)	At 3pm a member of IDT and Mr Lyons assisted by four messengers and a Security Officer, take 30 copies of the speech in sections (provided by the Chancellor's Office), 105 copies of the complete speech and 130 copies of the "Snapshot" and 70 each of FSBR, Cmnd papers, and related Press Notices to Miss Stella Thomas in the Press Gallery. They will also have a separate package of 10 copies of the Speech and 10 copies of the Snapshot for the Overseas Press. (Turn up in Committee Section (75/G), to collect papers at 2.45 pm). Security Guard to remain with TL.	RR/~~SW~~ PE/TL
(99)	Ensure all officials covering the Official Box have copies of the brief.	SK
	IDT to collect packages (see item 90) from Committee Section	SW
(100)	During the Budget Speech: The sections will be released to the Press Gallery, TV, radio and IDT monitoring teams by the following drill:	IDT
	(a) In the Press Gallery, a member of IDT will authorise the release of the 30 sectioned copies of the Speech.	SW
	(b) In the 7 broadcasting studios and Newsrooms (ITN, BBC-TV, BBC radio, PA Newsroom IRN, FT, Reuters Newsroom, AP Dow Jones, Oracle and Ceefax) the page-by-page unstapled copy of the Speech and the sectioned copies of the Speech will be released when the Treasury official hears (from the Radio 4 live speech broadcast) that the page/section has been completed.	
(101)	Delivery of Snapshot, Treasury Press Notices and other Departments' Press Notices to Vote and Printed Paper Offices	RS
(102)	Laying of FSBR, Chief Secretary's Memorandum and Supply Estimates.	RS

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(103)	During Speech: Note changes from typed version.	CR

At end of Speech

(104) Set to go to Leader or Deputy Leader of the House of Lords (see Item 92). CR

(105) DW to phone KS in Scotland to authorise release of documents. DW

(106) Despatch by hand copies of Speech to other members of Cabinet (see Item 94). NF

(107) On instructions from TL, Security Guard (in PPS's Room) will hand over complete copies of Speech, etc. to IDT (see Items 80,83+95). TL

(108) Release copies of Speech and FSBR for Cabinet Ministers, (see item 94), Press (see item 98) and envelopes (see item 19) for NEDO, CBI (via Mr Monck), TUC and Conservative Research Department to Messengers to take to Enquiry Room; also release copies for Australian and New Zealand High Commissions etc. as at Item 19 to IF2 Division. ~~Also release copies to DW for TCSC (see item 19c)~~ MH/TD/~~DW~~

(109) Check Hansard. CR

(110) Check whether Debate is likely to continue beyond 7.00 pm if so, confirm duty Minister's extensions for bench, taking into account Minister's media engagements (in consultation with RC) CR/RC

(111) Send copies as follows:- MH

	Speech and Brief	Snapshot Resolution, Press Notices	FSBR	Cmd Papers
Mr T Lankester British Embassy Washington	1	3	3	3
Mr D Bostock UKREP Brussels	1	3	4	4

Send 1 copy of each of above papers to:
Director of British Information Services, NY

Mr M C S Weston, British Embassy, Paris. BY 6.00 p.m. Bag
Mr E T Davies, UK Delegation, OECD, 19 Rue de Franqueville, 75775, Paris, Cedex, France (1 copy of brief only).

~~(Copies obtained from LW)~~

(112) Give 8 copies of Speech, Snapshot, FSBR, Government Papers and any Press Notices to RS for depositing in the Libraries of the House of Commons and House of Lords. NF/RS
NF to give 2 copies of Resolutions to RS for Butterworths Law Publishers. NF/RS

(113) Provide ~~one~~ two sets of Speech, Snapshot, FSBR, Resolutions, Command Paper(s), all Press Notices ~~and White Papers~~ to Table Office. BD

ANNEX I

ADD 'DOW JONES' + PRICE B.'s.

RECIPIENTS	UNSTAPLED SPEECH	WHOLE SPEECH	SECTIONED SPEECH	SNAPSHOT	RESOLUTIONS	FSBR	COMMAND PAPER(S)	CST SUMMARY + GUIDE	HMT PRESS NOTICES	OTHER DEPT PRESS NOTICES	EPR
NEDO	–	3	–	3	–	3	3	3	3	3	3
TUC	–	3	–	3	–	3	3	3	3	3	3
CBI	–	4	–	4	1	4	4	4	4	4	4
CONSERVATIVE RESEARCH DEPT.	–	1	–	1	–	1	1	1	1	1	1
DIPLOMATIC MISSIONS (17)	–	17	–	17	–	17	17	17	17	17	17
TCSC	–	5	–	5	–	5	5	5	5	5	5
SCOTLAND	–	6	–	6	–	6	6	6	6	6	6
PRESS GALLERY	–	–	30	30	–	–	–	–	–	–	–
ITN	1	2	16	2	–	2	2	2	2	2	2
BBC TV	1	2	11	2	–	2	2	2	2	2	2
BBC RADIO	1	2	11	2	–	2	2	2	2	2	2
IRN	1	1	5	1	–	1	1	1	1	1	1
REUTERS	1	1	–	1	–	1	–	–	1	1	1
AP DOW JONES											
PA	1	–	–	–	–	–	–	–	–	–	–
PA (GALLERY)	1	–	–	–	–	–	–	–	–	–	–
FT	1	1	–	1	–	1	–	–	1	1	1
ORACLE	1	1	–	1	–	1	1	1	1	1	1
CEEFAX	1	1	–	1	–	1	1	1	1	1	1
PARLIAMENTARY SECTION	–	2	–	1	–	7	1	7	1	1	1
PRIME MINISTER	–	1	–	1	1	1	1	1	1	1	1
HMT MINISTERS (4)	–	4	–	4	4	4	4	4	4	4	4
SPEAKER	–	1	–	1	1	1	1	1	1	1	1
CHIEF WHIP	–	1	–	1	1	1	1	1	1	1	1
HMT OFFICIALS (~~17~~ 18)	–	18	–	18	18	18	18	18	18	18	18
N.I. OFFICE	–	1	–	1	1	1	1	1	1	1	1
~~SIR L AIREY~~ MR A BATTISHILL - IR	–	1	–	1	1	1	1	1	1	1	1
SIR A FRASER - C+E	–	1	–	1	1	1	1	1	1	1	1
CUSTOMS + EXCISE	–	6	–	6	–	6	6	6	6	6	–
INLAND REVENUE	–	6	–	6	–	6	6	6	6	6	–
BANK OF ENGLAND	–	6	–	6	–	6	6	6	6	6	–
SUB-TOTAL (1)	10	98	73	127	27	103	95	101	97	97	79

RECIPIENTS	ONSTAPLED SPEECH	WHOLE SPEECH	SECTIONED SPEECH	SNAPSHOT	RESOLUTIONS	FSBR	COMMAND PAPER(S)	CST SUMMARY + GUIDE	HMT PRESS NOTICES	OTHER DEPT. PRESS NOTICES	EPR SUPP
IDT (PRESS + CALLERS)	–	500	–	550	–	470	440	440	683	460	–
MR T HIGGINS	–	1	–	–	–	1	1	1	–	–	–
CHANCELLOR, ~~RC~~ AA, AWK, AH L + ~~PWO~~ CR S (H)	–	4	–	4	4	4	4	4	4	4	4
TONY LYONS	–	1	–	–	–	–	–	–	–	–	–
LEADER H/C	–	1	–	–	–	1	1	1	–	–	–
LEADER H/L	–	1	–	–	–	1	1	1	–	–	–
LEADER OF THE OPPOSITION	–	1	–	–	–	1	1	1	–	–	–
SHADOW CHANCELLOR	–	1	–	–	–	1	1	1	–	–	–
MR LILLEY	–	1	–	–	–	1	1	1	–	–	–
MR CHRISTOPHER (IRSF)	–	1	–	–	–	1	–	1	–	–	–
SIR W CLARK	–	1	–	–	–	1	1	1	–	–	–
~~HON. T. SAINSBURY~~ MR NEUBERT	–	1	–	–	–	1	1	1	–	–	–
MR ~~BOSCAWEN~~ T. GAREL-JONES	–	1	–	–	–	–	–	–	–	–	–
CABINET (EXCL. PM, CST, LPC, LB)	–	18	–	–	–	–	–	–	–	–	–
HANSARD	–	1	–	–	–	–	–	–	–	–	
VOTE + PRINTED PAPER OFFICE	–	–	–	1150	–	–	–	–	1150	1150	1150
TABLE OFFICE	–	1	–	1	–	1	1	1	1	1	–
LANKESTER (WASHINGTON)	–	1	–	3	3	3	3	3	3	3	3
BOSTOCK (BRUSSELS)	–	1	–	3	3	4	4	3	3	3	3
DIRECTOR BIS (NEW YORK)	–	1	–	1	1	1	1	1	1	1	1
BRITISH EMBASSY, PARIS	–	1	–	1	1	1	1	1	1	1	1
UKDEL, OECD	–	1	–	1	1	1	1	1	1	1	1
H/C LIBRARY	–	4	–	4	–	4	4	4	4	4	4
H/L LIBRARY	–	4	–	4	–	4	4	4	4	4	4
HMT LIBRARY	–	–	–	–	–	200	–	–	–	–	–
BUTTERWORTHS	–	–	–	–	2	–	–	–	–	–	–
SUB - TOTAL (II)	–	548	–	1722	15	702	471	471	1855	1632	~~21~~ 1171
SUB - TOTAL (I)	10	98	73	127	27	103	95	101	97	97	79
TOTAL	10	646	73	1849	42	805	566	572	1952	1729	~~99~~ ~~100~~ 1250

ANNEX II

REQUIREMENTS: FROM SOURCE

	UNSTAPLED SPEECH	WHOLE SPEECH	SECTIONED SPEECH	SNAPSHOT	RESOLUTIONS	FSBR	COMMAND PAPER(S)	CST SUMMARY + GUIDE	HMT PRESS NOTICES	OTHER DEPT. PRESS NOTICES	EPR	BRIEF
REQUIRED BY:												
CHANCELLOR'S OFFICE	10	145(1)	73	148(1)	41	150	150	150	118	118	99	
IDT		500(2)		550(2)		470	440	440	683	460		
PARLIAMENTARY SECTION				1150(2)				7	1150	1150		
~~CENTRAL UNIT~~ FP						15						
EB												170 180. ~~170~~
HMT LIBRARY						200						
TOTAL	10	645		1848	41 (+9 SPARE = 50)	804 (+ SPARES = 835)	564 (+ SPARES = 590)	571 (+ SPARES = 597)	1951	1728	99	170
SUPPLIED BY:												
CHANCELLOR'S OFFICE	10	145(1)	73	148(1)								
HMSO (~~CU~~ FP ORDER)						835						
~~HMSO (FP ORDER)~~							590					
PARLIAMENTARY COUNSEL (FP ORDER)					50							
COMMITTEE SECTION		500(2)		1700(2)					1951	1728	99	170
GEP (FROM HMSO)								597				
TOTAL	10	645	73	1848	50	835	590	597	1951	1728	99	170

PACKAGE 'A': SPEECH, SNAPSHOT, RESOLUTIONS, FSBR CMND PAPER, CST SUMMARY + GUIDE HMT PN'S, OD PN'S, EPR.

PACKAGE 'B': SPEECH, SNAPSHOT, FSBR, CMND PAPER, CST SUMMARY + GUIDE, HMT PN'S, OD PN'S, EPR

PACKAGE 'C': SPEECH, PSBR, GREEN PAPER, CST SUMMARY.

ANNEX III

RESPONSIBILITIES FOR DISTRIBUTION: CHANCELLOR'S OFFICE

RECIPIENT	PACK A	PACK B	PACK C	OTHER	TIME TO BE DELIVERED
NEDO	–	✓(3)	–		TO BE COLLECTED FROM ENQUIRY ROOM AFTER SPEECH 'X'
TUC	–	✓(3)	–		
CBI	–	✓(4)	–	+ 1 RESOLUTION	TO BE GIVEN TO MR MONCK IN ADVANCE. PACKAGE WILL BE HANDED TO CBI AFTER SPEECH
CONSERVATIVE RESEARCH DEPT	–	✓	–		SEE 'X' ABOVE
AUSTRALIAN H.C	–	✓	–		EF2 COLLECT PACKAGES FROM CHANCELLOR'S OFFICE AT 3.30 EF2 DELIVER TO ENQUIRY ROOM FOR COLLECTION WHEN CHANCELLOR SITS DOWN.
NEW ZEALAND H.C.	–	✓	–		
CANADIAN H.C.	–	✓	–		
JAPANESE EMBASSY	–	✓	–		
US EMBASSY	–	✓	–		
FRENCH EMBASSY	–	✓	–		
W GERMAN EMBASSY	–	✓	–		
LUXEMBOURG EMBASSY	–	✓	–		
BELGIAN EMBASSY	–	✓	–		
DANISH EMBASSY	–	✓	–		
EIRE EMBASSY	–	✓	–		
ITALIAN EMBASSY	–	✓	–		
GREEK EMBASSY	–	✓	–		
NETHERLANDS EMBASSY	–	✓	–		
SPANISH EMBASSY	–	✓	–		
PORTUGUESE EMBASSY	–	✓	–		
TCSC	–	✓(5)	–		~~TO BE HANDED TO DW AFTER SPEECH~~
SCOTLAND	–	✓(6)	–		BY 11.00 am
PRESS GALLERY *	–	–	–	30 x SECTIONED SPEECH, 30 x SNAPSHOT	TO BE TAKEN TO HOUSE BY TL FOR PAGE-BY-PAGE DISTRIB^N.
ITN	–	–	–	16 x SECTIONED SPEECH, 1 x UNSTAPLED 2	TO BE COLLECTED FROM 2.30pm AT CH/EX OFFICE FOR PAGE-BY-PAGE DISTRIBUTION AS CH/EX SPEAKS PACK 'B'; TO BE HANDED OVER AT END OF SPEECH
SUE TINSON, ITN BUDGET PROG	–	✓	–		
ECONOMICS EDITOR, CH. 4	–	✓	–		
BBC TV	–	–	–	11 x SECTIONED SPEECH, 1 x UNSTAPLED	
PRODUCER, BBC BUDGET PROG.	–	✓	–		
JAMES LONG, BBC ECONOMICS EDITOR	–	✓	–		

† Sir P Middleton, Sir T Burns (2x FSBR),
Mr FER Butler, Sir G Littler,
Mr Cassell, Mr Byatt, Mr Anson, Mr A Wilson,
Mr Monck, Mr Scholar, ~~Mr Monger~~, Mrs EP Kemp (2x FSBR)
Miss Peirson, Mr Culpin, Miss O'Mara,
Miss Evans, Mr Cropper, Mr Tyrie, Mr Ross Goobey

RECIPIENT	PACK A	PACK B	PACK C	OTHER	TIME TO BE DELIVERED
BBC RADIO	–	–	–	11 x SECTIONED SPEECH, 1 x UNSTAPLED	
BBC ECONOMICS CORRESPONDENT	–	✓	–		
PRODUCER, PM BUDGET SPECIAL	–	✓	–		
IRN	–	–	–	5 x SECTIONED SPEECH, 1 x UNSTAPLED	
DOUGLAS MOFFIT, ECONOMICS EDITOR, LBC	–	✓	–		
REUTERS	–	–	–	1 x UNSTAPLED	TO BE COLLECTED FROM 2.30pm AT CH/EX OFFICE FOR PAGE-BY-PAGE DISTRIBUTION AS CH/EX SPEAKS
DAVID KEEFE, REUTERS	–	✓	–		PACK 'B's TO BE HANDED OVER AT END OF SPEECH
PA NEWS ROOM AP Dow Jones	–	–	–	1 x UNSTAPLED	
~~PA GALLERY~~	~~–~~	~~–~~	~~–~~	~~1 x UNSTAPLED~~	
FT NEWSROOM	–	–	–	1 x UNSTAPLED	
DAVID WALKER, NEWS EDITOR, FT	–	✓	–		
ORACLE	–	–	–	1 x UNSTAPLED	
PETER HALL, EDITOR, ORACLE	–	✓	–		
CEEFAX	–	–	–	1 x UNSTAPLED	
DAVID WILSON, MANAGER, TELETEXT	–	✓	–		
PRIME MINISTER	✓				
HMT MINISTERS (4)	✓ (4)	–	–		
HMT OFFICIALS (~~17~~) † 18	✓ ~~17~~ ~~18~~ 18	–	–		
NORTHERN IRELAND OFFICE	✓	–	–		
~~SIR L AIREY~~ MR A BATTISHILL - IR	✓	–	–		
SIR A FRASER - C+E	✓	–	–		BY 12.30 (~~RL~~ AA TO AUTHORISE RELEASE)
CUSTOMS + EXCISE	–	✓ (6)	–		
INLAND REVENUE	–	✓ (6)	–		
BANK OF ENGLAND	–	✓ (6)	–		
~~CHANCELLOR, RL AA, AWK, PWO CR AA~~	~~✓ (4)~~ 5	~~–~~	~~–~~	~~+ 4 x BRIEF~~ 5	
~~TONY LYONS (SEE ABOVE)~~	~~–~~	~~–~~	~~–~~	~~1 x SPEECH, 30 x SECTIONED, 30 x SNAPSHOT~~	~~- FOR PAGE-BY-PAGE DISTRIBUTION DURING SPEECH~~
LEADER H/C (BIFFEN)	–	–	✓		- DELIVERED BY PPS'S
LEADER H/L (WHITELAW)	–	–	✓		- DELIVERED BY PPS'S
LEADER OPPOSITION (KINNOCK)	–	–	✓		TO BE TAKEN TO THE HOUSE BY ~~PWO~~ CR AT 3.00pm AND RELEASED TO PPS'S WHEN THE CHANCELLOR HAS SAT DOWN.
SHADOW CHANCELLOR (HATTERSLEY)	–	–	✓		
MR T HIGGINS	–	–	✓		

RECIPIENT	PACK A	PACK B	PACK C	OTHER	TIME TO BE DELIVERED
MR PETER LILLEY	–	–	✓		
MR CHRISTOPHER (IRSF)	–	–	✓	~~NO GREEN PAPER~~	SPOKEN TO IN ADVANCE
SIR W CLARK	–	–	✓		TO BE TAKEN TO HOUSE BY ~~AWO~~ CR AT 3.00 pm AND RELEASED WHEN CHANCELLOR HAS SAT DOWN
MR R SHELDON	–	–	✓		
~~HON. T SAINSBURY~~ MR NEUBERT	–	–	✓		
~~MR BOSCAWEN~~ MR T. GAREL-JONES	–	–	–	1 x SPEECH (FOR H.M. QUEEN)	
CABINET, (EXCL. PM, CST, LPC, LPS)	–	–	–	18 x SPEECH	TO BE DESPATCHED WHEN CHANCELLOR SITS DOWN
HANSARD	–	–	–	1 x SPEECH	TO BE TAKEN BY MH BY 3.15 pm FOR PAGE-BY-PAGE DISTRIBUTION
MR LANKESTER (WASHINGTON)	✓(3)	–	–	ONLY 1 SPEECH + 1 x BRIEF	BY DIPLOMATIC BAG
MR BOSTOCK (BRUSSELS)	✓(3)	–	–	1 x BRIEF, 4 x FSBR, 4 x SUMMARY, ~~4 x GREEN~~.	
DIRECTOR BIS (NEW YORK)	✓	–	–		
BRITISH EMBASSY, PARIS	✓	–	–		
UKDEL, OECD	✓	–	–		
SPEAKER	✓	–	–		BY 12.30 (VIA RD)
CHIEF WHIP	✓	–	–		
BRIAN DYER (FOR SPEAKER'S PS)	–	–	–	1 x SPEECH	
TABLE OFFICE	–	✓	–		TO RS BY 3.00 pm
H/C LIBRARY	–	✓(4)	–	NO EPR	
H/L LIBRARY	–	✓(4)	–		

RESPONSIBILITIES FOR DISTRIBUTION: IDT

SEE NOTE FROM PETER EDWARDS BELOW.

RECIPIENT	SPEECH	SNAPSHOT	FSBR	COMMAND PAPER(S)	CST SUMMARY + GUIDE	HMT PRESS NOTICES	OTHER DEPT. PRESS NOTICES
PRESS GALLERY	105	130	70	70	70	70	70
OVERSEAS REPS	20	20	–	–	–	–	–
FLEET ST. PRESS	150	150	150	150	150	150	150
NON-PRESS	~~180~~ 200	~~180~~ 200	~~180~~ 200	~~180~~ 200	~~180~~ 200	~~180~~ 200	~~180~~ 200
DEPARTMENT'S PRESS OFFICES	30	30	30	30	30	30	30
HMT MAIL LIST	–	–	–	–	–	103	–
SPARES, INCL. ENQUIRY ROOM	15	20	20	10	10	50	30
FFJG	–	20	20	–	–	–	–
TOTAL	~~500~~ 520	~~550~~ 570	~~470~~ 490	~~440~~ 460	~~440~~ 460	~~683~~ 703	~~460~~ 480

1928/34

REVISED

Nigel

Please amend the figs. that I gave you yesterday for the aide-memoire. - we've at last heard from Stella Thomas.

Peter

ANNEX A

BUDGET 1987 : 17 MARCH

IDT'S CONSOLIDATED REQUIREMENTS (Supplied by CRU)

	Speech	~~Snapshot~~ SUMMARY ?	FSBR	EPR	Other Cmnd Papers	HMT PNs	OGD PNs
Press Gallery	~~115~~ 105	~~140~~ 130	~~80~~ 70	~~80~~ 70	~~80~~ 70	~~80~~ 70	~~80~~ 70
Overseas Reps	~~20~~ 10	~~20~~ 10	-	~~20~~ -	-	-	-
Fleet St Press	150	150	150	150	150	150	150
Non Press	200	200	200	200	200	200	200
Department's Press Office's	~~30~~ 17	~~30~~ 17	~~30~~ 17	~~30~~ 17	~~30~~ 17	~~30~~ 17	~~30~~ 17
HMT Mail List	-	-	-	116	-	116	-
x IDT, Spares, inc. Enquiry Room	15	20	30	20	10	50	30
FFJG	20	20	20	20	20	20	20
TOTAL	~~530~~ 517	~~580~~ 547	~~510~~ 487	~~636~~ 573	~~470~~ 467	~~626~~ 623	~~490~~ 487

All texts are stapled, and should be made available to IDT as early as possible on Budget Day.

RESPONSIBILITIES FOR DISTRIBUTION: ~~CENTRAL UNIT~~ FP

RECIPIENTS	FSBR	PACK A	PACK B	
PARLIAMENTARY SECTION	6			FROM HMSO
FP ~~CENTRAL UNIT~~ (SPARE)	9			FROM HMSO
~~TCSC~~			~~5~~	FROM CHANCELLOR'S OFFICE
~~N I OFFICE~~		~~1~~		FROM CHANCELLOR'S OFFICE
SCOTLAND			6	FROM CHANCELLOR'S OFFICE
TOTAL	15	0	~~11~~ 6	

RESPONSIBILITIES FOR DISTRIBUTION: PARLIAMENTARY SECTION

RECIPIENT		
SPEAKER'S PRIVATE SECRETARY	1x SPEECH	TO BE GIVEN TO BD BY CHANCELLOR'S OFFICE
SPEAKER	PACK 'A'	
CHIEF WHIP	PACK 'A'	
JOURNAL OFFICE	6 x FSBR	- FROM CO PP
	6 x CST SUMMARY + GUIDE	- FROM ESTIMATES CLERK
TABLE OFFICE	2x PACK B + RESOLUTIONS	
VOTE + PRINTED PAPER OFFICE	1150 x SNAPSHOT	FROM COMMITTEE SECTION
	1150 x HMT PN'S	
	1150 x ODPN'S	
	1150 x EPR Supplement	
BUTTERWORTHS	2 x RESOLUTIONS	- FROM CHANCELLOR'S OFFICE
H/C LIBRARY	4 x PACK B	FROM CHANCELLOR'S OFFICE
H/L LIBRARY	4 x PACK B	

R10.3

CONFIDENTIAL

FROM: N G FRAY

DATE: 6 January 1987

Mr A C S Allan
Mr Kuczys
Mrs Ryding
Mrs Lester
Mrs Henson
Mr Lyons
Miss Camp
Mrs Spragg
Miss Rutter
Mr Heywood
Mr Barnes
Mr Judge
Mr Saunders
Mr Monck
Mr Lavelle
Mr Turnbull
Mr Scholar
Miss C Evans
Mr Walters
Mr Romanski
Mr K Sedgwick
Miss O'Mara
Mr Pickering
Mr S Kemp
Mr Culpin
Mr Pickford
Mr Woodall
Mr R Evans
Mr Dyer
Mr Savage
Mr Dolphin
Mr Porteous
Mr Rawlings
Mr Cropper
Mr Tyrie
Mr Ross Goobey
Mr Lilley H/C
PS/Inland Revenue
PS/Customs & Excise

1987 BUDGET AIDE MEMOIRE

I attach the first and, hopefully last, draft of this year's Aide Memoire.

2. I have kept the changes to this year's Aide Memoire to a minimum as last year's Budget ran reasonably smoothly. However, I should be grateful if all recipients would check through the Aide Memoire for any errors or additions, and in particular the following items:

Item 12: Would Mr Dyer confirm the date for the Ten Minute Rule Bill to be handed to the Public Bill Office?

Item 19a: Would Mr Monck confirm that he wishes to deliver the Budget packages to the CBI personally as last year?

Item 19d: I have assumed that Mr Sedgwick, as Peter Edwards replacement in FP, will act as the 'Scotland' messenger. Would Mr Walters confirm?

Item 27: Would Mr Allan and Mrs Lester set up the Chancellor's Budget Briefing meeting?

Item 80:	Would Simon Woodall provide a list of 'volunteers' to take packages to TV and radio studios?
FSBR:	Would FP check that dates and deadlines are acceptable?
Budget Briefing + Snapshot:	Would EB check that dates and deadlines are acceptable?

Nigel Fray

N G FRAY

CONFIDENTIAL

1987 BUDGET AIDE MEMOIRE

AA	Alex Allan	(4330)
AK	Tony Kuczys	(4519)
CR	Cathy Ryding	(5004)
DL	Debbie Lester	(5011)
NF	Nigel Fray	(5012)
MH	Meena Henson	(5014)
TL	Tony Lyons	(5013)
JC	Janet Camp	(5015)
PS	Pat Spragg	(5167)
MS	Michael Scholar	(4419)
DW	Doug Walters	(5179)
KS	Kevin Sedgwick	(5169)
MOM	Margaret O'Mara	(4549)
SK	Simon Kemp	(5208)
RC	Robert Culpin	(4420)
SW	Simon Woodall	(5188)
RE	Richard Evans	(5184)
BP	Brian Porteous	(4830)
RR	Rod Rawlings	(4889)
TD	Tony Dolphin	(5546)
PC	Peter Cropper	(4359)
CT	Chris Titmuss	(4840)

PRELIMINARY

Preparation in weeks before the Budget

(1) Arrange audience of The Queen with her Private Secretary — DL/CR
Clear date of Budget with No.10 (checking that there are no State Visits, Archbishop's enthronements etc). — FP/AA

(2) Check with Speaker on allocation of guest seats available. — DL/CR

(3) Consult Chancellor on distribution of seats. Make arrangements for collection of tickets for Speaker's Gallery and under the Gallery. Inform other guests of arrangements for collecting the tickets for Distinguished Stranger's Gallery and Speaker's Gallery (East). — DL/CR

(4) Arrange for sufficient 1075 machines, stocks of paper and a mechanic on call to be available from Saturday before Budget Day. — NF/RR

(5) Arrange for TV Broadcast, in conjunction with Chief Whip's Office. Discuss arrangements for TV Broadcast with the BBC. — RC/SW

(6) Arrange for members of Chancellor's Registry and volunteers from other Private Offices' clerks, if required, to be available to collate papers on weekend of 14/15 March and on Budget Day. (For IDT as well).
Check with EOG (David Lodge) for overnight accomodation to be provided. — NF

(7) Submit publicity arrangements to Chancellor. — RC

(8) Make arrangements for providing Press Gallery (P.A.), P.A. Newsroom and Reuters, BBC, ITN, IRN, Oracle, Ceefax and Financial Times with Speech section by section (see item 80). — NF/SW

(9) Arrange for Budget Box to be collected from PRO — SW

(10) Arrangements for laying of White Papers, etc. — BD

(11) Circulate roster of Ministers covering Treasury Bench and officials covering official box (or available on the 'phone) for Budget Statement, remainder of Budget Day and three days of subsequent Debate. (Note that Ministers are required for T.V. Broadcasts.) — CR

16 Sitting Days before Budget Day

(12) Contact Mr Lilley to confirm that a Member will sleep overnight in the Conference Room adjacent to the Public Bill Office (Whips Office provide a put-u-up) so that notice of a Ten Minute Rule Bill can be handed in immediately the Public Bill Office opens (circa 10.00am) the following morning. — BD/Peter Lilley

Two Weeks before Budget Day

(13) Seek Chancellor's wishes as to speakers in Debate; inform them and the Whips. Take into account Ministers' TV and Radio engagements. — AA/RC

(14) SW to organise arrangements for Budget Box photograph. SW

(15) Draft of T.V. Broadcast to be produced and circulated to other Ministers for comment. RC/AA

(16) FP co-ordinate along with SW, BD and CR, letter to Departments about detailed arrangements for production of Press Notices including number required (see Annexes). FP send similar note to Treasury Divisions and Revenue Departments. SW to write to other Departments Chief Press Officers. Both letters to give deadline for arrival of PN's (midday Friday 13 March). EB to get advance copies of PN's. (SW to confirm number). FP/SW/CR/BD

(17) Prepare addressed envelopes or labels for those listed below under Items 19,48,80,87,88,92,94,111,112,113. Chancellor's Office

Week before Budget

(18) Budget Box photograph at HMT. SW

(19) Make arrangements for those entitled to collect copies of Speech, Snapshot, FSBR, Resolution and other Command papers from Enquiry Room after the Chancellor has sat down* viz: NF

* (ensuring that the Press are kept separate from Diplomats, CBI etc).

(a)	NEDO (211 3000)	)Each to have 3 (CBI to receive 4) copies of Speech,
	CBI (379 7400)	)Snapshot, FSBR, Command Papers and
	TUC (636 4030)	)any Press Notices + 1 Resolution for CBI
	Conservative Research Dept (222 9000)	

NB. CBI package to be given to Mr Monck along with his own advance package.

(b) MH to arrange with IF2 Division (TD) to collect for issue after Budget Speech to Australian and New Zealand High Commissions, EEC Diplomatic Missions (including Portugal + Spain), and Mr Newman, US Embassy, Canadian High Commission and Japanese Embassy set of 1 copy of each of the above documents (17 sets in all). Check with IDT/IF2 whether any other Embassies have requested Budget Docs, and alter no's required accordingly. IF2 prepare envelopes. MH/TD

(c) MH to arrange with DW for collection of 5 copies each of Speech, Snapshot, FSBR, other Command Papers and Press Notices for Mr McKay, Clerk to the Treasury and Civil Service Committee. (See item 107) MH/DW

(d) RR to arrange shuttle flight for messenger to take package(s) to Scotland. RR

(20) FP arrange with Parliamentary Counsel's Office, IR, C&E, Treasury Divisions and other Departments for correct number of FP

copies of Resolutions, Command Papers and any Press Notices to be delivered to NF and RR in CRU as appropriate (see Annex) by midday on Friday 13 March at the latest. FP arrange for correct number of Green Paper to be delivered. Also arrange with Central Unit for correct number of copies of FSBR to be delivered by 10.00 a.m. on Tuesday 17 March.

(21)	Decide whether we should send guidance telegram to overseas posts on Budget Day to give gist of Budget and prepare draft. If so, NF to check despatch arrangements with Foreign Office.	DW/NF
(22)	All offices to inform RR of requirements for messengers, security guards and vans. RR to send reminder to offices asking them of their requirements.	RR
(23)	BD to write to Vote and Printed Paper office concerning embargoes to be observed on the FSBR and related documents.	BD
	<u>Wednesday 11 March</u>	
(24)	EB to provide second draft of Brief to Treasury Minister's Offices. (2 copies for Chancellor's Office, 2 copies for other Ministers).	EB
	<u>Thursday 12 March</u>	
(25)	Inform IDT of likely length of Speech.	AA/RC
(26)	Contact Cannon Row Police Station to ensure crowds are allowed to congregate behind barrier opposite No.11 for benefit of photographers when he leaves for the House. (Clear with No.10 security co-ordinator)	SW
(27)	Chancellor's Budget Briefing meeting (4.00 pm)	AA
(28)	EB to receive Chancellor's comments on second draft of Brief.	MOM/CR
(29)	Chancellors final comments on FSBR to FP. FP return 2nd page proofs to printer at 12.00 noon.	AA/MS
	<u>Friday 13 March</u>	
(30)	Work as necessary to produce final version of speech.	AA
(31)	Send copy of latest draft of Speech to PM if Chancellor wishes.	AA
(32)	RE to submit draft Snapshot to Chancellor's Office (to be shown to Chancellor).	SW/EB/RE
(33)	Finalise arrangements with BBC for TV Broadcast.	SW
(34)	Prepare summary for The Queen (may also be used at Budget Cabinet). Submit to Chancellor's Office.	MS
(35)	Submit final draft of TV broadcast if available. Chancellor's Budget Broadcast meeting.	PC/RC AA
(36)	Check with AA whether any other Ministers or officials are to receive advance copies of Budget documents other than those at Annex.	NF/AA

(37)	Check despatch of overseas copies of speech etc. with the arrangements for FCO. (see item 111).	NF
(38)	Check catering and sleeping arrangements for Chancellor's office for 13 and 16 March.	NF/RR
(39)	Check with FP/GE & CR precisely which documents will be in Budget package (eg. any Command Papers), and let RR know.	NF/RR
(40)	Check with SK that he will be available on Saturday a.m. to collect copy of speech.	NF/SK
(41)	DL to check with BD to ascertain timing of main speakers in Budget Debate, and leave time free in the Chancellor's diary so that he may (if he wishes) listen to the main speakers.	DL/BD
(42)	Check arrival of press notices against numbers expected (see Annex). Issue required numbers to NF and Committee Section in accordance with list in Annex.	Comm Section/NF

SATURDAY-MONDAY

Saturday 14 March/Sunday 15 March

(43)	Collation of Press Notices by Committee Section and volunteers.	BP/RR
(44)	Book proofs of FSBR received by FP, 10.00 a.m., to be returned at 2.00 p.m.	DW
(45)	Chancellor: photo-call.	SW
(46)	Type Snapshot on A4 paper.	IDT/EB
(47)	Check and make corrections in Chancellor's speaking copy, section by section.	Chancellor's Office
(48)	Roll off and collate 36 copies of speech for: - Private Secretaries (3) - EB (3 copies) - to check Brief, Snapshot and Guidance telegrams - Chancellor (2) - Prime Minister - Governor & Treasury Ministers=(5) - Permanent Secretaries (4), Deputy Secretaries (6), Mr Scholar, Mr Culpin, Mr Dyer, Mr Cropper, Mr Tyrie, Mr Ross Goobey, Miss Evans, Mr Turnbull, Miss Peirson, PS/IR, PS/C&E.	NF
(49)	As soon as possible Mr Cropper lets Miss Titmuss have the master copy of the Backbenchers Budget Brief. Miss Titmuss will run off 400 copies. Mr Cropper will arrange for these to be distributed by the Parliamentary Private Secretaries following the Budget Speech.	PC/CT
(50)	Send speaking copy and spare to Chancellor.	NF

Monday 16 March

(51)	8.00 a.m. FP sign off final FSBR proof.	FP
(52)	Collect Budget Box from IDT.	NF/SW
(53)	9.00 a.m. Ensure that copies circulated by hand as in item 48.	NF
(54)	See item 66 - phone C&E, IR, B of E.	MH
(55)	CR to arrange with Parliamentary Section for a member of Parliamentary to be available in Speakers Yard to greet Chancellor and Mrs Lawson and show latter to her seat. Thereafter to go to Chancellor's PPS's room to guard over copies (see item 92) while Budget Speech is in progress.	RS/CR
(56)	Chancellor's Office to receive from EB 2 copies of near-final draft of Brief and Snapshot during course of day.	SK
(57)	Confirm likely length of speech with IDT to guide radio/TV.	AA/RC
(58)	By 12.00 noon: Receive FINAL comments on speech. Start amending speech as necessary.	AA/PS
(59)	Check any corrections section by section.	Chancellor's Office
(60)	Evening - either obtain confirmation from Chancellor that Speech can be regarded as final or amend speaking copy in accordance with his instructions. Text must be finalised.	AA/PS
(61)	Produce index for speech.	Chancellor's Office
(62)	Chancellor due at Buckingham Palace, 6.00 p.m.	DL
(63)	Chancellor's Office receive Snapshot from EB(SK) for checking.	MOM/SK
(64)	Check that Green Paper, CST Summary and Guide, and Resolutions have arrived in Chancellor's Office.	NF
(65)	Final check of Snapshot before collating.	MOM
(66)	As soon as final version of brief is available let PS/IR, PS/C&E and BofE know so that they can send a messenger to collect. (Brief will not be ready until very late).	NF
(67)	Photocopy 36 copies of final text section by section for - Chancellor - Prime Minister - Other Treasury Ministers (4) See Annex - Officials and Advisers (23) - Private Secretaries (5) - 2 copies for CH/EX's office	Chancellor's Office
(68)	CX's office rolls off 250 copies of speaking copy, section by section and CRU rolls off 1700 copies of snapshot.	Chancellor's Office/CRU

BUDGET DAY: 17 March

(69) 0845: Chancellor (+ family) photocall in St James' Park — SW

(70) Tabling of Budget Resolutions by Parliamentary Counsel.

(71) Order taxis to take CR, TL & MH with speech sections to House at 3.00 pm. — MH

(72) 10.00 am: FP to check that FSBR has arrived. — FP

(73) 10.00 am: SW to supervise BBC team at No.11 for TV Broadcast — SW

(74) 10.30 a.m.: Budget Cabinet.

(75) RE to "mark up" (sideline) final version of speech

(76) By 11 a.m. the "compact" master copy of Speech is to be given to Miss Titmuss in the CRU for 500 copies to be rolled off for distribution to the Lobby and Press Gallery in House of Commons and to IDT (see Items 80 and 83). From Private Office production of Speech (222 copies) send copies by hand to MOM EB Room 97/2) as soon as possible. One to be marked up for PA, other for reference. When master copy of "marked up" speech is returned to the private office, 10 unstapled copies to be made for BBC TV, BBC Radio, IRN, ITN, Reuters and PA Newsroom, Financial Times Newsroom, Oracle and Ceefax. — CT/MH/MOM

(77) By 11.00 am six copies of speech run off by NF, FSBR, Command Paper(s), Press Notices, EPR to give to KS (as decided at item 19d) to take to Scotland. (See Item 105) — NF/KS

(78) By 11.00 am SK to give KS a copy of the Snapshot. KS then takes 5 copies. — SK

(79) Inform Leader of House of Lords Office and Mr Christopher (IRSF) that they should collect their packages from PPS's room at the end of the speech. — CR

(80) Prepare packages as follows: — Chancellor's Office

(a) Press Gallery via TL (see item 95)

- 30 copies of sectioned version of Speech (each section to be marked individually), in separate envelopes each marked with number of section.

- 1 copy of Snapshot, with each final section (ie 30 snapshots)

(b) ITN, Wells Street (.......... to collect)

- 16 copies of sectioned version of Speech, in separate envelopes each marked with number of section.

- 1 unstapled Speech with sidelines and headlines for page-by-page distribution*

- 2 envelopes, each containing 1 copy of Speech, Snapshot, FSBR, Command papers and all press notices addressed to:-

1. Sue Tinson, ITN Budget Programme
2. Economics Editor, Channel 4.

(NB: These envelopes to be handed over at the end of Chancellor's speech)

(c) BBC, TV White City (.......... to collect)

- 11 copies of sectioned version of Speech, in separate envelopes each marked with number of section

- 1 unstapled Speech with sidelines and headlines for page-by-page distribution*

- 2 separate envelopes, containing 1 copy of Speech, snapshot, FSBR, Command Papers and Press Notices, addressed to:-

1. Producer, BBC Budget Programme
2. James Long: BBC Economics Editor.

(NB: These envelopes to be handed over at the end of Chancellor's speech).

(d) BBC Radio, Broadcasting House (.......... to collect)

- 11 copies of sectioned version of Speech, in separate envelopes each marked with number of section

- 1 unstapled copy of speech with sidelines and headlines for page-by-page distribution*

- 2 envelopes each containing a copy of the Speech, snapshot, FSBR, Command Papers and all press notices addressed to:-

1. BBC Economics Correspondent
2. Producer, PM Budget Special

NB: These envelopes to be handed over at end of Chancellor's speech

(e) Independent Radio News (.......... to collect)

- 5 copies of sectioned version of speech, in separate envelopes and marked with number of section

- 1 unstapled speech with sidelines and headlines for page-by-page distribution*

- 1 envelope enclosing a copy of the Speech, Snapshot, FSBR, Command papers and all press notices, addressed to:-

Mr Douglas Moffit,
Economic Editor, LBC

NB: This envelope to be handed over at end of Chancellor's speech

(f) Reuters Newsroom (.......... to collect)

- 1 unstapled speech with sidelines and headlines for page by page distribution *

- 1 envelope containing a copy of the Speech, Snapshot, FSBR and all Press Notices addressed to Mr David Keefe, Reuters.

  NB: This envelope only to be handed over at the end of the Chancellor's speech.

(g) <u>P.A. Newsroom</u> (.......... to collect)

- 1 unstapled speech with sidelines and headlines for page by page distribution. *

(h) P.A. Gallery (.......... to collect)

- 1 unstapled speech with sidelines and headlines for page by page distribution*

(i) <u>F.T. Newsroom</u> (.......... to collect)

- 1 unstapled speech with sidelines and headlines for page by page distribution. *

- 1 envelope containing a copy of the Speech, Snapshot, FSBR and all Press Notices addressed to:

  Mr David Walker
  News Editor, Financial Times

  NB: This envelope only to be handed over at the end of the Chancellor's speech.

(j) <u>Oracle</u> (.......... to collect)

- 1 copy of sectioned version of speech, in separate envelopes and marked with number of section

- 1 unstapled speech with sidelines and headlines for page by page distribution*

- 1 envelope enclosing copy of Speech, Snapshot, FSBR, Command Papers and all Press Notices, addressed to: Mr Peter Hall, Editor, Oracle.

(k) <u>Ceefax</u> (.......... to collect)

- 1 copy of sectioned version of speech, in separate envelopes and marked with number of each section.

- 1 unstapled speech with sidelines and headlines for page by page distribution*

- 1 envelope enclosing copy of Speech, Snapshot, FSBR, Command Papers and all Press Notices, addressed to: David Wilson, Manager Teletext.

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* 10 'marked-up' copies of Speech (unstapled) are to be provided by JC by 2.30 p.m. JC

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(81)	Check arrival in Chancellor's Office of 50 copies of Resolutions from Parliamentary Counsel's Office, 150 copies of FSBR from HMSO via Central Unit, 150 copies of Command papers and 13 Briefs (From EB - first 3 to AA, AK and CR).	NF/TL/MH/SK
(82)	Issue 150 copies of FSBR, 150 copies of Command papers, 50 copies of Resolutions and 5 (as soon as available) copies of Brief from SK, to NF for distribution as in Annex. (Other 3 Briefs to AA, AK and CR).	SK/NF
(83)	Committee Section pack up documents indicated in parcels addressed as below. (Speeches, etc. should be packed separately in pre-addressed envelopes provided by IDT. Copies of Speech are <u>not</u> provided by Chancellor's Office):- 105 copies of Speech and 130 copies of Snapshot 70 copies each of FSBR, HMT's PN, Other Gov. Dept's PN's, other Cmnd Papers to Home Press, Gallery, House of Commons 10 copies of speech and 10 copies of snapshot in separate envelope to "the Secretary, Press Gallery", marked "for OVERSEAS CORRESPONDENTS". The above parcels should then be packed for transmission to the House.	RR/SW
(84)	Start collation of full text of Speech with index and checklist.	Chancellor's Clerks and Typists
(85)	<u>Before 12.00</u>: CR gives copy of speech to BD who will let Speaker's Private Secretary know roughly how long Speech will last.	CR/BD
(86)	Parliamentary Section to be given 6 copies of FSBR by FP for laying before Parliament.	FP/BD
(87)	<u>By 12.30 p.m.</u>: Make up and despatch SECRET envelopes containing	
	1 copy each of Speech, FSBR, Resolutions, Command Papers + Press notices to:-	Chancellor's Clerks
	Prime Minister Chief Secretary Financial Secretary Economic Secretary Minister of State Chancellor of the Duchy of Lancaster Officials, etc. (See Annex for list) (NB. Sir T Burns receives 2 copies of the FSBR)	BP to provide extra messenger to report to NF by 2.15 pm
	Speaker (via Mr Dyer) Chief Whip (via Mr Dyer) 1 Set of above to Mr Walters (for Northern Ireland Office).	BD
	NF to seek authorisation from AA to issue packages to other Ministers and Officials.	AA/NF

(88) At 12.30 p.m.: SECRET envelopes containing Speech, Snapshot and FSBR, + other Command Papers to be given to messengers from:-

- Customs & Excise (6 copies of each) - including 1 to Isle of Man
- Inland Revenue (6 copies of each)
- Bank of England (6 copies of each plus 6 copies of press notices)

(NF phones PS/IR, PS/C&E & Bank to arrange that these messengers come to the Chancellor's Registry.) NF

(89) At 12.30 p.m.: 14 copies of Speech, Snapshot, FSBR, Command Papers and Press Notices to be issued to RC for allocation to members of IDT RC
(Copies of Brief will be send direct to RC by EB for monitoring teams.) SK

(90) At 12.30 p.m. Committee Section to pack for IDT: RR/SW

- 500 copies of Speech (supplied by CRU)
- 470 copies of FSBR and 350 of other Command Papers.
- 460 copies of other Depts'. Budget Press Notices
- 550 copies of Snapshot
- 683 copies of Tsy Press Notices (103 copies for Treasury Mailing list)
- 440 Cmnd Papers (Green Paper + CST Summary and Guide)

in pre-addressed envelopes (provided by SW) for Press and other callers to collect

(91) 1 set each of Speech, Snapshot, FSBR, Resolutions, Command Papers and Press Notices to be given to AA, AK and CR, and of speech only to TL. NF

(92) 1 set each of Speech, FSBR, and Command Papers in sealed envelopes addressed to: CR/NF

Leader of the House of Commons: (Mr Biffen)

Leader of the House of Lords: (Viscount Whitelaw)

Leader of the Opposition (Mr Kinnock)
Shadow Chancellor (Mr R Hattersley)
Chancellor's PPS (Mr P Lilley)
Mr Christopher (IRSF) - plus Press Notices + Snapshot (not Command Papers)
Sir William Clark (Chairman of Conservative Finance Committee)
Mr Sheldon, Chairman PAC
Mr T Higgins, Chairman TCSC
Mr T Sainsbury (Treasury Whip)
Mr R Boscawen (1 copy of speech only) for HM the Queen

to be given to CR to take with him to Mr Lilley's room, for member of Parliamentary Section to guard over and for Mr Lilley and other PPS's to pick up directly after speech and give to those concerned.

(93) Take Gladstone Box to Chancellor. Make up package consisting of speaking copy of Speech, and copies of FSBR, Resolutions, Snapshot, Command Papers and Press Notices for Chancellor. Ensure he has a copy of the Budget Brief. AA/NF

Budget Day: After lunch

(94)	Envelope copies of Speeches and FSBR for distribution to members of the Cabinet (other than PM, Chief Secretary LPS + LPC) to be despatched after the Chancellor has sat down.	NF/Chancellor's Office
(95)	TL takes 30 copies of sectioned versions of Speech and snapshot to Gallery/Lobby at the House for IDT (for release during Speech). (See item 80)	SW/TL
(96)	MH to take copy of speech to official reporters, to be handed over page by page when Chancellor delivers speech. MH to remain in Hansard Office until Ch/Ex sits down.	MH
(97)	Chancellor + Mrs Lawson photocall outsde No.11 before going to House.	SW
(98)	At 3pm a member of IDT and Mr Lyons assisted by four messengers and a Security Officer, take 30 copies of the speech in sections (provided by the Chancellor's Office), 105 copies of the complete speech and 130 copies of the "Snapshot" and 70 each of FSBR, Cmnd papers, and related Press Notices to Miss Stella Thomas in the Press Gallery. They will also have a separate package of 10 copies of the Speech and 10 copies of the Snapshot for the Overseas Press. (Turn up in Committee Section (75/G), to collect papers at 2.45 pm). Security Guard to remain with TL.	RR/SW/TL
(99)	Ensure all officials covering the Official Box have copies of the brief.	SK
	IDT to collect packages (see item 90) from Committee Section	SW
(100)	During the Budget Speech: The sections will be released to the Press Gallery, TV, radio and IDT monitoring teams by the following drill:	IDT
	(a) In the Press Gallery, a member of IDT will authorise the release of the 30 sectioned copies of the Speech.	SW
	(b) In the 7 broadcasting studios and Newsrooms (ITN, BBC-TV, BBC radio, PA Newsroom IRN, FT, Reuters Newsroom, Oracle and Ceefax) the page-by-page unstapled copy of the Speech and the sectioned copies of the Speech will be released when the Treasury official hears (from the Radio 4 live speech broadcast) that the page/section has been completed.	
(101)	Delivery of Snapshot, Treasury Press Notices and other Departments' Press Notices to Vote and Printed Paper Offices	RS
(102)	Laying of FSBR, Chief Secretary's Memorandum and Supply Estimates.	RS
(103)	During Speech: Note changes from typed version.	CR

At end of Speech

(104)	Set to go to Leader or Deputy Leader of the House of Lords (see Item 92).	CR
(105)	DW to phone KS in Scotland to authorise release of documents.	DW
(106)	Despatch by hand copies of Speech to other members of Cabinet (see Item 94).	NF
(107)	On instructions from TL, Security Guard (in PPS's Room) will hand over complete copies of Speech, etc. to IDT (see Items 80,83+95).	TL
(108)	Release copies of Speech and FSBR for Cabinet Ministers, (see item 94), Press (see item 98) and envelopes (see item 19) for NEDO, CBI (via Mr Monck), TUC and Conservative Research Department to Messengers to take to Enquiry Room; also release copies for Australian and New Zealand High Commissions etc. as at Item 19 to IF2 Division. Also release copies to DW for TCSC (see item 19c)	MH/TD/DW
(109)	Check Hansard.	CR
(110)	Check whether Debate is likely to continue beyond 7.00 pm if so, confirm duty Minister's extensions for bench, taking into account Minister's media engagements (in consultation with RC)	CR/RC
(111)	Send copies as follows:-	MH

	Speech and Brief	Snapshot Resolution, Press Notices	FSBR	Cmd Papers
Mr T Lankester British Embassy Washington	1	3	3	3
Mr D Bostock UKREP Brussels	1	3	4	4

Send 1 copy of each of above papers to:
Director of British Information Services, NY

Mr M C S Weston, British Embassy, Paris. BY 6.00 p.m. Bag
Mr E T Davies, UK Delegation, OECD, 19 Rue de Franqueville, 75775, Paris, Cedex, France (1 copy of brief only).

(Copies obtained from LW)

(112)	Give 8 copies of Speech, Snapshot, FSBR, Government Papers and any Press Notices to RS for depositing in the Libraries of the House of Commons and House of Lords.	NF/RS
	NF to give 2 copies of Resolutions to RS for Butterworths Law Publishers.	NF/RS
(113)	Provide one set of Speech, Snapshot, FSBR, Command Paper(s), all Press Notices and White Papers to Table Office.	BD

ANNEX I

RECIPIENTS	UNSTAPLED SPEECH	WHOLE SPEECH	SECTIONED SPEECH	SNAPSHOT	RESOLUTIONS	FSBR	COMMAND PAPER(S)	CST SUMMARY + GUIDE	HMT PRESS NOTICES	OTHER DEPT PRESS NOTICES	EPR
NEDO	-	3	-	3	-	3	3	3	3	3	3
TUC	-	3	-	3	-	3	3	3	3	3	3
CBI	-	4	-	4	1	4	4	4	4	4	4
CONSERVATIVE RESEARCH DEPT.	-	1	-	1	-	1	1	1	1	1	1
DIPLOMATIC MISSIONS (17)	-	17	-	17	-	17	17	17	17	17	17
TCSC	-	5	-	5	-	5	5	5	5	5	5
SCOTLAND	-	6	-	6	-	6	6	6	6	6	6
PRESS GALLERY	-	-	30	30	-	-	-	-	-	-	-
ITN	1	2	16	2	-	2	2	2	2	2	2
BBC TV	1	2	11	2	-	2	2	2	2	2	2
BBC RADIO	1	2	11	2	-	2	2	2	2	2	2
IRN	1	1	5	1	-	1	1	1	1	1	1
REUTERS	1	1	-	1	-	1	-	-	1	1	1
PA	1	-	-	-	-	-	-	-	-	-	-
PA (GALLERY)	1	-	-	-	-	-	-	-	-	-	-
FT	1	1	-	1	-	1	-	-	1	1	1
ORACLE	1	1	-	1	-	1	1	1	1	1	1
CEEFAX	1	1	-	1	-	1	1	1	1	1	1
PARLIAMENTARY SECTION	-	2	-	1	-	7	1	7	1	1	1
PRIME MINISTER	-	1	-	1	1	1	1	1	1	1	1
HMT MINISTERS (4)	-	4	-	4	4	4	4	4	4	4	4
SPEAKER	-	1	-	1	1	1	1	1	1	1	1
CHIEF WHIP	-	1	-	1	1	1	1	1	1	1	1
HMT OFFICIALS (17)	-	17	-	17	17	17	17	17	17	17	17
N.I. OFFICE	-	1	-	1	1	1	1	1	1	1	1
SIR L AIREY - IR	-	1	-	1	1	1	1	1	1	1	1
SIR A FRASER - C+E	-	1	-	1	1	1	1	1	1	1	1
CUSTOMS + EXCISE	-	6	-	6	-	6	6	6	6	6	-
INLAND REVENUE	-	6	-	6	-	6	6	6	6	6	-
BANK OF ENGLAND	-	6	-	6	-	6	6	6	6	6	-
SUB - TOTAL (1)	10	97	73	126	26	102	94	100	96	96	78

RECIPIENTS	UNSTAPLED SPEECH	WHOLE SPEECH	SECTIONED SPEECH	SNAPSHOT	RESOLUTIONS	FSBR	COMMAND PAPER(S)	CST SUMMARY + GUIDE	HMT PRESS NOTICES	OTHER DEPT. PRESS NOTICES	EPR
IDT (PRESS + CALLERS)	-	500	-	550	-	470	440	440	683	460	-
MR T HIGGINS	-	1	-	-	-	1	1	1	-	-	-
CHANCELLOR, RL, AWK + PWO (4)	-	4	-	4	4	4	4	4	4	4	4
TONY LYONS	-	1	-	-	-	-	-	-	-	-	-
LEADER H/C	-	1	-	-	-	1	1	1	-	-	-
LEADER H/L	-	1	-	-	-	1	1	1	-	-	-
LEADER OF THE OPPOSITION	-	1	-	-	-	1	1	1	-	-	-
SHADOW CHANCELLOR	-	1	-	-	-	1	1	1	-	-	-
MR LILLEY	-	1	-	-	-	1	1	1	-	-	-
MR CHRISTOPHER (IRSF)	-	1	-	-	-	1	-	1	-	-	-
SIR W CLARK	-	1	-	-	-	1	1	1	-	-	-
HON. T. SAINSBURY	-	1	-	-	-	1	1	1	-	-	-
MR BOSCAWEN	-	1	-	-	-	-	-	-	-	-	-
CABINET (EXCL. PM, CST, LPC, LPS)	-	18	-	-	-	-	-	-	-	-	-
HANSARD	-	1	-	-	-	-	-	-	-	-	-
VOTE + PRINTED PAPER OFFICE	-	-	-	1150	-	-	-	-	1150	1150	-
TABLE OFFICE	-	1	-	1	-	1	1	1	1	1	-
LANKESTER (WASHINGTON)	-	1	-	3	3	3	3	3	3	3	3
BOSTOCK (BRUSSELS)	-	1	-	3	3	4	4	3	3	3	3
DIRECTOR BIS (NEW YORK)	-	1	-	1	1	1	1	1	1	1	1
BRITISH EMBASSY, PARIS	-	1	-	1	1	1	1	1	1	1	1
UKDEL, OECD	-	1	-	1	1	1	1	1	1	1	1
H/C LIBRARY	-	4	-	4	-	4	4	4	4	4	4
H/L LIBRARY	-	4	-	4	-	4	4	4	4	4	4
HMT LIBRARY	-	-	-	-	-	200	-	-	-	-	-
BUTTERWORTHS	-	-	-	-	2	-	-	-	-	-	-
SUB-TOTAL (II)	-	548	-	1722	15	702	471	471	1855	1632	21
SUB-TOTAL (I)	10	97	73	126	26	102	94	100	96	96	78
TOTAL	10	645	73	1848	41	804	565	571	1951	1728	99

ANNEX II

REQUIREMENTS: FROM SOURCE

REQUIRED BY:	UNSTAPLED SPEECH	WHOLE SPEECH	SECTIONED SPEECH	SNAPSHOT	RESOLUTIONS	FSBR	COMMAND PAPER(S)	CST SUMMARY + GUIDE	HMT PRESS NOTICES	OTHER DEPT. PRESS NOTICES	EPR	BRIEF
CHANCELLOR'S OFFICE	10	145[1]	73	148[1]	41	150	150	150	118	118	99	
IDT		500[2]		550[2]		470	440	440	683	460		
PARLIAMENTARY SECTION				1150[2]				7	1150	1150		
CENTRAL UNIT						15						
EB												170
HMT LIBRARY						200						
TOTAL	10	645		1848	41 (+9 SPARE=50)	804 (+SPARES=835)	564 (+SPARES=590)	571 (+SPARES=597)	1951	1728	99	170

SUPPLIED BY:	UNSTAPLED SPEECH	WHOLE SPEECH	SECTIONED SPEECH	SNAPSHOT	RESOLUTIONS	FSBR	COMMAND PAPER(S)	CST SUMMARY + GUIDE	HMT PRESS NOTICES	OTHER DEPT. PRESS NOTICES	EPR	BRIEF
CHANCELLOR'S OFFICE	10	145[1]	73	148[1]								
HMSO (CU ORDER)						835						
HMSO (FP ORDER)							590					
PARLIAMENTARY COUNSEL (FP ORDER)					50							
COMMITTEE SECTION		500[2]		1700[2]					1951	1728	99	170
GEP (FROM HMSO)								597				
TOTAL	10	645	73	1848	50	835	590	597	1951	1728	99	170

PACKAGE 'A': SPEECH, SNAPSHOT, RESOLUTIONS, FSBR CMND PAPER, CST SUMMARY + GUIDE HMT PN'S, OD PN'S, EPR.

PACKAGE 'B': SPEECH, SNAPSHOT, FSBR, CMND PAPER CST SUMMARY + GUIDE, HMT PN'S, ODP[illegible]PR

PACKAGE 'C': SPEECH, FSBR, GREEN PAPER, CST SUMMARY.

ANNEX III

RESPONSIBILITIES FOR DISTRIBUTION: CHANCELLOR'S OFFICE

RECIPIENT	PACK A	PACK B	PACK C	OTHER	TIME TO BE DELIVERED
NEDO	–	✓ (3)	–		TO BE COLLECTED FROM ENQUIRY ROOM AFTER SPEECH 'X'
TUC	–	✓ (3)	–		
CBI	–	✓ (4)	–	+ 1 RESOLUTION	– TO BE GIVEN TO MR MONCK IN ADVANCE. PACKAGE WILL [BE HANDED TO CBI AFTER SPEECH
CONSERVATIVE RESEARCH DEPT	–	✓	–		– SEE 'X' ABOVE
AUSTRALIAN H.C	–	✓	–		EF2 COLLECT PACKAGES FROM CHANCELLOR'S OFFICE AT 3.30 EF2 DELIVER TO ENQUIRY ROOM FOR COLLECTION WHEN CHANCELLOR SITS DOWN.
NEW ZEALAND H.C.	–	✓	–		
CANADIAN H.C.	–	✓	–		
JAPANESE EMBASSY	–	✓	–		
US EMBASSY	–	✓	–		
FRENCH EMBASSY	–	✓	–		
W GERMAN EMBASSY	–	✓	–		
LUXEMBOURG EMBASSY	–	✓	–		
BELGIAN EMBASSY	–	✓	–		
DANISH EMBASSY	–	✓	–		
EIRE EMBASSY	–	✓	–		
ITALIAN EMBASSY	–	✓	–		
GREEK EMBASSY	–	✓	–		
NETHERLANDS EMBASSY	–	✓	–		
SPANISH EMBASSY	–	✓	–		
PORTUGUESE EMBASSY	–	✓	–		
TCSC	–	✓ (5)	–		– TO BE HANDED TO DW AFTER SPEECH
SCOTLAND	–	✓ (6)	–		– BY 11.00 am
PRESS GALLERY *	–	–	–	30 x SECTIONED SPEECH, 30 x SNAPSHOT	– TO BE TAKEN TO HOUSE BY TL FOR PAGE-BY-PAGE DISTRIB^{N}.
ITN	–	–	–	16 x SECTIONED SPEECH, 1 x UNSTAPLED	TO BE COLLECTED FROM 2.30pm AT CH/EX OFFICE FOR PAGE-BY-PAGE DISTRIBUTION AS CH/EX SPEAKS PACK 'B''s TO BE HANDED OVER AT END OF SPEECH
SUE TINSON, ITN BUDGET PROG	–	✓	–		
ECONOMICS EDITOR, CH. 4	–	✓	–		
BBC TV	–	–	–	11 x SECTIONED SPEECH, 1 x UNSTAPLED	
PRODUCER, BBC BUDGET PROG.	–	✓	–		
JAMES LONG, BBC ECONOMICS EDITOR	–	✓	–		

† Sir P Middleton, Sir T Burns (2x FSBR), Mr FER Butler, Sir G Littler, Mr Cassell, Mr Byatt, Mr Anson, Mr Monck, Mr Scholar, Mr Monger, Miss Peirson, Mr Culpin, Miss O'Mara, Miss Evans, Mr Cropper, Mr Tyrie, Mr Ross Goobey

RECIPIENT	PACK A	PACK B	PACK C	OTHER	TIME TO BE DELIVERED
BBC RADIO	–	–	–	11 x SECTIONED SPEECH, 1 x UNSTAPLED	
BBC ECONOMICS CORRESPONDENT	–	✓	–		
PRODUCER, PM BUDGET SPECIAL	–	✓	–		
IRN	–	–	–	5 x SECTIONED SPEECH, 1 x UNSTAPLED	
DOUGLAS MOFFIT, ECONOMICS EDITOR, LBC	–	✓	–		
REUTERS	–	–	–	1 x UNSTAPLED	TO BE COLLECTED FROM 2.30pm AT CH/EX OFFICE
DAVID KEEFE, REUTERS	–	✓	–		FOR PAGE-BY-PAGE DISTRIBUTION AS CH/EX SPEAKS
PA NEWS ROOM	–	–	–	1 x UNSTAPLED	PACK 'B's TO BE HANDED OVER AT END OF SPEECH
PA GALLERY	–	–	–	1 x UNSTAPLED	
FT NEWSROOM	–	–	–	1 x UNSTAPLED	
DAVID WALKER, NEWS EDITOR, FT	–	✓	–		
ORACLE	–	–	–	1 x UNSTAPLED	
PETER HALL, EDITOR, ORACLE	–	✓	–		
CEEFAX	–	–	–	1 x UNSTAPLED	
DAVID WILSON, MANAGER, TELETEXT	–	✓	–		
PRIME MINISTER	✓	–	–		
HMT MINISTERS (4)	✓ (4)	–	–		
HMT OFFICIALS (17) †	✓ 17	–	–		
NORTHERN IRELAND OFFICE	✓	–	–		
SIR L AIREY - IR	✓	–	–		
SIR A FRASER - C+E	✓	–	–		BY 12.30 (RL TO AUTHORISE RELEASE)
CUSTOMS + EXCISE	–	✓ (6)	–		
INLAND REVENUE	–	✓ (6)	–		
BANK OF ENGLAND	–	✓ (6)	–		
CHANCELLOR, RL, AWK, PWD	✓ (4)	–	–	+ 4 x BRIEF	
TONY LYONS (SEE * ABOVE)	–	–	–	1 x SPEECH, 30 x SECTIONED, 30 x SNAPSHOT	- FOR PAGE-BY-PAGE DISTRIBUTION DURING SPEECH
LEADER H/C (BIFFEN)	–	–	✓		- DELIVERED BY PPS's
LEADER H/L (WHITELAW)	–	–	✓		- DELIVERED BY PPS's
LEADER OPPOSITION (KINNOCK)	–	–	✓		TO BE TAKEN TO THE HOUSE BY PWD AT 3.00pm
SHADOW CHANCELLOR (HATTERSLEY)	–	–	✓		AND RELEASED TO PPS's WHEN THE CHANCELLOR
MR T HIGGINS	–	–	✓		HAS SAT DOWN.

RECIPIENT	PACK A	PACK B	PACK C	OTHER	TIME TO BE DELIVERED
MR PETER LILLEY	–	–	✓		
MR CHRISTOPHER (IRSF)	–	–	✓	NO GREEN PAPER	- SPOKEN TO IN ADVANCE
SIR W CLARK	–	–	✓		- TO BE TAKEN TO HOUSE BY PWO AT 3.00 pm AND RELEASED WHEN CHANCELLOR HAS SAT DOWN
MR R SHELDON	–	–	✓		
HON. T SAINSBURY	–	–	✓		
MR BOSCAWEN	–	–	–	1 x SPEECH (FOR H.M. QUEEN)	
CABINET, (EXCL. PM, CST, LPC, LPS)	–	–	–	18 x SPEECH	TO BE DESPATCHED WHEN CHANCELLOR SITS DOWN
HANSARD	–	–	–	1 x SPEECH	TO BE TAKEN BY MH BY 3.15 pm FOR PAGE-BY-PAGE DISTRIBUTION
MR LANKESTER (WASHINGTON)	✓(3)	–	–	ONLY 1 SPEECH + 1 x BRIEF	
MR BOSTOCK (BRUSSELS)	✓(3)	–	–	1 x BRIEF, 4 x FSBR, 4 x SUMMARY, 4 x GREEN.	
DIRECTOR BIS (NEW YORK)	✓	–	–		- BY DIPLOMATIC BAG
BRITISH EMBASSY, PARIS	✓	–	–		
UKDEL, OECD	✓	–	–		
SPEAKER	✓	–	–		
CHIEF WHIP	✓	–	–		BY 12.30 (VIA BD)
BRIAN DYER (FOR SPEAKER'S PS)	–	–	–	1 x SPEECH	
TABLE OFFICE	–	✓	–		
H/C LIBRARY	–	✓(4)	–	NO EPR	TO RS BY 3.00 pm
H/L LIBRARY	–	✓(4)	–	NO EPR	

RESPONSIBILITIES FOR DISTRIBUTION: IDT

RECIPIENT	SPEECH	SNAPSHOT	FSBR	COMMAND PAPER(S)	CST SUMMARY + GUIDE	HMT PRESS NOTICES	OTHER DEPT. PRESS NOTICES
PRESS GALLERY	105	130	70	70	70	70	70
OVERSEAS REPS	20	20	–	–	–	–	–
FLEET ST. PRESS	150	150	150	150	150	150	150
NON-PRESS	180	180	180	180	180	180	180
DEPARTMENTS PRESS OFFICES	30	30	30	30	30	30	30
HMT MAIL LIST	–	–	–	–	–	103	–
SPARES, INCL. ENQUIRY ROOM	15	20	20	10	10	50	30
FFJG	–	20	20	–	–	–	–
TOTAL	500	550	470	440	440	683	460

RESPONSIBILITIES FOR DISTRIBUTION: PARLIAMENTARY SECTION

RECIPIENT		
SPEAKER'S PRIVATE SECRETARY	1 x SPEECH	TO BE GIVEN TO BD BY CHANCELLOR'S OFFICE
SPEAKER	PACK 'A'	
CHIEF WHIP	PACK 'A'	
JOURNAL OFFICE	6 x FSBR	- FROM CU
	6 x CST SUMMARY + GUIDE	- FROM ESTIMATES CLERK
TABLE OFFICE	PACK B	
VOTE + PRINTED PAPER OFFICE	1150 x SNAPSHOT	FROM COMMITTEE SECTION
	1150 x HMT PN'S	
	1150 x ODPN'S	
BUTTERWORTHS	2 x RESOLUTIONS	- FROM CHANCELLOR'S OFFICE
H/C LIBRARY	4 x PACK B	FROM CHANCELLOR'S OFFICE
H/L LIBRARY	4 x PACK B	

RESPONSIBILITIES FOR DISTRIBUTION: CENTRAL UNIT

RECIPIENTS	FSBR	PACK A	PACK B	
PARLIAMENTARY SECTION	6			FROM HMSO
CENTRAL UNIT (SPARE)	9			
TCSC			5	FROM CHANCELLOR'S OFFICE
N I OFFICE		1		
SCOTLAND			6	
TOTAL	15	1	11	

3215/29

CONFIDENTIAL

FROM: P J CROPPER
DATE: 7 January 1987

MR N G FRAY Working Copy Amended. MJ 9/2

cc Mr A C S Allan
Mr Scholar
Mr Romanski
Miss O'Mara
Mr Dyer
Mr Rawlings
Mr Tyrie
Mr Ross Goobey

1987 BUDGET AIDE MEMOIRE

Under Saturday 14 March/Sunday 15 March there appears: (49) As soon as possible Mr Cropper lets Miss Titmuss have the master copy of the Backbenchers Budget Brief. Miss Titmuss will run off 400 copies...... PC/CT.

2. Experience tells that there is no way the backbenchers brief can be finalised until the Chancellor's speech has been finalised. Sad but true.

3. Rather than leave the optimistic "As soon as possible...." entry in the Aide Memoire for Sat/Sun, may I suggest it may be better to be realistic and set it for Monday evening. Otherwise Miss Titmuss cannot arrange her schedule.

4. As Mr Rawlings and Miss Titmuss know, last year was a nightmare. We should be able to avoid the worst problem this year - Deane Gable and I do now have a year's experience of using a word processor whereas last year we were quite new to it. But even then it is no good setting targets that have no chance of being met.

5. How think you?

P J CROPPER

506/17

CONFIDENTIAL

FROM: B O DYER
DATE: 12 January 1987

01-270 4520

Working Copy Amended NGF 9/2.

MR N G FRAY O/R

cc Mr Romanski
Mr Woodall
Mr Walters
Mr Rawlings
Mrs Ryding
Mr Savage
Mr Davies

1987 AIDE MEMOIRE

Your round robin of 6 January sought comments from copy recipients on your draft Aide Memoire for the 1987 Budget. Mine are as follows:

Page 1 (listing active participants)
After 'CT Chris Titmuss (4820)' add:-
'BD Brian Dyer (4520)'
'RS Richard Savage (5006)'
'TJD Tony Davies (5163)'

Page 2 (item 12)
Date and details are correct but add at end:-
'- Tuesday, 24 February.'

Page 3 (item 20)
I understand that there are no Budget related Green Papers this year; therefore delete reference in lines 5 and 6.

Page 5 (item 43)
It may avoid a last minute hiccup to add: '(NB. 1150 collated sets of the Budget Snapshot, the EPR Supplement and related Treasury and other Departmental PNs are required by Parliamentary Section)'

Page 6 (item 55)
Amend to read: 'CR to confirm with Tony Davies that he will be in Speaker's Yard to greet the Chancellor and Mrs Lawson and show latter to her seat.'

Page 6 (item 64)

Delete reference to 'Green Paper', and consider inserting a reference to the 'EPR Supplement'

Page 7 (item 70)

Do the initials 'FP' need to be inserted opposite this item - ie to confirm the tabling of the Budget Resolutions by Parliamentary Counsel?

Page 10 (item 87)

In line 3, after 'Command Papers' insert a reference to 'EPR Supplement'

Page 11 (item 92)

Line 15, amend 'him' to 'her'; and against this item add 'RS' to the initials 'CR/NF'

Page 13 (item 113)

Amend to read: 'Provide two sets of Speech, Snapshot, FSBR, Resolutions, Command Paper(s) and all Press Notices to Table Office.'

Annexes entitled - 'Responsibilities for Distribution : Parliamentary Section'

Against 'Table Office' insert '2 x Pack B + Resolutions'

Against 'Vote and Printed Paper Office' add '1150 x EPR Supplement'

B. Dyer

B O DYER

CONFIDENTIAL

Working Copy Amended MJT 9/2.

FROM: C R PICKERING
DATE: 16 January 1987

MR FRAY 14/2

cc Mr Scholar
Miss O'Mara
Ms Evans (FP)
Mr Porteous
Mr Evans (IDT)
Mr Rawlings
Mrs Lester
Mr Cropper
A/52

1987 BUDGET AIDE MEMOIRE

EB have the following comments on the draft you circulated on 6 January.

<u>Two weeks before Budget Day</u>

2. 'MOM' should be added to the right hand column of (16).

<u>Week before Budget</u>

3. Miss O'Mara suggests that Committee Section be informed at stage (20) about the number of Cmnd papers etc. (39) looks a little late.

4. Also in (20) the references to the Green Paper and CU are of course out of date.

<u>11 March</u>

5. Amend the first sentence of (24) to read "EB to provide draft of key briefs to Treasury Ministers' offices."

<u>12 March</u>

6. Merge (27) and (28) to read "EB to receive Chancellor's comments on drafts of key briefs. Meeting if necessary."

7. (29) should begin "Chancellor's"

<u>13 March</u>

8. In (32), after "Office", insert "having cleared with FP and EB" and add FP (or CE?) to the right hand column. Judging by last year's experience, FP are at least as well placed as EB to check the snapshot.

9. Delete (40). It seems to imply it is the first occasion EB see the speech, which is of course not the case. If you need to contact EB on Saturday 14 March, we will be in our usual rooms all day and probably a large part of the night.

10. In (41), Miss O'Mara wondered whether Mrs Lester needs to set up a

meeting with the Backbenchers' Finance Committee, or whether they issue an invitation to the Chancellor.

14/15 March

11. Insert "with CE" after "check" in EB's line in (48). See paragraph 8 above.

12. Insert as first sentence of (49) "Mr Cropper has Backbenchers Budget Brief checked for factual accuracy by EB." Insert MOM in the right hand column.

16 March

13. Delete the reference to the Snapshot from (56) and insert a new item immediately after (56) "Mr Evans gives Chancellor's office 2 copies of near-final draft of Snapshot during course of day." Mr Evans, as you know, drafts the Snapshot and clears it. It seems better, in the circumstances, that he remains in control of it to the end. If, that is, the Snapshot continues: we believe its abolition was being considered. We suggest you check with FP.

14. Consequently (63) should refer to RE, not SK.

15. The reference to the Green Paper in (64) is out of date.

16. CE should be added to the right hand column of (65). See paragraph 8 above.

17. A new item should be added after (65): "CRU roll off 180 copies of Budget Brief." We will let EOG know separately our detailed requirements from CRU during the Budget season.

18. Item (66) should be moved to 17 March. The sentence in parentheses can then be deleted.

17 March

19. In (76) Miss O'Mara needs only one copy of the speech, for reference. We do not know who marks up the speech for PA. EB certainly do not. Is this a different task to (75)?

20. Replace SK by RE in (78). See paragraph 13 above.

21. FP should be substituted for CU in (81).

22. Another out of date reference to the Green Paper in (90).

23. In (92), Mr Sainsbury, we believe, has departed.

24. No need for the quotation marks in (98).

25. We need 180 copies of the Brief in Annex II.

C R PICKERING

2-21

CONFIDENTIAL

FROM: D N WALTERS
DATE: 9 FEBRUARY 1987

MR FRAY

cc Mr Scholar
Miss O'Mara
Mr Dyer
Miss Evans (FP)
Mr Evans (IDT)
Mr Pickering
Mr Porteous
Mr Rawlings
Mr Woodall
Mr Cropper

1987 BUDGET AIDE MEMOIRE

I have the following comments on the draft you circulated on 6 January. I apologise for the delay in letting you have this response. Some of the points have already been raised by others but, to ensure that nothing is missed, I have used the blanket approach.

2. On your covering minute, I can confirm that Mr Sedgwick will act as the "Scotland" messenger and that subject to the following, the Aide Memoire is consistent with the dates and deadlines for production of the FSBR.

3. On the cast list, I suggest that you add Carys Evans with the extension 5170.

4. Using the numbering in the aide memoire:

(1) Replace FP with DW

(16) Replace all references to FP with initials DW. In addition, I am not clear what "SW to confirm number" means in the parenthesis at the end of the paragraph.

(19)(c) I think we have agreed in the past that there is no need for FP to undertake the arrangements for sending documents to the TCSC. Chancellor's office do this with their other distributions. This item therefore falls. Incidentally, the TCSC receive Pack B which I understand contains the EPR supplement as well.

(20) I am not clear why press notices for Inland Revenue and Customs and Excise are included both here and in the action at (16). I am also slightly mystified why FP (ie pre-CU integration) were asked to arrange for correct numbers of copies of the FSBR to be delivered. I suggest this item should be amended to read "DW to arrange with Parliamentary Counsel's office for correct number of copies of Resolutions to be delivered to NF and RR in CRU as appropriate (see Annex) by midday on Friday

1[illegible]arch at the latest." (This also deletes the out of date reference to the Green Paper.) To complete the picture I would then suggest that a new item is inserted for DW to arrange for the correct number of copies of the FSBR to be delivered by 10am on Tuesday 17 March.

(21) I am not clear that there is a decision to be made in respect of the telegram for overseas posts. Is it not now traditional that one is prepared? If you agree, I would also suggest that it is too early to prepare a draft at this stage. The intention this year is to use an amended text of the EPR supplement. This will not be ready until much nearer the day of the Budget. I suggest that (21) is amended to read "NF to check despatch arrangements with Foreign Office for guidance telegram to overseas posts on Budget day." The only action will then be with NF.

(29) After the first FP please insert "(by 10am)". Then delete after "printer" the rest of the sentence. I should also add that Thursday 12 March is the day on which the EPR supplement goes to the printer. This should be included as a separate item with RC in the action column.

(34) In the light of my earlier comment, this should now be extended to cover the note for overseas posts. You will also wish to add as a new item in this area "EPR proof to Chancellor". Initials are again RC.

(44) Please delete the reference "at 2pm" and replace with "pm (copied to Chancellor)". Again you should include a reference to the EPR on the lines "EPR proof to printer (with Chancellor's comments)." Action "RC".

(49) This item looks a bit early. I agree with the sentiments in Mr Cropper's minute of 7 January. Better to plan for realism.

(51) Carys Evans will be responsible for signing off the FSBR at press. Therefore use CE not FP. There should also be a mention in this item to IDT signing off the EPR proof.

(64) Delete reference to Green Paper.

(72) Replace references to FP with references to DW.

(86) Again replace FP by DW.

(87) I believe last year that you dealt with sending a set of documents to the Northern Ireland office. I see no reason to change the procedure this year.

(90) Delete reference to Green Paper.

(108) In view of earlier comments delete the last sentence.

5. Turning to the annexes, all references to CU should be changed to FP. I am assuming that you have checked that all the numbers tie up. In Annex 3 you should delete the marginal comment against the TCSC as this will now be handled by yourselves. And in the sheet headed "Responsibilities for Distribution: FP", references to both the TCSC and the Northern Ireland office should be deleted and the actions moved to the Chancellor's annexes.

6. Finally, four further comments. First, I note that the list of HMT officials receiving Pack A does not include Mr Wilson. I think he should be included. (This also affects (48).) Also, it has become traditional for Mr Kemp to receive two copies of the FSBR for passing on to the CCSU and the TU side of the JCC simultaneously with its publication. Second, I think it would be worth including an entry on Thursday 12 March for FP to clear with the Chancellor the number and subject of expected press notices and the order in which they are to be collated. Last minute changes to the order created some difficulties last year. Third, you may recall that at one stage last year there was some doubt that delivery of the FSBR would be completed on time. The printers were having trouble with their machinery. In the 1986 Budget post-mortem it was agreed that, for 1987, FP would ensure that a clean final proof was available in the Treasury and that a contingency plan for emergency photocopying should be set up. We can cover the first element but I would be grateful if Mr Porteous could make suggestions for the second. Fourth, the aide memoire makes numerous references to command papers and the CST's Summary and Guide. What is not clear is what command papers are expected (are there any traditional ones?) and who produces and is responsible for the Guide? I think that more specific insertions are required.

D N Walters

D N WALTERS

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MR FRAY
14/2

RESTRICTED

This should be done in co-ordination with the Ch's Office Aide Memoire.

IDT BUDGET ARRANGEMENTS

I attach IDT's Budget Day programme for 17 March.

P J Edwards

P J EDWARDS
2 MARCH 1987

Distribution

IDT

Mr Culpin
Mrs McDowell
Mr Pickford
Miss Roche
Miss Edwards
Mr Evans
Mr Towers
Mr Segal
Mr Gunton
Mr Woodall
Mr Hannaford
Mr Williams
Mrs Hatter
Miss Bailey
Mr Reavill

Private Offices

Mr A Allan
Mr Kuczys
Mrs Ryding
Mr Fray
Miss Rutter
Mr Felstead
Mr Heywood
Mr Williams
Mr Barnes
Mr Westhead
Mr Judge
Miss Francis
Miss Murphy
Mr Nicholls

Mrs Meason (EC)
Miss Bogan (EC)
Miss Nicolle (ST)
Miss Finnegan (DM)
Miss Frankis (CSO)
Mr Keuneman (IF)

EB

Mr S Kemp

EOG

Mr Porteous
Mr Rawlings
Mr Bobsin
Mrs Mills
Mrs E Dunn
Miss Titmuss
Mr Jiwani

FP

Miss C Evans
Mr Walters

Library

Mrs P Wilkins

Parliamentary Section

Mr Dyer

No 10

Mr B Ingham (2 copies)

Inland Revenue

Ms Sue Tyrrell

Customs and Excise

Mr G Hammond

No 11

Mr Wooley

1928/4

BUDGET 1987 - 17 MARCH

MAIN ALLOCATION OF IDT RESPONSIBILITIES

Overall responsibility of IDT's administrative preparations for, and performance on Budget day. SW

Photocalls

1. Chancellor's photocalls and TV coverage. SW

2. Chancellor's departure from No 11. SW

Broadcasts

3. Chancellor's COI "London line" (overseas broadcast) recording. MG/SW

4. Media bid collation for Ministerial TV/Radio slots on Budget evening and the following morning MG

5. Organisation of sectional releases of the speech in TV/Radio studios and newsrooms (including recruitment of volunteers). PE

6. Chancellor's TV Budget broadcast:

   (a) Script. RC

   (b) Organising of TV crew. SW

7. Installation of monitoring equipment. PE

8. Monitoring of Budget transmissions (see also 14). GS/NT

Document Preparation

9. Collation of bids for documents from press/non-press; organisation, collection, packaging and release. PE/SW

10. FT - electronic package PE/SW

11. Supervision of callers at front door PE

12. EPR Supplement. EE

- Tuesday 10 March - Draft EPR supplement to Chancellor
- Wednesday 11 March - Chancellor comments on EPR
- Thursday 12 March - EPR Supplement to printer
- Friday 13 March - EPR proof to Chancellor
- Saturday 14 March - (a.m.) EPR proof with Chancellor's comments to printer
- Tuesday 17 March - (Budget Day) - EPR supplement published

General Administrative Arrangements

13. Preparation of Budget snapshot. RE

14. IDT switchboard. JH/JB/GM/OR

15. Anchor person. SP

16. Home duty. RE

P[illegible]-BUDGET

Mr Woodall to check with Stella Thomas the arrangements at the House of Commons on Budget day. Mr Edwards to contact security and messengers who will be involved on Budget day to make certain that they have House passes and know where and when they are needed.

Mr Edwards to confirm with Mr Rawlings that the planned numbers of documents including Command Papers are available.

Mr Edwards to check television and direct lines to Studios in the respective monitoring rooms.

Mr Edwards to finalise document distribution lists.

Mr Woodall to supply Mr Bobsin with names of BBC crew preparing Chancellor's budget broadcast from No 11 and to ensure that he posts a security guard at No 11 throughout Budget day.

Miss Edwards to liase with HMSO etc. over printing of Budget EPR.

BUDGET MORNING

Mr Woodall to supervise "walk in the park" photocall for Chancellor and Mrs Lawson and "Tigger" for 8.45.

Mr Evans and Mr Pickford to ensure that headlines and sidelines are provided for the unstapled copies of the speech and pass to EB for a final check.

(!) At noon, Mr Edwards to collect 12 copies of Budget speech, snapshot, Financial Statement and Budget Report (FSBR), Command Papers, and all the press notices from Mr Fray in the Chancellor's office.

No.

Mr Evans to bring 12 copies of the Brief on return to IDT from EB.

Mr Culpin

Mr Pickford

Mr Segal (plus 2 extra copies for monitoring teams)

Mr Evans

Mr Towers (plus 2 extra copies for monitoring teams)

Mr Woodall

Miss Edwards

Mr Gunton

One additional set without EB brief for delivery to Mr Samuel Brittan in the Press Gallery at the end of the speech.

Around 1 o'clock Mr Culpin to brief IDT and hand them their personal Budget documents.

At 1pm, Mrs Hatter will switch the three main press office telephone lines to the answering machine with the following message recorded:

> "The Press Office is closed until the end of the Chancellor's speech in the House of Commons. If you have an enquiry on this month's PSBR figures please call the Central Statistical Office on 270 5739 . For any other urgent enquiries you should ring Mr Pickford on 270 5252."

Following the briefing meeting, the press officers retain their copies of the Budget papers and remain without telephone contact until the end of the speech.

Mr Pickford takes up duty as "anchor man" in room 95/2.

Treasury representatives collect packages from Mr Fray room 14/2 at about 2.30 pm

At about 2.40 pm, Treasury representatives depart to studio/newsrooms to release Chancellor's speech.

1928/46

IN STUDIO RELEASES - BUDGET DAY 17th MARCH 1987

Jonathan Crane (576 1112) BBC TV Lime Grove	Miss F Bogan (x4438)	Mr Keuneman (x4498)
Jack Regan (580 4468) BBC Radio Broadcasting House	Mr N Williams (APS/FST) (x5104)	
Sue Tinson (637 2424) ITN Wells Street	Miss Nicolle (x5223)	Mr Nicholls (x5098)
Douglas Moffitt (353 1010) IRN/LBC Gough Street	Miss Francis (APS/MST) (x5118)	
David Walker (248 8000) FT Bracken House	Mr Felstead (x5086)	
Reuters (250 1122) Fleet Street	Mr Westhead (x5126)	
PA House of Commons	Mrs Meason (x4434)	
Gallery (outside)	Miss J Murphy (MST's office) (x5415)	
Gallery (inside)	Mr Woodall (x5188)	
David Wilson (576 7393) Ceefax	Miss Finnegan (x4802)	
Peter Hall (637 2424 x 2572) Oracle	Miss E C Frankis (x6208)	
Marshall Gittler (353 8171) AP Dow Jones	Mrs P Wilkins (x5300)	

At 2.40 pm Mr Woodall to go to No 11 to control photographers at Chancellor's departure.

At 3 pm monitoring team to assemble in their respective rooms (BBC room 111/2 , ITN room 110/2) where Mr Segal and Mr Towers will give them their documents and introduce the media representatives to the monitoring officials.

At around 3 pm Mr Edwards and Janiss Murphy assisted by four messengers and a security officer take 30 copies of the speech in sections, 105 copies of the complete speech and 130 copies of the "snapshot" and 70 each of FSBR, Command Papers and related Press Notices (Mr Rawlings will provide 12 satchels for this) to Miss Stella Thomas in the Press Gallery. They will also have a separate package of 10 copies of the speech and 10 copies of the snapshot for Stella Thomas, for the overseas press. Miss Murphy (and the security guard) will remain behind the barrier in the Gallery throughout the speech and release the sections of the speech to the Secretary of the Gallery, Mr John Deans, by listening to R4 broadcast of the speech. At the conclusion of the speech she will release the final packages of the complete speech. Mr Woodall will hand over the standard package of documents to Mr Samuel Brittan before leaving the press gallery.

As soon as the remaining Budget documents have been packaged (see Annex A for total copies) by Committee Section, Mr Edwards will take them to EOG interview room to await end of Chancellor's speech. Mr Rawlings will provide five trolleys for this operation. Mr Hannaford, Mr Williams, and Mr Reavill will release documents once Chancellor has sat down.

END OF SPEECH

House of Commons

Mr Culpin will escort the Chancellor (after backbenchers briefing) to the Lobby meeting led by "guidedog" Mr Woodall.

Facsimiles to Embassies etc

Mrs Hatter will arrange for the relevant Budget documents to be facsimiled to our Embassies in Washington and BIS New York.

If IDT are providing these then why do the Ch's office have to duplicate ??

Distribution of documents at Treasury

Callers invited to arrive for "about 4.30". Security staff will provide escort.

They will be asked to present their order form/letter.

Press and non-press callers will be escorted to room 29/2 to await release of documents. They should be seated in the areas clearly marked "press" and "non-press".

Official callers (Whitehall departments, embassies etc) will be directed to Enquiry Room.

Any "difficult" callers who have not ordered copies should be referred to Mr Edwards.

Press Office

Telephone services to be restored in IDT press office.

COI (Radio) to join Mr Culpin at No 11 for the Chancellor's "London line" recording.

The next morning

Mr Bouldon will arrive early to start work on preparing transcripts of the previous evenings broadcasts. Press officers who have noted points of special interest should guide him in his selection.

All Treasury press notices to be issued on Budget day to be sent to those on the appropriate mailing list.

ANNEX A

BUDGET 1987 : 17 MARCH

IDT'S CONSOLIDATED REQUIREMENTS (Supplied by CRU)

	Speech	Snapshot/ Summary	FSBR	EPR	Other Cmnd Papers	HMT PNs	OGD PNs
Press Gallery	105	130	70	70	70	70	70
Overseas Reps	10	10	-	-	-	-	-
Fleet St Press	150	150	150	150	150	150	150
Non Press	200	200	200	200	200	200	200
Department's Press Office's	17	17	17	17	17	17	17
HMT Mail List	-	-	-	116	-	116	-
IDT, Spares, inc. Enquiry Room	15	20	30	-	10	50	30
FFJG	20	20	20	20	20	20	20
TOTAL	517	547	487	573	467	623	487

All texts are stapled, and should be made available to IDT as early as possible on Budget Day.

31/3

N422

PWP (with a BLO paper)

FROM: MISS M O'MARA
DATE: 17 March 1987

PS/CHANCELLOR

cc PS/Chief Secretary
PS/Financial Secretary
PS/Economic Secretary
PS/Minister of State
Mr Scholar
Mr Culpin
Mr Hudson
Mr Hacche
A/55

1987 BUDGET: KEY FACTS AND FIGURES

I am sorry that in all the rush to produce an aide-memoire today, the real take home pay comparison went slightly adrift. I attach the revised page.

MOM

MISS M O'MARA

(v) Government inherited inflation rate of over 10 per cent and rising. Average for 1986, 3.4 per cent, lowest for almost 20 years. Averaged over 15 per cent under Labour Government (a little over 8 per cent since 1979).

(vi) Net UK assets overseas thought to have risen to £110 billion at end 1986 (28 per cent of GDP) compared with 7 per cent at end 1978. Second only to Japan and highest since War.

(vii) After Budget tax cuts, for family man on average earnings, real take home pay up over 21 per cent under this Government (1978-79 to 1987-88). Scarcely changed (up $\frac{1}{2}$ per cent) under Labour Government.

(viii) In this Parliament:

- GDP growth averaged around 3 per cent a year
- total investment growth averaged $4\frac{1}{2}$ per cent a year
- total employment up by a million, more than rest of EC combined; employment grown for 14 successive quarters; longest period of continuous employment growth for almost 30 years
- inflation averaged under 5 per cent; highest twelve month inflation rate lower than lowest Labour Government achieved.

Manufacturing

(i) Since 1979 manufacturing productivity up by $3\frac{3}{4}$ per cent a year - fastest growth of all major industrialised countries and three times that under Labour Government. (UK bottom of international league in 1960s and 1970s.)

(ii) Manufacturing profitability highest since 1973. Up from $4\frac{1}{2}$ per cent in 1979 to over 7 per cent in 1985 (latest figures). Contrasts with no overall change between 1974 and 1979.

(iii) UK volume share of developed countries' exports of manufactures stabilised since 1981, halting decades of relative decline. UK forecast to maintain share in 1987.

(iv) Manufacturing output up over 10 per cent since last election. Forecast to rise further 4 per cent in 1987.

(v) In this Parliament:

- manufacturing productivity growth over 4 per cent a year
- manufacturing output up over 10 per cent, and further rise of 4 per cent forecast for 1987
- manufacturing export volumes up about 30 per cent.

PUBLIC FINANCES

PSBR

1986-87

- £4.1 billion (1 per cent of GDP). Lowest since 1969-70. £3 billion lower than 1986 Budget forecast.
- Excluding privatisation proceeds, £8.5 billion ($2\frac{1}{4}$ per cent of GDP). Same as in 1985-86 and lower than any other year since 1971-72.

BUDGET SNAPSHOT 17 MARCH 1987

1. TAX PROPOSALS

(1) Income Tax

Basic rate reduced from 29 per cent to 27 per cent.

Personal allowances increased in line with inflation (3.7 per cent RPI to December 1986).

Allowances (£)	**1986-87**	**1987-88**
Married man's	3655	3795
Single (and wife's earned income)	2335	2425
Additional personal (& widow's bereavement)	1320	1370
Aged: married	4505	4675
Aged: single	2850	2960
Aged income limit	9400	9800

New higher age allowance for those aged 80 or over of £3070 (single) and £4845 (married)

Allowance for blind up from £360 to £540 (from £720 to £1,080 where both married partners are blind).

Higher Rates (£)

Starting point for 40 per cent rate increased in line with inflation; starting point for 45 per cent rate increased by £200.

	Taxable income	
Rate of tax (per cent)	**1986-87**	**1987-88**
40	17201-20200	17901-20400
45	20201-25400	20401-25400
50	25401-33300	unchanged
55	33301-41200	unchanged
60	over 41200	unchanged

Profit Related Pay (PRP)

New tax relief for eligible PRP; half of PRP to be exempt from tax up to lower of £3000 a year or 20 per cent of pay.

Pensions

New tax regime for personal pensions from 4 January 1988 on lines set out in consultative document "Improving the Pensions Choice" published in November 1986. Personal pensions to be given similar tax treatment to retirement annuities.

Simpler occupational pension scheme arrangements to be made available to employers.

Members of occupational pension schemes to be able to make additional voluntary contributions within existing tax relief limits to pension arrangements outside employer's scheme.

Tax-free lump sums limited to £150,000 for new schemes and new members of existing schemes.

(ii) **Excise Duties**

No changes in duties on tobacco, drinks (beer, cider, wines, spirits), leaded petrol, derv or other oils. 5p differential in favour of unleaded petrol (from 17 March)

No change in £100 a year Vehicle Excise Duty on cars and light vans, nor in most other VED.

On-course betting duty for horse and greyhound racing abolished.

Gaming machine licence duty increased:

> In pubs, arcades etc: 5p machines up from £120 to £150, 10p machines up from £300 to £375. In clubs: 5p machines from £300 to £375, 10p machines from £750 to £960.

(iii) **Value Added Tax (VAT)**

No change in 15 per cent rate.

Registration threshold (annual turnover below which traders are not obliged to register) up from £20,500 to £21,300.

Period during which businesses must apply to register extended from 10 to 30 days.

Businesses with turnover of up to £250,000 a year to have options of:

(i) accounting for VAT on basis of cash paid and received (from 1 October 1987) (subject to EC agreement)

(ii) making one VAT return a year (instead of four) (from summer 1988)

Package of changes to special VAT scheme for retailers. In particular simpler schemes to be available to more small and medium sized businesses.

Package of measures to eliminate various forms of VAT avoidance as announced on 19 December 1986. Right to deduct input tax to be limited to that incurred in making taxable supplies.

Modest extension of reliefs for charities caring for the disabled and terminally ill or engaged in medical research, first aid and mountain rescue.

(iv) **Capital Taxes**

Inheritance Tax (IHT)

Thresholds up from £71,000 to £90,000: number of rates reduced from seven to four (from 17 March):

Bands of chargeable value (£)	**Tax rate** (per cent)
0-90000	NIL
90000-140000	30
140000-220000	40
220000-330000	50
over 330000	60

IHT abolished for lifetime gifts into "Interest in Possession" trusts.

Capital Gains Tax

Limit for retirement relief increased from gains of £100,000 to £125,000 (from 6 April). Annual exempt amount for individuals increased in line with inflation from £6300 to £6600.

(v) **Business Taxation**

Small companies rate of Corporation Tax (CT) and rate of Advance Corporation Tax (ACT) down from 29 per cent to 27 per cent. CT on companies' capital gains to be charged as income at normal CT rate (35 per cent or 27 per cent) without adjustment. ACT set-off will be allowed against CT on capital gains.

CT payment dates to be 9 months after end of accounting period for all companies and building societies: change to be phased in.

'Pay and File' package of proposals reforming and simplifying administration of CT: legislation in 1987 for implementation in early 1990s.

Measures to remove unintended and unjustified tax breaks; includes tighter rules on:

- tax credit relief for banks;
- companies resident in both the UK and abroad;
- members of Lloyd's insurance market.

(vi) **Business Expansion Scheme (BES)**

Where investments made in first half of tax year, investor will be able to claim part of relief against income of previous year. Change will reduce bunching of BES investment at end of tax year.

Some relaxation of rules for film companies.

(vii) **Petroleum Revenue Tax (PRT)**

Companies may elect to have up to 10 per cent of costs of developing certain new fields immediately set against liability for PRT in existing fields until income exceeds costs.

Relief for research unrelated to any particular field.

2. DIRECT REVENUE EFFECTS OF BUDGET MEASURES

£million	1987-88 Changes from non-indexed base	Changes from indexed base
Income Tax basic rate	-2200	-2200
Income Tax allowances and thresholds	- 770	+ 30
Excise duties + VAT	+ 185	- 360
Other changes	- 110	- 95
	-2895	-2625

3. PUBLIC SECTOR BORROWING REQUIREMENT (PSBR)

PSBR set at £4 billion in 1987-88, 1 per cent of GDP: 1986-87 outturn expected to be £4 billion, 1 per cent of GDP. PSBR projected to remain at 1 per cent of GDP throughout the new Medium Term Financial Strategy period which runs to 1990-91.

CHANCELLOR OF THE EXCHEQUER'S BUDGET STATEMENT

17 MARCH 1987

INDEX

A. INTRODUCTION

The setting for this year's Budget is more favourable than it has been for very many years. We are now entering our seventh successive year of steady growth, and the fifth in which this has been combined with low inflation. The public finances are sound and strong, and unemployment is falling.

These are the fruits of the Government's determination, in bad times as well as good, to hold firmly to our policies of sound money and free markets. Once again, I reaffirm those policies.

I shall begin, as usual, by reviewing the economic background to the Budget. I shall then turn to monetary policy and to the fiscal outlook this year and next. Finally, I shall propose some changes in taxation designed to improve still further the prospects that lie before us. A number of press releases, filling out the details of my proposals, will be available from the Vote Office as soon as I have sat down.

B. THE ECONOMIC BACKGROUND

I start with the economic background.

Nineteen eighty-six was dominated by the sudden collapse of the oil price. Our own economy was affected not only directly, as a major oil producer and exporter, but also by the pause in world growth as the world economy adjusted to what has been described as the third oil shock. Despite this dislocation, however, the economy has developed in most respects as I foreshadowed a year ago.

In 1986 as a whole output grew by a further 2½ per cent or so, which compares well with the experience of other industrialised countries. It is worth recalling that during the 1960s, and again in the 1970s, Britain's growth rate was the lowest of all the major European economies. By contrast, during the 1980s, our growth rate has been the highest of all the major European economies.

And this greatly improved growth performance has been accompanied by falling inflation, which at 3½ per cent in 1986 reached the lowest figure for almost twenty years. Over the lifetime of this Parliament, inflation has averaged less than 5 per cent.

During the first half of last year exports and hence output were affected by the pause in world growth to which I have already referred. But since the middle of the year exports have grown strongly. Indeed, over the last three months the volume of exports of manufactures was 6 per cent higher than a year earlier - a better performance than that of any other major economy. This pattern was reflected in the rapid growth of manufacturing output in the second half of last year.

This resurgence of economic growth, coupled with the special measures we have taken, has brought about a welcome fall in the number of people out of work. Since July unemployment has fallen by more than 100,000; the largest six-monthly fall since 1973. Though the numbers out of work are still far too high, both youth unemployment and long-term unemployment are now lower than they were a year ago.

I announced a number of specific employment measures in my last Budget, and since then, my Rt Hon and Noble Friend the Secretary of State for Employment has further extended the Restart programme for the long-term unemployed. There will also be more places on the Enterprise Allowance Scheme, and the number of Jobclubs is to be quadrupled. The new Job Training Scheme will eventually give a quarter of a million people, most of them youngsters, vocational training leading to recognised qualifications. With these and other measures, this Government has developed its employment and training programmes on a scale which no other country can match. But the best hope of all for the unemployed is in the continuing vigour of the economy.

Since the early months of last year, there has been a further surge in manufacturing productivity. This continues the remarkable improvement in productivity growth achieved by British industry throughout the 1980s. During the 1960s, and again in the 1970s, growth in manufacturing productivity in the UK was the lowest of all the seven major industrial countries in the world. During the 1980s, our annual rate of growth of output per head in manufacturing has been the highest of all the seven major industrial countries.

The recorded current account of the balance of payments went into deficit in 1986 by around £1 billion. This followed a cumulative current account surplus of some £20 billion between 1979 and 1985. Some deterioration in our current account was inevitable in the face of a £4 billion loss of earnings on oil trade virtually overnight. But the significance of this should not be exaggerated. The exchange rate adjustment that followed the fall in the oil price is already contributing to an improved non-oil trade performance. And earnings from the massive stock of net overseas assets we have acquired since 1979 will provide a continuing support to the current account in the years ahead. At well over £100 billion our net overseas assets are now greater than at any time since the War, and second only to those of Japan.

Looking ahead, I expect 1987 to be another year of balanced growth with low inflation. Total output is forecast to rise by 3 per cent, with exports and investment up by rather more than that. By then we will have registered the longest period of steady growth, at a rate approaching 3 per cent a year, that the British economy has known since the War. Manufacturing industry, in particular, should do well in 1987. And with the non-oil economy set to grow at 3½ per cent, there is every prospect of unemployment continuing to fall throughout the year. In last year's Budget Speech I said that the outlook for jobs depended on a sustained improvement in the performance of business and industry. That sustained improvement in economic performance is now well under way.

Despite the strong growth in exports, it will inevitably take time for the full effect of the exchange rate adjustment to work through. The current account is thus likely to remain in deficit this year, by some £2½ billion, around half of one per cent of GDP.

As I foreshadowed in the Autumn Statement, inflation may continue to edge up for a time, perhaps exceeding 4½ per cent by the summer, before falling back to 4 per cent by the end of the year. While short-term fluctuations are inescapable, it remains the Government's prime objective to keep inflation on an underlying downward trend.

Given the continuation of present policies in this country, the biggest risk to the excellent prospect I have outlined is that of a downturn in the world economy as a whole. There are still serious imbalances afflicting the three major economies - the United States on the one hand and Japan and Germany on the other - which, if not handled properly, could lead to a simultaneous downturn in all three. And this in turn could be exacerbated by renewed turmoil in the foreign exchange markets, whose tendency to overshoot is as notorious as it is damaging.

It was to address these dangers that the Finance Ministers and Central Bank Governors of six major nations met in Paris last month, and agreed among other things to co-operate closely in fostering a period of exchange rate stability. In my Budget Speech last year, I said:

> "Provided we are not over-ambitious, I believe that the Plaza accord is something we can usefully build on."

That is what we have now done, with Plaza II. But it would be idle to deny that the wider risks still remain.

Short of a world downturn, which can and must be avoided, British industry now has an outstanding opportunity, with growing markets at home and overseas, low inflation, rapidly growing productivity and greatly improved profitability. Provided it can control its costs and maintain its present competitive advantage, and assuming the continuation of present policies, we can look forward to many more years of strong growth combined with low inflation.

C. MONETARY POLICY

For its part, the Government will keep in place a sound and prudent financial framework. That means, as it has done since 1980, the medium-term financial strategy.

The central objective of the MTFS is gradually to reduce the growth of money GDP over the medium term, so as to squeeze inflation out of the system and ultimately to achieve price stability.

This requires monetary discipline buttressed by low public sector borrowing. The essential instrument of monetary policy must remain short term interest rates. These will continue to be set in the light of monetary conditions as indicated principally by the growth of narrow and broad money and the behaviour of the exchange rate.

For narrow money, MO, the target range for next year will be 2 to 6 per cent, as foreshadowed in last year's MTFS. For broad money, however, as the Governor of the Bank of England cogently argued in his Loughborough lecture last October, it is probably wiser in current circumstances to eschew an explicit target altogether. But broad money will continue to be taken into account in assessing monetary conditions, as of course will the exchange rate.

D. PUBLIC SECTOR BORROWING

I mentioned a moment ago the need to keep public sector borrowing low.

The final outturn for the public sector borrowing requirement last year, 1985-86, was just under £6 billion, equivalent to 1½ per cent of GDP, the lowest level since 1970-71. In my Budget last year, faced with a massive loss of what now looks to be almost £7 billion of North Sea oil revenue, I nonetheless decided to hold the PSBR for this year, 1986-87, to £7 billion, or 1¾ per cent of GDP.

In the event, this year's PSBR looks like turning out at only £4 billion, or 1 per cent of GDP: the second successive year of significant undershoot.

This successful outcome is chiefly attributable to the remarkable buoyancy of non-oil tax revenues in general and of the Corporation Tax paid by an increasingly profitable business sector in particular.

Looking ahead, there is still a degree of uncertainty surrounding oil prices, and I have therefore stuck to the assumption I made last year that the North Sea price will average $15 a barrel. But it is clear that the increased flow of non-oil tax revenues, coupled with the prospective further growth of the economy in excess of the growth of public expenditure, puts the public finances in a very strong position.

I intend to keep it that way. Last year's MTFS indicated a PSBR for 1987-88 of £7 billion, or 1¾ per cent of GDP; and, as the House will recall, I gave an assurance at the time of the Autumn Statement, when I announced a £4¾ billion increase in planned public spending in 1987-88, that on no account would I exceed that figure.

Indeed, I believe it is right to go below it. Since its inception in 1980, the MTFS has indicated a steadily declining path for the PSBR expressed as a percentage of GDP. We have now reached what I judge to be its appropriate destination: a PSBR of 1 per cent of GDP. My aim will be to keep it there over the years ahead. This will maintain a degree of fiscal prudence that, until this year, had been achieved on only two occasions since 1950.

Accordingly, I have decided to provide for a PSBR in 1987-88 of £4 billion.

Inevitably, this greatly diminishes the scope I have this year for reducing the burden of taxation, which of course remains a major objective of Government policy. But I am sure it is right to err on the side of prudence and caution, and to build a still firmer base for the future. That is the principle on which both I and my predecessor have consistently conducted economic policy these past eight years, and I see no reason to depart from it now.

Meanwhile, I would make one further observation, of a different nature. Economic arguments are seldom concluded, one way or another. This is chiefly because it is unusual for economic policies to be held in place long enough to provide sufficient evidence. But the 1980s have been different; and, as a result, one critically important economic argument has now been concluded, finally and decisively.

Throughout our period of office, our critics have consistently maintained not only that a fiscal stimulus would produce real economic growth, but that without an expansionary fiscal policy sustained growth was impossible. They were wrong, and have been proved wrong. The British economy is now embarking on its seventh successive year of steady growth, at an average rate of getting on for 3 per cent a year. And during that time the PSBR, even if privatisation proceeds are added back, has been deliberately and steadily reduced from a shade under 6 per cent of GDP to a little over 2 per cent. Indeed, had I or my predecessor at any time heeded the advice of our so-called expansionist critics, the British economy would never have been in the unprecedentedly favourable position it is in today.

E. EXCHANGE CONTROL

Before I turn to my proposals for changes in taxation, I have one other change of a specific nature to announce.

In 1979, a few months after the present Government had first taken office, my predecessor announced the abolition of exchange controls, which had been in continuous operation ever since the outbreak of war in 1939. That bold action has, over the past 7½ years, proved wholly beneficial to the British economy; and I am glad to note that other European countries are now moving in the same direction.

But the Exchange Control Act remains on the Statute book. The time has come to repeal it. The necessary legislation will be contained in this year's Finance Bill.

I note that, in what was clearly intended to be a major speech in New York in September, the Deputy-Leader of the Labour Party declared that, and I quote:

> "The Labour Party has no intention of reintroducing statutory exchange controls".

I am confident, therefore, that the proposal I have just made will be welcomed on all sides of the House.

F. BUSINESS AND ENTERPRISE

I now turn to taxation. First, taxes on business.

The fundamental reform of the Corporation Tax system which I introduced in 1984 came fully into effect last April. The new system has undoubtedly improved the quality of business investment decisions in Britain, and is also encouraging more overseas companies to set up here.

During the transition to the new system, companies were given advance notice of the main rate of Corporation Tax for the year ahead. This helped them in their forward planning, and I intend as far as possible to continue the practice of setting the rate in advance. Accordingly, I can announce now that the main rate of Corporation Tax in 1987-88 will be unchanged at 35 per cent - lower than in any other major industrial nation, though the United States is now set to emulate us.

The low rate of Corporation Tax enables me to introduce a further simplification into the system.

At present, while companies' capital gains are liable to Corporation Tax, the amount of such gains is first adjusted by a certain fraction so that the effective rate of tax is the same as that on capital gains made by individuals. This dates back to the time when the two rates of tax were far apart.

This is no longer the case: indeed, the Corporation Tax rate for small companies is now below the Capital Gains Tax rate.

I therefore propose that, from today, companies' capital gains be charged at the appropriate Corporation Tax rate, without adjustment, save for the indexation which applies to all post-1982 gains.

Hitherto, companies have not been allowed to set payments of Advance Corporation Tax against their liability to tax on capital gains. This means that, where companies distribute capital gains as dividends, the gains are in effect taxed twice, once in the hands of the company and once in the hands of the shareholder. I propose that, under the new system, companies should be able to set ACT payments against tax on capital gains.

Taken together, these changes should yield £60 million in 1988-89.

I also have some further simplification and rationalisation of the Corporation Tax system to announce.

At present, some companies established before 1965 do not have to pay their Corporation Tax until up to 21 months after the end of the period for which it is due, whereas companies established since 1965 have to pay their tax after nine months - and some building societies have to pay sooner still.

This difference in treatment cannot be justified. Moreover, it is open to an abuse which could put the timing of a substantial proportion of the total Corporation Tax yield at risk.

I therefore propose that all companies and building societies should be treated the same way, with all liable to pay Corporation Tax nine months after the end of the accounting period on which the tax is due. The change will be phased in, but I would expect it to yield around £100 million in 1988-89.

I also propose to legislate now to pave the way for a new method of collecting Corporation Tax, to be known as Pay and File. Under this system companies will estimate their tax liabilities themselves, and pay on the normal due date. Where it turns out that the initial payment was too low, the company will pay interest to the Revenue; where the initial payment was too high, the Revenue will pay interest to the company.

This new approach, which has already been generally welcomed by the business community, is part of a wider programme of streamlining tax collection, and will not come into force until the early 1990s. But by legislating now I am giving taxpayers and their advisers a firm basis on which to prepare for the new scheme.

While business and industry as a whole are doing well, the North Sea oil sector has inevitably been hard hit by last year's oil price collapse. My Rt Hon Friend the Secretary of State for Energy and I have followed closely the effects on North Sea producers and their suppliers. The industry itself is generally confident about the longer-term prospects; while as for the tax system, not only is it inherently price-sensitive, but the companies themselves have repeatedly stressed their desire for stability.

However, in the light of the immediate problems, I introduced legislation last autumn to bring forward the repayment of over £300 million of Advance Petroleum Revenue Tax. This has already helped many of the smaller and medium-sized companies faced with cash flow difficulties.

I now propose two further Petroleum Revenue Tax reliefs. First, as from today companies may elect to have up to 10 per cent of the costs of developing certain new fields set against their Petroleum Revenue Tax liabilities in existing fields, until such time as the income of those new fields exceeds the costs incurred. Second, there will be a new relief against PRT for spending on research into UK oil extraction that is not related to any particular field.

I believe that these carefully targeted changes will give a worthwhile measure of help to the North Sea oil sector.

Last year I put the Business Expansion Scheme onto a permanent footing. However, the present rules still produce too much end-year bunching of BES investments, and hence may crowd out some projects and lead to bad decisions on others. I propose therefore to permit someone who invests in the first half of the year to claim part of the relief against his previous year's income. This will make it easier for companies to raise BES finance throughout the year.

I have to set the 1988-89 car and fuel benefit scales for those with company cars. The car scale charges still fall well short of the true value of the benefit, and as last year I propose to increase them by 10 per cent. There will be no change in the fuel scales which, as already announced, will also be used for VAT purposes from 6 April.

Training and retraining are vital to a flexible and competitive economy. At present, training financed by an employer that is related to the employee's current job is allowable against tax for the employer and imposes no tax burden on the employee. But an employer who is willing to finance the retraining of workers for future employment elsewhere may find that the cost of this is not allowable against tax, and the employee may find that he has received a taxable benefit. I propose to remove both these obstacles. This should help more workers to acquire new skills for new jobs.

The past few years have seen a remarkable and welcome growth in the number of small businesses and the self-employed. The Government has done a great deal to lighten the burdens on this vitally important sector of the economy. But I am well aware that problems remain, not least in the field of VAT.

Accordingly, I asked Customs and Excise to issue a consultative document last autumn canvassing a number of changes. In the light of the responses to that document, I have four proposals to make.

Perhaps the biggest problem faced by the small businessman today is the trade customer who is late in paying his bills: so late, sometimes, that VAT becomes due before the bill has been paid. I can do nothing about late payment; but I can, I hope, do something about the VAT problem.

My first and most important proposal, therefore, is that, as from 1 October, businesses whose annual turnover is under £¼ million, which means more than half of all traders registered for VAT, will be able to choose to account for VAT on the basis of cash paid and received. In other words, they will have no liability to pay VAT until they themselves have received the money from their customers. In addition to easing the cash flow problems caused by late payers, this system will of course provide automatic VAT relief for bad debts.

I have to warn the House, however, that I cannot legally introduce this change without first obtaining a derogation from the European Community's Sixth VAT Directive. I am applying for the necessary derogation today. The House will note that the upper limit of £¼ million is considerably greater than the £100,000 suggested in the consultative document.

Second, I propose to give these businesses the option of accounting for VAT on an annual basis. Instead of making quarterly returns, they would make regular payments on account, and then file a single return at the end of the year. This option, which offers considerable streamlining, will be available next year.

Third, the period within which businesses must apply to be registered for VAT will be extended from ten to thirty days.

Fourth, there will be changes to the rules for the special VAT schemes for retailers, and more small and medium-sized businesses will be able to make use of the simpler schemes.

I believe that the changes I have outlined, and in particular the option to move to cash accounting, will be widely welcomed by the small business community. The cost will be £115 million in 1987-88 and £60 million in 1988-89.

In addition, I propose to increase the VAT threshold to £21,300, to keep it at the maximum permitted under existing European Community law.

In the light of the responses to the consultative document, I shall not be going ahead either with the withdrawal of the so-called standard method by which retailers calculate their gross takings for VAT, or with the compulsory deregistration of traders below the VAT threshold.

I have one further measure to help the small businessman, unrelated to VAT. I propose to increase the limit for Capital Gains Tax retirement relief by 25 per cent, from £100,000 to £125,000.

In any ongoing programme of tax reduction and reform, where much still remains to be done, an essential element must always be the elimination of unintended or unjustified tax breaks, which cause rates of tax generally to be higher than they need to be. Accordingly, I have five proposals to make today to that end.

The first concerns VAT, and has already been the subject of extensive consultation. The House will be aware that a business that provides a service that is exempt from VAT cannot in turn deduct input tax on its purchases. But where the activities of a business are in part liable to VAT and in part exempt, the existing rules are excessively generous as to the amount of input tax that can be deducted; and this generosity is being exploited on a growing scale. The rules must therefore be changed, and the changes, which I proposed to the House last December, will come into effect on 1 April. There will be special arrangements to deal with the problem of brewers' tied houses. I am also taking this opportunity to exclude a significant number of small businesses from the scope of this provision. The yield from this change will be some £300 million in 1987-88 and £400 million in 1988-89.

Second, I propose to change the law so that companies in multinational groups which enjoy dual residence will no longer be able to secure tax relief twice on one and the same interest payment. Genuine trading companies will not be affected. This change, which will take effect on 1 April, follows the similar action recently taken by the United States. It will yield £125 million in 1988-89.

Third, I propose to end the present excessively generous treatment of tax credit relief for foreign withholding tax paid on interest on bank loans. In future, banks will be able to offset this tax credit only against tax on the profit on the relevant loan, and not more widely. This will bring our rules broadly into line with those in most other countries. The change will apply from 1 April this year for new loans and from 1 April next year for existing loans. It will yield some £20 million in 1988-89.

Fourth, the tax treatment of Lloyd's syndicates as it applies to the Reinsurance to Close system is clearly unsatisfactory. I therefore propose to bring it into line with that of provisions for outstanding liabilities made by ordinary insurance companies and, indeed, of comparable provisions made by other financial traders. I have asked the Inland Revenue to consult urgently with Lloyd's about the details of the legislation. The new rules will first apply to premiums payable for the Lloyd's account which closes on 31 December this year.

Fifth, I propose to implement the Keith Committee's recommendation that interest should be charged in the limited number of cases where an employer does not apply PAYE properly and a formal assessment has to be made to recover the tax. The change will take effect from April next year, and the yield in 1988-89 is estimated at £45 million.

I have one further proposal to make in the broad field of business and tax.

In my Budget last year I suggested the possibility of introducing a measure of tax relief for profit-related pay.

I pointed then to two considerable advantages that might be expected to flow from arrangements which relate pay to profits. First, the workforce would have a more direct personal interest in the profits earned by the firm in which they work; and, second, there would be a greater degree of pay flexibility in the face of changing market conditions. Such flexibility is vital if, as a nation, we are to defeat the scourge of unemployment.

Last July I presented a Green Paper on Profit-Related Pay in conjunction with my Rt Hon and Noble Friend the Secretary of State for Employment and my Rt Hon Friend the Secretary of State for Trade and Industry. I now propose to introduce a scheme of tax relief broadly along the lines floated in the Green Paper.

My proposals depart from those in the Green Paper in one important respect. I am doubling the proportion of an employee's profit-related pay that will be tax free from a quarter to a half, and I am also increasing the upper limits on the relief. So for a married man on average earnings receiving 5 per cent of his pay in profit-related form, the tax relief will be equivalent to a penny off the basic rate of income tax. The cost will inevitably depend on take-up: it could be £50 million in 1988-89, building up to substantially more than that, as take-up grows, and as the proportion of an employee's pay which is profit-related rises.

Profit-related pay is no panacea. But then there <u>are</u> no panaceas. What it is is a tool to help British business gradually to overcome one of our biggest national handicaps: the nature and behaviour of our labour market. I am today challenging British management to take advantage of that tool and to make good use of it, for the good of their firm, their workforce and their country.

G. TAXES ON SAVING

I turn now to the taxation of savings.

A central theme and purpose of the Government's policies is the creation of a genuine popular capitalism.

That means wider home ownership, wider share ownership, and wider pension ownership. Over the past eight years, the Government has actively promoted the first two, and has now embarked on the third. Home ownership, above all through the council tenant's right to buy. And share ownership, through the rapid growth of employee share schemes; through the massively successful privatisation programme, where Britain has led the world; and most recently through the new Personal Equity Plans, which I announced in last year's Budget and which started up on 1 January this year. In the first month of the scheme, more than 2,000 people a day took out Personal Equity Plans, many of them first-time investors, as I had hoped.

We know that 63 per cent of households now own their own homes, 2½ million more than in 1979. However, there have been no official figures for the more explosive growth of share ownership in Britain over the past eight years. The Treasury and the Stock Exchange therefore jointly commissioned a major independent survey of individual shareholding in Britain. The results are now available. They show that there are now some 8½ million individual shareholders in this country - amounting to one fifth of the total adult population, and roughly three times the number there were in 1979.

And then there is wider pension ownership. Two years ago, the Government embarked on a major strategy to extend the coverage of private pension provision and to give individuals far more flexibility and choice in the way they provide for their retirement. We have already introduced a number of important new measures to that end, and the tax changes I am announcing today will complete the picture.

The cornerstone of the Government's pensions strategy is the introduction of an entirely new means of provision for retirement, developed by my Rt Hon Friend the Secretary of State for Social Services. This is the personal pension, which will be launched at the beginning of next year, three months earlier than planned.

Personal pensions are an important new dimension of ownership. They will enable employees - if they so wish - to opt out of their employers' schemes and make their own arrangements, tailored to fit their own circumstances. And they will provide a new opportunity for the 10 million employees who at present do not belong to an occupational scheme to make provision of their own and, if they so wish, to contract out of SERPS.

In my Budget last year I undertook to bring forward proposals to give personal pensions the same favourable tax treatment as is currently enjoyed by retirement annuities. These were duly published in a consultative document last November, and the necessary legislation will be contained in this year's Finance Bill.

In addition, to encourage a wider spread of occupational schemes, employers will be able to set up simplified schemes with the minimum of red tape. This will be particularly welcome to many small employers who have been discouraged by the complexity and open-ended commitment of a full-blown final salary scheme. And there will be much greater scope for transferring between different types of pension scheme. Again, the Finance Bill will contain the necessary tax provisions.

Finally, I have decided to go beyond the proposals set out in the consultative document in one important respect. Starting in October, I propose to allow members of occupational pension schemes to make additional voluntary contributions, with full tax relief, to a separate plan of their own choice instead of, as now, being restricted to plans within their employers' schemes. They will be able to top their pensions up to the present tax approval limits.

The proposals I have outlined - along with the measures my Rt Hon Friend has already taken - will make it easier for people to take their pensions with them when they change jobs, which will be good both for labour mobility and for independence. They will widen the range of choices people can make about their pensions; and will mean that in future individuals will have much more control over the way in which their own pension contributions are invested.

Taken as a whole, the changes we have made in the last two years have brought about a radical transformation in the ways people can provide for their retirement. There are new options for employers, and much greater freedom for individuals to plan their own pensions. This will lead to a further major extension of ownership, as people start to take advantage of the new opportunities.

But the generous tax treatment of pensions can be justified only if it is not abused. I propose, therefore, to introduce some limited changes to the present rules to restrict the excessive relief which can be obtained in some circumstances, particularly by a few very ghly paid people. These will include a stricter definition of final salary and, for all arrangements entered into from today, an upper limit of £150,000 on the maximum permissible tax-free lump sum, coupled with more rigorous rules on how pension and lump-sum benefits can be calculated.

The cost of the overall pensions package will inevitably depend on take-up, but with that proviso is estimated at £65 million in 1988-89.

For Friendly Societies, I have decided to replace the existing tax-exempt life assurance limit based on the sum assured with a new limit based on annual premiums. I propose to set this at £100 a year, which will greatly increase the scope for the traditional societies to offer life policies to their members.

The tax-exempt limits governing sickness and accident benefits which trade unions provide for their members have not been changed since 1982. With effect from today, I propose to increase them to £3,000 for lump sums and £625 for annuities.

Finally, in this section, I turn to Inheritance Tax.

In my Budget last year I abolished the pernicious Capital Transfer Tax on lifetime gifts between individuals, which was particularly damaging to the ownership and health of family business. This year I propose to extend the same exemption from tax, on similar terms, to gifts involving settled property where there is an interest in possession. This will not, however, apply to discretionary trusts. These changes will be of particular benefit to family businesses and to heritage properties, both of which are often held in trust.

I also propose to make two minor changes affecting business assets. First, holdings in companies quoted on the unlisted securities market will henceforth be treated for Inheritance Tax purposes in precisely the same way as holdings in companies with a full Stock Exchange listing. Second, business relief for minority holdings in excess of 25 per cent in unquoted companies will be increased from 30 per cent to 50 per cent. The purpose of both these changes is to concentrate business relief more accurately on those assets which could provide funds to pay the tax only at the risk of damaging the business.

The abolition of the tax on lifetime giving was of the first importance to family businesses. But I remain conscious that it did little to help the smallest taxable estates, where the family home is often the principal asset.

I therefore propose to make a substantial increase in the threshold for Inheritance Tax, from £71,000 to £90,000, coupled with a simplification of the rate structure from seven rates to four. As a result of this change, the number of estates liable to Inheritance Tax will be cut by roughly a third. The cost will be £75 million in 1987-88 and £170 million in 1988-89.

Despite this substantial relief, however, and all the other much-needed reliefs that my predecessor and I have introduced since 1979, the House may be interested to learn that the expected yield of Inheritance Tax in 1987-88, at over £1 billion, is three times the yield of Capital Transfer Tax in 1978-79, an increase in real terms of almost 50 per cent.

H. TAXES ON SPENDING

I now turn to the taxation of spending.

I have already announced some important changes in value added tax to prevent avoidance and to help the small businessman. I have no other proposals for major changes in VAT this year.

However, in the light of representations I have received, I have decided to extend slightly the VAT reliefs I introduced last year for certain aspects of charitable work.

I propose to relieve charities from VAT on certain welfare vehicles used by hospices to transport the terminally ill; on installing or adapting lavatory or bathroom facilities in charity homes for the disabled; on drugs and chemicals used by a charity in medical research; and on specialised location and identification equipment employed by mountain rescue and first aid services.

While on the subject of charitable giving, I should remind the House that this year's Finance Bill will increase the limit on donations to charity under the new payroll giving scheme, which starts next month, from £100 to £120 a year.

Next, the excise duties. I propose to maintain the revenue from the taxation of gambling, but to make some readjustment within the total. I therefore propose to increase the gaming machine licence duty by about a quarter, which will restore it in real terms to its 1982 level, when it was last increased; and to offset this by abolishing, from 29 March, the tax on on-course betting. I am sure that this measure will be welcomed by the racing and bloodstock industry, as well as consoling those hon Members who have complained to me about the clash this year between Budget Day and the Champion Hurdle.

In my Budget Statement last year, I undertook to introduce a tax differential in favour of unleaded petrol, to offset its higher production cost. I can now announce that the differential will be fivepence a gallon. This means that the pump price of unleaded petrol should be no higher than that of 4-star leaded petrol. The change will take effect from 6 o'clock this evening.

In my 1985 Budget I announced the first stage in the process of increasing the rates of Vehicle Excise Duty on farmers' heavy lorries to bring them into line with the use they make of the public roads. I introduced the second stage in last year's Budget and propose to complete the process this year. I also propose to increase the rates of duty on trade licences and to rationalise the taxation of recovery vehicles.

I have no further changes to propose this year in the rates of excise duty.

J. INCOME TAX

Finally, I turn to income tax.

There is now a worldwide consensus on the economic desirability of tax reform and tax reduction, and in particular the reduction of income tax. This was demonstrated most recently by the various national policy declarations that emerged from last month's meeting of Finance Ministers from the major industrial nations.

Lower rates of tax sharpen up incentives and stimulate enterprise, which in turn is the only route to better economic performance. And it is only by improving our economic performance that we will be able to afford to spend more on public services; only by improving our economic performance that we will be able to create jobs on the scale that we all want to see.

That is why, ever since we first took office in 1979, we have consistently sought to reduce the burden of income tax. We have cut the basic rate of tax from 33 per cent to 29 per cent and sharply reduced the punitive higher rates we inherited from the Party opposite. And we have increased the main tax allowances by 22 per cent more than inflation, taking almost 1½ million people out of income tax altogether.

For 1987-88 I propose to raise all the main thresholds and allowances by the statutory indexation factor of 3.7 per cent, rounded up. Thus the single person's allowance will rise by £90 to £2,425 and the married man's allowance by £140 to £3,795. The single age allowance will rise by £110 to £2,960 and the married age allowance by £170 to £4,675. The age allowance income limit becomes £9,800. I propose to raise the first, 40 per cent, higher rate threshold by £700 to £17,900, in line with statutory indexation; but the threshold for the 45 per cent rate will go up by only £200 to £20,400. The other higher rate thresholds will remain unchanged.

I have two other changes in allowances to announce. First, I propose to give an additional increase in the age allowance for those aged 80 or over. For them, the increase will be double the amount due under statutory indexation, so that, for the very elderly, the single age allowance will rise by £220 to £3,070 and the married age allowance by £340 to £4,845. Around 400,000 taxpayers will benefit from this new measure, and up to 25,000 of them will be taken out of income tax altogether.

Second, the blind person's allowance has remained unchanged since 1981, when it was increased by £180 to its present level of £360. For 1987-88 I propose to increase it by a further £180, to £540.

Finally, I turn to the basic rate of income tax. This is the starting rate of income tax for everyone and the marginal rate for the overwhelming majority of taxpayers.

In my Budget speech last year I reaffirmed the aim set out by my predecessor in 1979, to reduce the basic rate of income tax to no more than 25 per cent. That remains my firm objective.

However, given my decision to use the greater part of the fiscal scope I now have to reduce the Public Sector Borrowing Requirement, that goal cannot be achieved in this Budget.

I can, however, take a further step towards it, as I did last year. I am therefore reducing the basic rate of income tax by twopence, to 27 per cent. This reduction, which will benefit every taxpayer in the land, will be worth more than £3 a week to a man on average earnings.

There will, of course, be a consequential reduction in the rate of Advance Corporation Tax, and - as last year - I also propose a corresponding cut in the small companies' rate of Corporation Tax from 29 per cent to 27 per cent. Taken together with the income tax change, this will mean a significant reduction in the tax burden on small businesses, which are so important for future growth and jobs.

The income tax changes I have just announced will take effect under PAYE on the first pay day after 17 May. They will cost a little more than £2 billion in 1987-88 over and above the cost of statutory indexation.

The total cost of all the measures in this year's Budget, again on an indexed basis, is a little over £2½ billion.

K. CONCLUSION

Mr Deputy Speaker, in this Budget I have reaffirmed the prudent policies which, despite a year-long coal strike followed by a collapse in the oil price, have given us the strongest economy we have known since the War.

After an Autumn Statement which increased public spending in priority areas, I have once again cut the basic rate of income tax; a cut which the Party opposite are pledged to reverse, if they are given the chance - which they will not be. And I have done this while sharply reducing public borrowing; a combination that has eluded successive Governments for decades.

This is a Budget built on success, and a Budget for success. I commend it to the House.

RA7.82

As Delivered

BUDGET BROADCAST 1987

~~Final Version~~
~~16 March 1987~~

One of the things that always surprises visitors to Britain is our strange attitude to success. It's almost as if we thought it was bad manners to admit we've done well at anything.

Certainly it's true about the British economy. We find it hard to accept that, whereas less than ten years ago we were one of the weakest of the industrial nations, today we are one of the strongest. Anyone would think our recovery were something to be ashamed of, some kind of dark secret. But, like so many secrets these days, it's finally found its way into the newspapers.

CAPTION 1 Montage of newspaper headlines	Just about every recent survey, whether by British industry or by independent experts, finds that our economy is sound and strong, and that our prospects are better than they've been for a generation.

Perhaps the clearest way to see Britain's transformation over these past eight years, after decades of relative failure, is to look at the rate of economic growth in the leading European countries.

CAPTION 2
Growth league tables: 1960-70

Add in 1970-1980

Add in 1980-1986

As you can see, during the 'sixties we were bottom of the league. Again, during the 'seventies, we were still bottom. But in the eighties we've been right at the top of the league - the fastest growing economy of all

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our main European rivals. And if you look at our national output over the years, you can see why.

CAPTION 3
Total national ouput 1970-1980

Reveal 1981-1987

After all the stops and starts of the 'seventies, when we seemed always to be lurching from one crisis to the next, we've at last had six successive years of steady growth, taking us far beyond anything we've achieved before.

And this has meant higher living standards for pretty well everyone. Over the past eight years the take-home pay of a man on average earnings has gone up by almost

20 per cent more than the cost of living. Compare that with what happened when we last had a Labour Government. In those five years, the real take home pay of a man on average earnings didn't go up at all: in fact he was worse off at the end of the Labour Government than he was at the beginning.

But the key to getting the British economy right has been the battle against inflation.

CAPTION 4
Inflation
1970-1978

1979-1987

There was that terrible peak under the Labour Government in 1975, and it was rising again when we took over in 1979. Since then we've brought it down to around four per cent. And that combination of falling inflation with rising output is a

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blessing that Britain hasn't enjoyed for at least twenty years. But there's one yardstick that's even more significant, at least as a pointer to the future. The curse of Britain's manufacturing industry throughout the 'sixties and the 'seventies was low productivity.

Our competitors were able to produce more goods than we could with the same number of people.

CAPTION 5
Manufacturing productivity league tables '1960-70'

Add in '1970-1980'

Add in 'since 1980'

During the 'sixties we were bottom of the world productivity league. During the 'seventies we were still bottom. But now, in the 'eighties, we're right at the top of the league. And if our productivity is growing faster than our rivals, that's great news for the years to come.

Of course the toughest problem, for Britain and for most other industrial countries, is unemployment. That's because so many more people have been entering the job market. It isn't because new jobs aren't being created. They are: indeed jobs are another of Britain's growth areas.

CAPTION 6
Change in Employment
- France
- Italy
- Germany
- UK

Since 1983, France has lost almost a quarter of a million jobs. Italy has gained almost a quarter of a million jobs. And West Germany has created half a million jobs. But here in Britain we now have a million more jobs than we had in 1983. A net gain of a million jobs: more than in all the others put together. And unemployment is now on the way down.

So that's the background to today's Budget. It's not just the result of one good year. It's the reward of eight years of steady policies by the Government, coupled with the tremendous energy and enterprise of the British people when they're allowed and encouraged to give of their best. But there's still a lot to do, and today's measures will help us further along the road.

BUDGET MEASURES SECTION

In my Budget today I've once again been able to cut income tax; this time by twopence in the £, which will increase the take-home pay of a man on average earnings by more than £3 a week. And I've done so without putting any extra tax on petrol, beer or tobacco. In the years ahead I want to get income tax lower still. That's the only way to provide real incentives and to stimulate enterprise. And that in turn is the only practical route to an economy that can afford the better public services we all want to see, and above all to more jobs.

A lot of the new jobs will be in small businesses. That's why I've also made a number of changes to help small businessmen - and businesswomen - especially with VAT. I've also announced a brand new tax relief for those whose pay is directly linked to the profit their company makes. This could easily be worth the same as an extra penny off income tax to the employees concerned. It will give people a greater personal interest in the success of the firms where they work, and should also mean that companies will lay fewer people off when profits fall, and take more people on when profits rise. And I've also introduced a tax relief for personal pensions, which are a way of giving everyone the opportunity to make their own pension arrangements, independent of their employers. And these tax changes come on top of the substantial extra spending on health, education and other priority services which I announced last November.

END OF BUDGET MEASURES SECTION

CONCLUSION

All these measures are things we've wanted to do for a long time, but they're only possible now because of the solid base and growing strength of Britain's economy. And we have to advance sensibly, because there's always the unforeseen. If we hadn't had this firm base, then the coal strike in 1984 and 1985 or the collapse of our oil revenues in 1986 could have knocked us right off course. In fact we were strong enough to ride out both those storms, and we're now enjoying the sort of success we haven't known since the War. But we can't relax or let up. It's taken eight long years to get ourselves into this enviable position: it would be all too easy to chuck it away. A return to the high spending, high borrowing binges of the 'sixties and 'seventies, and eight years of hard fought gains would all be thrown away. But if we stick to the steady, sound policies of the past eight years, then we can all look forward to a new era of security, of prosperity, and of pride in the achievement of our country.

END

46:1

Covering BLO
BUDGET SECRET
until after Budget Speech on 17.3.87
then UNCLASSIFIED

PMP

FROM: MISS M O'MARA
DATE: 17 MARCH 1987

CHANCELLOR OF THE EXCHEQUER

cc Chief Secretary
Financial Secretary
Economic Secretary
Minister of State
Mr Scholar
Mr Culpin
Mr Hacche
Mr Hudson
A/55

1987 BUDGET: KEY FACTS AND FIGURES

I attach an aide memoire, pulling out some of the key points and statistics from the Budget Brief. It does not purport to provide a comprehensive or balanced summary but simply attempts to extract some of the more interesting information which might otherwise lie buried.

MOM

MISS M O'MARA

ECONOMY

Industry Act forecast

	per cent changes 1986 to 1987
GDP	3 (3½)
of which manufacturing	4
consumption	4
investment	4
exports of goods and services	4 (5)
imports of goods and services	6 (7)
Non-oil shown in brackets	
Inflation	
1986Q4 to 1987Q4	4
1987Q2 to 1988Q2	4
Balance of payments £billion	
1987	- 2½
1988H1 (at annual rate)	- 2
PSBR £billion	
1986-87	4
1987-88	4

(i) By end 1987, UK will have registered longest period of steady growth, at rate approaching 3 per cent a year, that economy has known since War.

(ii) Growth balanced: Investment and exports forecast to grow as fast as consumption.

(iii) With non-oil economy set to grow at 3½ per cent, every prospect of unemployment continuing to fall throughout year.

Assumptions

(a) Exchange rate remains close to its current level.

(b) North Sea oil prices average $15/bl in 1987-88.

Economic record

(i) Entering fifth year of steady growth and low inflation combined.

(ii) Since 1980 UK has grown faster on average than other major EC countries. Over previous two decades UK bottom of growth league.

(iii) Over upswing investment risen faster than consumption (and twice as fast as EC average). Reverse of recovery 1975-79 under Labour Government.

(iv) Number of strikes now around lowest level for almost 50 years; number of working days lost lowest for almost 20 years.

(v) Government inherited inflation rate of over 10 per cent and rising. Average for 1986, 3.4 per cent, lowest for almost 20 years. Averaged over 15 per cent under Labour Government (a little over 8 per cent since 1979).

(vi) Net UK assets overseas thought to have risen to £110 billion at end 1986 (28 per cent of GDP) compared with 7 per cent at end 1978. Second only to Japan and highest since War.

(vii) After Budget tax cuts, for family man on average earnings, real take home pay up over 21 per cent under this Government (1978-79 to 1987-88). Fell slightly (1 per cent) under Labour Government.

(viii) In this Parliament:

- GDP growth averaged around 3 per cent a year
- total investment growth averaged 4½ per cent a year
- total employment up by a million, more than rest of EC combined; employment grown for 14 successive quarters; longest period of continuous employment growth for almost 30 years
- inflation averaged under 5 per cent; highest twelve month inflation rate lower than lowest Labour Government achieved.

Manufacturing

(i) Since 1979 manufacturing productivity up by 3¾ per cent a year - fastest growth of all major industrialised countries and three times that under Labour Government. (UK bottom of international league in 1960s and 1970s.)

(ii) Manufacturing profitability highest since 1973. Up from 4½ per cent in 1979 to over 7 per cent in 1985 (latest figures). Contrasts with no overall change between 1974 and 1979.

(iii) UK volume share of developed countries' exports of manufactures stabilised since 1981, halting decades of relative decline. UK forecast to maintain share in 1987.

(iv) Manufacturing output up over 10 per cent since last election. Forecast to rise further 4 per cent in 1987.

(v) In this Parliament:

- manufacturing productivity growth over 4 per cent a year
- manufacturing output up over 10 per cent, and further rise of 4 per cent forecast for 1987
- manufacturing export volumes up about 30 per cent.

PUBLIC FINANCES

PSBR

1986-87

- £4.1 billion (1 per cent of GDP). Lowest since 1969-70. £3 billion lower than 1986 Budget forecast.
- Excluding privatisation proceeds, £8.5 billion (2¼ per cent of GDP). Same as in 1985-86 and lower than any other year since 1971-72.

1987-88

- £3.9 billion (1 per cent of GDP). £3 billion lower than projection in 1986 MTFS.
- Lower as proportion of GDP on only two other occasions since 1950.
- Excluding privatisation proceeds, £8.9 billion (2¼ per cent of GDP).
- If in 1987-88, PSBR set at 1975-76 ratio to GDP (9¼ per cent) would imply figure of around £38 billion.

How the figures add up

(a) In 1987-88

	£ billion
Fiscal adjustment in 1986 MTFS	2
Increase in general government expenditure	-3½*
Increase in general government receipts before Budget package	+7*
Fiscal adjustment available pre-Budget	**+5½**
Budget package	-2½
Budget reduction in PSBR	3

*Underlying increases, adjusted for classification changes. (Public expenditure planning total up by £4½ billion, as announced in Autumn Statement.)

(b) In 1988-89 and 1989-90 similar picture, with both expenditure and receipts higher than forecast in 1986 FSBR. PSBR £2½ billion and £2 billion lower than in 1986 FSBR in 1988-89 and 1989-90 respectively.

(c) Government's past prudent policies now permit

- £2½ billion cut in taxes
- £4½ billion increase in public spending

and

- £3 billion reduction in PSBR

despite

- oil revenues £7½ billion less than in 1985-86.

Receipts

(a) Non-oil receipts

	per cent changes (on year earlier)		
	1986-87		1987-88
	1986 FSBR*	Latest estimate	Forecast
Income tax	+ 8½	+ 7	+ 4
Non-North Sea corporation tax	+12	+32	+21
VAT receipts	+ 7½	+11	+ 8½
Stamp duty	+13½	+47	+14
Other non-oil taxes	+11	+ 7½	+ 7½
NICs	+ 7½	+ 7½	+ 7½
Total non-oil taxes and NIC recenues	+9½	+10½	+8
Total general government non-oil receipts	+ 8½	+10	+ 7

*adjusted for classification changes

1986-87: Non-oil taxes and NIC revenues £3 billion (over 2 per cent) higher than forecast in 1986 FSBR. Unexpected buoyancy from

- corporation tax up £1.8 billion (19 per cent)
- VAT up £0.8 billion (4 per cent)
- stamp duty up £0.4 billion (29 per cent)

But income tax no higher than forecast.

1987-88:

- Total general government non-oil receipts forecast to rise by 7 per cent, a little below growth of non-oil money GDP.
- Non-oil taxes and NIC revenues forecast to rise by 8 per cent.
- Without Budget tax cuts, increase in non-oil taxes and NIC revenues of nearly 10 per cent.

(b) North Sea tax revenues

						£ billion
	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91
1987 FSBR	11½	5	4	4	4	4
1986 FSBR	11½	6	4	4	4	not app

Ready reckoners

	Effect on North Sea tax take £ million	
	1987-88 receipts	full year
$1 barrel increase in oil price in 1987 (assuming unchanged exchange rate)	+350	+400
1 million tonnes per annum increase in oil production in 1987	+45	+50

Public expenditure

	1986-87 (estimated outturn)	1987-88 (plan)	1988-89 (plan)	1989-90 (plan)	1990-91
Planning total					
cash					
- 1987 PEWP	140.4	148.6	154.2	161.5	not app
- 1987 FSBR	140.0	148.6	154.2	161.5	168
real terms (1985-86 prices)					
- 1987 PEWP	136.5	139.3	139.7	142.1	not app
- 1987 FSBR	135.8	137.9	137.6	139.2	140.6
GGE					
- 1987 PEWP	164.4	173.7	179.6	187.8	not app
- 1987 FSBR	164.9	173.5	180	188	196
% GDP					
- 1987 PEWP	43¼	42¾	41¾	41¼	not app
- 1987 FSBR	43	42¼	41¼	40¾	40

General government expenditure (GGE) fallen steadily as percentage of GDP since 1982-83, including or excluding privatisation proceeds. By 1989-90 GGE projected to be lowest proportion of GDP since early 1970s.

Fiscal adjustment

Implied fiscal adjustment
(to nearest £ billion)

£billion, cash

	1987-88	1988-89	1989-90	1990-91
annual fiscal adjustment	not app	3	2	2
cumulative total	not app	3	5	7

MTFS

(a) PSBR

	1986-87 estimate	1987-88 set in Budget	1988-89*	1989-90*	1990-91*
PSBR	4	4	4	5	5
% of GDP	1	1	1	1	1

*MTFS projection

Maintaining degree of PSBR prudence that, until 1986-87, had been achieved on only two occasions since 1950.

(b) Growth of money GDP

Percentage change on previous financial year

	1986-87*	1987-88*	1988-89+	1989-90+	1990-91+
	6	7½	6½	6	5½

* forecast
+ MTFS projection

(c) Output and inflation assumptions

	1986-87	1987-88	1988-89	1989-90	1990-91
Real GDP	3	3	2½	2½	2½
GDP deflator	3	4½	4	3½	3

TAX BURDEN

(i) Post-Budget, 1987-88 compared with 1986-87

- Overall tax burden (total tax and NICs) slightly lower as percentage of GDP.
- Non-North Sea tax burden marginally higher as percentage of GDP.
- No change in balance of direct and indirect taxes.

(ii) Post-Budget, 1987-88 compared with 1978-79

- Overall tax burden risen by over 4 percentage points as percentage of GDP and by over £34½ billion in real terms.
- Direct taxes fallen 1.4 percentage points as percentage of total; indirect taxes risen by 1.4 percentage points
- Income tax fallen over 5 percentage points as percentage of total.

(iii) Post-Budget, 1987-88 compared with 1982-83

- Overall tax burden fallen by over 1 percentage point as percentage of GDP (risen by over £16½ bilion in real terms).
- Direct taxes fallen by 1.7 percentage points as percentage of total; indirect taxes risen by 1.7 percentage points
- Income tax fallen by 1.8 percentage points as percentage of total.
- North Sea taxes fallen by 4.6 percentage points as percentage of total.

(iv) Following Budget, burden of tax on individuals in 1987-88 compared with indexed 1978-79 regime

	£billion
Income tax	-12
Employees' NICs	+ 4¼
Indirect taxes on persons (excl LA rates)	+11
Total	+ 3¼

INCOME TAX

Allowances in 1987-88

	£	
Married man's	3,795	(+140)
Single (and wife's earned income)	2,425	(+ 90)
Age: married	4,675	(+170)
Age: single	2,960	(+110)

New weekly tax thresholds: £72.98 married; £46.63 single.

(i) Real value of married man's allowance still highest since Second World War.

(ii) Age allowance at highest ever level in real terms since introduced in 1975-76. About two-thirds of elderly households will pay no tax.

(iii) New, higher level of age allowance for those 80 and over. Increased by twice amounts required under statutory indexation to £3,070 (single) and £4,845 (married). Will benefit about 400,000 single people and married couples.

(iv) Blind person's allowance up by £180 to £540 on top of increase in main allowance. Where both partners in married couple blind, allowance goes up to an additional £1,080.

Thresholds

(i) For first (40 per cent) higher rate, increased by £700 in line with statutory indexation;

(ii) For second (45 per cent) higher rate, increased by £200

(iii) For 50, 55 and 60 per cent higher rates, remain at 1986-87 levels.

Basic rate

(i) Cut 2p to 27p in £.

(i) Improves incentives for 21 million (95 per cent) of taxpayers of working age and for 90 per cent of unincorporated businesses/self employed for whom basic rate is marginal rate.

(iii) If money spent on basic rate reduction had been used to raise main personal allowances further, would have financed additional increase of 12 per cent.

(iv) UK around OECD average in point on income scale at which taxpayer becomes liable to tax (above West Germany). But well out of line in rate at which starts to pay tax.

Typical weekly tax reductions for basic rate taxpayers

	£ per week	
Income £ per week	Single	Married
100	1.57	1.32
150	2.57	2.32
200	3.57	3.32
250	4.57	4.32

Married man on average earnings (£227.30 a week for males)

- gains £3.87 in cash
- gains £3.08 a week compared with indexation alone.

	£ per week in 1987-88		
	Earnings	Cash gain	Gain relative to indexation
Primary school teacher (married male)	280	4.92	4.14
Nurse (single)	155	2.67	2.17

In pay packets on first pay day after 17 May.

Compared with 1986-87, average rates of tax down for everyone except

- most 60 per cent taxpayers;
- single earning £47-£64 a week;
- married earning £73-£100 a week.

Reduced rate band

(i) Very costly. For 2p off basic rate, band of only £1,300 at 20 per cent.

(ii) Would reduce marginal rates only for single earning less than £72 a week and married earning less than £98 a week for only 2.2 million taxpayers (10 per cent). Basic rate cut improves incentives for 94 per cent of all taxpayers.

(iii) Additional administrative costs for employers and Inland Revenue.

Highest paid

- With progressive income tax system, inevitable that higher paid get larger cash reductions but
- less than full indexation of higher rate thresholds means eg married man on £100 a week gains proportionately more in income tax reductions than one earning ten times as much.
- 60 per cent taxpayer gains only £2.17 per week more than under statutory indexation with no basic rate cut. Less than for married man (paying tax) earning £185.

Comparison with Labour Government

(i) Main allowances up 22 per cent in real terms under this Government. Under Labour Government fell 5 per cent for married man and 20 per cent for single person.

(ii) Age allowance around 13 per cent higher in real terms than in 1978-79 (around 17 per cent higher for over 80s).

(iii) Basic rate down from 33p in £ to 27p in £. Under Labour Government, reached 35p in £ (1976-77).

(iv) Top rate reduced from 83 per cent (98 per cent with IIS) to 60 per cent.

(v) Income tax burden down for all in 1987-88 compared with indexed 1978-79 regime. Percentage reduction for those with incomes under £5,000 (27 per cent) substantially larger than average (21 per cent).

(vi) Family on average earnings would be paying £10.50 a week more in income tax un[illegible] 1978-79 indexed regime.

(vii) About 1.4 million fewer taxpayers in 1987-88 compared with indexed 1978-79 tax regime.

PROFIT RELATED PAY

(i) One half of PRP to be free of income tax up to point where PRP is equal to £3,000 a year or 20 per cent of pay, whichever is lower. Double relief proposed in Government's Green Paper.

(ii) For a married man on average earnings:

- if 5 per cent of pay profit related, tax relief worth about £1.50 a week, equivalent to 1p off basic rate

- if 20 per cent of pay profit related, tax relief worth £6 a week, equivalent to 4p off basic rate.

INDIRECT TAXES

No change in main excise duties

BUT Overall Government has increased duties (including VAT on duty) faster than prices since both 1979 and 1983.

up 38 per cent real since 1979
up 3 per cent real since 1983
down 9 per cent real 1974-79

Duty (including VAT) on cigarettes
up 26 per cent real in first Parliament
up nearly 20 per cent real in second
down 5 per cent 1974-79

Duty (including VAT) on beer
up 38 per cent real in first Parliament
up $1\frac{1}{2}$ per cent real in second
up 11 per cent real 1974-79

Duty (including VAT) on wines and spirits fallen in real terms but almost all in second Parliament.

On wine, reflects Government's response to EC infraction proceedings.
On spirits, reflects Chancellor's deliberate decision to hold down duty, following abolition of stock relief which hit whisky industry particularly hard.
Wine up 80 per cent real 1974-79
Spirits down 20 per cent real 1974-79.

Second year of VED standstill for most vehicles.

SMALL BUSINESSES

(i) Small companies' corporation tax rate reduced to 27 per cent; down over one-third si[illegible]n 1979 (42 per cent). Rate applying to over 80 per cent of all companies.

(ii) Unincorporated businesses benefit from basic rate reduction - marginal rate for 90 per cent.

(iii) VAT package

- Turnover limits for cash accounting and annual accounting increased from £100,000 in consultation document to £250,000, now covering more than half of all registered traders.
- Easier cash flow position and automatic bad debt relief for those opting for cash accounting.
- VAT threshold increased to £21,300 in line with inflation.

(iv) Rate of IHT business relief increased from 30 per cent to 50 per cent for substantial minority holdings in unquoted companies.

PENSIONS

Gives new opportunities for 10 million unpensioned employees.

INHERITANCE TAX

- Threshold up from £71,000 to £90,000 (only £74,000 if simply indexed). Should reduce number of estates paying IHT by about a third.
- Bands cut from 7 to 4.
- Lifetime exemption for gifts between individuals extended to gifts involving trust property with interest in possession.
- Tax arrangements for protection of heritage property improved.

CAPITAL GAINS

- Taxing company gains at CT rates reduces burdens on small companies (rate down from 30 per cent to 27 per cent).
- Increase in threshold for individuals and trusts keeps 10,000 taxpayers out of CGT.
- Increase in retirement relief ceiling from £100,000 to £125,000 means risen 2½ times in cash since 1984 Budget.
- CGT yield risen more than 80 per cent in real terms since 1978-79.

31/3

FROM: MISS M O'MARA
DATE: 17 March 1987

PS/CHANCELLOR

cc PS/Chief Secretary
PS/Financial Secretary
PS/Economic Secretary
PS/Minister of State
Mr Scholar
Mr Culpin
Mr Hudson
Mr Hacche
A/55

1987 BUDGET: KEY FACTS AND FIGURES

I am sorry that in all the rush to produce an aide-memoire today, the real take home pay comparison went slightly adrift. I attach the revised page.

MOM

MISS M O'MARA

(v) Government inherited inflation rate of over 10 per cent and rising. Average for 1986, 3.4 per cent, lowest for almost 20 years. Averaged over 15 per cent under Labour Government (a little over 8 per cent since 1979).

(vi) Net UK assets overseas thought to have risen to £110 billion at end 1986 (28 per cent of GDP) compared with 7 per cent at end 1978. Second only to Japan and highest since War.

(vii) After Budget tax cuts, for family man on average earnings, real take home pay up over 21 per cent under this Government (1978-79 to 1987-88). Scarcely changed (up ½ per cent) under Labour Government.

(viii) In this Parliament:

- GDP growth averaged around 3 per cent a year
- total investment growth averaged 4½ per cent a year
- total employment up by a million, more than rest of EC combined; employment grown for 14 successive quarters; longest period of continuous employment growth for almost 30 years
- inflation averaged under 5 per cent; highest twelve month inflation rate lower than lowest Labour Government achieved.

Manufacturing

(i) Since 1979 manufacturing productivity up by 3¾ per cent a year - fastest growth of all major industrialised countries and three times that under Labour Government. (UK bottom of international league in 1960s and 1970s.)

(ii) Manufacturing profitability highest since 1973. Up from 4½ per cent in 1979 to over 7 per cent in 1985 (latest figures). Contrasts with no overall change between 1974 and 1979.

(iii) UK volume share of developed countries' exports of manufactures stabilised since 1981, halting decades of relative decline. UK forecast to maintain share in 1987.

(iv) Manufacturing output up over 10 per cent since last election. Forecast to rise further 4 per cent in 1987.

(v) In this Parliament:

- manufacturing productivity growth over 4 per cent a year
- manufacturing output up over 10 per cent, and further rise of 4 per cent forecast for 1987
- manufacturing export volumes up about 30 per cent.

PUBLIC FINANCES

PSBR

1986-87

- £4.1 billion (1 per cent of GDP). Lowest since 1969-70. £3 billion lower than 1986 Budget forecast.
- Excluding privatisation proceeds, £8.5 billion (2¼ per cent of GDP). Same as in 1985-86 and lower than any other year since 1971-72.

as the economy gradually adjusts to the £5 billion loss of earnings on oil trade.

Budget Strategy

5. The Government's Medium Term Financial Strategy continues to be the framework within which the Budget is set. It is designed steadily to reduce the growth of total spending power in the economy over a period of years, at a pace which will gradually squeeze inflation out of the system, while leaving room for further sustained economic growth. The Chancellor is setting a target range for the growth of narrow money in 1987-88, but there will be no target this year for broad money, whose growth remains difficult to interpret. In operating policy the Government will continue to have regard to a range of evidence about monetary conditions, of which the most important is the exchange rate.

6. To support monetary policy the Chancellor intends to keep public borrowing at a low level. The Public Sector Borrowing Requirement (PSBR) in 1986-87 is expected to come out at a shade over £4 billion or 1 per cent of GDP; appreciably less than the £7.1 billion set at the time of last year's Budget, despite lower oil revenues. The Chancellor has decided to base his Budget arithmetic on the cautious assumption of an oil price of $15 a barrel (the same figure as last year), which compares with a current oil price of between $17 and $18 a barrel. He has decided to set the 1987-88 PSBR marginally below this year's expected outturn, at a shade under £4 billion, roughly 1 per cent of GDP: again, appreciably less than envisaged at the time of the Budget and Autumn Statement last year.

7. This further reduction in public sector borrowing has, inevitably, considerably reduced the putative scope for tax cuts. But with public expenditure under firm control (it has been falling

as a share of GDP ever since 1982) and non-oil revenues remarkably buoyant (the yield of Corporation Tax from an increasingly profitable business and industry is one third higher this year than last), the Chancellor still has room for a reduction in the real tax burden of a little over £2½ billion.

Exchange Control

8. The Chancellor has decided to repeal the Exchange Control Act 1947. Although exchange controls were abolished in 1979 the Exchange Control Act has remained on the statute book.

Taxes on business

9. The main Corporation Tax rate remains at 35 per cent and the small companies' rate is reduced from 29 per cent to 27 per cent.

10. The Chancellor is introducing a number of measures to streamline and simplify the taxation of the corporate sector. These changes have been made possible by, and build upon, the successful 1984 reform of Corporation Tax.

(a) At present companies pay Corporation Tax at different times depending on whether they were established before or after 1965. This difference in treatment cannot be justified and is open to abuse. In future all companies and building societies will be treated in the same way so that all will be liable to pay tax nine months after the end of the accounting period on which the tax is due.

(b) In future companies' capital gains will be taxed at the same rate as company income - either 35 per cent or, for small companies, 27 per cent - not, as now, at 30 per cent. Companies will be allowed to offset payment of Advance Corporation Tax against their tax liability on gains.

(c) The arrangements for the collection of Corporation Tax are being streamlined.

11. The Chancellor is introducing new legislation, subject to obtaining a derogation from the European Community's Sixth VAT directive, to ease the burden of VAT on small firms. In future no firm with a turnover of less than £$\frac{1}{4}$ million will need to pay VAT to the Customs and Excise until they themselves have been paid by their customer. This will help small firms' in cash flow difficulties as a result of late payment by trade creditors as well as giving them automatic bad debt relief. There are also measures in the Budget to reduce the number of VAT returns small firms have to make, and there will be a further increase in the VAT threshold to keep it to the maximum currently possible under European Community law.

12. The Budget contains two new tax reliefs for North Sea oil companies and their suppliers, which were hard hit by last year's oil price collapse. These are designed to encourage research and development in particular.

13. The Chancellor is introducing a number of measures to prevent abuse and block up loopholes. These will make the tax rules more effective for banks, for non-trading companies resident both in the UK and abroad, for Lloyd's syndicates, and for companies which are in part liable to VAT and in part exempt from it.

14. After consultations following the 1986 Budget the Chancellor has decided to introduce a new tax relief to encourage the spread of profit-related pay. There are two main advantages in this kind of pay arrangement: it gives employees a direct stake in the success of the businesses for which they work; and it enables pay to respond more flexibly to changing market conditions. The more flexible is pay, the more secure are jobs.

15. This new tax relief will be on the lines envisaged last year, but is rather more generous: half, rather than a quarter, of profit-related pay in the private sector will be relieved from income tax, subject to limits.

Savings

16. The Budget contains a major package of proposals on pensions, which will complement the reforms in the 1985 and 1986 Social Security Acts. The aim is to widen pension ownership, and to encourage people to provide for themselves in old age.

17. Personal pensions allow employees to make their own pension arrangements and to opt out of their employers' schemes and out of the State Earnings-Related Pension Scheme. The Budget gives these pensions the same favourable tax treatment as is currently enjoyed by retirement annuities. It also allows tax reliefs on much simpler occupational pension schemes than before, which will be easier for small employers to set up; it allows those who are in occupational pension schemes to top up their pensions from other sources and to enjoy full tax relief on the additional contributions they make; and it includes measures to deal with abuse, including a £150,000 upper limit on the maximum permissible tax-free lump sum.

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19. Last year's Budget abolished the tax on lifetime gifts between individuals. This year the Chancellor is extending the same exemption from tax to gifts involving settled property where there is an interest in possession.

Taxes on spending

20. For the first time for many a long year, the Budget makes no changes in the main indirect taxes. There is no change in the rate of VAT, in the main Vehicle Excise Duty rates, or in the specific duties on drink and tobacco. The only change in the oil duties is a reduction for unleaded petrol, which will reduce the pump price by 5p to bring it in line with the price of leaded petrol, thus honouring the Chancellor's promise last year.

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Income tax

22. The Chancellor is making further reductions in income tax. This year the basic personal allowances are increased in line with prices (by 3.7 per cent). The personal tax allowance for those over eighty will be increased by twice that amount. The tax allowance for the blind will also be substantially increased, from £360 to £540.

23. The basic rate of income tax is reduced by 2p, to 27 pence in the pound. This follows last year's 1p reduction, and will bring down the starting rate of income tax for all 25 million income taxpayers, reducing the marginal rate for over 95 per cent of them. It will

benefit unincorporated businesses and the self employed as well as wage and salary earners. It is worth over £3 a week to a man on average earnings. The Chancellor believes that this steady progress towards his declared objective of a basic rate of not more than 25 per cent is of the first importance to incentives and enterprise and thus to economic performance and job opportunites.

Summary

24. The Budget continues the Government's strategy to defeat inflation and maintain a vigorous economy which will generate sustained growth and increased employment. Taxes are again being reduced, as they have been in each year since 1981. Specific measures are being taken to increase work incentives; to introduce a favourable tax regime for personal pensions; to lighten the tax burden on small businesses; and to encourage enterprise, efficiency and flexibility throughout the economy.

HM Treasury
16 March 1987

28

1987 BUDGET: SUMMARY OF MAIN POINTS

1. The setting for this year's Budget is more favourable than it has been for many years. The economy is growing steadily, inflation is low, unemployment is falling, and the public finances are strong. The Budget, like its predecessors, is designed to provide a solid framework for the year ahead; to reduce taxes; and to improve incentives and encourage enterprise.

Economic background

2. 1986 was dominated by the sudden collapse of the oil price. The UK economy was affected directly, as a major oil producer and exporter, and also by the pause in world growth as the world economy adjusted to the sudden change. Nevertheless output grew by a further 2½ per cent, which compares well with the experience of other industrialised countries. Throughout the 1980s in fact, our rate of growth has been the highest of all the major European nations: a far cry from the 1960s and 1970s when we had the lowest rate of growth in Europe. And it has coincided with falling inflation, which at 3½ per cent in 1986 recorded the lowest figure for almost 20 years.

3. Unemployment has fallen since August by more than 100,000, the largest six-monthly fall since 1973. Although the numbers of people out of work are still far too high, both youth unemployment and long-term unemployment are now lower than they were a year ago.

4. The Chancellor expects 1987 to be another year of balanced growth with low inflation. Total output is forecast to rise by 3 per cent, with exports and investment up by rather more than that. Unemployment should continue to fall throughout 1987. Inflation may edge up for a time, perhaps to a little over 4½ per cent in the summer, before falling back to 4 per cent by the end of the year. The current account of the balance of payments is likely to remain in deficit this year, by some £2½ billion or around ½ per cent of GDP,

as the economy gradually adjusts to the £5 billion loss of earnings on oil trade.

Budget Strategy

5. The Government's Medium Term Financial Strategy continues to be the framework within which the Budget is set. It is designed steadily to reduce the growth of total spending power in the economy over a period of years, at a pace which will gradually squeeze inflation out of the system, while leaving room for further sustained economic growth. The Chancellor is setting a target range for the growth of narrow money in 1987-88, but there will be no target this year for broad money, whose growth remains difficult to interpret. In operating policy the Government will continue to have regard to a range of evidence about monetary conditions, of which the most important is the exchange rate.

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HM Treasury
16 March 1987

jc9

Current Interest Rates (in per cent)

	Three Month money market rate(1)	Latest year on year inflation(2)	Real Rate(3)	
UK	**9.8**	**3.9**	**5.7**	5 3/4
Germany	3.9	-0.5 (Feb)	4.4	4 1/2
France	7.9	3.0	4.8	5
Italy	10.6	4.2 (Feb)	6.1	6
Netherlands	5.3	-1.3	6.7	6 3/4
Belgium	7.3	0.9	6.3	6 1/4
Denmark	10.2	4.8	5.2	
Ireland	13.1	3.2 (Oct)	9.6	
Luxembourg	not av	-1.1	not av	
Greece	18.9 (Dec)	15.5	2.9	
Spain	16.2	6.0	9.6	
Portugal	13.4 (Jan)	10.6 (Nov)	2.5	
US	6.3	1.4	4.8	5
Japan	4.1	-1.5	5.7	5 3/4
Canada	7.0	3.9	3.0	

(1) 30/3/87

(2) January, unless otherwise stated

(3) Three month money market rate deflated by latest inflation rate

Source: Reuters, OECD.

Ch

I queried why this table didn't "add up" (eg 9·8 − 3·9 = 5·9 not 5·7)

Answer is that correct procedure is to divide not subtract, so the figures are right!

AA

REAL INTEREST RATES

	18 March 1986			16 March 1987			
	3 Month Interbank	Consumer Price Inflation	Real Interest Rates	3 Month Interbank	Consumer Price Inflation	Real Interest Rates	
US	7.1	3.9	3.2	6.3	1.4	4.9	5
Japan	5.4	1.4	4.0	4.1	-1.5	5.6	5½
Germany	4.4	1.3	3.1	4.0	-0.5	4.5	4½
France	8.3	4.2	4.1	7.9	3.0	4.9	5
UK	11.7	5.5	6.2	9.8	3.9	5.9	6
Italy	16.4	8.5	7.9	11.4	4.2	7.2	7¼
Canada	10.4	4.4	6.0	7.1	3.9	3.2	3¼

(This was done by me, using subtraction not division)

PLWP

FROM: A P HUDSON
DATE: 19 March 1987

PS/MINISTER OF STATE

cc PS/Chief Secretary
PS/Financial Secretary
PS/Economic Secretary
Sir P Middleton
Sir T Burns
Sir G Littler
Mr F E R Butler
Mr Cassell
Mr Scholar
Miss Sinclair
Mr Haigh
Miss C Evans
Mr Walters
Mr Cropper
Mr Tyrie
Mr Ross Goobey

1955 BUDGET COMPARISON

The Chancellor has seen Mr Walters' 18 March minute.

2. He has commented that the main point, of course, is that the only event in which taxes would rise after the General Election is the unlikely event of a Labour Government.

3. He would certainly not use the line in paragraph 6(b), that Mr Butler did not reverse his April income tax measures.

APH

A P HUDSON

2-8

FROM: D N WALTERS
DATE: 18 MARCH 1987

I agree with the line to take in para 6 - MCS 18/3

1. MR SCHOLAR

2. MINISTER OF STATE

cc Chancellor of the Exchequer
Chief Secretary
Financial Secretary
Economic Secretary
Sir Peter Middleton
Sir Terence Burns
Sir Geoffrey Littler
Mr Butler
Mr Cassell
Miss Sinclair
Mr Haigh
Miss Evans
Mr Cropper
Mr Ross Goobey
Mr Tyrie

1955 BUDGET COMPARISON

You asked about the references made by Mr Kinnock yesterday in his response to the Chancellor's Budget Statement about the measures taken by Mr R A Butler in 1955. I attach a copy of the relevant extract from Hansard (Vol 112, no 74 cols 830 and 831).

The facts

– 2½p

2. In his Budget on 19 April 1955, Mr Butler announced a reduction of 6d in the standard rate of income tax accompanied by 3d off each of the reduced rates. In addition, he raised the personal allowance from £120 to £140 for a single person and from £210 to £240 for a married couple. He also reduced the band of income taxable at the lowest rate from £100 to £60.

3. On 26 October 1955 he announced further measures to the House. These included, inter alia, "a general increase in the existing rates of Purchase Tax. These are at present 25 per cent, 50 per cent and 75 per cent and I propose that they should be 30 per cent, 60 per cent and 90 per cent respectively - an increase of one-fifth ...". He also took action to increase the rate of profits tax. This involved an increase in the rate on distributed profits from 22½ per cent to 27½ per cent "as the measure which is most appropriate to our requirements".

The reasons for the revised Budget

4. Mr Butler cited a number of causes in support of his revised policy.

   (i) Rumours and speculation in July about the future parity of sterling and the margins within which it might move;

   (ii) the emergence of a significant degree of internal inflation due to wage claims and rising personal incomes and to increased spending on both consumption and investment;

   (iii) to industrial unrest "in which the effects of the dock strike should not be underestimated".

5. Other interesting quotes include:

"We are moving on the tide of a vigorously growing expansion, which is outstripping the resources available to maintain its strength."

"In spite of new production records, we are faced with a shortage of steel, and other essential materials; and we are managing to overcome these only by additional imports."

"The excess of demand is showing itself not only in terms of personal consumption, but also in a tempo of new investment which threatens to outstrip the growth of our resources."

"Four years ago Government current expenditure was eating up 29 per cent of GNP. This year we have got it down to 26 per cent."

I attach copies of both Mr Butler's speeches so that you may read the full text.

Line to take

6. The tenor of Mr Butler's October 1955 speech is not helpful in responding to Mr Kinnock. The reasons put forward for the revised Budget follow very much the argument which Mr Kinnock is likely to display - overheating of the economy through a consumer boom. If the reference is raised again I suggest you take the line:

   (a) Mr Kinnock's analogy reveals that he thinks that the Conservatives will win the general election, as they did in 1955.

   (b) Yet again Mr Kinnock has his facts wrong; Mr Butler did not reverse his April income tax measures.

Also, Mr Kinnock has a pretty low view of the electorate if he thinks they can be led by the nose by tax cuts. In fact, they will recognise which party can manage the ~~eco~~ nation's finances properly etc etc.

D N Walters

D N WALTERS

Budget Resolutions and Economic Situation

AMENDMENT OF THE LAW

Motion made, and Question proposed,

That it is expedient to amend the law with respect to the national debt and public revenue and to make further provision in connection with finance; but this Resolution does not extend to the making of any amendment with respect to value added tax so as to provide—

(a) for zero-rating or exempting any supply;

(b) for refunding any amount of tax;

(c) for varying the rate of that tax otherwise than in relation to all supplies and importations; or

(d) for relief other than relief applying to goods of whatever description or services of whatever description—*[Mr. Lawson.]*

Relevant documents: European Community Document No. 10155/86, Annual Economic Report 1986-87 and the unnumbered document, Annual Economic Report 1986-87 (final version as adopted by the Council).

4.35 pm

Mr. Neil Kinnock (Islwyn): May I begin with the usual facilities and congratulate — [HON. MEMBERS: "Felicities."] — the usual facilities of offering the usual felicities and congratulate the Chancellor of the Exchequer on his Budget speech and, indeed, on yet another record-breaking short speech? I am sure that hon. Members on both sides of the House will have reason to be grateful for the fact that he was economical with his words—I use the term in its very best sense—and that he was able to produce such a remarkable anticlimax towards the end which, for those of us with a poetic turn of mind, will be all the more gratifying. The Chancellor may have lost his place in the speech, but with this Budget he has lost his place in history as well.

The Budget is, as we and almost everyone else anticipated, a bribes Budget. It is a Budget that almost entirely ignores the national need for efficiency in the production of wealth and the national demand for fairness in the distribution of wealth. It is a Budget that has little to do with the general good, and everything to do with the general election.

The approach of the Budget to the problems of this country starkly defines the difference between the values and priorities of Her Majesty's Government and the values and priorities of the British people as they express them whenever they are asked. Those priorities are to fight unemployment, to help the old, to help the weak and to reunite the country. Those priorities are held all over the country, except on the Government Front Bench.

The Government have chosen a Budget that produces a short-term consumption spurt, but we and the British people want long-term investment to build up foundations for future strength. The Government choose across-the-board cuts in taxes. We and the British people want across-the-nation cuts in unemployment, but the Chancellor, in his Budget, has again done absolutely nothing to mount any form of serious attack on the 3 million level of unemployment in this country. All that he has done is to continue with the Government's efforts to beautify the figures of unemployment, while doing nothing to deal with the facts of unemployment.

There are elements in the right hon. Gentleman's speech with which we concur. I select particularly the simplification and improvement of the business expansion scheme, and also the corporation tax changes, which appear, certainly at first sight, to be welcome, if with some necessary minor reforms. The improvements in taxation incentives to encourage training are all the more welcome. Indeed, the right hon. Gentleman might have felt disposed to go further than that, given the very sad and inadequate record of investment in training, which is all too typical in this country.

Changes in the system of payment and in the administration of VAT for small businesses is particularly welcome. I think that this will be greeted on both sides of the House, but I must say to the right hon. Gentleman that many people who have small businesses — the vast majority of whom are entirely reputable—will want him to ensure that there will not be an abuse of those changes, which would inflict disadvantages upon honest traders and small producers.

The reliefs on the VAT liabilities of charities are naturally welcome and, indeed, as the Chancellor will be aware, they have been pressed for by hon. Members on both sides of the House. The subsidies to ensure against different and disadvantaged prices for non-leaded oil are also welcome. We commend all these measures and give an easy passage to them although, naturally, the detail of them must be explored in the appropriate way.

The Chancellor took it upon himself in the Budget to make a drum-banging announcement about the abolition of the Exchange Control Act 1947. I think that that is unlikely to be resisted, as it is a somewhat academic, even otiose, exercise at the present juncture. Indeed, the incoming Labour Government have a much better system for encouraging the return of much needed capital investment. *[Interruption.]* The repatriation scheme that we propose and will implement has received accolades from many independent observers who consider that the advantages that it will afford to those who move money will provide us with ready and plentiful resources to stimulate just the kind of investment that this country desperately needs. Much of such investment has been lost as a consequence of the huge increase in the outflow of capital investment since the Prime Minister and her colleagues removed capital exchange controls at the beginning of their period of office. This represents a loss in our already under-invested country of about £70 billion net in the past eight years.

The Chancellor has claimed that investment decisions have improved since he made his changes in 1984. He must explain how those investment decisions manifest such an improvement when this year, the level of investment in manufacturing in Britain is 20 per cent. lower than it was in 1979 when the Government came into office.

As we listened to the Chancellor today, many of us, on both sides of the House, must have felt a certain familiarity with his Tory themes and the tactics that he is plainly seeking to implement. We recall the dilation of the economy before the election of 1983 and the subsequent action by this Chancellor to reverse the extremely modest expansion that was prompted by his right hon. and learned Friend the former Chancellor of the Exchequer.

The Chancellor's actions in 1984 were part of the Tory tradition that stretches back through Reggie Maulding and Heathcoat-Amory to the chancellorship of the late lamented R. A. Butler, a much respected and endearing man in many ways, but he was also the father of the congenital conservative practice of making concessions

[Mr. Neil Kinnock]

before an election and, if successful in buying votes, taking those concessions back after the election. *[Interruption.]* That, indeed, is precisely what R. A. Butler did in 1955 when he presented the April Budget. I am sure that you, Mr. Deputy Speaker, will recall that Budget, as you were active in the engineering business at that time.

In 1955 Rab Butler took 9d off the standard rate of income tax and raised tax thresholds. Just three months later, after the election, he introduced special measures. In October he brought in a special emergency Budget to reverse all the tax changes [HON. MEMBERS: "Oh."] Those actions are memorable, not only because of the cynicism that they engendered, but because of the unforgettable appeal that the late Lord Butler made to the nation to respond in pursuit of his demands for stringency. I am sure you will recall, Mr. Deputy Speaker, as I do, that Lord Butler said that the nation should

"not drop back into easy evenings with port wine and over-ripe pheasant."

In our prefab I clearly recall that my mother and father gave up port wine and over-ripe pheasant for the duration. As I recall, they even gave up dressing for dinner.

Even more memorable from that period was the fact that that Budget marked the onset of the "stop-go" era in the British economy—an era that has cost our country so dear. There was the periodic "go" for consumption and mainly "stop" for investment. As we listened to the Chancellor today, that is exactly what we heard all over again — "go" for consumption, and "stop" for investment. Of course, it was wrapped up in a great deal of talk about "recovery", "strength", "buoyancy" and "prudence", as if the Budget was a carefully compiled climax to all the years of prudence and planning undertaken by the Government. The trouble is that, for the Government, all the facts belie any claims of prudence, buoyancy, recovery and care.

The fact is that we have a Chancellor who, just three months ago, in December, was saying that he doubted

"very much whether there will be much scope for reductions in taxation in next year's Budget."

For once, the right hon. Gentleman absolutely meant it. It was not part of a disinformation campaign to persuade people that there was nothing much coming so that there would be great delight when something did come. The right hon. Gentleman meant his publicly expressed doubt about the prospect for income tax reductions. It was the confession of a man who knew very well that the reality of unplanned public expenditure overruns and an oncoming balance of payments deficit, together with his mismanagement of both interest and exchange rates, was catching up with him. There was no talk then of "lucky Lawson", and that was only 12 weeks ago.

It is no wonder that there was no such talk, because the Chancellor was also aware of the fact that, after nearly eight years of Conservative rule, the economy was still not back, as represented by all the important indicators, to the performance standards that were inherited in 1979.

We have had nearly eight years of oil-rich Conservative rule—some seven and a half years—with £60 billion net oil revenues and all the immense advantages of the savings on the balance of payments because we were an oil-producing, oil-exporting country. With all those advantages, the Government still blew all the great opportunities that went with being oil rich.

As I said earlier, manufacturing investment is now 20 per cent. lower than it was in 1979. The manufactured trade surplus that the Government inherited in 1979 was £2·7 billion. This year the manufactured trade deficit is approaching £7·5 billion, even on the Chancellor's admission. In the years from 1979 manufacturing exports have certainly gone up by 15 per cent., but manufactured imports have gone up by 48 per cent. in volume over the same period.

In the early part of his speech the Chancellor spoke of a great productivity surge that has taken place under the Government—unbeatable, unrivalled by other countries. The Chancellor forgot to tell us about the starting point. He also forgot to say how that productivity surge has been achieved under the Government. It has been achieved by fewer people making fewer things. Indeed, 28 per cent. fewer people make 4 per cent. fewer things, because manufacturing output in Britain is still, in 1987, 4 per cent. lower than it was in 1979. So much for productivity Tory style.

What of taxation, the centrepiece of today's Budget? The tax burden as a proportion of the national income was still, in 1986, 18 per cent. greater than it was under the previous Labour Government. As a consequence of today's changes that figure will not have altered significantly. To bring down the level of the tax burden, as a proportion of national income, to the 1979 figure the Government would have had to cut tax today by £15 billion.

The tax burden on the average household — the people who are supposed to concern the Prime Minister very much and who are said to want additional sums net of tax to be able to look after themselves, which is an instinct that I well understand—under this so-called tax-cutting Government has gone up by 10 per cent. To bring their tax burden down to 1979 levels there would have had to be a cut in the standard rate to 23·5p in the pound. *[Interruption.]* I realise why those figures make Conservative Members so agitated. They represent the shattering of every one of the central promises that they made to the people in 1979 and in 1983.

The Prime Minister says that she wants the citizen to be able to keep the lion's share of his earnings, but it is obvious that the Government have never practised what they have preached, except for the top 10 per cent. of earners. For the other 90 per cent. of British earners and pensioners, national insurance contributions, rates rises and VAT increases have all ensured that they have kept less of their incomes post-tax than they did in 1979.

The Government are not only the biggest taxers in modern British history, but the biggest job destroyers and biggest poverty spreaders. They have presided over an increase of 2 million in unemployment and of $2\frac{3}{4}$ million in the number of men, women and children in poverty. That is the Government's record. The real state of our economy and society is that after eight years the country is more divided and more impoverished with higher taxes, higher unemployment, and higher crime rates as well under this Government of law and order. In the middle of all that mess, along comes the Chancellor of the Exchequer with a Budget that completely ignores each of those

ORDERS OF THE DAY

WAYS AND MEANS

Considered in Committee.

[Sir CHARLES MACANDREW in the Chair]

BUDGET PROPOSALS

3.35 p.m.

The Chancellor of the Exchequer (Mr. R. A. Butler): A Budget speech must, of necessity, contain an array of figures upon which the judgment of the Chancellor of the day is based. I have often marvelled, both as a member of the Opposition and now in my present position, at the composure with which hon. Members gradually assimilate the mass of calculations and ultimately realise the fate which is likely to overtake them.

This year the Budget comes at a particularly tantalising time, both from the political and the economic point of view. It is, therefore, more than ever necessary that the Committee should exercise its soul in patience, and should analyse with me the facts and features of the economic situation in as objective a manner as our various temperaments permit. I am fortified by the fact that the right hon. Gentleman the Member for Ebbw Vale (Mr. Bevan) has recently referred to me, in the most amicable terms, as having an "unprepossessing personality." This seems to me the one attribute vital to the post which I hold. I shall, at any rate, attempt to be neither too desiccated nor overcalculating.

During this last year we have learned much about the problems which we must solve if we are to succeed in combining expansion and stability, particularly when competition is becoming fiercer and the terms of trade are less favourable. But the expansion of the economy has brought with it many improvements in living standards for our people.

Let us look for a moment on the sunny side of things. In each of the past two years the average person has been able to buy for his own use 4 per cent. more goods and services than in the previous year. Since October, 1951, real wage rates, which make full allowance for changes in the cost of living, have risen by 6 per cent. in contrast to the period between mid-1947 and 1951 when they were falling. Over the same period, to October, 1954—the latest date for which figures are available—earnings in industry, again in real terms allowing for changes in the cost of living, rose by 9 per cent.

There have also been very substantial increases in social service payments, some by more than a half again in value, none by less than a quarter. For example, the weekly rate of sickness benefit, which was 26s. in October, 1951, will be 40s.; and the corresponding figures for industrial injuries benefit are 45s. and 67s. 6d. When our new scales are fully effective, the increase in retirement pensions, sickness and unemployment benefit, and family allowances since October, 1951, will be much greater than the increase in the cost of living—in some cases more than twice as much, in some nearly four times as much. The Government have deliberately helped old age pensioners and those who rely on the social services. We have also reduced the burdens on every taxpayer. Rising real wages, rising benefits, falling taxes, all these are clear signs of improving standards.

In introducing this, my fourth Budget, I have to take account of all these improvements. Can we have them and more, too? How does this Budget fit into a series designed from the beginning to keep up the momentum of our progress? My aim in 1952 was to rescue and fortify sterling. The following year I deliberately gave the incentives needed to encourage effort and the expansion of production. New spirit was infused into industry.

Last year, some people thought that I might have been a little more expansive and a little more expensive. But I am satisfied that what happened justified my decision and my judgment. The expansion of the economy continued throughout 1954. Employment kept at a record level. Industrial production rose by more than 6 per cent. The increase in exports, which began late in 1953, was well sustained. Home demand for manufactured goods expanded. Stocks and work in progress increased, and the rise in investment continued.

The Committee is aware of our substantial investment in our basic industries of coal, steel, gas and electricity; of our massive designs for modernising road and rail transport; of the increase in factory

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building; and of other encouraging signs that the demand for investment in private manufacturing industry is rising in response to the incentives of my last two Budgets. In fact, our experience over 1954 has shown us how rich an opportunity we have of increasing the future standard of living of our people. Now we must decide how we can best maintain our progress and, at the same time, keep in balance with the rest of the world.

Balance of Payments

I now come to consider the balance of payments situation against which we must look at all I have just been saying. The past year has shown that, while it is right to run our island economy in a free and expanding mood, problems can spring from the very success which it has been our happy lot to achieve. The increase in our production, which is so important both for our export trade and for the maintenance of employment, necessitates a rising level of imports of raw materials for our factories. We are also eating more and importing more food. And we are importing more, unfortunately—and exporting less—coal. Before the war we always had a substantial surplus of coal to export to our friends and customers overseas. But by 1954 lack of coal cost us many millions in foreign exchange for imports, and still more if we take account of lost opportunities to expand our overseas earnings. More coal, more efficiently used, would be one of the most substantial reinforcements to our balance of payments which our own efforts could contribute.

The United Kingdom's balance of payments has also been affected by the alteration in the terms of trade. In my last two Budget speeches, I reported that we were profiting by the terms of trade, which had been moving in our favour. During the past year that movement was reversed. The index of import prices began to rise in April, 1954, and for February, 1955, was 7 per cent. higher than in the first quarter of 1954. At the same time, export prices did not increase until February of this year, when a rise of 1 per cent. was recorded.

The result to date has been that on the provisional estimates for the six months from October, 1954, to March, 1955, our imports c.i.f. at about £1,875 million were some £225 million higher than in the corresponding period 12 months earlier; but our exports at £1,460 million rose by only £40 million. The tables in the Balance of Payments White Paper—to which I draw the attention of hon. Members—show in detail the effect of these changes, and I feel sure that hon. Members will recognise that we have attempted to put before them the same documentation as we have tried to do very fully each year, and that with all these facts available it is not necessary for me to go into all of them in my speech.

For 1954 the United Kingdom's surplus is provisionally estimated at £160 million; but we earned the whole of this surplus in the first half of the year. The Committee should note that, although there was a welcome increase in receipts from offshore contracts, American defence aid was halved as compared with the year before—the total for 1954 being only £50 million. We are grateful for this aid, especially for the programmes designed to help our expanding Air Force; but we are proud—and I think I can speak for hon. Members on all sides of the Committee—that our own efforts, reflected in full employment and rising production, are making us increasingly independent. Those efforts have had and will have a profound effect on our economy, our morale and our influence in world affairs.

The balance of payments of the whole sterling area in 1954 shows much the same pattern of change. The provisional estimate for the calendar year as a whole shows the sterling area roughly in balance with the rest of the world; but a surplus in the first half year was followed by a deficit in the second. All this was reflected in the level of the gold and dollar reserves. During 1954 these rose by £87 million to a figure of £986 million; but the record reads differently for the two half-years. In the first six months the reserves rose by £179 million, but in the second half year they fell by £92 million. This decline must be seen in perspective. In this last period hon. Members must remember that we not only had to meet the normal annual payments on the American and Canadian Loans, but we also repaid in gold or dollars £40 million to the International Monetary Fund, and £39 million in part discharge of our debt to the European Payments Union. That is, in all, £79 million of

[MR. BUTLER.]

debt repaid. Thus we fortified our capital account by repaying debt.

Moreover, the sterling area's reserves exist to be drawn upon in case of need. Indeed, in Sydney, Australia, over 15 months ago the Finance Ministers of the Commonwealth accepted the fact that, important as programmes of internal development are as an investment for the future—and we have all been going in for them in the sterling area—they inevitably result in some immediate strain on the sterling area's balance of payments. This impression and outlook we confirmed when we met in Washington in September of last year. The relatively small decline in the reserves must, therefore, be seen in due proportion.

I can sum it up like this, that apart from the special repayments which I have mentioned, the loss in the whole of the nine months from mid-1954 to the end of the first quarter of 1955 has been no more than £46 million—only about half the average monthly loss in the corresponding nine months of 1951-52. Therefore, at £953 million, the end-March figure, the reserves are more than £350 million above their lowest point, which they reached in April, 1952, just after I introduced my first Budget.

THE MEASURES OF 24TH FEBRUARY

Nevertheless, it became clear by February that we needed to take action to moderate the growth of imports and to encourage exports. And from the result, all I can say is, thank goodness that we took action in time. To take such action the Government of the day has, broadly speaking, one of two choices. The first is to limit and control the supply of goods which the consumer at home can buy. But there is an alternative, namely, to check spending at home by more flexible methods. The former course would involve a return to curtailment of trade, both at home and abroad, a return to controls on consumer choice, even perhaps a return to rationing. We do not believe in a policy of this kind.

It is only by looking forward and outward, by expansion, by liberating the human spirit to give and do of its best, that our island people can survive. This is the road we prefer—an adjustment of fiscal and monetary policy which, without cramping or distorting the natural vigour of the economy, maintains the disciplines which are essential to an expanding community. It was in this faith that in February credit control was applied; the Bank Rate was raised, hire-purchase transactions were restricted and finance for such business was limited. At the same time, I authorised the Exchange Equalisation Account to operate with wider discretion in overseas exchange markets. This was certainly a case of putting in the troops to save sterling from being sold at too great a discount, thus losing business for Britain as well as dollars for our reserves.

I see that it has been suggested that we have departed from our policy of a collective approach with the Commonwealth, Europe and the U.S.A. to the solution of the world's trade and currency problems. This is not so. We still seek to find with our partners the best method of freeing our payments to match the widening of our trade and the opening of markets.

I am glad to say that already, in the field of the exchanges our action has produced distinct results, which have taken the shape which I had hoped for.

For example, the Committee may be glad to hear—and I hope hon. Members will smile—that the sterling dollar rate has risen from about $2{\cdot}78\frac{1}{2}$ dollars in the third week of February to just over $2{\cdot}79\frac{5}{8}$ dollars, and the rate for transferable sterling from under 2·72 dollars to just over $2{\cdot}77\frac{1}{8}$ dollars. That is a very considerable rise. This shows that the action which we have taken to meet the needs of our balance of payments has strengthened international confidence in our policies and our determination to carry them out. We have thereby fortified sterling.

It will, naturally, take some time for the effects of the Bank Rate and of the tightening of credit to make themselves fully felt on our balance of payments. Our import bill, as the March import figures show, will inevitably continue for a time to be affected by decisions taken and orders placed before the measures of 24th February—at any rate for a time.

But the situation has been brought under control, as, for example, is shown by the movement of the reserves since then and the latest rates for sterling. Of course, we cannot be satisfied yet, and we shall remain ever watchful.

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OUT-TURN FOR 1954-55

Now we must see how the Budget fits into the picture of economic policy as a whole. Hon. Members may relax for a few minutes and enjoy the usual, or I might say unusual, but essential figures summarising the out-turn for 1954-55 and the prospects for 1955-56. The full details will, of course, appear in the Financial Statement.

I should, incidentally, call the Committee's attention to a small change which I have made in this year's Financial Statement. I am sure that hon. Members will approve of anything done to reduce the volume of Government accounts without stinting the supply of useful information. My predecessor, the late Sir Stafford Cripps, introduced the alternative classification in 1948 as an experiment and with the object of stimulating discussion on the presentation of Government accounts. Since then, other and better methods of economic analysis have been developed in the annual publications of National Income and Expenditure. I have, therefore, decided that it will simplify our accounting and avoid confusion if the alternative classification is eliminated altogether from this year's Financial Statement.

REVENUE IN 1954-55

Now, for the figures. Total revenue in 1954-55 amounted to £4,738 million, which is £205 million more than my Budget estimate. Inland Revenue duties were £2,541 million, or £157 million more than the estimate of £2,384 million. About half of this excess came from Income Tax, which yielded £1,893 million against the estimate of £1,800 million. The yield from profits assessed under Schedule D was about £40 million above the estimate, and P.A.Y.E. on wages and salaries brought in £50 million more than was expected—which reflects, among other things, the rapid increase in employment and industrial activity which we have achieved this year.

The other main contributors to the higher yield were death duties, stamp duties and Excess Profits Levy, which showed increases of £24 million, £20 million and £16 million, respectively, over the estimates. The first two, death duties and stamps, are due mainly to the rise in Stock Exchange prices over the year; the last, Excess Profits Levy, is due to the clearing up of difficulties which had delayed assessments. Profits Tax and Surtax were very close to their estimates.

These high yields of Inland Revenue are matched by the performance of the Customs and Excise duties. These amounted to £1,872 million, £90 million above the estimate. About half of this increase is accounted for by Purchase Tax, which produced £342 million, or £47 million more than I estimated, a striking indication of the rising level of demand, particularly for cars and durable consumer goods of all kinds.

Tobacco produced a revenue of no less than £650 million, or £17 million above the estimate. Beer, wines and spirits yielded a total of £390 million, £9 million more than the estimate, though the Committee should note that within this satisfactory total beer was down by £4 million. Receipts from the duties under the Import Duties Act, 1932, were above expectations, yielding a total of £62 million, or £6 million over the estimate.

Non-tax revenue was lower than my estimate—£246 million, compared with £290 million. Smaller receipts from sales of the Ministry of Food's stocks are the main reason for this change.

EXPENDITURE, 1954-55

Now for expenditure. While revenue exceeded expectations, expenditure fell short of them. Consolidated Fund Services amounted to £665 million, or £2 million less than the Budget estimate. Supply services cost £3,640 million, or £216 million less than my forecast. This shortfall was shared by both defence and civil supply. The estimate for defence was £1,555 million; actual expenditure was £1,436 million, a shortfall of £119 million, in spite of the fact that appropriations-in-aid from the sterling counterpart of economic aid and other receipts from the United States amounted to £61 million, or £24 million less than my original estimate. The reasons for the shortfall in expenditure on defence have already been described broadly in the Defence White Paper and during our debates on it.

Now for civil expenditure. This, at £2,204 million, was £97 million less than my estimate, in spite of Supplementary Estimates during the year amounting to £42 million. The savings here are spread over a large number of items, but are

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shared mainly by the Ministries of Food, Materials and Supply. In total, expenditure under all heads amounted to £4,305 million, a saving of £218 million.

OUT-TURN IN 1954-55

The Committee will remember that I budgeted last year for a small surplus of £10 million. In fact, we have realised a surplus of £433 million. Of the difference of £423 million, increased revenue accounts for £205 million and lower expenditure for £218 million. Below the line receipts for the year were the same as the estimate of £191 million; but expenditure, at £692 million, was £94 million bigger. Three items account for practically the whole of this excess. The first is a larger volume of advances to local authorities by the Public Works Loan Board which involved the Exchequer in issues of £353 million, or £53 million more than the estimate.

The second item is a new one, £45 million advanced to the Post Office for capital expenditure. This follows from the Post Office and Telegraph (Money) Act, 1953, under which the Exchequer took powers to make advances to the Post Office which had previously been made by the Savings Banks funds. The third item is an increase in Exchequer advances to the National Coal Board for capital purposes which at £75 million were £16 million more than the estimate.

As a result, total net payments below the line amounted to £501 million, or £94 million more than the Budget forecast. But owing to the surplus of £433 million above the line, all but £68 million was met from revenue. Most of these payments below the line are made to finance capital expenditure by local authorities. Housing is, of course, the main item. This expenditure and the money spent by the National Coal Board and by the Post Office, are matched by an increase in the useful physical assets of the country.

NATIONAL DEBT

If the Committee will bear with me, I will now very briefly summarise the position about the National Debt. The National Debt outstanding at 31st March, 1955, was £26,933 million, an increase of £350 million over the year. Apart from the £68 million borrowed to cover the deficit below the line—which, as I pointed out, was nearly covered by revenue—this increase was primarily due to the provision of an additional £300 million for the sterling capital of the Exchange Equalisation Account to enable it to finance the increase in the gold and dollar reserves early in the financial year. The Exchequer also issued £35 million of Government stock for coal compensation. These increases were offset by £36 million of debt redeemed by application of sinking funds and by the cancellation of £13 million of stock tendered for steel shares, together with £4 million for other adjustments.

The principal changes in the composition of the Debt are as follows: Floating Debt rose by £427 million, largely as a result of the issue to the Exchange Equalisation Account. During the year £292 million of 3 per cent. National Defence Loan, 1954-58, £413 million of 1¾ per cent. Serial Funding Stock, 1954, and £650 million of 2¼ per cent. Exchequer Stock, 1955, were converted into securities maturing in later years. As a result of these operations the amount of the three loans remaining to be paid off on maturity during the year was reduced to £234 million—that is a notable achievement. A new cash issue of £300 million of 2 per cent. Conversion Stock, 1958-59, was made in conjunction with the first of the conversion operations just mentioned. These represent, quite shortly, the principal changes in the composition of the Debt; others will be seen in the Financial Statement.

NATIONAL SAVINGS

One success story of the past year of which we can all be proud is the record of the National Savings Movement. After passing through a difficult phase the Movement had begun to show signs early in 1954 of a change for the better. As the Committee will remember, I was able to report in my last Budget speech that in the first quarter of 1954 new savings had exceeded withdrawals by about £40 million, and that this was £30 million more than a year before. But in the same period this year new savings have exceeded withdrawals by £80 million—twice as good as a year ago. And over the financial year as a whole there is a net gain in savings of £120 million, compared with a net loss in 1953-54 of £12 million—an improvement of over £130 million.

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I am sure that the Committee will greet this as a remarkable and heartening achievement in which we can take proper pride in this year's appraisal of our affairs. I am sure that hon. Members will wish me to congratulate the Movement on its success and thank all who work in it for the benefits their activity has brought to their country. Many of us on all sides of the Committee have taken part in the New Savers Campaign in the last six months. I am sure that hon. Members of all parties have been impressed by the hard work and enthusiasm shown by the voluntary savings workers all over the country. I have nothing but praise for their work, and I trust that the momentum of their campaign will carry them forward to still better results in the year before us.

Revenue for 1955-56

I turn now to look forward to the year 1955-56 and propose first to look at the Budget accounts, starting above the line.

On the basis of existing taxation I estimate total revenue to be £4,844 million, an increase of £106 million over the actual yield in 1954-55. I know hon. Members' interest, but I hope they will excuse me if I go faster than dictation speed.

Inland Revenue duties in 1955-56 are expected to provide £2,610 million, an increase of £69 million on the out-turn for 1954-55. From Income Tax I expect to receive £2,009 million, or £116 million more than last year. This increase will come partly from the higher profits of the past year, and partly from the effect over a full year of recent increases in wages and salaries. The yield of Profits Tax is expected to rise by £7 million to £180 million, but the yield of the Excess Profits Levy will naturally fall, to about £25 million. I look for a further small increase in Surtax, which will bring the yield up to £136 million. Death duties at £185 million, stamp duties at £74 million and miscellaneous Inland Revenue duties at £1 million, are expected to bring in approximately the same amounts as last year.

Now for Customs and Excise; I estimate the revenue from Customs and Excise duties at £1,930 million in 1955-56, compared with £1,872 million last year. The principal items in this total which I forecast are: tobacco, £660 million; beer and other alcoholic drinks, £388½ million, Purchase Tax, £370 million; oil, £320 million; duties under the Import Duties Act, 1932, £70 million; Entertainments Duty, £41 million; and betting, £28½ million.

After taking motor duties of £80 million into account, I estimate total tax revenue in 1955-56 at £4,620 million, an increase of £128 million over the yield in 1954-55. From non-tax revenue I expect £224 million, or £22 million less than the actual yield in 1954-55.

Expenditure for 1955-56

Now for expenditure. I estimate total expenditure above the line in 1955-56 at £4,562 million—an increase of £39 million over the Budget estimate for 1954-55.

Practically the whole of this increase is accounted for by the Consolidated Fund services which, at £699 million, are £32 million more than last year's estimate. This increase arises on the provision for debt interest, which reflects recent developments in the money market, and is, of course, particularly influenced by the increase in the rates for Floating Debt.

Expenditure on Supply in 1955-56 is estimated at £3,863 million and is only £7 million more than the original estimate of a year ago—only £7 million more. Within this total, net expenditure on defence at £1,494 million is £61 million less than the original estimate of last year, despite a reduction of £42 million in the estimated receipts from American aid. Civil expenditure, at £2,369 million, is £68 million more than last year's original estimates.

I will comment in more detail on these expenditure figures in a moment. Meanwhile, I must mention that they do not include the additional cost arising from the Special and General Agricultural Price Reviews recently concluded. This cost, as has already been announced, will amount to £14 million in all during 1955-56, and will be provided, along with other changes likely to be necessary in the existing provision for food and agriculture, by further Estimates in due course.

To round off the main outlines of the picture, I must mention that below the line I expect a further increase in net payments, from £501 million last year to £584

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million in 1955-56. The main factors are smaller receipts from Housing Votes and from the Raw Cotton Commission; a whole year's advances to the Post Office instead of only part of a year; larger advances to the National Coal Board and heavy payments to clear up the large arrears of compensation which accumulated while we recast the scheme of the Town and Country Planning Acts. All these much more than offset the reduction of £33 million in loans to local authorities which we can reasonably look for after their spurt in the past few months. I am estimating these loans at no less than £320 million this year.

SUPPLY EXPENDITURE

Now to return to the Supply figure. I spoke at some length last year about the urgent need to control expenditure, and to achieve savings wherever possible, in order that the economy may carry, without undue strain, the heavy burdens which both external circumstances and our domestic policies impose upon it. The major strains are due, of course, to the continuing high level of defence costs and to the inevitable growth of the cost of the social services.

Moreover, we have had to make provision for unavoidable increases in salaries; and, although additional expenditure is involved, nobody is more glad than I that the cautious hopes which I expressed last year on the subject of equal pay have already been realised, and have been embodied in a firm agreement with the staff associations. This is now in operation. The wishes of Parliament have been carried out by this Government.

It is true that on both the defence and civil sides last year's expenditure was appreciably less than the figures I had budgeted for, so that this year's estimates represent a corresponding increase over last year's actual outgoings. Nevertheless, the fact that on a total of well over £3,800 million of Supply expenditure this year's Estimates are only £7 million higher than those of a year ago shows, I think, that during the last 12 months we have been making a special and sustained effort to curb non-essential expenditure. That effort has contributed not a little to enabling us to accommodate the inevitable growth in the cost of some of our essential policies.

Let me say for a moment or two what these are. First, defence. I said last year that we must see to it that we obtain some definite relief from the defence burden. The plans which were then in existence would have meant a considerable increase in expenditure in 1955–56. But as a result of a full review of our strategic needs and a careful scrutiny of the estimates over the whole field, provision for defence has been kept at a level which, broadly speaking, is not very different from the actual expenditure of last year. This is welcome so far as it goes; but the development of new arms, the changes which will follow the end of the occupation in Germany and the continuing reduction of American aid, all emphasise to the Committee the importance of maintaining our efforts to secure, within the new strategic framework, all possible economies in this field.

CIVIL EXPENDITURE

Coming to civil expenditure, I will just mention agriculture and food. There are always a good many questions about what the agricultural policy costs us, so I have analysed it as follows: the total cost of the production grants and subsidies paid by the Government is estimated at £323 million. Of this sum production grants, which go direct to farmers to help meet their bills for fertilisers, lime, and so on, account for £54 million. The agricultural price guarantees, together with a small amount for the related trading services, amount to £163 million. To this, £29 million must be added for the net cost of the price guarantee on milk for the ordinary consumer. The last three figures I have given add up to £246 million, and this—for the Committee's interest—is the measure of the cost of supporting our home agriculture. The rest of the £323 million is made up by the bread subsidy of no less than £41 million and the welfare subsidies, which include children's milk, and so forth, at £36 million.

Last year, in discussing this field of expenditure, I said that our task was to reconcile two needs—the need to secure a greater measure of financial control, and the need to preserve the stability of the farming industry, in the interests of farmers and workers, and of national security. Both needs were very much in my mind during the recent Annual Review.

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The stability of the industry, and, in particular, its ability to finance improvements and adjustments in methods of production, were threatened for two reasons. First, there had been a marked increase in the costs of farming. Secondly, the farmers and farm workers have been struggling manfully under the stress of exceptionally severe and difficult weather over the last 12 months. I think that the Committee would wish me to give a special word of praise to the spirit in which the farm workers apply themselves to their varied tasks all the year round. It was not in vain, therefore, that my right hon. Friend the Minister of Agriculture made his case for increased Exchequer assistance.

Moreover, I wanted to adjust the price guarantees to help our balance of payments. Thus, we increased the ploughing and fertiliser grants, and the guaranteed prices for barley and oats, so as to reduce our imports of feedingstuffs by encouraging the growth of more of these crops at home. Together with coal, to which I referred earlier, the cost of imported feedingstuffs has been a major factor weighing down our balance of payments. We were also obliged to avoid the danger of a Gadarene herd of expensive pigs rushing us into bankruptcy, so we reduced pig prices.

The other large *bloc* of civil expenditure to which I want to refer is concerned with the social services. At the beginning of 1954-55, quite apart from the Exchequer contributions to the National Insurance Funds, these were expected to cost £1,260 million. They have, in fact, cost £1,278 million; and for 1955-56 it is expected that they will cost £1,315 million. Let us examine some of the other details. Comparing the original Budget estimate for last year with my present estimates for 1955-56, the Health Service shows an increase of £32 million; education, including grants to universities, an increase of £25 million; and war pensions, following the recent rise in the rates, an increase of £8 million.

The Exchequer contributions to the National Insurance Funds are also, as the Committee well knows, a growing and inescapable commitment, and in the coming year, as a result of the action taken by Parliament last December, they will demand £100 million compared with £78 million for last year. The increased cost of the items I have just mentioned amounts to no less than £87 million. This is more than the whole of this year's increase in Civil Supply, and is striking evidence of the fact that, in this field of social services a growing burden on the Exchequer is to be reckoned with.

Much of the increase in expenditure is contractual, while the remainder represents what I am convinced is a worthwhile investment in the future well-being of the country. Investment in human health, wider opportunity and increased technical skill means something more than "investing in success." It means the assurance of a happily working and socially responsible democracy.

But if we are to carry this burden, which I have specially mentioned to the Committee today, we must not only maintain the increase in the national income, but also be constantly watchful that all our existing services are administered as economically as possible. We must, at the same time, examine with a critical eye all the many additional claims which are constantly being made on the Exchequer for new services, so that the basic social needs of our people come first.

Exchequer Prospects on Existing Basis of Taxation

Now I will try to sum up Exchequer prospects on the existing basis of taxation. During the past year we have maintained a vigilant watch on both the totality of Government expenditure and its detailed distribution. Had we not done so I should not now be able to lay before the Committee the prospect of so favourable an Exchequer out-turn for 1955-56 on the existing basis of taxation. Expenditure of £4,562 million; revenue of £4,844 million; a surplus of £282 million.

This last is a very considerable sum. Before I can say how much of it—if any—should be given back to the hard-pressed taxpayer, I must look ahead and analyse briefly the likely demands to be made upon us abroad and at home in the coming months. Then I can give the Committee my judgment. Economists rejoice in this exercise—the analysis of demand. No one, I am sure, is more capable at it than the right hon. Gentleman the Member for Leeds, South (Mr. Gaitskell). But, for once, the language of the economists is intelligible, because it means exactly what it says—what, in

[MR. BUTLER.]

fact, are the probable calls upon our resources, and what are our chances of meeting these calls, while combining a vigorous expansion of production at home with the maintenance of a healthy balance in our overseas account? I have given the Committee the picture of both.

EXTERNAL PROSPECTS

It is not enough for us to earn abroad sufficient merely to meet the cost of our imports. We have also to repay our debts; and we have to resume our traditional position as the main supplier of capital for the development of the Commonwealth and Colonial Empire, which offer such inspiring opportunities. We have taken on heavy liabilities to the Colonies under the Colonial Development and Welfare Acts and our participation in the Colombo Plan. We are also making increasing facilities available to Commonwealth Governments in the London market.

All these external liabilities add up to a formidable call on our resources. We shall succeed in meeting this call only if we play our full part in establishing two prior conditions. First, we must seek to ensure an expanding volume of world trade in conditions which give our industry every chance to share in it. Secondly, we must be sure that British industry is equipped to take full advantage of this chance by its efficiency and initiative.

What are the prospects for an expanding and freer world trade? It may be said that we have been trying to recreate the ideal conditions envisaged by Adam Smith and Cobden; and that to attempt this in a world of selfish and protectionist lobbies is no more than ineffectual idealism. But, in fact, our policies have been open-eyed in their realism. They spring from our conviction that without a system of trade rules and open trade behaviour, applied to our competitors no less than to ourselves, our exports would be exposed to every kind of restriction and retaliation, and our island interests would be submerged. That is why we have got together with our colleagues in the Commonwealth and our friends in Europe, in the Organisation for European Economic Co-operation, and the U.S.A. in a fresh effort to remove barriers to the free flow of trade and payments.

Last year we were concerned about the possible effects of a recession in America. But I am glad to say that the Government and people of the U.S.A. did much to stem the threatened decline in their output; and now there is an upsurge of renewed confidence and re-invigorated production in that country. This general revival of industrial activity in the U.S.A. should benefit not only America herself but also the rest of the free world—the more so if President Eisenhower's fresh initiative in developing more liberal trade policies commands the support of all men of good will.

In Western Europe trade and production are still rising, and it was largely due to that recovery that we got through last year so well. It has been a great satisfaction to me, as Chairman of the Organisation for European Economic Co-operation, to watch, applaud and encourage this expansion in Europe—an expansion which is reflected in the current plans for further removal of restrictions on trade this year.

The Committee will wish to study the White Paper which will be published this evening outlining the Government's policy towards the changes in the G.A.T.T.—the General Agreement on Tariffs and Trade —recently negotiated in Geneva; but I can say now that the G.A.T.T. emerges from this review as an instrument better adapted to reinforce our efforts to liberate trade. The instrument is there to our hand; it is for the member countries to use it.

Looking outwards, some of our export markets may be difficult—in Australia, for example, where our friends have recently announced reductions in their imports in the interests of the sterling area's balance of payments and of their own. But, in general, there are good prospects that world markets will offer us substantial opportunities to increase our exports this year. But we shall not achieve this essential increase unless our goods stand up to competition, particularly from the U.S.A., Germany and Japan.

If we are to be competitive, above all in price, we must combine a policy of incentive and expansion with continued restraint in the demands which we make on that expansion for our own personal satisfaction. I must warn the Committee that between 1953 and 1954 output per man, over the economy as a whole, rose by about 2½ per cent.; but the increase in wage rates was over 4 per cent.

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Clearly, if this tendency continues, prices will be subject to constant upward pressure, and the effects both at home and in export markets will be adverse.

We must certainly watch other personal incomes also—for example, dividends. [HON. MEMBERS: "Hear hear."] It would be as well if, before cheering, hon. Members would keep matters in their true perspective. The Committee will have observed from the Economic Survey that personal incomes from rent, interest and dividends rose last year by £60 million or about 4 per cent., while wages and salaries rose by £645 million, or about 7½ per cent.

Nevertheless, it remains true that, whatever source of income we consider, any tendency for money incomes to increase faster than productivity must lever up prices, or tilt the balance of payments against us, or both. The country should realise that there is a limit to the additions to our costs and prices which we can afford, if we are to remain competitive with our keen rivals in export markets. So much for looking outwards.

HOME PROSPECTS

Now I come to the analysis of likely home demand. If we consider the whole range of the economy, will there be room for an increase in exports? It is in the light of this fundamental question that I must assess the claims which home demand seems likely to make on our productive capacity in 1955. I will do it under four heads, very shortly in a few sentences. How much will be taken by Government expenditure; by investment; by stockbuilding and by personal consumption, that is, by people spending on themselves?

Taking, first, expenditure, I calculate that, in real terms, Government expenditure on goods and services in the coming year is likely to be about the same as in 1954-55. Now, investment. The upward trend in fixed investment is continuing. Housing is not likely to show so great an increase this year; but investment in the nationalised industries should continue to rise at about the same rate as in the past two years, the largest increases being in coal and electricity. I have already referred to the encouraging indications that, in private manufacturing industry, demand for factories, plant and machinery is rising as the Committee wanted it to do so ardently last year.

There is no reason why the recent increase in interest rates should discourage sound long-term investment. Indeed, the need for the type of investment which will raise productivity and expand our productive capacity is as great as ever; and the conditions of orderly economic growth, which our monetary policy is designed to foster, are precisely those conditions in which long-term investment can be undertaken with the surest hope of success. We are looking, then, for a real increase in investment in manufacturing industry this year.

Summing up investments, therefore, I would say that over the whole field, public and private, I expect investment in 1955 to increase by at least the same amount as last year; but productive industry is likely to take a larger, and housing a smaller, share of this increase.

Next we come to stocks. The movement of investment in stocks and work in progress is, as always, very difficult to foresee. There was a marked increase during 1954, which as I have already pointed out, was one of the factors in our expansion. Our present rate of stockbuilding should be at least enough to meet the needs of expanding production. The recent change in the Bank Rate was designed partly to emphasise the need for caution in the accumulation of stocks. Thus I estimate that stockbuilding will not take more of our resources than it did last year.

Finally, I must consider the prospects for personal spending and consumption. There have been substantial increases in wages. But prices have also risen to some extent, and the restraint which we have reimposed on hire-purchase transactions should also help to prevent an excessive growth of personal consumption. Moreover, the rise in personal savings which has occurred during the last few years should be well maintained. I do not, therefore, expect personal spending and consumption to rise as rapidly this year as last.

Taking all these considerations into account, I estimate that the increase in home demand should be appreciably less than it has been in the last two years. On the other hand, the scope for increased production is at least as great as it has been in the past, if not greater. In each

[MR. BUTLER.]

of the last two years output per man in industry has risen very encouragingly. Throughout the same period, new projects of investment have been put in hand, while industry has been showing itself increasingly aware of the need to raise productivity, and increasingly eager to explore the possibilities of new techniques and methods of production.

In these circumstances, and taking into account the resources of a flexible monetary policy, I judge that the claims which domestic demand is likely to make on our production will leave a margin for an increase in exports. Any incentive I can give should clearly be directed towards increasing production and, therefore, this margin.

BUDGET JUDGMENT

What, then, should be my final Budget judgment? This year there are clear limits to the possibilities of large remissions of taxation, especially of indirect taxes which would encourage spending at home and so risk diminishing our export effort. With very full employment, higher social benefits, increased old-age pensions, generous support prices for agriculture, and better pay packets, our people must realise that all the good things of life are not, and cannot be, confined to Budget day. Indeed, some might urge that no tax concessions at all should be made this year. But I judge that this would be a timid policy which might prevent us from achieving the full increase in production of which we are capable.

In conditions of stricter monetary discipline, industry will have to scrutinise its plans with a shrewder and more selective eye. The plans should be all the better for that. They should, therefore, be all the more likely to show the maximum return to the whole economy from any encouragement I can give them. We do not want to smother the new spirit in British industry which many observers believe is transforming our approach to production problems. I believe that, given a continuing incentive, both management and men will accept the challenge to redouble the efforts which they are now making and so increase production and improve exports.

Since I became Chancellor of the Exchequer, three-and-a-half years ago, I have continually called for investment and expansion, and I have adopted whatever measures were within my power with this in view. There are risks in everything that is worth doing, and, on the analysis which I have made, I feel no hesitation in deciding where my duty lies between policies of expansion or of restriction. If we are to achieve the full increase in production of which the economy is capable, we must continue to provide encouragement to the whole productive effort of the country. We must seek fresh incentives to the forces of growth by the stimulation of output and productivity.

BUDGET PROPOSALS

I come now to my Budget proposals. The advice which I have received this year has been almost unlimited. The representatives of industry, commerce and organised labour have sent me their annual suggestions; my hon. Friends and I have received many deputations from various interests affected by taxation, particularly by the duties of Customs and Excise. We have had before us the Second Report of the Royal Commission on Taxation.

The most obvious conclusion which my hon. Friends and myself draw from all these representations is that the sheer burden of taxation is far too great. Both from the personal angle and from that of industry, we remain one of the most heavily taxed nations in the world. I am convinced that some further lightening of the load is needed to give industry the spur to be more competitive. The question is how to choose a method of relieving the burden which is likely to increase rather than to diminish confidence in our financial policy at home and overseas.

I do not feel justified this year in making any general reductions in indirect taxation. I have considered carefully the representations that Purchase Tax is bearing heavily on some sections of the textile trade. Their difficulties are due to a variety of causes, not least to the loss of export markets. Today, I am dealing only with the Purchase Tax aspect of these difficulties.

No adjustment of Purchase Tax can be a panacea for the complex problems of any industry. But the Government have great sympathy with the difficulties which are being experienced at present in

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Lancashire, and also in Northern Ireland. As evidence of our desire to help, I am proposing forthwith to reduce the rate of Purchase Tax by half from 50 per cent. to 25 per cent. on piece goods and sheets, towels and other household textile articles of cotton, linen, rayon and other non-wool materials.

An important result will be to halve the tax on quality furnishing fabrics and household textiles, and so to provide a better market for these goods, thus encouraging production and aiding exports. The D allowances which may be made from the value before calculating the tax will not be affected. These changes will take effect from midnight, and they will cost me about £2¼ million this year and £3 million in a full year.

The Committee will perhaps forgive a brief digression at this point about our procedure this year. The General Election will clearly involve a change in the normal practice, since there are only a few days left in the life of the present Parliament.

The Purchase Tax change which I have just mentioned will be effected by Treasury Order, which will be laid this evening. For the rest, there will clearly be no time for the House to consider a comprehensive Finance Bill on the usual lines—that is, a Bill covering not only the Budget changes but also any adjustments and amendments of the law for which provision can usefully be made by Parliament to maintain the structure and efficiency of the taxation system.

The Finance Bill that I shall propose to the House for enactment before the dissolution will be confined to such Clauses as are needed to give effect to my Budget proposals and to carry on the finances of the nation. The Budget Resolutions that I am moving today will have the same restricted scope as the Bill. In particular, we do not intend to move the general Resolution for the Amendment of the Law, on which the Budget debate normally takes place. But we shall welcome a comprehensive discussion of the Budget proposals and the financial and economic situation ; and, if the Chair will permit, the usual wide debate of this nature will be founded on the last of the Resolutions.

The scope of the debate on the Finance Bill will, naturally, be for consideration by the Chair in due course ; but, given the restricted scope of the Resolutions and the Bill, I think it right to tell hon Members that there will be a corresponding restriction in the opportunities for moving Amendments and New Clauses.

This procedure follows the practice adopted on previous exceptional occasions of this kind. In order to help hon. Members who may find it useful to have as soon as possible the text of the Finance Bill, which would be introduced on the Budget Resolutions I am moving, I intend to lay a draft of its Clauses before the House today as a White Paper, and this will be available to hon. Members at the same time as the text of the Budget Resolutions. It will be for the next Government to consider whether any further fiscal legislation is necessary later in the year.

I now come to my final Budget decisions. This year I have had to bear three considerations in mind. First, if we are to continue to preserve the balance of the economy, I can afford to give away only a limited amount of my surplus. Secondly, the Budget proposals must constitute, before all else, a fresh incentive to the forces of growth and expansion. Thirdly, anything I suggest this year must, of necessity, be of a classical purity and simplicity.

I have considered carefully the recommendations in the Second Report of the Royal Commission on Taxation. I am very glad to be able to pay public tribute to the valuable and stimulating document which Lord Radcliffe and his colleagues have produced. In the light of their study of the graduation of the personal Income Tax, I should very much like to give some help to the family man. I should also like so to adjust the tax scales as to liberate as many people as possible from the complications of P.A.Y.E., especially where the amount of tax which it collects is very small.

Some of these proposals would, on margin, make no vital difference to consumer demand, but would give much needed and much deserved encouragement to individual households. So, if my first task is to lighten the sheer burden on the economy, I can think of one measure only which would enable me to combine with these objectives the type of direct incentive which I am seeking—one measure only which would be regarded as the

[MR. BUTLER.]

most positive and heartening encouragement to all, employers and workers alike, who can contribute energy and enterprise to the development of the economy. This is a simple orthodox reduction of 6d. in the standard rate of Income Tax, together with appropriate reductions in the lower rates.

No other proposal would so simply and effectively suit the needs of the moment. It has several substantial advantages. To industry, it offers the prospect of a tax relief—and I attach great importance to this—of rather more than £40 million—a relief which should give fresh encouragement to expansion and a keener edge to our competitive power. To the individual, it offers relief on existing income at all levels of tax liability; and it lightens the burden of tax on any extra income which he or she may earn by greater personal effort. I trust those who benefit to save, rather than to spend, as large a proportion as possible of what they gain. The heavier the present burden of tax, the greater the relief, and, therefore, the greater the opportunity to save.

The reduction of 6d. in the standard rate will be accompanied by 3d. off each of the reduced rates. In 1953, I took 6d. off all the rates, but then I was withdrawing the increase of 6d. all round which had been imposed by the previous Government in 1951. This time, I return to the tradition that reductions in the general rates of Income Tax should be broadly proportionate to the rates already borne.

This reduction in the rates of tax will bring relief to the individual taxpayer at all levels of income. But it will do nothing, of itself, to improve the points at which tax starts to be payable. I want, therefore, to supplement the 3d. remission in the reduced rates by an improvement on the lines suggested by the Royal Commission. I have been impressed by the principles which lie behind its proposals for relief for the smaller incomes, and I therefore propose, in addition, to exempt many of such incomes from all liability to tax by increasing the personal allowance—from £120 to £140 for a single person and from £210 to £240 for a married couple—while reducing the band of income taxable at the lowest rate from £100 to £60. By this means, I shall achieve, though in a simpler way, the object the Royal Commission had in mind in proposing its scheme for a minimum earned income relief. Indeed, when hon. Members come to examine my scheme, they will find that, in most cases, the new starting points of liability will be appreciably higher than in the less far-reaching of the two schemes put forward by the Royal Commission.

Moreover, I shall apply the principle of this relief to small investment incomes—a class very deserving of help—by increasing the limit for the small income relief, under which small investment incomes are treated as earned, from £250 to £300.

Finally, I have made room, within this scheme of relief, for the family man. For him, I propose an increase in the child allowance from £85 to £100. At the same time, I propose to remove the special earnings limit applying to apprenticed children so that the same income limit will apply to all children. I am grateful to hon. Members who proposed these sorts of reform last year.

Here again, the relief which I am offering is a step along the road marked out by the Royal Commission, and is, moreover, free from the practical and administrative difficulties of its own scheme. I put this proposal forward as further evidence of my firm intention to do all I can to help parents of families, on whom the present load of taxation falls with especially discouraging severity, especially when they have several children to educate.

For the reasons which I have given throughout my speech I cannot go further, for the time being, either in reducing the total burden of taxation or in adopting the other improvements in graduation which the Royal Commission recommended. But the effect of the changes which I am proposing will be that in terms of earned income, the starting point of liability to tax will be raised for the single person, from £155 to £180; for a married man with no children, from £270 to £309; for a married man with two children, from £489 to £566; and for the married man with four children, from £707 to £823. No fewer than 2,400,000 taxpayers will be removed from liability altogether—to the considerable relief not only of themselves but also of the Board of Inland Revenue—and the load will be lightened on all those who remain liable.

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1. *Income Tax* (*Ch*
1955-56)

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Full details can be studied by hon. Members in the Financial Statement.

Alterations will have to be made to code numbers, to take account of the increased personal allowances and also of revised National Insurance contributions. This will be done as rapidly as possible, and for the purpose of P.A.Y.E. deductions the tax changes will become effective on the first pay day after 5th July.

In total, my proposals are estimated to cost £134 million in 1955-56, and £155 million in a full year. These are substantial and valuable remissions of taxation. Yet they leave me budgeting for a surplus of no less than £148 million. Rather more than half the surplus with which I began should survive at the end. This fact is, in itself, evidence of my conviction that, this year, we must set clear limits to the distribution of tax reliefs, if the continuing growth of the economy is to be nourished from firm and healthy roots.

Nevertheless, the reliefs which I have proposed are not, I think, wholly inconsiderable. They carry one stage further a process of liberation which, in the course of four Budgets, has reduced the standard rate of Income Tax by 1s., has improved the earned income relief and the age relief, has twice increased the personal allowances and the child allowance, and has provided successive measures of practical incentive to productive investment. By this Budget the Government are leading the Committee and the people of this country further along the road of confident expansion.

I am satisfied that the world at large will applaud our continuing climb back to the uplands of prosperity, and I rely on our people to respond to the trust which I have placed in their sure and steady steps.

1. *Income Tax* (*Charge and Rates for 1955-56*)

Motion made,

That income tax for the year 1955-56 shall be charged at the standard rate of eight shillings and sixpence in the pound, and, in the case of an individual whose total income exceeds two thousand pounds, at the same higher rates in respect of the excess as were charged for the year 1953-54;

But the amounts of tax deductible or repayable under section one hundred and fifty-seven (pay-as-you-earn) of the Income Tax Act, 1952, shall, until the sixth day of July, nineteen hundred and fifty-five, be the same as if the standard rate were nine shillings in the pound (any necessary correction being made on or after that day by adjusting subsequent deductions or repayments under that section, or, if need be, by an assessment);

And it is hereby declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act, 1913.—[*Mr. R. A. Butler.*]

The CHAIRMAN *put the Question thereupon forthwith, pursuant to Standing Order No.* 86 (*Ways and Means Motions and Resolutions*).

Question agreed to.

The CHAIRMAN *then proceeded successively to put forthwith the Question on each further Motion made by a Minister of the Crown, save the last Motion.*

2. *Income Tax* (*Personal Reliefs*)

Resolved,

That, as regards personal reliefs for individuals, the Income Tax Act, 1952 (referred to below as "the main Act") and the Acts amending it shall be amended as shown in the Schedule to this Resolution;

But the amounts of tax deductible or repayable under section one hundred and fifty-seven (pay-as-you-earn) of the main Act shall, until the sixth day of July, nineteen hundred and fifty-five, be the same as if those amendments had not been made (any necessary correction being made on or after that day by adjusting subsequent deductions or repayments under that section, or, if need be, by an assessment).

SCHEDULE

A. *Small income relief*

In section fifteen of the Finance Act, 1952, £300 shall be substituted in all places for £250 (the income limit for the full relief), £400 for £350 (the income limit for the marginal relief) and nine-twentieths for two-fifths (the fraction governing the marginal relief).

B. *Personal allowances and reduced rate reliefs*

Sections two hundred and ten and two hundred and twenty of the main Act shall be amended so that—

(*a*) there shall be an increase of £30 in the sum of £210, and of £20 in each of the sums of £120, referred to in section two hundred and ten (as amended by the Finance Act, 1952), but accompanied by the following reductions in the sums referred to in section two hundred and twenty (as so amended), that is to say, a reduction of £40 in any sum of £100, £250 or £400, and a reduction of £80 in any sum of £200; and

(*b*) the fractions of thirteen-eighteenths, eight-eighteenths and four-eighteenths referred to in section two hundred and twenty (as amended by the Finance Act, 1953), shall be altered so that the reduced rates given by those fractions shall in each case be 3d. less than the present rates of 2s. 6d., 5s. and 7s.

C. *Child relief*

Sections two hundred and twelve and two hundred and thirteen of the main Act shall be amended so that—

(*a*) there shall be an increase of £15 in the sum of £85 referred to in subsection (1) of section two hundred and twelve (as amended by the Finance Act, 1952), and in subsections (2) and (3) of section two hundred and thirteen (as so amended); and

(*b*) paragraph (*b*) of subsection (3) of section two hundred and twelve (emoluments payable to or in respect of a child undergoing training) and the provisions supplementary to it shall be omitted.

D. *Old age relief*

In subsection (3) of section two hundred and eleven of the main Act three-fifths shall be substituted for five-eighths (the fraction governing the marginal relief for incomes over six hundred pounds).

E. *Dependent relative relief*

Section two hundred and sixteen of the main Act shall be amended so that there shall be an increase of £20 in the sums of £85 and £145 referred to in subsection (1) of the section (as amended by the Finance Act, 1952, and the Finance Act, 1953).—[*Mr. R. A. Butler.*]

3. *Income Tax* (*Surtax Rates for 1954-55*)

Motion made, and Question proposed,

That income tax for the year 1954-55 shall be charged, in the case of an individual whose total income exceeded two thousand pounds, at the same higher rates in respect of the excess as were charged for the year 1953-54;

And it is hereby declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act, 1913.—[*Mr. R. A. Butler.*]

4.55 p.m.

Mr. Herbert Morrison (Lewisham, South): The Committee has listened with its customary interest to the Budget speech of the Chancellor of the Exchequer. He has established something of a record in the brevity of his speech, which is, I suppose, understandable in the circumstances. This is a half-way Budget; it is not a complete Budget. That being so, it is natural that the time taken to explain it should be shorter than usual.

Mr. Gerald Nabarro (Kidderminster): It is a very good Budget.

Mr. Morrison: The Chancellor has said that he has no intention of reducing indirect taxation. That will cause considerable disappointment in the country, and it is regrettable.

It was anticipated that something would be done about the Lancashire textile industry. It was announced by the Government a little while ago that a full statement of their intentions in this matter would be made before Easter, but it had subsequently to be admitted that they could not make a statement—presumably because they did not know what to do about the matter. Now all that is being said is that there will be a 50 per cent. reduction in the Purchase Tax range of textile goods which, I think the Chancellor said, will cost the Government between £2½ million and £3 million. That does not seem to be doing much for the Lancashire textile industry, and the news will be received with considerable disappointment by that great county.

It is clear that the Chancellor is not too comfortable about the balance of payments situation. It is pretty clear that he thinks the outlook gives cause for anxiety. We are sorry that that should be so, because it is always a matter of grave concern to the economic well-being of the country. I have no doubt that the pessimism of the Government about the balance of payments situation and the balance of trade is one of the factors which has caused them to propose a General Election.

There are disappointing features about the Budget. Those which the Opposition have cynically cheered—[HON. MEMBERS: "The Government."]—I am sorry, I mean the Government; that was a legitimate confusion with an anticipated future. The features of the statement which have been cheered by Government supporters were cheered in a tone of voice and in a manner which was perfectly cynical in its outlook. They thought that some of the proposals of the Chancellor would help to get them votes. No doubt they considered that it was not so much good the Chancellor of the Exchequer having an eve-of-the-Election Budget unless it was for the purpose of getting votes. Indeed, the Chancellor of the Exchequer himself in some of his observations has exhibited a frankness and a cynicism which has been almost charming.

One of the things I like about the Chancellor of the Exchequer is that when he is saying something which is cynical or which, if I may say so, borders on the untruthful, he does it with a smile at us which says. "I know what I am doing

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Mr. Attlee: It would appear that it was quite impossible to have a fair arbitration and I think that that is evidenced by the retirement of the neutral members. In those circumstances, we have no option but to stand firm and to say that we cannot have these things broken by force.

The Prime Minister: I am very grateful to the right hon. Gentleman.

Mr. Bellenger: Can the right hon. Gentleman say whether there are any British troops in the area and, if so, whether they are likely to be involved in this dispute?

The Prime Minister: I would rather not say anything about our military dispositions at this moment, for obvious reasons. Operations are now being carried out by the Trucial Oman levies which, as the right hon. Member for Bassetlaw (Mr. Bellenger) probably knows, are Arab troops with some British officers. I would rather not go beyond that. Up to the present I have had no information on any casualties among these levies, but I have not heard any details.

ORDERS OF THE DAY

WAYS AND MEANS

Considered in Committee.

[Sir CHARLES MACANDREW in the Chair.]

BUDGET PROPOSALS AND ECONOMIC SITUATION

3.40 p.m.

The Chancellor of the Exchequer (Mr. R. A. Butler): As has been announced, our first business must be to deal with the economic situation, and as we are in Committee of Ways and Means it will be clear to hon. Members that I have a variety of measures, including fiscal proposals, to put before the Committee. These Her Majesty's Government judge essential if we are to tackle the present situation thoroughly and effectively. The fact that my speech will include budgetary matters may lead hon. Members to think that things are more difficult than they had imagined. Actually, there has been a distinct improvement during the past month. Since I spoke at Istanbul at the meeting of the International Bank and Fund in the middle of last month, sterling, I am glad to say, has strengthened; the loss of reserves has been effectively halted, and our current deficit in the European Payments Union has been greatly reduced. Moreover, the September trade returns indicate that the gap between our export and import figures has been narrowed; and during 1955 the terms of trade have moved rather in our favour than against us.

What, then, have been the causes for our anxiety over this long summer, and why is further action needed now? Since the last Budget, over six months ago, rumours and speculation arose in July about the future parity of sterling and the margins within which it might move. This was largely due to the discussions in Paris, in June, on the subject of a European clearing system. These discussions were necessary in order to secure the renewal of the E.P.U., and to preserve the invaluable co-operation of the European nations in O.E.E.C. This uncertainty coincided, however, with a second and separate factor—the emergence of a significant degree of internal inflation, due to wage claims and rising personal incomes —[HON. MEMBERS: "Oh"]—to increased

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spending on both consumption and investment, and to industrial unrest, in which the effects of the dock strike should not be underestimated. Altogether, there has been shown to be excessive demand for our limited supply of labour and material. These two influences, the rumours and uncertainty and the emergence of a degree of internal inflation, of course, reacted one on the other, and the reserves suffered some losses.

But a plain statement of our policy towards sterling—and I have nothing to add today to what I said at Istanbul on that subject—has altogether improved the standing of sterling, in so far as it was threatened by doubts about our exchange policy. That, the Committee will realise, is eminently satisfactory. Some people may, therefore, be inclined to ask whether we could not wait till the next Budget to take further action against the internal inflationary pressure. This would be a much easier and much more comfortable course than taking steps at once. But this Government are determined to restore the balance of the economy without delay, so that we may rebuild our reserves and create a firm basis for future forward moves in national policy. Thus we shall consolidate sterling's recent recovery and take advantage of the opportunities which world trade offers us.

I discussed all this with the Commonwealth representatives at Istanbul, where my public assurance that further action was imminent did much to re-establish confidence, and I am quite clear now where my duty lies—[HON. MEMBERS: "Resign."]—namely, that we must take further action, and take it now. We shall be moving in company with the Governments of Australia and New Zealand within the Commonwealth. These and a number of other countries have been suffering from troubles somewhat similar to our own. [*Laughter.*] While the Committee may be entertained, it will observe that somewhat similar restraint is being applied in the United States and Western Germany, and we have recently had an example in Holland.

Let us be clear, at the outset, that the problems which we in Britain are facing are not problems caused by a slack or enfeebled economy. We are moving on the tide of a vigorously growing expansion, which is outstripping the resources available to maintain its strength. Twenty-five years ago John Maynard Keynes said,

> "We are suffering not from the rheumatics of old age but from the growing pains of over-rapid changes."

That statement is equally true of our situation today. I do not doubt that, had he been with us, Keynes would have noted and prescribed for the symptoms of over-ebullient prosperity, just as he diagnosed and treated the indications of underemployment in his day.

In addressing ourselves to the cause and cure of our growing pains, we must reflect that we have not experienced the problems of a free economy for some seventeen years; secondly, that we have taken on many and varied overseas burdens far greater than many of our competitors, such as Western Germany, and thirdly, that we are sustaining, and mean to continue to sustain, a system of social services which is the envy of the world. In view of these three postulates which I have laid down I have made it clear that, in my view, the problems of the British economy demand a dual policy, combining both incentive and restraint. We need, and have needed, incentive to secure the maximum expansion of production and employment at home and I presume that hon. Members opposite will not laugh when they reflect on the fact that during the last four years we have maintained what may now be said to be the fullest employment we have known in the history of this country. We need restraint to enable us to combine internal expansion with external solvency, and to ensure that the demand which results from full employment—and many people have not thought this out sufficiently—does not imperil our balance of payments or prevent us from honouring our manifold commitments overseas.

We have had both these considerations in mind during this year. In February, when the first signs of serious strain appeared, we took action by raising Bank Rate to 4½ per cent., and by reimposing a moderate degree of restriction on hire purchase transactions. At the time of the Budget, in April, I could point both to the strengthening of sterling and to the improvement in the reserves which had resulted and I am ready, on a future occasion, when I shall be really controversial, to answer any technical point raised this afternoon. Although I can point to an improved and strengthened

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sterling and the improvement in the reserves position, I warned the Committee —these were my words—that it would

"naturally take some time for the effects of Bank Rate and of the tightening of credit to make themselves fully felt on our balance of payments."—[OFFICIAL REPORT, 19th April, 1955; Vol. 570, c. 40.]

I then examined the probable trends in both demand and production as they could then be foreseen.

With all the evidence and advice at my disposal, and after deciding to hold about half the prospective surplus in reserve, and taking into account, as I thought, the probable effect of the tighter credit policy, I proposed those incentives which I thought most calculated to encourage higher productivity and output.

Looking back, what analysis can I make? It is as follows. With the single and disquieting exception of coal, my confidence in our ability to increase production has been fully justified. So far this year, industrial production has been running between 5 per cent. and 6 per cent. above the corresponding period of last year, thus maintaining the momentum of the expansion of the last two or three years. Our exports have improved, and there is a generally high level of activity and well-being in the country. So much so that some people may find it hard to understand why, with full employment and better rewards, there is any need for remedial action to be taken. But the truth is that, while the incentive side of our policy has worked to the advantage of the country as a whole, the disciplinary side, in the form of the restriction on credit—of which we had little practical experience in conditions of full employment when the trend of consumption and investment was rising, which was opposite to what was happening when I applied it on first taking office—has proved to operate less rapidly than we either expected and intended. That was the reason—I am trying to put the situation clearly before the Committee—for the further measures which I introduced on 25th July.

We cannot be certain as yet, how far the various restraints which we have progressively brought into force during the year are exerting, in their totality, their effect on the economy. Bank advances generally are gradually falling; the trade gap is becoming rather smaller; and, as I foretold in the Budget—and my calculation was correct—there has recently been some slowing down in the rate at which personal consumption has been growing. So my forecast of both production and consumption in the Budget, I claim, was correct. But I am conscious of too many signs that, before the original pressures have been sufficiently checked, new pressures may develop to reinforce them. Here are some of the indications. Let us take, first, the unsatisfied demand for materials and labour, which has been marked throughout the year, and which still persists. In spite of new production records, we are faced with a shortage of steel, and of other essential materials; and we are managing to overcome these only by additional imports. And these are significant figures. For every individual unemployed there are now more than two vacancies notified to employment exchanges. Whereas, in Australia, the Prime Minister has explained, in introducing the measures himself in the absence of the Treasurer, that it is personal consumption which is running at too high a level, in the United Kingdom the excess of demand is showing itself not only in terms of personal consumption but also in a tempo of new investment which threatens to outstrip the growth of our resources.

PERSONAL INCOMES AND SPENDING ON CONSUMPTION

Before announcing what measures Her Majesty's Government propose to take to deal with these, I will just indicate some of the other factors which have caused us to take action. The sum total of consumers' expenditure remains too high. The Index of Weekly Wage Rates, for example, rose by no less than 5 points between December and March, when a good many of the large wage claims were settled. But the figures now available show that it rose by another 3 points between March and June, and has since risen again by a further point. And new wage claims are now being pressed forward. At the same time, the level of dividend distribution has continued to rise—reports published by industrial companies in the first nine months of this year show an increase in net dividends of 22 per cent. over the corresponding period of 1954; on a gross basis, that is before deduction of tax, the increase is about

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19½ per cent. The conclusion is inescapable, that we must design our policies so that they face up to, and cope with, the danger to the economy—and especially to our competitive power—of a further expansion of incomes and of consumer demand.

INVESTMENT

With the support of hon. Members on both sides of the Committee—indeed, I was very much pressed by right hon. and hon. Gentlemen opposite—I have made great efforts to encourage investment, both public and private. I have been even more successful than I or the Committee would have expected. In addition to the evidence of continuing expansion in the amount of work actually done on fixed investment, all the indications of future intentions—the increase in the plans approved for new factory construction and the rising value of orders on hand for machine tools—point to a gathering momentum of demand in this field of investment which, taken with an increase of industry's stocks and work in progress and with the rise in incomes and consumption, is now overloading the economy.

COSTS AND PRICES

What is the effect of this? When a productive machine is working at such brimful capacity, it becomes easier not merely to obtain higher money incomes but also to pass on in higher prices the increased costs which result. Both costs and prices have been gradually edging upwards, reflecting the continuing rise in personal incomes. This leads to social strains at home; and abroad it threatens the competitive power of our exports in a world market where prices are becoming increasingly keener. For example, it is significant that the index of our export prices has risen by 3 per cent. since the end of last year.

EXPORTS

Just a word about exports. It is difficult to define the trend of exports exactly, because of the interruptions of the dock strikes. So far as we can tell, the trend is rising at an appreciable rate. Our exports to the U.S.A. in particular will do better this year than they have been doing for some time past. But it is becoming increasingly clear that home demand and home spending are not only sapping the competitive power of our exports but are also drawing in a larger volume of imports than we can afford.

IMPORTS

In the first nine months of this year, the excess of our total imports c.i.f. over our total exports has been no less than £676 million as against only £425 million in the same period last year. And although higher prices account for some part of this increase—the Index of Import Prices during this period has been, on average, some 3 per cent. higher than over the same period last year—it is an expansion in the volume of imports which is mainly responsible. In volume, imports have been no less than 11 per cent. higher in the period from January to September of this year than in the corresponding months of 1954; and the strain which they have imposed on our balance of payments has been aggravated particularly by the need to import substantial tonnages of coal.

Mr. Austen Albu (Edmonton): And steel.

Mr. Butler: I mentioned steel earlier as something which had to be imported.

BALANCE OF PAYMENTS AND THE RESERVES

As a result, we are faced with too wide a gap in the balance of our visible trade, and with a marked decline in the reserves of gold and dollars. The facts about our balance of payments position can be read by hon. Members in the recently published paper, Cmd. 9585. When we assess the balance of our overseas income and payments, we must always remember that nowadays practically any payment which we have to make in the non-sterling world may involve a loss of dollars. The revised estimate for the overall current balance of the U.K. recently published, shows a surplus for the second half of 1954 of £21 million; and the provisional estimate for the first half of 1955 is £17 million. This surplus of £38 million—including aid—for the 12 months ending in June, 1955, is at any rate a surplus, but it is insufficient to enable us to discharge the full range of our commitments and responsibilities overseas.

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and during October we have had to pay to the European Payments Union £28 million in respect of our September deficit, which was incurred—the Committee should note—almost entirely in the first half of that month, because, as I said earlier, since then things have been comparatively stable and, in fact, improvements have been seen. On the other hand, at 30th June, 1953, the International Monetary Fund still held sterling in excess of our original subscription to the extent of £96 million ; the whole of that excess has now been redeemed. Thus, our borrowing rights have increased, and this constitutes a significant reinforcement to our own reserves. In short, we have room in which to make effective our determination to reinforce and maintain sterling ; but we have no room for complacency.

Now, when world trade is expanding, is the time for the level of our reserves to rise rather than to fall. As far as we can foresee, it would appear that the rest of the sterling area should, with improved commodity prices, do a little better in the months to come. On the other hand, the closest possible examination I can make of our own prospects shows that results in the United Kingdom are not likely to show sufficient improvement—though they may show a small one—unless we moderate the pull of home demand. In judging what further measures of domestic restraint are required for this purpose, we must remember that a near balance or a small surplus on our overseas current account is not good enough. It is essential that we should earn a good surplus, if we are to honour our manifold commitments overseas while allowing for adverse swings in our balance of payments, and if confidence in sterling is to be maintained.

Having watched the recent course of events—the continuing high level of demand, both public and private, the persistent shortage of labour, the renewed pressure for higher wages, and the strain to which our reserves remain subject—I see both reason and need to reinforce the restraints which we have so far applied, in order to give the economy, in good time, the degree of relief which it needs and to strengthen the foundations of our balance of payments.

The methods by which the Government propose to deal with this problem will be consistent with their economic policy as a whole, as it has developed during the past four years. We shall not fall back on physical import cuts, which, so far from correcting inflation, may aggravate it still further, and, in any case, can be effective only if they are reinforced by rationing, allocation and controls. Our measures, therefore, must be of a more general character, consistent with our set policy of freer trade and payments, and designed to moderate the expansion of demand without distorting the natural pattern of growth of a free economy. The measures I shall outline are of this kind.

But however firmly and wisely the Government act, it is only if their measures are recognised by public opinion as being taken in the best interests of the country as a whole that the economy will be restored to full health. It is an illusion to suppose that full employment, price stability, and a healthy balance of payments, can be secured by the Government, irrespective of the contributions made, or withheld, by the people. Our plans are, therefore, framed to create the economic climate in which all elements of the community can play their full parts, and so balanced as to command the support of the whole country.

The Measures

I now come to the variety of measures in different fields which I propose to lay before the Committee. The measures of restraint which were imposed in the earlier part of the year will, of course, be maintained and allowed to develop their full effect. We shall see their full result as we approach the end of the year. But the progressive operation of credit policy will now be reinforced by further, and more direct, measures, designed to restrain demand in both the public and the private sectors of the economy, and to reduce expenditure on both investment and personal consumption.

The Public Sector

I will deal first with expenditure by the whole range of public authorities. I shall be making our decisions and actions clear as I go along. But, first, I must define the real nature of the problem which confronts us. I sometimes hear it said—indeed, I read—that there is one simple

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solution for all our economic difficulties, namely, to make dramatic reductions in Government current expenditure. Most people who say this are the victims of two fallacies. First, that Government expenditure is making increasing demands upon the nation's resources; secondly, that vast economies can be made by squeezing administrative costs without changing the functions of the Government or reducing the scope of any important service.

In fact, the truth is that we have been wielding the knife continuously for four years now; and during that period we have been much more successful in restraining Government expenditure than is commonly realised. I will give this figure—and this is the first time it has been published: Four years ago Government current expenditure was eating up 29 per cent. of gross national production. This year we have got it down to 26 per cent. The squeeze on administrative costs goes on all the time, and it will tighten still more; but it is not in administrative costs that the big money lies. It lies in quite a small number of very large and important functions which the Government have to discharge—defence, law and order, social services, National Insurance, assistance to agriculture, Colonial and Foreign Services, and so forth. When we look at Government expenditure, not in detail but in the large, the question of major changes of policy arises at once—for I emphasise that we are now at a point where major reductions in expenditure can only flow from major policy changes.

I ask: Do those who say that Government expenditure could be drastically reduced propose a reversal of policy in education, or a cut in the cost of pensions? Or are we to hold up work on the roads? Perhaps I can answer by saying that in each of these spheres we have to do all we can to meet imperative needs—in the case of education, of a rising school population, in the case of the old, of an increased number of retired persons, and, in the case of the roads, with a programme which I cannot increase but which is already insufficient to deal with the industrial needs of the country.

Are we, then, to make a big cut in our defence obligations? The Defence Estimates will be published at the usual time; and they will show that we are carrying out our commitments with the utmost economy which is consistent with maintaining the efficiency of the Services in a period of revolutionary changes in strategy and equipment. This same criterion of economy and efficiency will have to be applied at the right time to the range of subsidies which fall within the field of my right hon. Friend the Minister of Agriculture, Fisheries and Food.

But at the present time I tell the Committee—and I have been over the whole field of Government expenditure very thoroughly—that the main possibilities for major economies do not lie in cutting back existing services. They lie in restraining the rate of development, in moderating the capital outlay on the expansion of services over the whole of the field where its cost affects Government finance—whether directly, or through grants or loans or guarantees—and so reducing the increased operating costs to which that expansion inevitably leads. It is in this way that we can best constitute a balanced and considered pattern of economy in public expenditure, such as the country needs.

LOCAL AUTHORITIES

I now come to the field of the local authorities. In the public sector, the investment expenditure of the local authorities is a very important element. It represents about a quarter of the total of the nation's investment. Ever since the first formulation of full employment policy in the White Paper of 1944, it has been common ground that this area of public investment is of particular significance in the task of keeping the economy on an even keel.

By far the largest element is subsidised housing, which represented a capital expenditure of £390 million in 1954. House building continues at a high rate; and there is no reason to doubt, in accordance with what I said in July, that the total number of houses completed in Great Britain will substantially exceed 300,000 this year, and will, if all goes as we expect, probably be somewhere near that figure in 1956. Thus, in the five years since the end of 1951, about $1\frac{1}{2}$ million houses will have been built; and just under $2\frac{1}{2}$ million since the end of the war. Of these, about 2 million are houses built by public authorities for letting.

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Nevertheless, local authorities still need to build a very large number of houses, more especially for two purposes: first, to rehouse families now living in slums, and, secondly, to provide homes and industrial facilities in new and expanded towns for the excess population of the large congested cities.

It is against this background that the Government have been examining the problem of housing subsidies. This matter is very complicated and will take a long time to explain. My right hon. Friend the Minister of Housing and Local Government will, therefore, tomorrow be announcing the revised rates for future housing subsidies in England and Wales. It will be our policy in future to concentrate the subsidy as far as possible on the special purposes to which I have referred, namely, slum clearance and providing new homes and industrial facilities for the excess population. Our intention is to abolish the Exchequer housing subsidy for other purposes as soon as possible, and, meanwhile, to reduce it substantially. My right hon. Friend the Secretary of State for Scotland will also be making a statement tomorrow about housing in Scotland.

As for the other capital expenditure of local authorities, which represents well over £200 million a year, the Government have now decided to reinforce their appeal of last July by a message to all local authorities, asking them not only to observe particular restraint in their current expenditure, but also to review their capital expenditure, with the object of ensuring that, in the financial year 1956-57, it will not exceed the expenditure of the year which ended last March in England and Wales and last May in Scotland.

The Government are leaving it to the authorities to decide, in the light of local conditions, which of the various capital projects can be delayed with the least damage to the standards of their services. I have made arrangements for the convenience of hon. Members that a Command Paper giving the terms of these important messages, which have already been despatched, will be available in the Vote Office at the end of my speech.

So far, I have dealt with direct action by the Government on the capital expenditure of local authorities, but I intend to support this action further by monetary measures. It would be wrong to exempt the local authorities from the pressure of interest rates, and, as the Committee knows, I have not hesitated to vary the lending rates of the Local Loans Fund in order to keep them in line with the market. But further action is needed if we are to restore financial responsibility to the local authorities and financial health to the Exchequer.

Hitherto, the local authorities have used the Exchequer as a source from which they can borrow as it suits them. But within their loan sanctions there has been no limit to the amount of their borrowing from the Exchequer; and they have had the benefit of rates based on Government credit.

This system has had two disadvantages. First, since the tap is open from which the local authorities can draw the money when their capital commitments mature, they have less incentive to consider, before they incur the commitments, how the money to meet them will be found. Their sense of financial responsibility is also weakened if they borrow at rates which reflect not their own credit but the credit of the Government. Secondly, the system is unhealthy for the Exchequer. The Budget of last April provided £320 million below the line for loans to local authorities this year. In the 29 weeks so far, demands on the Exchequer for this purpose have already amounted to £223 million, an increase of £83 million by comparison with the same period last year.

This drain is not due to any increase in the capital formation of local authorities. It is due to the fact that, when interest rates have been rising, the local authorities have chosen to concentrate their borrowing on the Public Works Loan Board. As a direct result, the Exchequer has been obliged to raise these large sums by increasing the Floating Debt, and this increase, by the operation of the monetary system, has diminished the pressure on the liquidity of the banks and added to the difficulties of credit control.

In the next eighteen months or so, however, the capital expenditure of the local authorities may be expected to fall. It is probable that the reduction in housing expenditure will continue; at the same time, if the local authorities

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succeed, as I am sure they will, in carrying out the Government's wishes in the rest of their programmes, their other capital expenditure will be no larger than it was last year. This contraction of expenditure provides the opportunity for a change in the local authorities' arrangements for raising the capital finance.

I have, therefore, decided to exercise a check on the volume of Government lending to local authorities. I am not suggesting that any local authority, or class of authority, should be denied the right of access to the Public Works Loan Board. But I have asked the Board, before it grants any advances in future, to put all applicants on inquiry as to their ability to raise the finance on their own credit, either in the stock market or in the mortgage market. I intend that all authorities who can borrow on their own credit shall make full use of the capacity of both markets, with corresponding relief to the demands on the Exchequer.

This is a serious addition to the burden of unpaid work done by the Public Works Loan Commissioners. I am grateful to them for undertaking it, and I am sure that the Committee will join me in paying a tribute to their public spirit.

I know that this change implies a substantial modification in the financial practice of the local authorities. Transitional arrangements may well be needed to avoid dislocation, and to ensure that there is no risk of delay in meeting commitments which the authorities, relying on past practice, have already incurred. We are fortunate, however, in having standing machinery for consulting the local authorities about arrangements for borrowing from the Public Works Loan Board; and I intend to use this machinery in order to ensure that the transition is carried out as smoothly as possible.

At the same time, I propose to change the present practice whereby an authority is charged a rate based on its own credit if it borrows on the market but a rate based on Government credit if it borrows from the Public Works Loan Board. In future, an authority which makes its case for borrowing from the Board will pay a rate reflecting not Government credit, but the credit of local authorities of good standing in the market for loans of comparable periods. The local loans rates now in operation are 5 per cent. on advances for periods of five years and over and 4½ per cent. on advances up to five years. Given current market levels, I consider that these rates provide at least a fair starting point for the new policy of local loans rates based on local authority credit, and for the present I do not propose to change them. But the local loans rates will be kept under close review as the new policy develops.

I have said before, and I say again, that day-to-day fluctuations will be avoided, but the local loans rates must not be insulated from the market and the Treasury will continue to adjust them, in either direction, as may be required to keep them in line with future changes in the level of the relevant rates in the market.

NATIONALISED INDUSTRIES

I now come to the nationalised industries. I gave some account on 26th July of the preliminary surveys of capital expenditure and borrowings which the nationalised industries had made at the request of the Government. In particular, I mentioned various measures which the Central Electricity Authority and the Gas Council, together with their area boards, were prepared to take, including the deferment of certain capital projects. I can now give the result.

The gas industry will make do with older equipment, such as carbonisation plant, for a longer period, and will be able to reduce expenditure this year by something approaching £3 million. The Central Electricity Authority has asked the area electricity boards for an all-round percentage cut in their expenditure in the current year, and even in the priority field of generation they have been able to postpone certain less vital projects while pressing on urgently with the nuclear power programme. The Secretary of State for Scotland has, of course, also been in touch with the Scottish electricity boards on these matters.

In both industries, what is called "promotional expenditure" is being cut back, and working capital employed in hire-purchase activities, and stocks held for those activities, have been curtailed, as a result both of the boards' own efforts and the Government's restrictions on hire-purchase arrangements.

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These initial measures will produce some useful savings in this year's capital expenditure. In addition, the Committee will be aware that, owing to the funding operations undertaken during the summer, the overdraft limits of the two industries authorised by the Government, have fallen from a peak of £280 million earlier this year to a figure of £130 million.

But it is only in the period ahead that substantial changes can be made. For that period the nationalised industries have been carrying out a more detailed survey of capital projects as well as of internal resources, the results of which will be incorporated in the investment programmes they are about to submit to the Government. These, as the Committee may be aware, are submitted every year to the Government. The industries are fully conscious that on this occasion their proposals for future investment will necessarily be examined with a much more critical eye than in previous years.

This examination is not, of course, confined to gas and electricity. I said on 26th July that the coal mines must have their full investment, but I am glad to learn from the National Coal Board that it is pursuing the possibility of some saving by deferring projects such as brickworks and office buildings which do not affect output.

The modernisation and re-equipment plan for British Railways is at an early stage of its development. It does not, therefore, at present, involve any substantially increased demand on labour and resources; but the British Transport Commission is well aware of the general needs of the economy, and in carrying through its programme will have those needs in mind.

Other Public Authorities

Other public authorities are being asked to co-operate in restraining both current and capital expenditure. My right hon. Friends the Minister of Health and the Secretary of State for Scotland are communicating with hospital boards in this sense. In the hospitals, as in the local authority services, we are not reducing the programmes which have already been announced but, subject to this, we are asking the hospital boards to ensure that only those works are undertaken which are of the most urgent and necessary character.

My right hon. Friend the Minister of Transport and Civil Aviation is going ahead with the roads programme which has been announced, but in present circumstances the Government cannot agree to an extension or acceleration of it, much as we should like to.

Government Building

The Government must exercise a similar restraint on their own capital programmes. We have, therefore, examined the present programme of new Government building, and have considered which projects can be postponed with least detriment to our interests and without waste of expenditure. By way of illustration, I will mention one or two of the larger schemes which we have had under review.

First, the Westminster Hospital site. The Committee will be aware that this site was acquired in 1947 for the purpose of providing a new Colonial Office building at an estimated cost of about £3 million. We have now decided that, for the present, we must discontinue the work at the point it has now reached—that is to say, at basement level. Then there is the site in Horseferry Road, which has been acquired for the erection of new Government offices. These were estimated to cost nearly £3 million. Here, again, we have decided to halt the work at basement level.

We have also had to look particularly closely at plans for Government building overseas, since this is a field in which savings have a double effect—on the balance of payments as well as on the total of Government expenditure. One major project, which has now reached the sketch-plan stage, is that for a new office in Washington to house the staff of the Embassy and other United Kingdom missions, at a total cost of about £1 million. We had hoped to make a start with this building by the end of 1956, but we have reluctantly decided that we should not be justified, in present circumstances, in proceeding with plans that may involve us in heavy dollar expenditure, if not now then in twelve or eighteen months' time.

There are a number of other, more long-term projects where we may have to consider spreading expenditure over a

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longer period than we had hoped. One of these is the Royal Mint, in which I have a particular interest because, as Chancellor of the Exchequer, I am *ex officio* Master, Worker and Warden and I have long wished to see the Mint more adequately housed than it is at present. We shall have to look at the timing of the plans for this and other projects.

POST OFFICE

All that I have said indicates the Government's intention to set an example of restraint in their own capital expenditure. It is in this spirit that we have also considered the investment requirements of the Post Office, and the steps necessary to bring Post Office finance into line with current economic needs. My right hon. Friend the Postmaster-General is laying a White Paper today which sets out his plans in detail. In common with other authorities, the Post Office must restrain the rate of its capital investment, and I am sorry to say that it will not be possible for the Postmaster-General to reduce the size of the telephone waiting list quite as quickly as we should have liked; but we shall do all we can.

It is also necessary to bring charges into closer relationship with the cost of the services offered to each class of subscriber, including a proper allowance for the present high costs of equipment. Many telephone subscribers at present have a telephone for half of what it costs the Post Office to instal and maintain it. The adjustments which my right hon. Friend is proposing will bring us nearer to a position in which the waiting list consists of persons who are prepared to pay the economic price for the service. Together with some necessary increases in postal tariffs, these changes will produce no less than an extra £26 million a year. The Postmaster-General's White Paper will be available in the Vote Office when I sit down.

PRIVATE INVESTMENT

I want to say a word about private investment. It would not be in accordance with the Government's policy to try to control directly investment in the private sector. But I look to all those who provide or control the finance for capital expansion by private enterprise to bear well in mind the spirit of the decisions which the Government have taken for their own part, and the requests which the Government have made to local authorities, to other public boards and to the nationalised industries. I know that the banks and the Capital Issues Committee took note of my statement on 25th July and have applied it in their scrutiny of applications. I take this opportunity to underline, with fresh emphasis, what I then said, and to make it clear that there can be no question, for the time being, of the authorities relaxing their critical attitude. To the extent that those concerned with investment programmes are willing to enforce a stricter order of priority in giving effect to their projects and to move rather more slowly for the time being in implementing their projects, they will be contributing directly to the stability of our economy and thus ultimately to their own prosperity.

NATIONAL SAVINGS

I come now to personal consumption. The measures which I have so far described are directed to controlling the growth of expenditure in the public sector. They need, therefore, to be supplemented by a policy to deal with the growth of personal consumption. Restraint in this field can be achieved by self-discipline no less than by external compulsion; and I am anxious to give every encouragement to those who are willing to forgo a little of the luxury of immediate spending for the sake of the future well-being of their country.

Last April, I paid tribute to the results of the National Savings Movement's campaign for 2 million new savers, and the great success achieved in raising the level of new savings. I should like to thank hon. and right hon. Members on both sides of the Committee for the part they have played. I renew my thanks to the Movement, its leaders and workers alike; and I urge them to remember that their efforts are even more important today. If hon. Members will turn to Table 27 of this year's National Income Blue Book they will see the great rise in personal savings, under this and the last Administration, since 1951. In particular, the amounts invested through the National Savings Movement increased by £86 million in 1954, and the first nine months of 1955 show a further increase of some £80 million.

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The Committee are aware that a new Defence Bond will be available on and after the 1st November, with the same bonus and limit on holdings as the present Bond but carrying interest at 4 per cent. I have also looked at the National Savings certificate very closely in order to be sure that it does all that it can to attract real savings. Lord Mackintosh has represented to me that an increase in the limit of holdings would be of very timely assistance to the Savings Movement. The Government have, therefore, decided to give the Movement this encouragement, and to increase the maximum permitted holding of certificates of the current issue from the present figure of 1,000 units or £750, to 1,200 units or £900. This measure, like the new Defence Bond, will come into effect on 1st November. These are fresh and attractive incentives, and I am confident that the National Savings Movement will rise to both the needs and opportunities of the present time, backed by public opinion and by hon. Members on both sides of the Committee.

Customs and Excise

I am satisfied, however, that some direct restraint on consumption is also required. For this purpose there is one revenue measure which lies ready to hand and is immediate in its effect—an increase in the Purchase Tax. I therefore propose a general increase in the existing rates of Purchase Tax. These are at present 25 per cent., 50 per cent. and 75 per cent.; and I propose that they should be 30 per cent., 60 per cent. and 90 per cent. respectively—an increase of one-fifth—subject to certain exceptions which I shall mention in a moment. I am also taking the opportunity to modify the tax, bringing into its ambit certain goods which at present lie outside and reducing its impact in some cases where industry is undoubtedly suffering from its effects. Two of the changes are major.

The first affects a range of kitchenware, tableware and other household goods which were, for the most part, at one time subject to tax but have for some years been exempt. The general case for an increase in Purchase Tax applies equally to these goods; moreover, the exemptions are abitrary in their nature, and give rise to a number of anomalies which are a source of frequent friction with the trades concerned. This range of articles will now be brought within the Purchase Tax field, and made subject to the lowest rate of 30 per cent.

The second major change relates to the D allowance schemes, which now apply to clothing and footwear, textiles, furs and furniture. The levels at which the D figures now stand have for some time been too high, and have resulted in a far larger range of items becoming exempt from tax than was the intention when the levels were fixed. This situation was thus, in any case, overdue for revision. Moreover, with the D levels in mind, manufacturers at present tend to concentrate design and production on lower quality goods for the home market. The Government have, therefore, decided to abolish the D schemes, in order to open up the home market in quality goods, and so provide a better base for the export market. We shall, therefore, be encouraging exports and thereby assisting the balance of payments. I believe that traders in general will welcome this change.

While abolishing the D schemes, however, I am not proposing to apply the full rigour of the new rates of Purchase Tax to the articles affected. Apart from fur garments, which will remain chargeable at 50 per cent. but with no D allowance, the whole range of articles now affected by the D schemes will be made liable to tax at rates of 5 per cent. or 10 per cent., corresponding broadly to the previous rates of 25 per cent. or 50 per cent. with D allowances. For example, headgear—that is, hats—will be charged at 10 per cent. This and other details will be found set out at length in the White Paper. These low rates cannot be held to constitute any serious burden on the industry or on the consumer, and the general financial effect of the changes will be that the yield from textiles and clothing will not be significantly increased.

The other adjustments of Purchase Tax which I propose to make—these are important adjustments—will give some help to the silverware and cut glass industries, by reducing the amount of tax paid on most of these craft products. The results of all these alterations in Purchase Tax will be a simplification which will give much more freedom to the designer and

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much more opportunity to the exporter. They therefore fit into the general pattern of the needs of the moment, and I recommend them to the Committee. They will come into effect as from tomorrow, and should produce in a full year additional revenue of approximately £75 million. Their yield in this year will be £15 million. Their effect on the cost of living index will be an increase of a little under 1 point.

INLAND REVENUE

Now I have certain proposals to make in the field of direct taxation. The Finance Bill will be very short, and will involve little detailed amendment of the tax codes. When hon. Members examine the Resolutions they will see that there will rightly be opportunity for discussion of various aspects of the Purchase Tax, and of the other measures which I am about to mention; but there will be no need for a General Resolution. I must, however, include provisions to deal with two subsidiary matters which are related to the main purpose of the Bill.

The first of these—and they are comparatively minor, but I will mention them—will deal with an avoidance device known as "dividend stripping," operated by certain financial concerns, by which the liquid reserves of companies are extracted free of Surtax at considerable loss to the Revenue. I cannot allow either this practice or this loss to continue.

Secondly, I propose, subject to conditions, to extend the relief from Surtax which is allowed to Lloyd's underwriters on profits which they pay into special reserve funds. Lloyd's is an important source of overseas income, and I hope this measure will enable them to maintain and expand their foreign business in the face of adverse circumstances, so as to assist our balance of payments.

MAJOR PROPOSALS

I now come to something more important. In considering whether I need do anything further in the field of direct taxation, I am governed by the conclusion reached in the earlier part of my speech. I will repeat what I said. "The conclusion is inescapable that we must design our policies so that they face up to, and cope with, the danger to the economy—and especially to our competitive power—of a further expansion of incomes and of consumer demand." The Committee will also remember that I said that our policy, which all sections of the community must support, must combine incentive with restraint.

I do not propose to single out personal incomes, not even the highest personal incomes, for further taxation or for some reduction of the relief from taxation which I have already given them. Personal incentives, especially to those who give a lead on the shop floor or in the office, are hard enough to give, with taxation at its present level, and they should not lightly be withdrawn.

In the case of death duties also, the rates are already very high; nor, indeed, would any practicable change in these duties make any direct contribution to the solution of our problem, which, as I have said, requires an early reduction in the call which we are making on our resources.

There remain the taxes on profits. It is clear that the leaders of industry, large and small, as well as of organised labour, realise that what may be described as a "Demand Race" will price us out of overseas markets, unless we take care. This is true whether the demand derives from increased wages or from bigger incomes resulting from a considerable enlargement of the distribution of profits. It is true that there are reasons for some of the increased wage claims. It is true also that many of the increased dividends have been due to a pent-up restraint over a number of years. Provided that productivity per man increases at least in proportion, there are great advantages in higher wages and there is positive virtue in making profits.

Profits are an indication both of the efficiency of production and of the directions in which economic changes are needed. Unless the economy incorporates some index by which to evaluate the reward for efficiency, and to distinguish between the results of greater and smaller success in the business of risk-taking, it will soon lose the powers of adaptation and innovation which are essential to our survival. Nevertheless, at a time when our resources are overloaded and the demand for the products of industry exceeds the supply, the level of profits can contribute to this excess demand. It is, therefore, appropriate that profits should make some contribution to the

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I spend most of my time looking forward; but when I look back I feel thankful that on more than one occasion I have been able to reduce the general burden of industrial taxation, which we have only recently got below the high peaks of war-time necessity. The Committee should recall the favourable adjustments we have made in respect of industrial taxation. In my Budget of 1954, when I was criticised for being dull and unadventurous, I gave industry the advantage of the investment allowance. Certainly, few critics at that time raised their voices; in fact, I was pressed to encourage industrial investment more, as I was in my last Budget. We do not propose to withdraw the investment allowance. We propose to rely on the good sense of managements and on the credit squeeze to moderate the pace of investment.

I have, therefore, come to the conclusion that if we are to tackle excess demand as stimulated by the general level of profits I must deal with the difficulty by other means. In the United States, for example, they find it necessary, in the interest of the community, to check undue fortuitous increases in personal fortunes. I have studied the arguments of the minority of the Royal Commission in favour of a capital gains tax; I confess that I am far from convinced by them. In any case, I am sure that it would be premature for the Government to jump to conclusions about a capital gains tax. It would also be most unwise to revert to any conception of an Excess Profits Tax or a special contribution or levy. I have, therefore, turned my attention to the existing profits tax.

This tax is now charged at two rates—22½ per cent. on distributions and 2½ per cent. on amounts put to reserve. The whole question of its structure, and of the taxation of corporations generally, has recently been exhaustively reviewed by the Royal Commission. The majority Report recommends that the existing differential rates should be replaced by a single flat rate; the Minority propose a wholly new system of taxing companies.

I was attracted at first by the majority recommendation; but on examination I have found that it would be very variable in its incidence and have the most anomalous, and in some cases, most surprising results. For example, companies which distribute a high proportion of their profits would gain, while those which put a large proportion to reserve would lose—and the latter include a number of new and important industries. Therefore, I have decided, at any rate for the present, that such a change would not be directed to our present needs. Nor am I ready to make up my mind on the permanent alterations in the structure of the tax recommended by the Royal Commission, and so I must do my best within the existing framework of the tax.

I have considered whether I should increase the rates of Profits Tax both on distributed and on undistributed profits. I am reluctant to increase the rates specifically charged on amounts put to reserve, since to do so would tend to impede the necessary replacement of capital assets and to discourage future investment rather than current consumption.

Here, our long-term interests diverge from our more immediate needs. I realise that the tax on distributions has to be paid by the company. Nevertheless, I consider that, in present circumstances, when increased dividends may imply increased consumption, there must be an increased tax on the profits which companies distribute.

I have, therefore, decided to increase the rate of Profits Tax on distributed profits from 22½ per cent. to 27½ per cent., as the measure which is most appropriate to our requirements. The increase will apply to accounting periods beginning on or after 1st November, and, in the case of accounting periods which overlap that date, to so much of the period as falls on or after that date. As on previous occasions when the rate has been increased, there will be provisions for splitting companies' accounts, and for ensuring that a company cannot avoid the increased rate of tax by declaring on or after today an increased dividend for a period before 1st November. The yield in the current financial year will be negligible—naturally; that is always the case with Profits Tax—but eventually, in a full year, it will approach £40 million.

I trust that the prospect of this additional charge on profits, combined with the effect on the whole economy of the

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sum of the measures which I am proposing, will exert a significant degree of restraint on the amounts actually distributed.

CONCLUSIONS

These, then, are the measures which the Government propose to restore the balance of the economy. We must not under-estimate our achievement over the last four years. We have removed restrictions and controls and restored liberty of choice; we have opened markets, widened the channels of trade and moved nearer the freeing of payments. Now, if we show responsibility at home we shall prove ourselves worthy of the position of leadership in the Commonwealth and among the nations of Western Europe.

Moreover, the Committee may observe that this Government has always taken action in time and has looked forward. It is our conviction that by taking action of this sort in time, we can look forward not only to many years of successful government but to a continuance of our standard of living and to the happiness of our people if all combine in unity in carrying out this task.

1. *Purchase Tax*

Motion made,

That as from the twenty-seventh day of October, nineteen hundred and fifty-five—

(*a*) section nine of the Finance Act, 1952 (which provides for reducing or discharging purchase tax on certain wearing apparel, textiles and domestic furniture by making a deduction from wholesale value), shall be repealed;

(*b*) subject to any order of the Treasury under section twenty-one of the Finance Act, 1948, Part I of the Eighth Schedule to that Act shall be amended as provided by the Table appended to this Resolution, but this paragraph—

(i) shall not authorise the amendments in paragraphs 1 to 5 of that Table unless provision is made by any Act of the present Session relating to finance for the repeal of the said section nine of the Finance Act, 1952, at least so far as it applies to all descriptions of wearing apparel, textile articles, soft furnishings and bedding, or for its repeal to that extent subject to a saving for articles made wholly or partly of fur-skin, and

(ii) shall not authorise the amendments in paragraph 6 of that Table unless provision is so made for the repeal of the said section nine at least so far as it applies to all descriptions of furniture;

(*c*) subject as aforesaid, in Part I of the said Eighth Schedule (with any amendments authorised by the foregoing provisions of this Resolution)—

(i) each rate of 25 per cent. in any Group shall be increased to 30 per cent.,

(ii) each rate of 50 per cent. in Group 11 or any following Group shall be increased to 60 per cent., and

(iii) each rate of 75 per cent. in any Group shall be increased to 90 per cent.,

but this paragraph shall not authorise any increase under one of the foregoing sub-paragraphs which does not apply equally to all rates mentioned in that sub-paragraph;

and in paragraph (*a*) of subsection (1) of the said section twenty-one of the Finance Act, 1948, the reference to the rates of tax provided for by the enactments relating to purchase tax shall include not only the rates provided for by this Resolution but also any other rate not exceeding the highest rate at which tax is for the time being chargeable in respect of goods of any class.

TABLE

1.—(1) In Groups 1 and 3 (which comprise garments, footwear and gloves) each rate of 25 per cent. shall be reduced to 5 per cent. and in Group 2 (which comprises headgear) each rate of 25 per cent. shall be reduced to 10 per cent.

(2) Articles of headgear suitable only for babies' wear and gloves suitable only for babies' wear shall cease to be chargeable goods.

2. Handkerchiefs, scarves, shawls and braces shall be chargeable under Group 4 (which comprises haberdashery) at 5 per cent.

3.—(1) Paragraph (*a*) of Group 5 (which charges textile articles containing wool at 50 per cent.) shall be omitted.

(2) Cushions, cushion pads, pillows, bolsters, overlay mattresses and mattress shapes, being articles of a kind used for domestic purposes, shall be chargeable under Group 5 at 5 per cent. but subject to an exemption for air pillows and cushions and water beds, pillows and cushions, being articles of that kind.

4.—(1) All goods comprised in paragraph (*a*) of Group 6 (which relates to tissues and fabrics) shall be chargeable at 10 per cent. under that Group and the goods so comprised shall include tissues and fabrics of whatever material not exceeding twelve inches in width and not comprised in any of the following paragraphs of that Group.

(2) The goods comprised in Group 6 as so extended shall not be chargeable as haberdashery under Group 4, and the material referred to in Group 6 as woollen material shall be known as Class A material.

5. Sub-paragraph (iii) of paragraph (*b*) of Group 9 (which charges rugs other than fur rugs and floor rugs at 50 per cent.) shall be omitted.

6.—(1) Furniture of a kind used for domestic purposes and of the following descriptions shall be chargeable under Group 11 at 5 per cent.:

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Coal or cinder sieve

Electric kettles and
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Wardrobes, cupboards, tallboys, cabinets other than refrigerator cabinets, chests, chests of drawers, dressing chests, sideboards, bureaux, bookcases, bookcase units, sets of shelves (but not including any of the above-mentioned articles which are made of metal);

Tables, including writing tables and dressing tables, and trolleys;

Chairs, settees, stools, pouffes and other seats;

Divans, bunks, ottomans, spring-bases, box-spring mattresses and other mattresses, not being overlay mattresses;

Headboards and bedstead ends;

Fireside curbs.

(2) Babies' high chairs, babies' cradles and stands therefore, cots and playpens shall cease to be chargeable goods.

7.—(1) Goods of the following descriptions shall (so far as not already chargeable) be chargeable goods and, subject to the provisions of this paragraph, shall be chargeable at 30 per cent.:—

Vessels designed for use primarily as containers for food or drink in the course of its storage, preparation or consumption, lids for use with vessels so designed, serving trays, bread boards, bowls and jugs and ewers;

Household brushes, brooms and mops;

Dustbins, buckets and pails, and lids for dustbins, buckets and pails;

Pedal-operated sanitary bins, coal hods and coal scuttles;

Baths, wash tubs, wash boards, ironing boards, shields and stands for smoothing irons or pressing irons, clothes line posts, clothes pegs, clothes props and clothes airers (other than heated airers);

Pot scourers and steel wool;

Pastry boards and rolling pins;

Coal or cinder sieves and sifters;

Electric kettles and other cooking utensils incorporating heating elements;

Smoothing irons and pressing irons;

Interval timers incorporating an alarum mechanism;

Kitchen scales and weights therefor, kitchen weighing machines, hand operated wringers and hand operated mangles;

Shopping-baskets and shopping-bags, not being baskets or bags fitted with lids or any other means of closing them.

(2) The charge of 30 per cent. on goods becoming chargeable under this paragraph shall be subject to any higher charge applicable under any Group except that sub-paragraph (i) of paragraph (*a*) of Group 12 (which charges articles designed for operation by electricity or gas at a higher rate than other articles) shall not apply to electric kettles and other cooking utensils incorporating heating elements or to smoothing irons or pressing irons.

8. Glassware of cut glass falling within Group 11 shall be included in paragraph (*a*) of that Group and paragraph (*d*) of that Group (which charges such glassware at a higher rate than the rate in the said paragraph (*a*)) shall be omitted.

9.—(1) At the end of paragraph (*b*) of Group 12 (which comprises space heating appliances and heaters and boilers suitable for operation from electric or gas mains) for the words "suitable for operation from electric or gas mains" there shall be substituted the words "designed for operation by electricity or gas."

(2) Appliances of the following descriptions shall not be chargeable goods:—

Appliances incorporating electric fans or electric pumps or both such fans and such pumps, being—

(*a*) solid fuel burning or oil burning space or water heaters or oil burners of a kind used for space or water heaters, or

(*b*) radiators or convectors for connection to hot water or steam central heating systems.

10.—(1) In Group 25 (which charges pictures, figures, busts, reliefs, vases and similar articles) references to vases shall be omitted.

(2) Frames for pictures, frames and stands for photographs and similar frames and stands shall, subject to the exemption in paragraph (*g*) of Group 11 (which relates to wooden frames of moulding not less than three inches wide), be included in Group 25 and shall be chargeable at 30 per cent. under that Group.

(3) The tableware, kitchenware and other articles of given materials excluded from Group 25 by paragraph (*g*) thereof shall include such articles whatever the material of which they are made.

11.—(1) No goods shall be chargeable under Groups 27 and 28 (which relate to goldsmiths' and silversmiths' wares and articles of semi-precious materials).

(2) Group 26 (which relates to jewellery) shall include the following entries:—

Articles of personal adornment and other articles of a kind worn on the person, being articles made wholly or partly of gold, silver or other precious metal (not including base metal which is coated or plated with precious metal)	60 per cent.
Trophy cups, bowls and similar articles of a kind awarded as prizes	30 per cent.

—[*Mr. R. A. Butler.*]

The CHAIRMAN *put the Question thereupon forthwith, pursuant to Standing Order No.* 86 (*Ways and Means Motions and Resolutions*):—

The Committee divided: Ayes 314, Noes 227.

Parl Debates Andrew PWP

HOUSE OF COMMONS DEBATES VOL 112 NO 76

BUDGET DEBATE Thursday 19 March (Third Day)

Summary of Revenue Points

Col		
1055	Mr Kenneth Clarke (Min.Emplt.)	Budget for jobs. Unemployment falling.
1056		Basis for job strategy: steady growth and low inflation. Spending, tax and borrowing. interest rates reduce costs for industry.
1057	Mr John Prescott (La) Mr Clarke	Labour's record on employment. Tax cuts help jobs. Public spending cannot. Tax cuts mean incentives, low wage demands, unit labour costs. Labour reject tax cuts but want damaging wage increases.
1058		Wage increases and imports. Competitiveness the key. Imports argument absurd. Increased yield from higher rate taxpayers. Increased allowances have taken 1.5 million taxpayers out of tax.
1059		Spending on jobs means high taxes, interest rates, job losses. Increased spending on health and education.
1060	Mr Tony Banks (La) Mr Clarke	Investment infrastructure better for jobs. Mitterand policies reversed in France. Labour cut NHS spending. Job training schemes. New tax relief for training.
1061		Let employers run training, not the Government.
	Mr Prescott	Labour's "levy on turnover" is misrepresented.
1062	Mr Clarke	PRP means employee involvement and pay flexibility. VAT reforms lift burden on business. CT small companies rate cut an incentive.

1063		Job clubs a success.
1064		Labour and Alliance job strategies. Incomes policy undesirable.
1065		Cut in basic rate helps incentives, PSBR helps interest rates and spending is up.
1066		Unemployment in Sparkbrook.
1067	Mr Prescott	Public expenditure better than tax cuts for jobs. Other EEC countries use public expenditure to create jobs. OECD comparisons of unemployment.
1068		£20 billion spend on dole. Cuts in British Rail.
	Mr Clarke	British Rail more profitable.
1069	Mr Prescott	Spending means jobs, services. Tax cuts mean imports.
1070		Excise duties frozen to keep inflation down. Governments record on inflation worse than other countries.
1071		Challenged unemployment figures. Challenged employment/self employment figures.
1072		Labour's plans for statistics.
1073		Labour's job strategy. Treasury discriminates against labour investment.
1074		Labour's training programme. Engineering training board wants to remove exemptions from levy.
1075		Industry should pay more towards training.
1076	Sir Barney Heyhoe (C)	Unemployment falling. Overseas investment contributing £5
1077		billion a year, means balance of payments not a problem. Disappointed no increase in spending. Increase Christmas bonus for pensioners. Spend more
1078		on research. Do not dissipate

		increased NHS spending on pay. Disappointed no increase in tobacco duty. Welcomed VAT admin changes.
1079		Welcomed burial of M3. Welcomed 2p off basic rate but more help needed to combat poverty trap. Wanted alignment of tax and NIC. Welcomed likely fall in interest rates.
	Mr Richard Wainwright	Research budget too low.
1080	(Lib)	Domestic capital formation negative. Two nations. Reduce employer's NIC in areas of high
1081		unemployment. Special measures necessary for long-term unemployed. Privatisation reducing national assets. CT revenues due to failure to invest. VAT revenues due to credit boom. Welcomed - higher spending - target for exchange rate - demise of M3
1082		More capital spending needed. Cut in basic rate improvident.
1083	Mr George Gardiner (C)	Welcomed 2p off basic rate. Long term aim should be 20p. Disappointed no cuts in higher rates. Cuts increase revenue. US top
1084		rate of 28% means a brain drain. Welcomed BP sale, widening share ownership. Privatise electricity, coal, Post Office.
1085	Mr Ron Leighton (La)	VAT revenues from credit boom and imports. Privatisation proceeds - family silver. Widening rich-poor gap. Unemployment, low investment, trade deficit.
1086		Analysis of Restart courses.
1087		Skill centres closed. Jobstart unpopular.
1089	Mr Ian Gow (C)	Privatisation means real ownership by the people. Welcomed BP sale, cut in PSBR.

1090		Money supply the key to inflation. Welcomed cut in PSBR. Regretted burial of M3.
1091		Welcomes changes to personal pensions - good for mobility, but not as good as repeal of Rent Act. Criticised freeze in tobacco and alcohol duties. Wanted reduced rate band to tackle poverty trap.
1092 1093	Mr Don Dixon (La)	Unemployment in Jarrow. Job clubs no use where there are no jobs. Budget does nothing for unemployed, or pensioners on poverty line.
1096		Spend more on NHS, housebuilding.
1097	Mr Charles Wardle (C)	Welcomed - cut in PSBR - 2p cut in basic rate Good for incentives, low interest rates. Welcomed - over 80s allowance - blind allowance - VAT admin reforms - low CT rate for small companies - PRP
1098		Wanted - a tax incentive for research and development along PRT relief lines - cut in NIC for low paid Good record on infrastructure.
1099	Mr Peter Pike (La)	Criticised 2p cut - benefits the high paid. Nothing for jobs. Assets sales a one-off.
1100		Challenged comment about increased allowances and 1.5 million people out of tax. VAT and NIC hit low paid. Tax cuts of no benefit to most pensioners.
1101		Welcomed - unleaded petrol - help for small business
1103		Extend enterprise zones.

1104	Mr Tony Baldry (C)	Budget not supposed to be about spending, which is up anyway. pensions up in real terms more than under Labour.
1105		Low tax rates create jobs in US.
1106		Welcomed - low small companies CT rate - BES expansion - VAT reforms - all good for job creation
	Mr Gerald Bermingham (La)	US economy helped by deficit. PSBR cut bad for investment. Welcomed betting tax changes.
1107		Inland Revenue and Customs and Excise should not harass small businesses with arrears of tax.
1108		Will BP sale finance cuts in higher rates of tax?
		Budget plays with margins of age allowance.
1110	Mr Keith Raffan (C)	Unemployment falling in Wales.
1111		Interest rate fall the key to job creation.
		Cut in basic rate will create jobs. Welcomed - VAT reforms
1112		- relief for training, but how will this affect Courtaulds?
1113	Mr Max Madden (La)	Tax cuts of little benefit to low paid. Tax cuts do not increase incentives. Low paid suffer from increased NIC and VAT.
1115		Criticised abolition of maternity grant.
1116		Increase pensions and child benefit.
1117	Mr Stephen Dorrell (C)	Opposition should acknowledge increased spending.
1119		Welcomed PSBR cut - good for business and home owners.

1120	Urgent need to tackle <u>poverty trap</u>. Welcomed burial of M3. Wanted to join EMS.
1121 <u>Mr Allen McKay</u> (La)	Mixed views on <u>betting tax</u> changes - will hit working men's clubs.
1122 <u>Mr Tony Blair</u> (La)	<u>PEPs</u> used mainly by the rich as a tax shelter.
1123	Flotations grossly underpriced. Growth in exports less than under Labour. Output poor. Credit boom responsible for high interest rates. Tax cuts will exacerbate this. Quoted Tory Reform Group on tax cuts and imports.
1128 <u>Mr Peter Brooke</u> (MST)	Phillips and Drew say policies sustainable. <u>VAT reforms</u> will help small business. VAT collection cost-effective Small firms and self employed package includes - advice on <u>employment status</u> - help in <u>PAYE</u> and NIC operation - guidance about IR <u>investigations</u> <u>PRP</u> improves motivation and long term rewards. <u>PRP</u> arrangements flexible. Early planning advisable. <u>PRP</u> beneficial even without tax relief. <u>Payroll giving</u> to operate in Civil Service. BP sale will not add to estimate of privatisation proceeds. DHSS net income basis will help poverty trap. pensions higher in real terms. <u>Tobacco duty</u> up 51% real since 1979. <u>Top tax rate</u> down in next Parliament. Quoted Hattersley on <u>NIC</u>. Ex-Courtaulds employees and tax relief for <u>training</u>. <u>Gaming machines</u> back to 1982 levels in real terms.

That's not what he said.

PEPs - too early to assess.
1984 CT reforms help corporate dynamism.
Information about importers possibly to be made public.

Debate adjourned.

pup

COPY NO 9 OF 9 COPIES

FROM: A C S ALLAN
DATE: 16 March 1987

MR R K C EVANS

cc Mr Scholar
Mr Culpin
Miss O'Mara
Mr Pickford
Mr Pickering
Mr C Evans

BUDGET SNAPSHOT

The Chancellor was grateful for your minute of 13 March. He has the following comments on the snapshot:

(i) Half way down the first page, say "New higher age allowance" (ie. delete "level of").

(ii) In the text for Higher Rates add "; starting point for 45 per cent rate increased by £200".

(iii) Amend the text on Profit Related Pay to read "New tax relief for eligible PRP; half of PRP to be exempt from tax, up to lower of £3000 a year or 20 per cent of pay". Delete the sentence saying PRP schemes only available to private sector (covered by "eligible").

(iv) In the text on VED change the end to read "... light vans, nor in most other VED". Delete the underlining of "On-course".

(v) Change the text on Capital Gains to read "Limit for retirement relief increased from gains of £100,000 to £125,000 (from 6 April). Annual exempt amount for individuals increased in line with inflation from £6,300 to £6,600".

(vi) In Business Taxation change the second and third sentences to read "... to be charged as income at appropriate CT rate (35 per cent or 27 per cent) without adjustment. ACT set-off will be allowed against CT on capital gains". Spell "Lloyd's" correctly.

(vii) Amend the very last sentence to read "PSBR projected to remain at 1 per cent of GDP throughout the new MTFS period (which runs to 1990-91)".

ACSA

A C S ALLAN

S1:1

Unclassified covering
BLO

BUDGET SECRET
BUDGET LIST ONLY

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Copy No. 1 of 31

FROM: R K C EVANS
DATE: 13 March 1987

CHANCELLOR

cc Chief Secretary
Financial Secretary
Economic Secretary
Minister of State
Sir P Middleton
Sir G Littler
Sir T Burns
Mr F E R Butler
Mr Cassell
Mr Monck
Mr Scholar
Mr Sedgwick
Mr Odling-Smee
Miss Sinclair
Mr Culpin
Mr Riley
Miss O'Mara
Mr Mowl
Mr Pickford
Mr Pickering
Miss Evans
Mr Haigh
Mr Romanski
Mr Cropper
Mr Ross Goobey
Mr Tyrie
PS/IR
PS/C&E
Mr Walker IR
Mr Wilmott C&E

BUDGET SECRET

a
OK?
AA

B.L.O.

BUDGET SNAPSHOT

I attach a draft Budget Snapshot. This incorporates comments by officials. Can I please have comments by noon on Monday. At Mr Culpin's suggestion the summaries of the MTFS and IAF have been excluded.

Richard Evans

RICHARD EVANS
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Radiopager no 485 6937
(Bureau no 840 7000)
Room 111/2

SECRET

BUDGET SECRET
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BUDGET SNAPSHOT 17 MARCH 1987

1. TAX PROPOSALS

(1) Income Tax

Basic rate reduced from 29 per cent to 27 per cent.

Personal allowances increased in line with inflation (3.7 per cent RPI to December 1986).

Allowances (£)	**1986-87**	**1987-88**
Married man's	3655	3795
Single (and wife's earned income)	2335	2425
Additional personal (& widow's bereavement)	1320	1370
Aged: married	4505	4675
Aged: single	2850	2960
Aged income limit	9400	9800

New higher ~~level of~~ age allowance for those aged 80 or over of £3070 (single) and £4845 (married)

Allowance for blind up from £360 to £540 (from £720 to £1,080 where both married partners are blind).

Higher Rates (£)

Starting point for 40 per cent rate increased in line with inflation ; starting point for 45 per cent rate increased by £200

Rate of tax (per cent)	**Taxable income** 1986-87	1987-88
40	17201-20,200	17901-20,400
45	20201- 25400	20401- 25400
50	25401-33,300	unchanged
55	33301- 41200	unchanged
60	over 41200	unchanged

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Profit Related Pay (PRP)

~~Taxable~~ ~~New~~ tax relief for eligible ~~private sector~~ PRP (schemes) (up to lower of) £3000 a year or 20 per cent of pay.

Half of PRP to be exempt from tax.

[~~PRP schemes only available to private sector.~~] ← Too much prominence? ✓ [no need to mention @ all: covered by 'eligible']

Pensions

New tax regime for personal pensions from 4 January 1988 on lines set out in consultative document "Improving the Pensions choice" published in November 1986. Personal pensions to be given similar tax treatment to retirement annuities.

Simpler occupational pension scheme arrangements to be made available to employers.

Members of occupational pension schemes to be able to make additional voluntary contributions within existing tax relief limits to pension arrangements outside employer's scheme.

Tax-free lump sums limited to £150,000 for new schemes and new members of existing schemes.

(ii) **Excise Duties**

No changes in duties on tobacco, drinks (beer, cider, wines, spirits), leaded petrol, derv or other oils. 5p differential in favour of unleaded petrol (from 17 March)

No change in £100 a year Vehicle Excise Duty on cars and light vans, nor on most other VEDs

X On-course betting duty for horse and greyhound racing abolished.

Gaming machine licence duty increased:

In pubs, arcades etc: 5p machines up from £120 to £150, 10p machines up from £300 to £375.

In clubs: 5p machines from £300 to £375, 10p machines from £750 to £960.

(iii) **Value Added Tax (VAT)**

No change in 15 per cent rate.

Registration threshold (annual turnover below which traders are not obliged to register) up from £20,500 to £21,300.

Period during which businesses must apply to register extended from 10 to 30 days.

Businesses with turnover of up to £250,000 a year to have options of:

(i) accounting for VAT on basis of cash paid and received (from 1 October 1987) (subject to EC agreement)

(ii) making one VAT return a year (instead of four) (from summer 1988)

Package of changes to special VAT scheme for retailers. In particular simpler schemes to be available to more small and medium sized businesses.

Package of measures to eliminate various forms of VAT avoidance as announced on 19 December 1986. Right to deduct input tax to be limited to that incurred in making taxable supplies.

Modest extension of reliefs for charities caring for the disabled and terminally ill or engaged in medical research, first aid and mountain rescue.

(iv) **Capital Taxes**

Inheritance Tax (IHT)

Thresholds up from £71,000 to £90,000: number of rates reduced from 7 to 4 (from 17 March):

Bands of chargeable value (£)	Tax rate (per cent)
0-90,000	NIL
90,000-140,000	30
140,000-220,000	40
220,000-330,000	50
over 330,000	60

IHT abolished for lifetime gifts into "Interest in Possession" trusts.

Capital Gains Tax

~~Annual exempt amount for individuals up from £6,300 to £6,600:~~ limit for retirement relief ~~up~~ increased from gains of £100,000 to £125,000 (from 6 April). Annual exempt amount for individuals increases in line with inflation from £6300 to £6600.

(v) **Business Taxation**

Small companies rate of Corporation Tax (CT) and rate of Advance Corporation Tax (ACT) down from 29 per cent to 27 per cent. CT on companies' capital gains to be charged (as income at ~~normal~~ appropriate CT rate (35 per cent ~~for large companies,~~ or 27 per cent) ~~for small companies)~~ without adjustment. ACT ~~to be capable of~~ set-off will be allowed against CT on capital gains.

CT payment dates to be 9 months after end of accounting period for all companies and building societies: change to be phased in.

'Pay and File' package of proposals reforming and simplifying administration of CT: legislation in 1987 for implementation in early 1990s.

Measures to remove unintended and unjustified tax breaks; includes tighter rules on:

- tax credit relief for banks;
- companies resident in both the UK and abroad;
- members of Lloyds insurance market.

(vi) **Business Expansion Scheme (BES)**

Where investments made in first half of tax year, investor will be able to claim part of relief against income of previous year. Change will reduce bunching of BES investment at end of tax year.

Some relaxation of rules for film producers.

(vii) **Petroleum Revenue Tax (PRT)**

Companies may elect to have up to 10 per cent of costs of developing certain new fields immediately set against liability for PRT in existing fields until income exceed costs.

Relief for research unrelated to any particular field.

2. DIRECT REVENUE EFFECTS OF BUDGET MEASURES

£million	1987-88 Changes from non-indexed base	Changes from indexed base
Income Tax basic rate	-2200	-2200
Income Tax allowances and thresholds	- 770	+ 30
Excise duties + VAT	+ 185	- 360
Other changes	- 110	- 95
	-2895	-2625

3. PUBLIC SECTOR BORROWING REQUIREMENT (PSBR)

PSBR set at £4 billion in 1987-88, 1 per cent of GDP: 1986-87 outturn expected to be £4 billion, 1 per cent of GDP. PSBR projected to remain at 1 per cent of GDP ~~until 1990-91.~~ throughout new MTFS period (which runs to 1990-91).

QUEEN'S SUMMARY

1987 BUDGET: SUMMARY OF MAIN POINTS

1. The setting for this year's Budget is more favourable than it has been for many years. The economy is growing steadily, inflation is low, unemployment is falling, and the public finances are strong. The Budget, like its predecessors, is designed to provide a solid framework for the year ahead; to reduce taxes; and to improve incentives and encourage enterprise.

Economic background

2. 1986 was dominated by the sudden collapse of the oil price. The UK economy was affected directly, as a major oil producer and exporter, and also by the pause in world growth as the world economy adjusted to the sudden change. Nevertheless output grew by a further 2½ per cent, which compares well with the experience of other industrialised countries. Throughout the 1980s in fact, our rate of growth has been the highest of all the major European nations: a far cry from the 1960s and 1970s when we had the lowest rate of growth in Europe. And it has coincided with falling inflation, which at 3½ per cent in 1986 recorded the lowest figure for almost 20 years.

3. Unemployment has fallen since August by more than 100,000, the largest six-monthly fall since 1973. Although the numbers of people out of work are still far too high, both youth unemployment and long-term unemployment are now lower than they were a year ago.

4. The Chancellor expects 1987 to be another year of balanced growth with low inflation. Total output is forecast to rise by 3 per cent, with exports and investment up by rather more than that. Unemployment should continue to fall throughout 1987. Inflation may edge up for a time, perhaps to a little over 4½ per cent in the summer, before falling back to 4 per cent by the end of the year. The current account of the balance of payments is likely to remain in deficit this year, by some £2½ billion or around ½ per cent of GDP,