

PO-CH/NL/0196 PART B

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PART B

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PART B

CHANCELLOR'S 1988 PAPERS
ON PARLIAMENTARY
BUSINESS AND THE
LEGISLATIVE PROGRAMME

Begin: 25/3/88

Ends: 26/5/88 (CONTINUED)

DD: 25 years

7/9/95

PO -CH /NL/0196
PART B

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mp



FROM: Assistant Parliamentary Clerk
DATE: 25 March 1988

01-270 5007

PS/CHANCELLOR

cc PS/Chief Secretary
PS/Financial Secretary
PS/Paymaster General
PS/Economic Secretary
Mr Pickford
Miss Sinclair
Mr Allen
Mr Dyer

Handwritten notes:
~~W 4/27/88~~
Next 1/25/88
W 4/27/88
son matter
for PAC etc.

FORTHCOMING TREASURY BUSINESS IN THE HOUSE OF LORDS

You may wish to be aware of the following current forthcoming Treasury business in the Lords:

ORAL QUESTIONS

Monday 11 April Lord Ezra To ask Her Majesty's Government what is their policy on the Exchange Rate.

Government Spokesman: Lord Young. MG (HMT) in the lead.

Wednesday 13 April Lord Bruce-Gardyne to ask Her Majesty's Government whether they will in future publish an annual account of the profit or loss to public funds incurred through intervention in the foreign exchange markets during the previous twelve months.

Government Spokesman: Lord Young. MG (HMT) in the lead.

Thursday 14 April Lord Dean of Beswick to ask Her Majesty's Government what effect they expect the recent Budget Statement will have on wage claims and settlements in the near future.

Government Spokesman: Lord Young. EAL (HMT) in the lead.

TREASURY INTEREST BUSINESS

ORAL QUESTIONS

Thursday 31 March Lord Taylor of Gryfe to ask Her Majesty's Government what steps they propose to take to maintain existing targets in the event of a decline in planting following the abolition of tax incentives for private forestry.

Government Spokesman: Lord Sanderson. Scottish Office in the lead.

Handwritten signature: C L Wallis
C L WALLIS

Alse (o/v)

David in the Gov's office rang to ask about Washington. He thought a bilateral with Cardeiros was being fixed for Tuesday. When, wd the Gov be invited to sit in as usual?

I'm afraid I said I ~~didn't know~~ thought it wd be best if you spoke to them tomorrow (Thurs.).

AHJ

Please could you let me know if he is free and content to do
so, so that we can get back to Goldman Sachs?

A handwritten signature in black ink, consisting of several vertical and diagonal strokes that form a stylized, somewhat abstract representation of the initials 'A.P.' followed by a long horizontal line extending to the right.

A P HUDSON

FROM: PETER PATTERSON

DATE: 29 March 1988

MR PICKFORD

cc Mr Odling-Smee
Mr MacAnslan
Mr Waller
Mr Hudson
Mr Williams
Mr Buckler
Mr Curwen

13/2

ORAL PQ FROM KEITH VAZ

I attach a draft reply to this PQ, which is likely to be reached.

2. IAE2 have kindly agreed to provide some material for supplementaries from DTI's East Midlands regional office and on regional policy, and Mr Hudson has agreed to approach the Chancellor for the benefit of his knowledge of local issues. We shall also provide further defensives on industry generally.

I should be grateful for comments and additional contributions by close on Wednesday 6 April.

Peter S. Curwen

pp. P L PATTERSON

C.

Since this is (I think) a neighbouring constituency, are there any specific points that wd be useful for supplementaries? I've suggested a slightly different answer, as well.

*Answer
in part. The
shape of economy is
of importance, with
vacancy ads in
John Stone,
to happen to
supps for
supplementaries, if
accounts, M.*

THURSDAY 14 APRIL 1988TREASURY

La - Leicester East

*

MR KEITH VAZ : To ask Mr Chancellor of the Exchequer, what action he proposes to take to assist the local economy in Leicester.

DRAFT REPLY

[My RHF's Budget [will provide the best possible background for the local economy in Leicester to flourish].)

The Govt's economic policy is creating the conditions for the economy to flourish in all parts of the country. For example, unemployment in the Leicester ~~South~~ East constituency has fallen by [over 20 per cent] in the past year.

P L PATTERSON
EB
Ext 5207

S J PICKFORD
EB
Ext 4549

BACKGROUND NOTE

Since the last election, Mr Keith Vaz has regularly asked questions relating to his Leicester constituency on [hospital waiting lists, etc] (see attached extracts, from Hansard). This question may similarly be the prelude to a supplementary on a local issue.

NB: not attached

2. The draft reply cites the Budget as providing the best possible assistance for the local economy in Leicester. The notes for supplementaries reflect this theme, although the Budget Brief (A1, etc) will provide additional material. The supplementaries also contain material on regional assistance, as well as local issues identified by DTI's regional office.

3. We have tried to identify specific local issues that Mr Vaz may raise, but his record in this area indicates that his supplementaries are wide-ranging and unpredictable. Faced with a supplementary that has not been covered, the line to take is that this Government's policies have benefited the whole economy and all regions within it.

NOTES FOR SUPPLEMENTARIES

Factuali. Objective of Government's economic policy

- to defeat inflation
- to maintain vigorous, enterprising economy which will continue to generate steady, sustained growth and increased employment.

ii. 1988 Budget consolidates and builds on progress to date

- More than achieves balanced budget and announces negative PSBR, ie budget surplus, of £3 billion for 1988-89; same as expected outturn for 1987-88.
- Monetary and fiscal policies set to reduce growth of money GDP over medium term and so bring down inflation further.
- Proposes major reform of personal taxation, with overall cut in taxes of £4 billion in 1988-89 (compared with indexed base). Income tax allowances and basic rate limit increased; basic and higher rates cut to encourage enterprise, efficiency and flexibility.

iii. Further steady growth forecast:

- 3 per cent growth in 1988 (3½ per cent non-oil), close to average rate of growth between 1981 and 1987, but significantly lower than 4½ per cent growth in 1987.
- Good prospects for further fall in unemployment.
- Current account deficit of £4 billion, or less than 1 per cent of GDP, in 1988.

- Inflation by end 1988 close to 4 per cent, and set to stay low.
- iv. Government sticking to firm monetary policy to maintain downward pressure on inflation.
- v. Prudent fiscal stance to buttress monetary policy:
 - balanced budget a valuable discipline for medium term;
 - sound, consistent policies set up virtuous circle: lower borrowing and lower tax rates create room for private sector to expand, generating higher revenues and in turn allowing yet lower borrowing and tax rates;
 - elimination of borrowing reduces debt interest burden, allowing more spending on programmes for given public spending total.

Positive

- i. Government's policies of sound money and free markets bearing fruit. 1988 Budget setting more favourable than for very many years.
 - about to enter eighth successive year of growth: six years to 1987 already longest period of steady growth averaging 3 per cent a year for half a century;
 - about to enter sixth year in which steady growth combined with low inflation;
 - 1987 first year for generation that rate of growth exceeded rate of inflation;
 - public finances sound and strong;
 - unemployment fell in 1987 faster than in any year since war.

Economic strength puts UK in best possible position to withstand any storms, either at home or abroad.

ii. International league:

- UK output growth faster than any other major European country in 1980's, whereas bottom of league in 1960's and 1970s;
- and UK growth in 1987 faster than all these countries, plus US and Japan too;
- UK growth of manufacturing productivity since 1980 faster than all other major industrialised countries; whole economy productivity growth similar to Japan's and faster than all others;
- UK employment growth since 1983 greater than rest of EC combined.

iii. Government's past prudent policies now permit

- £4 billion package of tax cuts and reforms
- £2½ billion increase in public spending in Autumn Statement, making possible higher provision for priority areas

and

- £7 billion reduction in PSBR

Hat-trick repeated for second successive year.

iv. Outlook

- Growth sustainable and balanced in 1988 and beyond, with economy growing at healthy rate and investment faster than 1987.

- Investment and manufacturing output to grow significantly faster than economy as whole.
- Growth of 3½ per cent in non-oil economy in 1988, thoroughly satisfactory performance achieved only once in whole of 1970s.
- Good prospects for further fall in unemployment.
- Inflation to remain low.

v. Stable Government policies, low inflation, rapidly rising productivity and high profitability present British industry with outstanding opportunity.

vi. Remains prime Government objective to keep inflation on underlying downward trend, with ultimate objective of price stability

vii. Government continues to attach highest priority to sound money. Domestic cost increases will not be accommodated either by monetary expansion or by exchange rate depreciation.

viii. Strong economy allows combination of tax reductions and public spending increases over time, which has been achieved.

ix. Budget gives priority to reducing income tax. Sharpens incentives and leaves people free to spend or save more of their own money. Lower tax economies work better than higher tax economies.

Defensive

i. Spend more on health or other public services rather than cut taxes/reduce borrowing:

- Not giving money away, just taking less than otherwise would have done.

- Anyway, tax burden (taxes, NICs and rates as per cent of GDP) not reduced in Budget; without measures, would have risen.
- Policies of sound public finance (eliminating Government borrowing) and stimulating enterprise (through tax cuts) have resulted in strong economy, creating resources for better public services, as well as raising living standards generally.
- That is why, unlike Labour, this Government able to spend substantially more on health. Plans announced not in Budget, which is for decisions on taxation and borrowing, but in Autumn Statement. Increases announced in Autumn Statement mean that NHS spending at least £1.1 billion higher in 1988-89 than in 1987-88.
- But all clearly far from well in NHS; therefore have set up fundamental review and will announce conclusions when in position to do so.
- Meanwhile, prudent policies have reduced debt interest, leaving more money to spend on priority programmes in general, and NHS in particular.

ii. 1988-89 fiscal stance too tight?

X No. Same as 1987-88 outturn: part of virtuous circle in which low borrowing and lower tax rates enable private sector to expand, thus generating more revenue which permits further reductions in borrowing or tax rates.

iii. Why reduce borrowing rather than cut tax burden? Government's policy of reducing public sector borrowing as proportion of GDP has brought steady, balanced growth, rising employment and low inflation at levels not seen for almost 20 years. Right to continue prudent fiscal stance - best guarantee for future

that taxes will be cut further and that past reductions will not be reversed. Bigger tax cuts this year would have been inconsistent with gradualist approach of MTFS.

iv. Irresponsible to cut taxes when current account moving into deficit: Despite longer term commitment, Government has not reduced tax burden in 1988-89 because of overriding concern to maintain prudent fiscal stance. Cuts in tax rates produce supply-side benefits which improve trade performance in longer term. Should be no problem financing current account deficit of less than 1 per cent of GDP, given international confidence in UK and massive net overseas assets.

v. Opposition fears of balance of payment crisis well founded. Emergence of temporary deficit unsurprising, given above trend growth in UK. But represents less than $\frac{1}{2}$ per cent of GDP in 1987 and less than 1 per cent in 1988, following cumulative current account surplus of well over £20 billion between 1979 and 1986. ↘

X
Deficit reflects fast growth of activity in UK, coupled with sharp fall in oil exports as production declines. A temporary phase.

vi. Growth forecast to slow down in 1988: Growth in 1987 above trend, thus not surprising some moderation in 1988. But still close to average rate since 1981, and growth of non-oil economy of $3\frac{1}{2}$ per cent thoroughly healthy performance, achieved only once in whole of 1970's.

vii. Growth based on consumer boom financed by tax cuts: No. Forecast shows balanced growth with both non-oil exports of goods and business fixed investment set to grow faster than consumer demand.

viii. Collapse in share prices worldwide means world recession: No sign of this happening and no reason why it should given pursuit of appropriate policies, within context of international cooperation.

ix. Budget does nothing to help unemployment. Not true.

- Unemployment now on sharp downward trend thanks to Government's prudent management of nation's finances and measures to help markets work better. Favourable economic climate enabling more than 1½ million new jobs to be created since 1983.

- Tax reform package carefully designed to sharpen incentives, encourage enterprise and so improve employment prospects further.

x. Role of exchange rates. Play central role in both domestic monetary decisions and international policy co-operation. Increases in domestic costs will not be accommodated either by monetary expansion or by exchange rate depreciation.



FROM: A P HUDSON
DATE: 6 April 1988

APH

MR PATTERSON

cc Mr Odling-Smee
Mr MacAuslan
Mr Waller
Mr Pickford
Mr N Williams
Mr Gunton (*with previous papers*)
Mr Buckler
Mr Curwen

ORAL PQ FROM KEITH VAZ

The Chancellor has seen your 29 March minute.

2. He suggests the reply be along the lines:

"The Government's economic policy is creating the conditions for the economy to flourish in all parts of the country. For example, unemployment in the Leicester East constituency has fallen by [over 20 per cent] in the past year."

3. As to supplementaries, he notes that the Leicester economy is in good shape, with acres of job vacancy advertisements in the Leicester Mercury. John Stone, the paper's industrial editor, would be happy to supply topical success stories for use in supplementaries, if requested. Mr Gunton may be able to help.

APH

A P HUDSON

BF 22/4 to TL
+ House of Lords
HANDLED FOR 21/4

Andrew
Puf



FROM: Assistant Parliamentary Clerk
DATE: 15 April 1988

01-270 5007

PS/CHANCELLOR

cc PS/Chief Secretary
PS/Financial Secretary
PS/Paymaster General
PS/Economic Secretary
Mr Pickford
Miss Sinclair
Mr Allen
Mr Dyer

Attached. Sorry
this took a while.

AAH

see below
see L. as Handled
for last week
Thank: W. Chever
see me in P
L. B. h's
quarter.

FORTHCOMING TREASURY BUSINESS IN THE HOUSE OF LORDS

You may wish to be aware of the following current forthcoming Treasury business in the Lords:

ORAL QUESTIONS

Thursday 21 April Lord Gainford - To ask Her Majesty's Government what is the latest information they have on the number of adult shareholders in the United Kingdom.

Government Spokesman: Lord Young. PE (HMT) in the lead.

Wednesday 4 May Lord Rugby - To ask Her Majesty's Government whether they accept the ruling of the European Court of Justice on 23rd February (Case 353/85) that the provision of spectacles is not a medical service and that the United Kingdom is in breach of its Treaty obligations by exempting the provision of spectacles from VAT.

Government Spokesman: To be agreed. Customs in the lead.

Thursday 5 May Lord Constantine of Stanmore - To ask Her Majesty's Government, what safeguards at present exist or are proposed by them to protect the deposits of members of Mutual Fund Building Societies which become PLCs.

Government Spokesman: To be agreed. FIM (HMT) in the lead.

TREASURY INTEREST BUSINESS

DEBATE

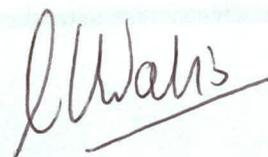
Thursday 21 April Lord Bruce-Gardyne - To ask Her Majesty's Government whether they are satisfied that their investment in the Airbus 320, 330, and 340 is a safe investment of taxpayers' money.

Government Spokesman: Lord Beaverbrook. DTI in the lead.

ORAL QUESTION

Wednesday 4 May Lord Bruce-Gardyne - To ask Her Majesty's Government what progress has been made in the inter-governmental negotiations over the future status and public accountability of Airbus Industry.

Government Spokesman: Lord Young. DTI in the lead.



C L WALLIS

C. CHEQUER	
REC.	19 APR 1988 ✓
1914	MISS C EVANS
10	CST TST RMG EST SIR P. MIDDLETON MR ANDSON S. R. E. LITTLE DAME A. MUELLER SIR T. GUENS MC SCHOLAR NEMONCK MR H. PHILLIPS MR PICKFORD



BF 2014

CABINET OFFICE

70 Whitehall London SW1A 2AS Telephone 01-270 0135

19 April 1988

Dear Private Secretary,

PQ ON THE GOVERNMENT'S ACHIEVEMENTS

A PQ to the Prime Minister has been put down by Sir John Biggs-Davison to which we have been asked to provide a draft reply. It asks the Prime Minister "if she will list the achievements of Her Majesty's Government since May 1979 in respect of the whole of the United Kingdom and also in respect of Scotland, Wales and Northern Ireland".

A similar question by Lord James Douglas-Hamilton was answered by the Prime Minister on 24 February 1986, though it did not make any separate reference to Scotland, Wales and Northern Ireland. A copy of the reply is enclosed. Also enclosed is a copy of the most recent answer given by the Prime Minister to this type of question. This was given in February 1987, but covered only the period since 1983.

I should be grateful if Departments could provide me with updated versions of their contributions to the "since 1979" answer (with suitable additional material from the Scottish, Welsh and Northern Ireland Offices) by close of play on Thursday, 21 April. I apologise for the tight deadline, but this is unavoidable if we are to circulate the composite draft reply for Departments' comments before it is submitted to the Prime Minister.

I am copying this letter to the Private Secretaries to all Ministers responsible for Departments, and sending copies for information to Alison Smith (Lord President's office), Mike Eland (Lord Privy Seal's office), Murdo Maclean (Chief Whip's office), Rhodri Walters (Lords Chief Whip's office) and Trevor Woolley (Cabinet Office).

Yours sincerely

WILLIAM FLEMING

Home and Social Affairs Secretariat

was also at a record low figure. With Government support, the electricity and coal industries enabled the electricity system to withstand a year-long coal strike without power cuts and with only limited damage to the rest of British industry.

In local government, the Rates Act is protecting ratepayers from huge increases in rates in the highest spending councils. Under the Local Government Act 1985, the GLC and the metropolitan county councils will be abolished on 1 April 1986. Proposals for reform of local government finance and taxation, including the abolition of domestic rates, have recently been set out in the Green Paper "Paying for Local Government". A committee has been established to inquire into the conduct of local authority business; and legislation has been introduced to regulate local authority publicity activities. A consultation document on increasing competitive tendering in local government has been published.

On housing, the right to buy their homes has been extended to more council tenants, discount terms have been improved for many, assistance has been provided to the owners of defective houses previously in the public sector, and an urban housing renewal unit has been set up to help local authorities to tackle the problems of their rundown estates. We are consulting on proposals to increase competitive tendering by councils.

In the environment, we have taken the initiative in Europe in bringing to an end the addition of lead to petrol and paint, and we are steadily removing it from those water supplies where it is still a problem. We have taken steps to reduce the pollution of our rivers, estuaries and beaches.

The derelict land programme has been maintained. The land register system has continued to bring about the sale and development of unused publicly owned land. A series of national garden festivals has been announced. The urban development corporations have made further progress in London docklands and Merseyside. Further enterprise zones have been designated.

In defence, the capability of our armed forces has continued to be strengthened. The Government have played their full part in implementing NATO's 1979 decision to modernise intermediate range nuclear weapons. Increased efficiency is being pursued by the continuing transfer of resources from the support areas to the frontline, and by introducing increased competition in defence contracts and promoting collaboration without international partners. A major reorganisation of the headquarters structure of the Ministry of Defence has been introduced.

The Government concluded in 1985 the Anglo-Irish Agreement, which seeks to develop further our unique relationship with the Republic of Ireland; to enhance co-operation, including over security matters, between the two countries; and also to assist in achieving lasting peace and stability within Northern Ireland. Following the approval of the agreement by the British and Irish Parliaments, the Anglo-Irish Intergovernmental Conference was established and is now pursuing its work in fields assigned to it under the agreement.

In foreign policy, the Government have maintained Britain's strong commitment to the NATO Alliance and played a leading role in the revival of the Western European Union. British Ministers and representatives have been active in building up an East-West dialogue with high-level visits in both directions and in promoting

the arms control process, notably in the negotiations on chemical weapons, on non-proliferation of nuclear weapons and on conventional disarmament and force reductions in Europe. Within the European Community, the Government achieved a refund for 1983 of £430 million and a VAT abatement for 1984 of £600 million; negotiated a lasting settlement on budgetary imbalances, under which our future net contribution will be about half of what it might otherwise have been; and played a prominent part in the successful conclusion of the third Lomé convention and the enlargement negotiations. The Government have also been instrumental in bringing about an agreement on amendments to the EC treaties which should improve Community decision-taking while safeguarding essential United Kingdom interests. The Sino-British Joint Declaration on the future of Hong Kong was ratified in May last year. Over Gibraltar an agreement was reached with Spain in February 1985, and the border is now open.

Lord James Douglas-Hamilton asked the Prime Minister whether she will list the achievements of Her Majesty's Government from 1979 to date.

The Prime Minister: The rate of inflation is almost half the level the Government inherited, with further falls in prospect. The United Kingdom is in its fifth successive year of growth with GDP at an all time high; and output is expected to have grown faster in 1985 than all other EC countries and the United States. Investment reached a record level in 1984 and is expected to have risen by a further 4 per cent. in 1985. The balance of payments current account has been in surplus for six successive years. Manufacturing productivity has risen at an average annual rate of 6 per cent. for the last five years—higher than France or Germany—and company profitability is at its highest for two decades. Employment is rising, with around 700,000 more people in work since March 1983.

The Government have restored sound public finances. Public expenditure has been falling as a percentage of GDP since 1982-83 and is planned to remain broadly stable at the 1984-85 level in real terms over the next three years. The public sector borrowing requirement in 1985-86 is forecast to account for the smallest proportion of GDP for 14 years.

The Government have pursued a substantial programme of tax reform. Business taxation has been radically restructured; by April 1986 the United Kingdom will have the lowest rate of corporation tax of any industrialised country. For income tax payers, the basic rate was reduced to 30 per cent. in 1979 and, since then, thresholds have been raised about 20 per cent. in real terms. Further proposals for reform will be set out in the forthcoming Green Paper on personal taxation. Three taxes—the national insurance surcharge development land tax and the investment income surcharge—have been abolished completely.

Since 1979, the Government have transferred 12 major companies and a number of other enterprises to the private sector. As a result of this policy and tax reliefs designed to encourage employee shareholding the number of individual shareowners in the United Kingdom has doubled. The privatisation programme continues to develop. By the end of this Parliament, 40 per cent. of the state-owned industrial sector we inherited in 1979 should be returned to private enterprise.

The Government have introduced a large number of measures designed to improve the operations of markets. Pay, price and dividend controls have been abolished, together with controls on foreign exchange, bank lending and hire purchase and restrictions on industrial and office development. Incentives have been increased by the tax changes and by restructuring of national insurance contributions announced in the 1985 Budget. Changes in employment legislation and measures to encourage labour mobility have improved the operation of the labour market. Regulations applying to a wide field of industry and finance have been removed entirely; the small firms sector has been helped by special schemes and greater sums have been spent on training. The Government have also sought to introduce more competition in the professions.

Productivity per person in agriculture has improved by more than 40 per cent. since 1979 and has helped this sector to provide food to consumers at prices which have fallen in relation to the level of retail prices generally. In the same period, the volume of agricultural, food and drink exports has risen by 25 per cent., and the United Kingdom now produces 80 per cent. of all the temperate foodstuffs it needs.

The task of tackling costly surpluses under the common agricultural policy has been started with measures in the European Community designed to control CAP spending and, specifically in the wine and milk sectors, to curb overproduction. Agricultural support prices have been reduced in real terms. In fisheries we achieved an advantageous settlement of a revised common fisheries policy, and we have resolved most of our outstanding problems with Norway. Improvements have been made in the conservation of stocks and the fishing of herring in the North sea has been resumed.

In transport, coach services have been opened to competition, and legislation passed to deregulate local bus services. London Transport has been transferred from the GLC to London Regional Transport, and targets set for better value for money. Similarly, British Rail has been given targets for the reduction of subsidy and the improvement of customer service, and major new investments approved. Spending on major roads has increased by 30 per cent. and over 500 miles of motorways and major trunk roads have been completed.

The Government have ensured that adequate resources are devoted to combating crime. Total manpower—police officers and civilians—in the police service in Great Britain has increased by over 17,000 since 1979. Total expenditure on the police service in England and Wales has increased from £1.1 billion in 1978-79 to £2.8 billion in 1985-86—an increase of one third in real terms. There are nearly 3,000 more prison officers, and spending on prison building has gone up by nearly 400 per cent.

New initiatives have been announced to control drug misuse, and the Government supported the Video Recordings Act to control video nasties. An independent Crown prosecution service for England and Wales is being established this year. Measures have been taken to ensure that the terms of imprisonment served by violent offenders fully reflect society's abhorrence of their crimes.

The Government have been active to strengthen safeguards against fraud and to ensure that the probity of our financial institutions is maintained without undermining their competitiveness. The Companies Acts 1980 and

1981 strengthened powers of investigation and the courts' powers to disqualify directors for misconduct; and made insider dealing a criminal offence. The Lloyd's Act 1982 has enabled substantial progress to be made in establishing a new regulatory system at Lloyd's. The Insolvency Act 1985 increased the scope for disqualifying directors of companies which have gone into liquidation or receivership, and introduced a new liability of directors for wrongful trading. The Financial Services Bill broadens the general regulatory framework within which people in financial institutions have to operate. The recommendations of the Roskill committee to review the investigation, prosecution and trial of fraud cases are now before us, and we are moving towards early legislation based upon them.

In education, the Government have launched a major initiative to raise standards in schools, including the publication of broad curricular objectives for the five-to-16 age group, the reform of the 16-plus examination system, and the decision to introduce records of achievement for school leavers of all abilities. The technical and vocational education initiative has been introduced to boost practical elements in the 14-to-18 curriculum. In higher education, record numbers of students have been admitted and the Government has endorsed plans which provide for a continuation of the significant shift towards science and engineering and other subjects in the public sector of higher education.

In social security, the Government have maintained the protection of social security benefits against inflation. The retirement pension is at a record real level. Legislation is currently before the House building on the 1985 Social Security Act, which gave new pension rights to early leavers from pension schemes. We are providing for a major extension in occupational pension provision and for the first time we are giving everybody a right to a personal pension of their own. In addition, the Government have completed a fundamental and far-reaching review of other social security provisions.

Spending on the Health Service is up by 21 per cent. in real terms. There are many thousands more doctors and nurses. Over 40 major new hospital schemes have been completed. Many more cases are being dealt with, and waiting lists are down by 91,000. The drive for better management continues with the appointment of general managers throughout the Health Service.

Over 1 million young people have entered the youth training scheme since it was launched in 1983. We are helping to train 200,000 adults this year and 250,000 next. The community programme and enterprise allowance scheme have been expanded. Legislation has been passed extending the rights of members of trade unions to influence the affairs of their unions and to restore the balance in industrial relations between managements and unions.

In energy, Government policies on taxation and licensing have made 1984 a record year for oil and gas exploration and development in the North sea, with 1985 a record year for approval of new developments. The North sea contribution to United Kingdom employment has been further expanded in both years. With Government support, the electricity and coal industries enabled the electricity system to withstand a year-long coal strike without power cuts and with only limited damage to the rest of British industry.

In local government, the Rates Act is protecting ratepayers from huge increases in rates in the highest

spending councils. Under the Local Government Act 1985, the GLC and the metropolitan county councils will be abolished on 1 April 1986. Proposals for reform of local government finance and taxation, including the abolition of domestic rates, have recently been set out in the Green Paper "Paying for Local Government". A committee has been established to inquire into the conduct of local authority business; and legislation has been introduced to regulate local authority publicity activities. A consultation document on increasing competitive tendering in local government has been published.

In housing, the Government introduced the first statutory charter of rights for public sector tenants, including the right to buy their homes. The number of home owners has increased by 2.25 million in Great Britain and owner-occupation is now 62 per cent.; the proportion of young people owning their own homes is the highest in Europe. Home improvement grants have been made more widely available than ever before. Assistance has been given to the owners of defective houses previously in the public sector and an urban housing renewal unit has been set up to help authorities tackle the problems of their rundown estates. Measures have been introduced to encourage lettings in the private sector.

In the environment, we have taken the initiative in Europe in bringing to an end the addition of lead to petrol and paint, and we are steadily removing it from those water supplies where it is still a problem. We have taken steps to reduce the pollution of our rivers, estuaries and beaches. The Wildlife and Countryside Act 1981 was the first piece of major countryside legislation for more than a decade, and represents a significant step forward in the protection of landscape, flora and fauna.

The derelict land programme has been greatly increased. Urban development corporations have been established in London docklands and on Merseyside to bring about the redevelopment of these areas. Twenty-five enterprise zones have been designated. All these measures are having a marked impact on older urban areas in need of regeneration.

In defence, the capability of our armed forces has continued to be strengthened. The Government has played its full part in implementing NATO's 1979 decision to modernise intermediate range nuclear weapons. Increased efficiency is being pursued by the continuing transfer of resources from the support areas to the frontline, and by introducing increased competition in defence contracts and promoting collaboration with our international partners. Finally, a major reorganisation of the headquarters structure of the Ministry of Defence has been introduced.

The Government concluded in 1985 the Anglo-Irish Agreement which seeks to develop further our unique relationship with the Republic of Ireland; to enhance co-operation, including over security matters, between the two countries; and also to assist in achieving lasting peace and stability within Northern Ireland. Following the approval of the agreement by the British and Irish Parliaments, the Anglo-Irish Intergovernmental Conference was established and is now pursuing its work in fields assigned to it under the agreement.

In foreign policy, the Government have maintained Britain's strong commitment to the NATO Alliance and played a leading role in the revival of the Western European Union. British Ministers and representatives have been active in building up an East-West dialogue, with high-level visits in both directions and in promoting

the arms control process, notably in the negotiations on chemical weapons, on non-proliferation of nuclear weapons and on conventional disarmament and force reductions in Europe. Within the European Community, the Government were able to negotiate over £2 billion refund of contributions and a VAT abatement for 1984 of £600 million; negotiated a lasting settlement on budgetary imbalances, under which our future net contribution will be about half what it might otherwise have been; and played a prominent part in the successful conclusion of the third Lomé convention and the enlargement negotiations.

The Government have also been instrumental in bringing about an agreement on amendments to the EC treaties, which should improve Community decision-taking while safeguarding essential United Kingdom interests. Rhodesia was brought to legal independence as the Republic of Zimbabwe by the holding of the Lancaster house conference in 1979 and the supervision of the elections in 1980. The Government resolutely upheld and continue to defend the right of the Falkland Islanders to live in peace and security under a Government of their own choosing. The Sino-British Joint Declaration on the future of Hong Kong was ratified in May last year. Over Gibraltar, an agreement was reached with Spain in February 1985, and the border is now open.

Management and Efficiency

Mr. Soames asked the Prime Minister what steps Her Majesty's Government have taken since 1979 to improve the management and efficiency of the Government and Civil Service.

The Prime Minister: Since 1979, the Government have maintained their policy to improve the efficiency and effectiveness of administration through the Civil Service and other parts of the public sector, with the aim of giving better value for taxpayer's money. We have reduced the size of the Civil Service by over 18 per cent. to 596,000—the lowest since the war. With the help of the efficiency unit set up in 1979, departments have carried out some 290 efficiency scrutinies and reviews from which savings worth over £900 million in total have already been achieved, with recurring savings now running at £295 million per year. Further significant savings are in prospect, for example from implementation of recommendations flowing from reviews of Government purchasing and accommodation.

We have initiated the lasting reform of financial management throughout Departments, so that all managers have clear objectives and responsibilities; and similar reforms of personnel development and training, including exchanges of staff between the Civil Service and outside industry, to improve management skills and performance at all levels, and to provide better arrangements for reporting and appraising staff performance so that their efficiency is monitored more keenly.

Non-departmental public bodies have also been subject to critical review and their numbers reduced by over 500 to below 1,700 in 1985. Another programme of review of the remaining NDPBs to seek progressive improvements in their performance is under way. We have also widened the opportunities for private enterprise to undertake services traditionally provided by the public sector. The Civil Service has responded well to the new demands made of it and the drive for improvement is continuing.

Light Dues

Q116. **Dr. Godman** asked the Prime Minister what assessment Her Majesty's Government have made of the implications for the viability of the United Kingdom fishing industry of the proposed extension to larger fishing vessels of liability for light dues; what assessment has been made of the impact on the merchant fleet of the proposed 14 per cent. increase in dues; and if she will make a statement.

The Prime Minister: My right hon. Friend will be holding discussions shortly with the fishing industry about the implications of extending light dues liability to its larger vessels. Light dues are typically a small fraction of ships operating costs. Less than 10 per cent. of dues are paid by United Kingdom registered ships.

Government Achievements

Mr. Soames asked the Prime Minister if she will make a statement on the achievements of Her Majesty's Government since 1983.

The Prime Minister: Since the 1983 election, the inflation rate has remained low, and in recent months has been around the lowest level for 20 years. Gross domestic product has grown at an average annual rate of about 3 per cent., the United Kingdom is now in its sixth successive year of growth and GDP is at an all-time high. Since 1983, the United Kingdom has topped the European Community's growth league, reversing the position in the previous decade when we came bottom. Non-oil export volumes have risen by an average 8 per cent. a year and investment by an average of 4½ per cent. Manufacturing productivity has risen by over 4 per cent. a year and company profitability is at its highest level for over 20 years. Total employment has risen continuously since early 1983, the longest period of sustained employment growth for almost 30 years, and over 1 million new jobs have been created. The level of the United Kingdom's net overseas assets has almost doubled to £80 billion, yielding annual income approaching £5 billion a year.

The Government have continued to maintain sound public finances. Government programmes have provided better value for money. Public expenditure has been falling as a percentage of GDP since 1982-83 and is planned to fall further over the next three years. The public sector borrowing requirement in both 1985-86 and 1986-87 is likely to be lower as a percentage of GDP than in any year since 1971-72—with or without privatisation proceeds.

The Government have pursued a substantial programme of tax reform. Business taxation has been radically restructured: the United Kingdom now has one of the lowest rates of corporation tax of any industrialised country. For income tax payers, thresholds have been raised in real terms and the basic rate reduced. New schemes for tax relief have been introduced to promote wider share ownership and encourage charitable giving. Stamp duties have been reduced and restructured. Four taxes—the national insurance surcharge, development land tax, investment income surcharge and capital transfer tax on lifetime giving—have been abolished completely.

The programme of privatisation has continued to be highly successful. There have been 11 share sales since June 1983 including most recently the sale of British Airways. The privatisation of British Gas in December 1986 was the

largest flotation ever in Europe or America and led to a further substantial increase in the number of people holding shares. The National Bus Company's programme to dispose of its subsidiaries is well under way. Preparations are well in hand for the privatisation of Rolls-Royce, Royal Ordnance, and BAA (formerly the British Airports Authority), and the Government have also announced their intention to privatise the water authorities in England and Wales in the next Parliament.

Further measures have been introduced to improve the operation of markets. Tax changes and the restructuring of national insurance contributions have increased incentives. Changes in employment legislation, the reduction in the powers of Wages Councils effected by the Wages Act 1986 and measures to increase labour mobility have improved the operation of the labour market. Regulations applying to a wide field of industry and finance have been removed entirely; the Building Societies Act 1986 gives societies new lending powers and permits the provision of other services. The small firms sector has been helped by a variety of schemes and the Government's programme of employment and training measures has been improved and extended. The Government have encouraged more competition in the professions.

Following a review in 1983 the Government have introduced a more cost effective and job related regional industrial policy. In 1986 British Steel returned to profitability for the first time in 10 years. The Government have supported a wide range of measures aimed at increasing the amount of research and development undertaken by industry including the Alvey programme in advanced information technology, the LINK programme which brings together academic and industrial researchers in collaborative projects, and the EUREKA initiative for collaborative research in Europe. The National Space Centre has been established.

Productivity per person in agriculture has continued to improve and has helped this sector to provide food to consumers at prices which have risen more slowly than the retail price index. The value of agricultural feed, food and drink exports has risen by an estimated 26 per cent. since 1983.

The task of tackling costly surpluses under the common agricultural policy has been considerably advanced by the agreement of the Agriculture Council in December 1986 during the United Kingdom's presidency of the Community, on reforms of the CAP milk and beef regimes and on an outline package of structural measures. The agreements in the milk sector to reduce Community production with compensation, and in the beef sector to restrict access to intervention whilst retaining the United Kingdom's beef variable premium, constitute the most important single contribution to the process of reform already begun with the agreements to curb over-production in the milk and wine sectors in 1984, and with successive reductions in CAP support prices in real terms in each year since 1983.

The Government have introduced grants to encourage farmers to diversify their sources of income. We have carried forward policies designed to ensure that landscape and conservation interests are maintained, and where possible enhanced, as farmers respond to change.

We secured in January 1983 a common fisheries policy on terms very favourable to the United Kingdom. Subsequent arrangements for the incorporation of Spain into the CFP have fully protected our fishermen's

interests. Conservation, control and structural measures have been strengthened, particularly under the United Kingdom presidency of the Fisheries Council.

We have substantially increased the manpower and resources available to the police and have strengthened their powers to deal with public disorder and the controls on their use of firearms. An independent Crown prosecution service is now in operation throughout England and Wales. Measures have been taken to ensure that the terms of imprisonment served by violent offenders fully reflect society's abhorrence of their crimes. Government assistance to the victim support movement has been greatly expanded: £9 million will be provided over the next three financial years to help local schemes.

A wide range of measures are being taken to counter drug misuse. The Video Recordings Act has brought video nasties under control. Legislation has also been put through for data protection; to provide more rigorous control of animal experimentation; to provide a framework for the development of broadcasting by satellite and cable television; to set out a new framework for police powers, for providing safeguards for the citizen and for handling complaints against the police, in the Police and Criminal Evidence Act; and to control the possession and sale of alcohol in connection with football matches. The Government have played a major role in developing international co-operation in the fight against terrorism and has strengthened police powers under the Prevention of Terrorism Act.

The Government have continued to be active in strengthening safeguards against fraud and in ensuring that the probity of our financial institutions is maintained without undermining their competitiveness. The Insolvency Act 1985 increased the scope for disqualifying directors of companies which have gone into liquidation or receivership, and introduced a new liability of directors for wrongful trading. The Financial Services Act 1986 broadens the general regulatory framework within which people in financial institutions have to operate.

The Criminal Justice Bill provides for the establishment of a serious fraud office and other improvements in the investigation, prosecution and trial of fraud offences, based on the recommendations of the Roskill committee.

In education, the Government have introduced many major initiatives to raise educational standards. Many of those affecting the schools were set out in the White Paper "Better Schools" (Cmd. 9649). We have embarked on a reform of the school curriculum to prepare pupils better for adult and working life. We have given financial support to promote technical and vocational education for 14 to 18-year-olds in schools and colleges and supported pilot programmes for improving the education of lower attaining pupils. We have introduced the GCSE based on national criteria. We are introducing the AS level to broaden A-level studies. We are developing records of achievement for all school leavers. The Education (No. 2) Act 1986 promotes the more effective management of maintained schools and teaching quality within them.

In higher education the number of home students has risen by about 49,000 since 1983 without loss of quality and with a higher proportion studying science and engineering, thanks partly to the Government's information technology initiative and engineering and technology programme. Greater cost-effectiveness has been achieved, especially in the polytechnics where unit costs have fallen

substantially. The funding of universities now includes greater selectivity in the interests of concentrating research activity in the best centres.

In further education, development plans have been introduced with gains in relevance and efficiency. Course and qualification patterns continue to evolve, including the certificate of pre-vocational education, which the Government launched in 1983. The work of the Council for the Accreditation of Teacher Education is leading to improvements in initial teacher training, and new specific grant support for in-service teacher training is being introduced in 1987-88. Education support grants are now well established.

The Government have revolutionised vocational education and training for young people through TVEI and two-year YTS. TVEI becomes a national scheme from autumn this year. YTS has given vocational training to over 1 million young people and already over 300,000 have entered two-year YTS. Every unemployed young person under the age of 18 is now guaranteed training leading to a recognised qualification: unemployment need no longer be an option for this group. We have recently announced a major new programme of quality training—the job training scheme—aimed particularly at long-term unemployed people aged under 25. We have established the National Council of Vocational Qualifications to ensure that in future there will be a clear system of relevant vocational qualifications. Through the restart programme, for the first time in this country, we are offering personal counselling and assistance to all long-term unemployed people.

The Government have encouraged new business, particularly through the expanded enterprise allowance scheme, which has helped nearly 200,000 unemployed people to start up in business.

We have continued the reforms which have transformed the industrial relations climate in this country. The Trade Union Act 1984 has promoted and protected democracy in trade union affairs.

In the Health Service, we have continued to develop services for patients. NHS spending has been increased to record levels—nearly £19 billion this year. More patients are being treated than ever before—5.6 per cent. more in-patient cases in England alone in 1985 than in 1983, and 18.4 per cent. more day cases. We are investing in the largest sustained capital programme ever, costing over £1 billion in the current year. In England, over 400 schemes, each costing over £1 million, with a total value of about £3 billion, are at various stages of planning, design and construction.

There are more doctors and nurses working in hospitals and the community. Since April 1984, the first settlement from the Pay Review Body which this Government established, nurses' pay rates have gone up by just over 10 per cent. in real terms.

The drive for better management continues. Health authorities in England have achieved cash-releasing cost improvements worth over £240 million in the last two financial years, and plan further cash savings of some £150 million this year. A further £130 million is expected to be freed this year from sales of land which the National Health Service does not need.

We have also launched the first major reviews of primary care and community nursing since 1948.

In the social security field, the Government have protected and improved the real value of nearly all the

major social security benefits. Expenditure on social security as a whole has never been higher—both in cash and real terms. For example, real spending on the long-term sick and disabled has risen by nearly £6 billion. We have also conducted a major review of the social security system and the Social Security Act 1986 will make the system easier to understand, target help more effectively on those who need it and improve work incentives. Choice will also be widened in pension provision.

In energy, domestic gas and electricity prices have gone down in real terms, gas by 7 per cent. and electricity by 10 per cent. Britain has launched a successful energy efficiency campaign with savings already stimulated of more than £500 million a year in the industrial and commercial sectors. Energy efficiency in the home is proceeding apace and the Government are helping to fund voluntary groups who insulate the homes of low-income families and pensioners. Over 300,000 such homes have been insulated.

Deep mined productivity of coal production is now 60 per cent. higher than it was during the last year of the Labour Government.

In local government, the Greater London council and metropolitan county councils were abolished without the chaos predicted in some quarters, and to the substantial benefit of ratepayers. Legislation has been passed to regulate local authority publicity activities. We are considering the response to consultation on the report of the Widdicombe committee on the conduct of local authority business. We have prevented extravagant authorities from using creative accounting to get more than their fair share of resources, either at the expense of other authorities or, ultimately, their ratepayers. The Rates Act is protecting ratepayers from huge increases in rates in the highest spending councils. The Abolition of Domestic Rates etc. (Scotland) Bill now before Parliament, provides for the abolition of domestic rates in Scotland starting at 1 April 1989. It has been confirmed that a Bill similarly to replace domestic rates in England and Wales will be introduced as soon as possible and not later than the first session of a new Parliament.

Between May 1983 and December 1986 there has been a net increase in the number of dwellings of about 660,000 through new building and conversion in England which has more than kept pace with the growth in the number of households over the period. Since May 1983 the number of owner-occupied dwellings has increased by about a further million and 63 per cent. of all dwellings are now owner-occupied. The discounts available on the sale of council houses and flats have been further increased to encourage tenants to exercise their right to buy.

The Government have encouraged greater diversity in the rented sector by assisting housing associations and private sector landlords. A new Estate Action team has helped local authorities with more than 120 schemes to tackle problems of rundown estates. A scheme of assistance has been provided to the owners of defective houses previously in the public sector.

The Government have continued to promote enterprise, improve the environment and encourage self-help in the inner cities. Five new urban development corporations have been announced in addition to those existing in London and Merseyside docklands. The urban programme, which supports some 12,000 inner city regeneration projects, has been concentrated on the areas of greatest need and potential, and its management

improved. The derelict land reclamation programme has been increased substantially and directed towards commercial, industrial or housing development on urban land. Some 34,000 acres have been removed from the land register of unused or under-used public land. Enterprise zones have continued to attract substantial private investment. Powers have been taken to pay urban regeneration grant to support private sector development packages. The UK2000 initiative has been launched to promote environmental improvement. The Scottish development agency continues to be a major instrument of urban renewal in Scotland and both Scottish and Welsh development agencies continue to play a vital part in economic and environmental policies.

The Government have taken a wide range of steps to simplify and improve the planning system and to speed up its operation, without reducing necessary protection to the environment in town and country.

In transport, London Transport has been transferred from the GLC to London Regional Transport and targets set for better value for money. In its first full financial year under Government control, LRT very nearly achieved its target of halving subsidy for which the Government have allowed three years, while providing additional services to meet increasing demand. The subsidy to British Rail has been reduced by 25 per cent., targets set for a further 25 per cent. reduction in the current level of subsidy and the improvement of customer service, and major new investments approved. The deregulation of local bus services has seen service levels maintained and has stimulated innovation through competition while cutting subsidies. A number of National Bus Company subsidiaries have also been privatised. In England alone during this period the Government have invested £2 billion in the motorway and trunk road system; 110 major road schemes have been completed of which 40 are bypasses and relief roads. The Government are supporting 310 major local authority road schemes through transport supplementary grant, two thirds of which help bypass or relieve communities. Private investment in the Channel tunnel project has already begun even though the Bill has not yet completed its passage through Parliament.

Since 1983 receipts from sales of new town assets have totalled £900 million. Basildon development corporation was wound up on 1 April 1986 and the Government have announced proposed wind-up dates for each of the remaining six corporations. The finances of the corporations have also been put on a more satisfactory basis.

In defence, the capability of our armed forces has continued to be strengthened. The Government have played their full part in implementing NATO's 1979 decision to modernise intermediate range nuclear weapons. Increased efficiency is being pursued by the continuing transfer of resources from the support areas to the frontline, and by introducing increased competition in defence contracts and promoting collaboration with our international partners. A major reorganisation of the headquarters structure of the Ministry of Defence has been introduced.

In foreign policy we have maintained Britain's firm commitment to national defence and the NATO Alliance, and promoted closer European defence co-operation, notably through a revived Western European Union. At the same time we have worked vigorously for a more stable relationship between East and West and for balanced and

verifiable reductions in nuclear and conventional weapons, and for a global ban on chemical weapons. British Ministers and representatives have been active in building up an East-West dialogue and in promoting the arms control process. We played a leading role in the Conference on Disarmament in Europe negotiations which were successfully concluded last autumn. At Camp David last November President Reagan and I agreed upon priorities for arms control after the Reykjavik Summit meeting.

Within the European Community we negotiated a favourable settlement of the longstanding budgetary dispute. We were instrumental in bringing about an agreement on amendments to the EC treaties which should improve Community decision-taking and hasten the creation within the Community of a genuinely free market for goods and services as well as giving for the first time a treaty basis to co-operation in the foreign policy field. The latest British presidency reached agreement on internal market measures and on significant reforms to the common agricultural policy. We have worked actively for maintenance of the world open trading system and the launch of a new round of multilateral trade negotiations.

We reached agreement with China about the future of Hong Kong. The Gibraltar border has been reopened, and negotiations started with Spain aimed at overcoming all our differences over the rock. We have stood by the people of the Falkland Islands.

We have at the United Nations and elsewhere supported the international rule of law and respect for human rights. With our Commonwealth and European partners we have worked towards ending apartheid in South Africa by peaceful means. We have worked successfully for financial and administrative reform in the United Nations and have promoted international co-operation to combat terrorism and drug-trafficking. We have maintained a substantial aid programme—totalling nearly £4,000 million since 1983. We have responded swiftly and generously to appeals for emergency aid to sub-Saharan Africa and bilaterally we have provided effective long-term assistance to some 120 developing countries.

Government Objectives

Mr. Soames asked the Prime Minister what are the objectives of Her Majesty's Government for the rest of this Parliament.

The Prime Minister: At home, we shall continue prudent and sound financial policies, designed to strengthen prospects for employment, involving a more flexible and competitive economy, which encourages initiative and enterprise. We shall aim to continue to keep public spending falling as a proportion of GDP, to keep public sector borrowing low and to reduce taxation. We will work for the still wider spread of wealth and ownership in our country, based upon the privatisation of industries, and an increase in individual home and share ownership.

We will help industry and commerce to increase the national production of wealth by creating the climate within which consumer choice and markets can properly operate. We will be active in ensuring that the rules by which markets are regulated are vigorously enforced.

We will use our legislation to protect householders and businesses from excessive rate demands and we will continue our efforts to ensure efficient and effective local government.

We will continue to promote private sector involvement in the regeneration of inner cities, and carry on our work to simplify and improve the planning system in the interests both of the economy and of the environment.

Through the Development Commission and in other ways, we will foster the diversification of rural economies in a way which protects the environment.

We will continue to promote consumer choice and efficiency through competition in the provision of transport services. We expect to privatise BAA (formerly the British Airports Authority) in the summer; we are proceeding with the third Dartford Crossing and legislation on the Channel tunnel project is currently before Parliament.

We shall continue to ensure that the increasing resources we are making available to the NHS go to improve the quality of service. We are launching a new drive to tackle hospital waiting lists and times. We shall continue the fight against AIDS, which will include the establishment of a new Health Education Authority, with powers to carry forward the public education campaign on AIDS.

Changes to the social security system will be implemented which will target help to those who most need it while improving incentives to work and widening individual choice in pension provisions.

We shall vigorously uphold the rule of law and fight crime, especially drug misuse and crimes of violence. The Criminal Justice Bill now before Parliament will improve the law on measures against fraud, on the sentencing of offenders, on compensation for victims and on confiscating the proceeds of crime.

We shall continue to work for a better educational system, by giving parents more say in the education of their children, by extending the training and vocational elements in teenage education, and by laying greater emphasis on higher standards.

We will press on with the implementation of our policies for a better school curriculum and examination system. We shall pursue the establishment of city technology colleges in urban areas and the extension throughout the country to 14-18 year olds of the technical and vocational education initiative.

In further and higher education we shall continue to increase opportunities for study, to put increasing emphasis on vocational education, especially in science and engineering, and to promote higher quality and greater efficiency.

In the energy field, our policies will promote the best use of our rich endowment of natural resources and scientific and innovative talent in a responsible, market-orientated environment.

We shall continue policies designed to promote employment and enterprise and to assist the unemployed back into work; to remove unnecessary constraints and burdens from the wealth and job creating sectors of the economy; and to encourage the spread of democratic procedures within trade unions.

We will continue to contribute to peace with freedom and justice in Europe by maintaining effective defences in co-operation with our NATO allies. We will ensure that Britain maintains an independent nuclear deterrent. We

will continue to discharge our defence responsibilities and protect British interests outside the NATO area. We will maintain our drive to secure better value for money from the defence budget, particularly through increased competition and international collaboration in the procurement of equipment. We will work from strength for balanced and verifiable reductions in nuclear and conventional weapons as well as a global ban on chemical weapons. We also want greater co-operation and trust between East and West: I am looking forward to visiting Moscow at the end of March.

We shall promote the prosperity of the United Kingdom and that of its Allies and the developing countries by working to sustain and improve the world open trading system. We shall work with others to promote non-inflationary economic growth and the liberalisation of world trade both at the Venice economic summit and in the Uruguay round of negotiations under the general agreement on tariffs and trade.

Within the European Community we shall work for sound financing and strict budgetary discipline, further improvements in the common agricultural policy, a single market for goods and services and other policies where we can achieve more by co-operation in the Community than on our own. We shall seek to ensure that Europe plays its full part in international affairs, by working to improve Europe's competitive position in world trade and to achieve closer co-operation between the Twelve over foreign policy.

We shall continue to work for an effective United Nations Organisation. We wish to see human rights and the rule of law upheld internationally. We shall press for an end to the Soviet occupation of Afghanistan and Vietnamese aggression in Cambodia, so that both countries can regain their independence. With our European and Commonwealth partners we shall continue to promote peaceful dialogue in South Africa, as the most effective way of replacing the apartheid system by a form of government which commands the support of all South Africans and will ensure South Africa's future prosperity and stability. We shall work to promote peace in the Middle East and to lessen tensions in Central America. We shall continue to stand by the Falkland Islanders. We shall sustain our efforts to combat hunger, disease (particularly AIDS) and the scourges of international terrorism and drug trafficking.

European Community

Mr. Deakins asked the Prime Minister if she will publish a White Paper on the specific economic benefits accruing to the British people during United Kingdom membership of the European Economic Community.

The Prime Minister: No. Since November 1974 successive Governments have produced six-monthly White Papers on developments in the European Community.

10 Downing Street (Television Sets)

Mr. Deakins asked the Prime Minister, pursuant to her answer to the right hon. Member for Manchester, Gorton (Mr. Kaufman) on 31 January, *Official Report*, column 569, if all the televisions used at No. 10 Downing street are for Government purposes only.

The Prime Minister: I refer the hon. Gentleman to the reply that I gave the right hon. Member for Manchester, Gorton (Mr. Kaufman) on 21 January 1987 at column 569.

Law Officers

Mr. Dalyell asked the Prime Minister if she will set up an inquiry into the role and responsibilities in Government of the Law Officers.

The Prime Minister: No.

European Investment Bank

Mr. Teddy Taylor asked the Prime Minister if she will raise at the next meeting of the European Council the activities and operation of the European Investment Bank; and if she will seek a decision from the Council on whether the investments of member states in this organisation are to be treated as a commercial investment or a vehicle for the promotion of public investment.

The Prime Minister: I have no plans to raise this matter.

Engagements

Mr. Peter Bruinvels asked the Prime Minister if she will list her official engagements for Thursday 19 February.

Mr. Greg Knight asked the Prime Minister if she will list her official engagements for Thursday 19 February.

Mr. John Mark Taylor asked the Prime Minister if she will list her official engagements for Thursday 19 February.

Mr. Greenway asked the Prime Minister if she will list her official engagements for Thursday 19 February.

Mr. Leigh asked the Prime Minister if she will list her official engagements for Thursday 19 February.

The Prime Minister: This morning I presided at a meeting of the Cabinet and had meetings with Ministerial colleagues and others. In addition to my duties in this House I shall be visiting Yorkshire later today.

SOCIAL SERVICES

Perivale Hospital

Mr. Greenway asked the Secretary of State for Social Services (1) if he will now reply to letters from the hon. Member for Ealing, North to the Minister for Health dated 6 January and 13 January concerning Perivale hospital; and if he will make a statement;

(2) when he expects to answer the question due for answer on 6 February relating to replies to letters from the hon. Member for Ealing, North of 6 January and 13 January concerning Perivale hospital; and if he will make a statement.

Mr. Newton: I regret the delay in writing to my hon. Friend. I am urgently seeking a further report from the regional health authority.

Maternity Payments

Mr. Silkin asked the Secretary of State for Social Services how many women in Lewisham, Deptford,

FROM: S J PICKFORD
DATE: 20 APRIL 1988

CHANCELLOR

cc Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Sir P Middleton
Sir T Burns
Mr Anson
Mr Monck
Mr Scholar
Mr Culpin
Mr Odling-Smee
Mr Sedgwick
Mr Turnbull
Mrs M E Brown
Mr Hibberd
Mr MacAuslan
Miss Sinclair
Mr Bent
Miss C Evans
Mr Wynn Owen
Mr Cropper
Mr Tyrie
Mr Call

Ch
Some comment. Plus
need new passages a
balanced budget & on
small firms.

W.P. [unclear]

AA

PQ ON THE GOVERNMENT'S ACHIEVEMENTS

1. Sir John Biggs-Davison has tabled a PQ for written answer by the Prime Minister on the Government's achievements since 1979.
2. I attach a draft contribution to the reply which the Cabinet Office are coordinating. The draft contribution follows very much the same lines as replies to similar questions in February 1986 and February 1987 (attached). Unlike those questions however Sir John's question also asks about achievements "in respect of Scotland, Wales and Northern Ireland". The Territorial Departments have been asked specifically to address this part of the question, but we have added a reference to the regions in relation to unemployment.

3. This draft incorporates comments from EA, FP, IAE3, IF and PE2, all of whom are content.

4. If you are content with this draft, could your office please send it to Cabinet Office to reach there by close tomorrow, 21 April. Cabinet Office will be circulating the composite draft reply for further comments before submitting to the Prime Minister, so we will have the opportunity to comment on sections of the reply drafted by other Departments.

Stephen Pickford

S J PICKFORD

To ask the Prime Minister if she will list the achievements of Her Majesty's Government since May 1979 in respect of the whole of the United Kingdom and also in respect of Scotland, Wales and Northern Ireland.

to levels not previously seen for 20 years.

The rate of inflation has been reduced ~~by almost two thirds from the level the Government inherited.~~ The United Kingdom is well into its seventh successive year of steady growth, at an average annual rate of 3 per cent; National output ^{grew} ~~is at an all time high and is expected to have grown~~ faster in 1987 than in any other major industrialised country. Business investment reached a record level in 1987 and is forecast to rise by a further 9 per cent in 1988. Since 1981, UK manufacturers have maintained their volume share of world trade, following decades of decline; and in 1987 their share increased slightly. The level of the UK's net overseas assets has increased sevenfold since 1979 to about £90 billion, yielding earnings of over £5½ billion in 1987. Manufacturing productivity has risen at an average annual rate of nearly 5 per cent since 1980 - faster than in any other major industrialised country, after being at the bottom of the league in the previous two decades. In 1986, non-North Sea company profitability was at its highest level since 1973, having risen in every year since 1981. It is expected to have increased again in 1987, to around 11 per cent - the highest level for over 20 years. Employment has risen continuously since early 1983 by well over 1½ million - the longest period of sustained growth for almost 30 years. Unemployment has fallen for 20 successive months and all regions have seen unemployment falling significantly.

I suppose for "achievements" it is right to be backward looking & not say "entering eighth"

[Bit of an unstructured list, but lets ^{mps etc} people choose but they want to use]

An average of 500 new ^{a week} businesses have been set up ~~each week~~ since 1979, after deducting those which failed.

This is hopelessly futile & needs re-doing - yes with

The Government have continued to maintain sound public finances. Public expenditure has been falling as a percentage of GDP since 1982-83 and is planned to continue to do so over the next three years. Within that framework, however, there have been real increases in spending on priority services and better value for money. In 1987-88, for only the second year since the beginning of the 1950s, the public sector repaid debt.

The Government have pursued a substantial programme of tax reform. The aim has been to create a climate in which businesses can thrive and individual initiative and risk-taking are rewarded. The basic rate of income tax has been reduced from 33 per cent to 25 per cent and the main personal allowances are ~~fully~~ 25 per cent higher in real terms than in 1978-79. Nine higher rates of income tax ~~have been replaced~~ by a single higher rate of 40 per cent. A new system of independent taxation for husbands and wives will apply from 1990. Business taxation has been radically restructured, leaving the UK corporation tax rate one of the lowest in the industrialised world. Seventeen rates of capital transfer tax running up to 75 per cent have been replaced by a single rate of 40 per cent on inheritance; ~~the taxation of purely inflationary capital gains has been ended, and real capital gains are now taxed at income tax rates.~~ Five significant taxes and a number of unjustified tax breaks have been abolished.

Since 1979, the Government have privatised 17 major companies and a number of other enterprises. As a result of this policy and tax reliefs designed to encourage shareholding, the number of

(at one in five of the adult population)

individual shareowners in the United Kingdom, has trebled since 1979. Getting on for 40 per cent of the state-owned industrial sector we inherited in 1979 has been returned to private enterprise. And the privatisation programme is set to continue - the Government have already announced their intention to privatise the electricity supply industry, the water authorities in England and Wales and British Steel.

The Government have introduced a large number of measures to improve the operation of markets. Pay, price and dividend controls have been abolished, together with controls on foreign exchange, bank lending and hire purchase and restrictions on industrial and office development. Incentives have been increased by tax ~~changes~~ *reductions and reform* and by the restructuring of national insurance contributions. The Government have introduced a tax relief to encourage the spread of profit-related pay. ~~Also~~ changes in employment legislation, the reduction in the scope of Wages Councils and measures to encourage labour mobility have improved the operation of the labour market. Many bureaucratic burdens on business have been reduced or removed entirely; ~~the small firms sector has been helped by special schemes and greater sums have been spent on training.~~ ~~The Government have also encouraged more competition in the professions.~~

*need better
small firms passage
sentence*

yes, the 500 a wk etc

Lord James Douglas-Hamilton asked the Prime Minister whether she will list the achievements of Her Majesty's Government from 1979 to date.

The Prime Minister: The rate of inflation is almost half the level the Government inherited, with further falls in prospect. The United Kingdom is in its fifth successive year of growth with GDP at an all time high; and output is expected to have grown faster in 1985 than all other EC countries and the United States. Investment reached a record level in 1984 and is expected to have risen by a further 4 per cent. in 1985. The balance of payments current account has been in surplus for six successive years. Manufacturing productivity has risen at an average annual rate of 6 per cent. for the last five years—higher than France or Germany—and company profitability is at its highest for two decades. Employment is rising, with around 700,000 more people in work since March 1983.

The Government have restored sound public finances. Public expenditure has been falling as a percentage of GDP since 1982-83 and is planned to remain broadly stable at the 1984-85 level in real terms over the next three years. The public sector borrowing requirement in 1985-86 is forecast to account for the smallest proportion of GDP for 14 years.

The Government have pursued a substantial programme of tax reform. Business taxation has been radically restructured; by April 1986 the United Kingdom will have the lowest rate of corporation tax of any industrialised country. For income tax payers, the basic rate was reduced to 30 per cent. in 1979 and, since then, thresholds have been raised about 20 per cent. in real terms. Further proposals for reform will be set out in the forthcoming Green Paper on personal taxation. Three taxes—the national insurance surcharge development land tax and the investment income surcharge—have been abolished completely.

Since 1979, the Government have transferred 12 major companies and a number of other enterprises to the private sector. As a result of this policy and tax reliefs designed to encourage employee shareholding the number of individual shareowners in the United Kingdom has doubled. The privatisation programme continues to develop. By the end of this Parliament, 40 per cent. of the state-owned industrial sector we inherited in 1979 should be returned to private enterprise.

The Government have introduced a large number of measures designed to improve the operations of markets. Pay, price and dividend controls have been abolished, together with controls on foreign exchange, bank lending and hire purchase and restrictions on industrial and office development. Incentives have been increased by the tax changes and by restructuring of national insurance contributions announced in the 1985 Budget. Changes in employment legislation and measures to encourage labour mobility have improved the operation of the labour market. Regulations applying to a wide field of industry and finance have been removed entirely; the small firms sector has been helped by special schemes and greater sums have been spent on training. The Government have also sought to introduce more competition in the professions.

Productivity per person in agriculture has improved by more than 40 per cent. since 1979 and has helped this sector to provide food to consumers at prices which have fallen in relation to the level of retail prices generally. In the same period, the volume of agricultural, food and drink exports has risen by 25 per cent., and the United Kingdom now produces 80 per cent. of all the temperate foodstuffs it needs.

The task of tackling costly surpluses under the common agricultural policy has been started with measures in the European Community designed to control CAP spending and, specifically in the wine and milk sectors, to curb overproduction. Agricultural support prices have been reduced in real terms. In fisheries we achieved an advantageous settlement of a revised common fisheries policy, and we have resolved most of our outstanding problems with Norway. Improvements have been made in the conservation of stocks and the fishing of herring in the North sea has been resumed.

In transport, coach services have been opened to competition, and legislation passed to deregulate local bus services. London Transport has been transferred from the GLC to London Regional Transport, and targets set for better value for money. Similarly, British Rail has been given targets for the reduction of subsidy and the improvement of customer service, and major new investments approved. Spending on major roads has increased by 30 per cent. and over 500 miles of motorways and major trunk roads have been completed.

The Government have ensured that adequate resources are devoted to combating crime. Total manpower—police officers and civilians—in the police service in Great Britain has increased by over 17,000 since 1979. Total expenditure on the police service in England and Wales has increased from £1.1 billion in 1978-79 to £2.8 billion in 1985-86—an increase of one third in real terms. There are nearly 3,000 more prison officers, and spending on prison building has gone up by nearly 400 per cent.

New initiatives have been announced to control drug misuse, and the Government supported the Video Recordings Act to control video nasties. An independent Crown prosecution service for England and Wales is being established this year. Measures have been taken to ensure that the terms of imprisonment served by violent offenders fully reflect society's abhorrence of their crimes.

The Government have been active to strengthen safeguards against fraud and to ensure that the probity of our financial institutions is maintained without undermining their competitiveness. The Companies Acts 1980 and

1981 strengthened powers of investigation and the courts' powers to disqualify directors for misconduct; and made insider dealing a criminal offence. The Lloyd's Act 1982 has enabled substantial progress to be made in establishing a new regulatory system at Lloyd's. The Insolvency Act 1985 increased the scope for disqualifying directors of companies which have gone into liquidation or receivership, and introduced a new liability of directors for wrongful trading. The Financial Services Bill broadens the general regulatory framework within which people in financial institutions have to operate. The recommendations of the Roskill committee to review the investigation, prosecution and trial of fraud cases are now before us, and we are moving towards early legislation based upon them.

In education, the Government have launched a major initiative to raise standards in schools, including the publication of broad curricular objectives for the five-to-16 age group, the reform of the 16-plus examination system, and the decision to introduce records of achievement for school leavers of all abilities. The technical and vocational education initiative has been introduced to boost practical elements in the 14-to-18 curriculum. In higher education, record numbers of students have been admitted and the Government has endorsed plans which provide for a continuation of the significant shift towards science and engineering and other subjects in the public sector of higher education.

In social security, the Government have maintained the protection of social security benefits against inflation. The retirement pension is at a record real level. Legislation is currently before the House building on the 1985 Social Security Act, which gave new pension rights to early leavers from pension schemes. We are providing for a major extension in occupational pension provision and for the first time we are giving everybody a right to a personal pension of their own. In addition, the Government have completed a fundamental and far-reaching review of other social security provisions.

Spending on the Health Service is up by 21 per cent. in real terms. There are many thousands more doctors and nurses. Over 40 major new hospital schemes have been completed. Many more cases are being dealt with, and waiting lists are down by 91,000. The drive for better management continues with the appointment of general managers throughout the Health Service.

Over 1 million young people have entered the youth training scheme since it was launched in 1983. We are helping to train 200,000 adults this year and 250,000 next. The community programme and enterprise allowance scheme have been expanded. Legislation has been passed extending the rights of members of trade unions to influence the affairs of their unions and to restore the balance in industrial relations between managements and unions.

In energy, Government policies on taxation and licensing have made 1984 a record year for oil and gas exploration and development in the North sea, with 1985 a record year for approval of new developments. The North sea contribution to United Kingdom employment has been further expanded in both years. With Government support, the electricity and coal industries enabled the electricity system to withstand a year-long coal strike without power cuts and with only limited damage to the rest of British industry.

In local government, the Rates Act is protecting ratepayers from huge increases in rates in the highest

spending councils. Under the Local Government Act 1985, the County and the metropolitan county councils will be abolished on 1 April 1986. Proposals for reform of local government finance and taxation, including the abolition of domestic rates, have recently been set out in the Green Paper "Paying for Local Government". A committee has been established to inquire into the conduct of local authority business; and legislation has been introduced to regulate local authority publicity activities. A consultation document on increasing competitive tendering in local government has been published.

In housing, the Government introduced the first statutory charter of rights for public sector tenants, including the right to buy their homes. The number of home owners has increased by 2.25 million in Great Britain and owner-occupation is now 62 per cent.; the proportion of young people owning their own homes is the highest in Europe. Home improvement grants have been made more widely available than ever before. Assistance has been given to the owners of defective houses previously in the public sector and an urban housing renewal unit has been set up to help authorities tackle the problems of their rundown estates. Measures have been introduced to encourage lettings in the private sector.

In the environment, we have taken the initiative in Europe in bringing to an end the addition of lead to petrol and paint, and we are steadily removing it from those water supplies where it is still a problem. We have taken steps to reduce the pollution of our rivers, estuaries and beaches. The Wildlife and Countryside Act 1981 was the first piece of major countryside legislation for more than a decade, and represents a significant step forward in the protection of landscape, flora and fauna.

The derelict land programme has been greatly increased. Urban development corporations have been established in London docklands and on Merseyside to bring about the redevelopment of these areas. Twenty-five enterprise zones have been designated. All these measures are having a marked impact on older urban areas in need of regeneration.

In defence, the capability of our armed forces has continued to be strengthened. The Government has played its full part in implementing NATO's 1979 decision to modernise intermediate range nuclear weapons. Increased efficiency is being pursued by the continuing transfer of resources from the support areas to the frontline, and by introducing increased competition in defence contracts and promoting collaboration with our international partners. Finally, a major reorganisation of the headquarters structure of the Ministry of Defence has been introduced.

The Government concluded in 1985 the Anglo-Irish Agreement which seeks to develop further our unique relationship with the Republic of Ireland; to enhance co-operation, including over security matters, between the two countries; and also to assist in achieving lasting peace and stability within Northern Ireland. Following the approval of the agreement by the British and Irish Parliaments, the Anglo-Irish Intergovernmental Conference was established and is now pursuing its work in fields assigned to it under the agreement.

In foreign policy, the Government have maintained Britain's strong commitment to the NATO Alliance and played a leading role in the revival of the Western European Union. British Ministers and representatives have been active in building up an East-West dialogue, with high-level visits in both directions and in promoting

the arms control process, notably in the negotiations on chemical weapons, on non-proliferation of nuclear weapons and on conventional disarmament and force reductions in Europe. Within the European Community, the Government were able to negotiate over £2 billion refund of contributions and a VAT abatement for 1984 of £600 million; negotiated a lasting settlement on budgetary imbalances, under which our future net contribution will be about half what it might otherwise have been; and played a prominent part in the successful conclusion of the third Lomé convention and the enlargement negotiations.

The Government have also been instrumental in bringing about an agreement on amendments to the EC treaties, which should improve Community decision-taking while safeguarding essential United Kingdom interests. Rhodesia was brought to legal independence as the Republic of Zimbabwe by the holding of the Lancaster house conference in 1979 and the supervision of the elections in 1980. The Government resolutely upheld and continue to defend the right of the Falkland Islanders to live in peace and security under a Government of their own choosing. The Sino-British Joint Declaration on the future of Hong Kong was ratified in May last year. Over Gibraltar, an agreement was reached with Spain in February 1985, and the border is now open.

Government Achievements

Mr. Soames asked the Prime Minister if she will make a statement on the achievements of Her Majesty's Government since 1983.

The Prime Minister: Since the 1983 election, the inflation rate has remained low, and in recent months has been around the lowest level for 20 years. Gross domestic product has grown at an average annual rate of about 3 per cent., the United Kingdom is now in its sixth successive year of growth and GDP is at an all-time high. Since 1983, the United Kingdom has topped the European Community's growth league, reversing the position in the previous decade when we came bottom. Non-oil export volumes have risen by an average 8 per cent. a year and investment by an average of 4½ per cent. Manufacturing productivity has risen by over 4 per cent. a year and company profitability is at its highest level for over 20 years. Total employment has risen continuously since early 1983, the longest period of sustained employment growth for almost 30 years, and over 1 million new jobs have been created. The level of the United Kingdom's net overseas assets has almost doubled to £80 billion, yielding annual income approaching £5 billion a year.

The Government have continued to maintain sound public finances. Government programmes have provided better value for money. Public expenditure has been falling as a percentage of GDP since 1982-83 and is planned to fall further over the next three years. The public sector borrowing requirement in both 1985-86 and 1986-87 is likely to be lower as a percentage of GDP than in any year since 1971-72—with or without privatisation proceeds.

The Government have pursued a substantial programme of tax reform. Business taxation has been radically restructured: the United Kingdom now has one of the lowest rates of corporation tax of any industrialised country. For income tax payers, thresholds have been raised in real terms and the basic rate reduced. New schemes for tax relief have been introduced to promote wider share ownership and encourage charitable giving. Stamp duties have been reduced and restructured. Four taxes—the national insurance surcharge, development land tax, investment income surcharge and capital transfer tax on lifetime giving—have been abolished completely.

The programme of privatisation has continued to be highly successful. There have been 11 share sales since June 1983 including most recently the sale of British Airways. The privatisation of British Gas in December 1986 was the

largest flotation ever in Europe or America and led to a further substantial increase in the number of people holding shares. The National Bus Company's programme to dispose of its subsidiaries is well under way. Preparations are well in hand for the privatisation of Rolls-Royce, Royal Ordnance, and BAA (formerly the British Airports Authority), and the Government have also announced their intention to privatise the water authorities in England and Wales in the next Parliament.

Further measures have been introduced to improve the operation of markets. Tax changes and the restructuring of national insurance contributions have increased incentives. Changes in employment legislation, the reduction in the powers of Wages Councils effected by the Wages Act 1986 and measures to increase labour mobility have improved the operation of the labour market. Regulations applying to a wide field of industry and finance have been removed entirely; the Building Societies Act 1986 gives societies new lending powers and permits the provision of other services. The small firms sector has been helped by a variety of schemes and the Government's programme of employment and training measures has been improved and extended. The Government have encouraged more competition in the professions.

Following a review in 1983 the Government have introduced a more cost effective and job related regional industrial policy. In 1986 British Steel returned to profitability for the first time in 10 years. The Government have supported a wide range of measures aimed at increasing the amount of research and development undertaken by industry including the Alvey programme in advanced information technology, the LINK programme which brings together academic and industrial researchers in collaborative projects, and the EUREKA initiative for collaborative research in Europe. The National Space Centre has been established.

Productivity per person in agriculture has continued to improve and has helped this sector to provide food to consumers at prices which have risen more slowly than the retail price index. The value of agricultural feed, food and drink exports has risen by an estimated 26 per cent. since 1983.

The task of tackling costly surpluses under the common agricultural policy has been considerably advanced by the agreement of the Agriculture Council in December 1986 during the United Kingdom's presidency of the Community, on reforms of the CAP milk and beef regimes and on an outline package of structural measures. The agreements in the milk sector to reduce Community production with compensation, and in the beef sector to restrict access to intervention whilst retaining the United Kingdom's beef variable premium, constitute the most important single contribution to the process of reform already begun with the agreements to curb over-production in the milk and wine sectors in 1984, and with successive reductions in CAP support prices in real terms in each year since 1983.

The Government have introduced grants to encourage farmers to diversify their sources of income. We have carried forward policies designed to ensure that landscape and conservation interests are maintained, and where possible enhanced, as farmers respond to change.

We secured in January 1983 a common fisheries policy on terms very favourable to the United Kingdom. Subsequent arrangements for the incorporation of Spain into the CFP have fully protected our fishermen's

ests. Conservation, control and structural measures have been strengthened, particularly under the United Kingdom Presidency of the Fisheries Council.

We have substantially increased the manpower and resources available to the police and have strengthened their powers to deal with public disorder and the controls on their use of firearms. An independent Crown prosecution service is now in operation throughout England and Wales. Measures have been taken to ensure that the terms of imprisonment served by violent offenders fully reflect society's abhorrence of their crimes. Government assistance to the victim support movement has been greatly expanded: £9 million will be provided over the next three financial years to help local schemes.

A wide range of measures are being taken to counter drug misuse. The Video Recordings Act has brought video nasties under control. Legislation has also been put through for data protection; to provide more rigorous control of animal experimentation; to provide a framework for the development of broadcasting by satellite and cable television; to set out a new framework for police powers, for providing safeguards for the citizen and for handling complaints against the police, in the Police and Criminal Evidence Act; and to control the possession and sale of alcohol in connection with football matches. The Government have played a major role in developing international co-operation in the fight against terrorism and has strengthened police powers under the Prevention of Terrorism Act.

The Government have continued to be active in strengthening safeguards against fraud and in ensuring that the probity of our financial institutions is maintained without undermining their competitiveness. The Insolvency Act 1985 increased the scope for disqualifying directors of companies which have gone into liquidation or receivership, and introduced a new liability of directors for wrongful trading. The Financial Services Act 1986 broadens the general regulatory framework within which people in financial institutions have to operate.

The Criminal Justice Bill provides for the establishment of a serious fraud office and other improvements in the investigation, prosecution and trial of fraud offences, based on the recommendations of the Roskill committee.

In education, the Government have introduced many major initiatives to raise educational standards. Many of those affecting the schools were set out in the White Paper "Better Schools" (Cmd. 9649). We have embarked on a reform of the school curriculum to prepare pupils better for adult and working life. We have given financial support to promote technical and vocational education for 14 to 18-year-olds in schools and colleges and supported pilot programmes for improving the education of lower attaining pupils. We have introduced the GCSE based on national criteria. We are introducing the AS level to broaden A-level studies. We are developing records of achievement for all school leavers. The Education (No. 2) Act 1986 promotes the more effective management of maintained schools and teaching quality within them.

In higher education the number of home students has risen by about 49,000 since 1983 without loss of quality and with a higher proportion studying science and engineering, thanks partly to the Government's information technology initiative and engineering and technology programme. Greater cost-effectiveness has been achieved, especially in the polytechnics where unit costs have fallen

substantially. The funding of universities now includes greater selectivity in the interests of concentrating research activity in the best centres.

In further education, development plans have been introduced with gains in relevance and efficiency. Course and qualification patterns continue to evolve, including the certificate of pre-vocational education, which the Government launched in 1983. The work of the Council for the Accreditation of Teacher Education is leading to improvements in initial teacher training, and new specific grant support for in-service teacher training is being introduced in 1987-88. Education support grants are now well established.

The Government have revolutionised vocational education and training for young people through TVEI and two-year YTS. TVEI becomes a national scheme from autumn this year. YTS has given vocational training to over 1 million young people and already over 300,000 have entered two-year YTS. Every unemployed young person under the age of 18 is now guaranteed training leading to a recognised qualification: unemployment need no longer be an option for this group. We have recently announced a major new programme of quality training—the job training scheme—aimed particularly at long-term unemployed people aged under 25. We have established the National Council of Vocational Qualifications to ensure that in future there will be a clear system of relevant vocational qualifications. Through the restart programme, for the first time in this country, we are offering personal counselling and assistance to all long-term unemployed people.

The Government have encouraged new business, particularly through the expanded enterprise allowance scheme, which has helped nearly 200,000 unemployed people to start up in business.

We have continued the reforms which have transformed the industrial relations climate in this country. The Trade Union Act 1984 has promoted and protected democracy in trade union affairs.

In the Health Service, we have continued to develop services for patients. NHS spending has been increased to record levels—nearly £19 billion this year. More patients are being treated than ever before—5.6 per cent. more in-patient cases in England alone in 1985 than in 1983, and 18.4 per cent. more day cases. We are investing in the largest sustained capital programme ever, costing over £1 billion in the current year. In England, over 400 schemes, each costing over £1 million, with a total value of about £3 billion, are at various stages of planning, design and construction.

There are more doctors and nurses working in hospitals and the community. Since April 1984, the first settlement from the Pay Review Body which this Government established, nurses' pay rates have gone up by just over 10 per cent in real terms.

The drive for better management continues. Health authorities in England have achieved cash-releasing cost improvements worth over £240 million in the last two financial years, and plan further cash savings of some £150 million this year. A further £130 million is expected to be freed this year from sales of land which the National Health Service does not need.

We have also launched the first major reviews of primary care and community nursing since 1948.

In the social security field, the Government have protected and improved the real value of nearly all the

social security benefits. Expenditure on social security as a whole has never been higher—both in cash and real terms. For example, real spending on the long-term sick and disabled has risen by nearly £6 billion. We have also conducted a major review of the social security system and the Social Security Act 1986 will make the system easier to understand, target help more effectively on those who need it and improve work incentives. Choice will also be widened in pension provision.

In energy, domestic gas and electricity prices have gone down in real terms, gas by 7 per cent. and electricity by 10 per cent. Britain has launched a successful energy efficiency campaign with savings already stimulated of more than £500 million a year in the industrial and commercial sectors. Energy efficiency in the home is proceeding apace and the Government are helping to fund voluntary groups who insulate the homes of low-income families and pensioners. Over 300,000 such homes have been insulated.

Deep mined productivity of coal production is now 60 per cent. higher than it was during the last year of the Labour Government.

In local government, the Greater London council and metropolitan county councils were abolished without the chaos predicted in some quarters, and to the substantial benefit of ratepayers. Legislation has been passed to regulate local authority publicity activities. We are considering the response to consultation on the report of the Widdicombe committee on the conduct of local authority business. We have prevented extravagant authorities from using creative accounting to get more than their fair share of resources, either at the expense of other authorities or, ultimately, their ratepayers. The Rates Act is protecting ratepayers from huge increases in rates in the highest spending councils. The Abolition of Domestic Rates etc. (Scotland) Bill now before Parliament, provides for the abolition of domestic rates in Scotland starting at 1 April 1989. It has been confirmed that a Bill similarly to replace domestic rates in England and Wales will be introduced as soon as possible and not later than the first session of a new Parliament.

Between May 1983 and December 1986 there has been a net increase in the number of dwellings of about 660,000 through new building and conversion in England which has more than kept pace with the growth in the number of households over the period. Since May 1983 the number of owner-occupied dwellings has increased by about a further million and 63 per cent. of all dwellings are now owner-occupied. The discounts available on the sale of council houses and flats have been further increased to encourage tenants to exercise their right to buy.

The Government have encouraged greater diversity in the rented sector by assisting housing associations and private sector landlords. A new Estate Action team has helped local authorities with more than 120 schemes to tackle problems of rundown estates. A scheme of assistance has been provided to the owners of defective houses previously in the public sector.

The Government have continued to promote enterprise, improve the environment and encourage self-help in the inner cities. Five new urban development corporations have been announced in addition to those existing in London and Merseyside docklands. The urban programme, which supports some 12,000 inner city regeneration projects, has been concentrated on the areas of greatest need and potential, and its management

improved. The derelict land reclamation programme has been increased substantially and directed towards commercial, industrial or housing development on urban land. Some 34,000 acres have been removed from the land register of unused or under-used public land. Enterprise zones have continued to attract substantial private investment. Powers have been taken to pay urban regeneration grant to support private sector development packages. The UK2000 initiative has been launched to promote environmental improvement. The Scottish development agency continues to be a major instrument of urban renewal in Scotland and both Scottish and Welsh development agencies continue to play a vital part in economic and environmental policies.

The Government have taken a wide range of steps to simplify and improve the planning system and to speed up its operation, without reducing necessary protection to the environment in town and country.

In transport, London Transport has been transferred from the GLC to London Regional Transport and targets set for better value for money. In its first full financial year under Government control, LRT very nearly achieved its target of halving subsidy for which the Government have allowed three years, while providing additional services to meet increasing demand. The subsidy to British Rail has been reduced by 25 per cent., targets set for a further 25 per cent. reduction in the current level of subsidy and the improvement of customer service, and major new investments approved. The deregulation of local bus services has seen service levels maintained and has stimulated innovation through competition while cutting subsidies. A number of National Bus Company subsidiaries have also been privatised. In England alone during this period the Government have invested £2 billion in the motorway and trunk road system; 110 major road schemes have been completed of which 40 are bypasses and relief roads. The Government are supporting 310 major local authority road schemes through transport supplementary grant, two thirds of which help bypass or relieve communities. Private investment in the Channel tunnel project has already begun even though the Bill has not yet completed its passage through Parliament.

Since 1983 receipts from sales of new town assets have totalled £900 million. Basildon development corporation was wound up on 1 April 1986 and the Government have announced proposed wind-up dates for each of the remaining six corporations. The finances of the corporations have also been put on a more satisfactory basis.

In defence, the capability of our armed forces has continued to be strengthened. The Government have played their full part in implementing NATO's 1979 decision to modernise intermediate range nuclear weapons. Increased efficiency is being pursued by the continuing transfer of resources from the support areas to the frontline, and by introducing increased competition in defence contracts and promoting collaboration with our international partners. A major reorganisation of the headquarters structure of the Ministry of Defence has been introduced.

In foreign policy we have maintained Britain's firm commitment to national defence and the NATO Alliance, and promoted closer European defence co-operation, notably through a revived Western European Union. At the same time we have worked vigorously for a more stable relationship between East and West and for balanced and

verifiable reductions in nuclear and conventional weapons, and for a global ban on chemical weapons. British Ministers and representatives have been active in building up an East-West dialogue and in promoting the arms control process. We played a leading role in the Conference on Disarmament in Europe negotiations which were successfully concluded last autumn. At Camp David last November President Reagan and I agreed upon priorities for arms control after the Reykjavik Summit meeting.

Within the European Community we negotiated a favourable settlement of the longstanding budgetary dispute. We were instrumental in bringing about an agreement on amendments to the EC treaties which should improve Community decision-taking and hasten the creation within the Community of a genuinely free market for goods and services as well as giving for the first time a treaty basis to co-operation in the foreign policy field. The latest British presidency reached agreement on internal market measures and on significant reforms to the common agricultural policy. We have worked actively for maintenance of the world open trading system and the launch of a new round of multilateral trade negotiations.

We reached agreement with China about the future of Hong Kong. The Gibraltar border has been reopened, and negotiations started with Spain aimed at overcoming all our differences over the rock. We have stood by the people of the Falkland Islands.

We have at the United Nations and elsewhere supported the international rule of law and respect for human rights. With our Commonwealth and European partners we have worked towards ending apartheid in South Africa by peaceful means. We have worked successfully for financial and administrative reform in the United Nations and have promoted international co-operation to combat terrorism and drug-trafficking. We have maintained a substantial aid programme—totalling nearly £4,000 million since 1983. We have responded swiftly and generously to appeals for emergency aid to sub-Saharan Africa and bilaterally we have provided effective long-term assistance to some 120 developing countries.



AP

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

22 April 1988

William Fleming Esq
Cabinet Office
70 Whitehall
London SW1A 2AS

Dear William,

PQ ON THE GOVERNMENT'S ACHIEVEMENTS

... I attach the Treasury contribution, which has been approved by the Chancellor.

We look forward to seeing the composite draft reply in due course.

- cc: Chief Secretary
- Financial Secretary
- Paymaster General
- Economic Secretary
- Sir P Middleton
- Sir T Burns
- Mr Anson
- Mr Monck
- Mr Scholar
- Mr Culpin
- Mr Odling-Smee
- Mr Sedgwick
- Mr Turnbull
- Mrs M E Brown
- Mr Hibberd
- Mr MacAuslan
- Miss Sinclair
- Mr Bent
- Miss C Evans
- Mr Wynn Owen
- Mr Cropper
- Mr Tyrie
- Mr Call

Yours sincerely,

Andrew Hudson

A P HUDSON

To ask the Prime Minister if she will list the achievements of Her Majesty's Government since May 1979 in respect of the whole of the United Kingdom and also in respect of Scotland, Wales and Northern Ireland.

The rate of inflation has been reduced to levels not previously seen for 20 years. The United Kingdom is well into its seventh successive year of steady growth, at an average annual rate of 3 per cent; in 1987 national output grew faster than in any other major industrialised country. Business investment reached a record level in 1987 and is forecast to rise by a further 9 per cent in 1988. Since 1981, UK manufacturers have maintained their volume share of world trade, following decades of decline; and in 1987 their share increased slightly. The level of the UK's net overseas assets has increased sevenfold since 1979 to about £90 billion, yielding earnings of over £5½ billion in 1987. Manufacturing productivity has risen at an average annual rate of nearly 5 per cent since 1980 - faster than in any other major industrialised country, after being at the bottom of the league in the previous two decades. In 1986, non-North Sea company profitability was at its highest level since 1973, having risen in every year since 1981. It is expected to have increased again in 1987, to around 11 per cent - the highest level for over 20 years. An average of 500 new businesses a week have been set up since 1979, after deducting those which failed. Employment has risen continuously since early 1983 by well over 1½ million - the longest period of sustained growth for almost 30 years. Unemployment has fallen for 20 successive months and all regions have seen unemployment falling significantly.

The Government have continued to maintain sound public finances, and have now balanced the Budget. In 1987-88, for only the second year since the beginning of the 1950s, the Government made a net repayment of public sector debt. The burden of debt interest has fallen, and this, together, with continued improvements in efficiency, has enabled the Government to increase spending on priority programmes while ensuring that public expenditure continues to fall as a proportion of GDP.

The Government have pursued a substantial programme of tax reform. The aim has been to create a climate in which businesses can thrive and individual initiative and risk-taking are rewarded. The basic rate of income tax has been reduced from 33 per cent to 25 per cent and the main personal allowances are fully 25 per cent higher in real terms than in 1978-79. Nine higher rates of income tax running up to 83 per cent have been replaced by a single higher rate of 40 per cent. A new system of independent taxation for husbands and wives will apply from 1990. Business taxation has been radically restructured, leaving the UK corporation tax rate one of the lowest in the industrialised world. Seventeen rates of capital transfer tax running up to 75 per cent have been replaced by a single rate of 40 per cent on inheritance; and the taxation of purely inflationary capital gains has been ended. Five taxes and a number of unjustified tax breaks have been abolished.

Since 1979, the Government have privatised 17 major companies and a number of other enterprises. As a result of this policy and tax reliefs designed to encourage shareholding, the number of individual shareowners in the United Kingdom, at one in five of the adult population, has trebled since 1979. Getting on for 40 per cent of the state-owned industrial sector we inherited in 1979 has been returned to private enterprise. And the privatisation programme is set to continue - the Government have already announced their intention to privatise the electricity supply industry, the water authorities in England and Wales and British Steel.

The Government have introduced a large number of measures to improve the operation of markets. Pay, price and dividend controls have been abolished, together with controls on foreign exchange, bank lending and hire purchase and restrictions on industrial and office development. Incentives have been increased by tax reductions and reform and by the restructuring of national insurance contributions. The Government have introduced a tax relief to encourage the spread of profit-related pay. Changes in employment legislation, the reduction in the scope of Wages Councils and measures to encourage labour mobility have improved the operation of the labour market. Many bureaucratic burdens on business have been reduced or removed entirely.



CABINET OFFICE

70 Whitehall London SW1A 2AS Telephone 01-270 0135

CH/EXCHEQUER	
REC.	25 APR 1988
ACTION	MR S. J. PICKFORD
COPIES TO	CST, FST, PMG, EST Sir P. Middleton Sir T. Burns MR ANDON MR Monck, MR Schefar MR Culpin, MR Odlingmee MR Sedgwick, MR Tumbull MRS M. Brown, MR Hibbert

Mr MacAuslan Miss Sinclair Mr Bent
 Mr Nynn Owen 25 April 1988
 Miss C Evans
 Mr Cropper Mr Tyme Mr Call

APW

Do you want to deal, or shall I?

m.
Dear Private Secretary,

PQ ON THE GOVERNMENT'S ACHIEVEMENTS

I am most grateful for the contributions which Departments have provided in response to my letter of 19 April.

Enclosed is a copy of a draft reply for the Prime Minister to give to Sir John Biggs-Davison. It is complete except for entries on Wales and the inner cities, and I should be grateful for any amendments to it or comments on it which departments may have (including nil returns please) by close of play on Tuesday 26 April. The remaining entries will be circulated for comments separately.

I am copying this letter to the Private Secretaries to all Ministers responsible for Departments, and sending copies for information to Alison Smith (Lord President's office), Nick Gibbons (Lord Privy Seal's office), Murdo Maclean (Chief Whips office), Rhodri Walters (Lords Chief Whips office), Trevor Woolley (Sir Robin Butler's office) and Andrew Lean (Cabinet Office).

Yours sincerely
William Fleming

WILLIAM FLEMING

Sir John Biggs-Davison (Epping Forest): To ask the Prime Minister, if she will list the achievements of Her Majesty's Government since May 1979 in respect of the whole of the United Kingdom and also in respect of Scotland, Wales and Northern Ireland.

THE PRIME MINISTER

1 The rate of inflation has been reduced to levels not previously seen for 20 years. The United Kingdom is well into its seventh successive year of steady growth, at an average annual rate of 3 per cent; in 1987 national output grew faster than in any other major industrialised country.

X business invest^{ment} reached a record level in 1987 and is forecast to rise by a further 9 per cent in 1988. Since 1981, UK manufacturers have

X maintained their volume share of ~~work~~^{world} trade, following decades of decline; and in 1987 their share increased slightly. The level of the

X UK's net overseas assets has increased sevenfold since 1979 to about ~~£~~[£] 90

X billion, yielding earnings of over ~~£5.2~~^{£ 1.1} billion in 1987. Manufacturing productivity has risen at an average annual rate of ^{over} nearly 5 per cent since 1980 - faster than in any other major industrialised country, after being at the bottom of the league in the previous two decades. In 1986,

X non-North Sea company profitability was at ~~its~~^{rose to 10% its} highest level since 1973, having risen in every year since 1981. It is expected to have increased again in 1987, to around 11 per cent - the highest level for over 20 years.]

2 The Government have continued to maintain sound public finances, and have now balanced the Budget. In 1987-88, for only the second year since the beginning of the 1950s, the Government made a net repayment of public

sector debt. The burden of debt interest has fallen, and this, together with continued improvements in efficiency, has enabled the Government to increase spending on priority programmes while ensuring that public expenditure continues to fall as a proportion of GDP.

3 The Government have pursued a substantial programme of tax reform. The aim has been to create a climate in which businesses can thrive and individual initiative and risk-taking are rewarded. The basic rate of income tax has been reduced from 33 per cent (to 25% and the main personal allowances are fully 25%) higher in real terms than in 1978-79. Nine higher rates of income tax running up to 83 per cent have been replaced by a single higher rate of 40 per cent. A new system of independent taxation for husbands and wives will apply from 1990. Business taxation has been radically restructured, leaving the UK corporation tax rate one of the lowest in the industrialised world. Seventeen rates of capital transfer tax running up to 75 per cent have been replaced by a single rate of 40 per cent on inheritance; and the taxation of purely inflationary capital gains has been ended. Five taxes and a number of unjustified tax breaks have been abolished.

4 Since 1979, the Government have privatised 17 major companies and a number of other enterprises. As a result of this policy and tax ^{reliefs} ~~reliefs~~ designed to encourage shareholding, the number of ^{individual} ~~individual~~ shareowners

in the United Kingdom, at one in five of the adult population, has trebled since 1979. Getting on for 40 per cent of the state-owned industrial sector the Government inherited in 1979 has been returned to private enterprise. And the privatisation programme is set to continue - the Government have already announced their intention to privatise the electricity supply industry, the water authorities in England and Wales and British Steel.

5 X The Government have introduced a large number of measures to improve the operation of markets. Pay, price and dividend^d controls have been abolished, together with controls on foreign exchange, bank lending and hire purchase and restrictions on industrial and office development. Incentives have been increased by tax reductions and reform and by the restructuring of national insurance contributions. The Government have introduced a tax relief to encourage the spread of profit-related pay. ~~Changes in employment legislation, the reduction in the scope of wages Councils and measures to encourage labour mobility have improved the operation of the labour market. Many bureaucratic burdens on business have been reduced or removed entirely.~~

6 Employment has risen by almost 1.7 million since March 1983, the longest period of sustained employment growth in almost 30 years. Unemployment has fallen by over 700,000 from its July 1986 peak and ^{the unemployment rate} is now below the European Community average. It has fallen in all regions of the country

with the biggest falls over the last year in the West Midlands, the North West and Yorkshire and Humberside. Long-term unemployment fell by a record 234,000 in the year to January, whilst unemployment among under 25s is at its lowest level for over five years and is now much lower than the European Community average.

7 Changes in employment legislation and measures to assist labour mobility have improved the operation of the labour market. Many restrictions on the employment of women have been lifted.

8 The Government's policies have helped the small firms' sector to grow rapidly and to make a substantial contribution to employment and wealth creation. About a million additional jobs were created by small firms and self-employment between 1982 and 1984, and since 1980 the number of small firms has grown by around 500 a week. Self-employment has risen by over a million since June 1979. The Small Firms Service provides advice and support for small firms. The Enterprise Allowance Scheme has helped over 300,000 people to set up in business on their own. We have helped create a network of Local Enterprise Agencies to help encourage the development of small firms.

9 The Government have introduced entirely new approaches to delivering practical help for unemployed people to get back to work. Since July 1986, some 3.5 million personal interviews have been carried out under

Restart, 90 per cent of them resulting in an offer of positive help from the range of opportunities available, including Jobclubs and the still expanding Enterprise Allowance Scheme. The Government have taken steps to ensure that benefits are properly paid to those who are entitled to them and not to others. The work of Jobcentres, previously administered by the Manpower Services Commission, and the Unemployment Benefit Service has now been brought together in the Employment Service, with the priority of giving effective help to unemployed people, especially the long-term unemployed, and placing them in jobs and training.

10 The Government have revolutionised vocational education and training for young people through the technical and vocational education initiative (TVEI) and two-year Youth Training Scheme (YTS). TVEI became a national scheme last Autumn. Over 1¹/₂ million young people have had vocational training under YTS, and a wide range of courses leading towards a vocational qualification is available to all 16 and 17 year old school leavers. From September this year, all young people not going into a job or staying in full-time education will be guaranteed YTS until their eighteenth birthday. Unemployment on social security benefit will no longer be an option for this group.

11 The Government have announced a major new programme, Employment Training, building on the experience and successes of the Community guarantee Programme and the new Job Training Scheme. The Government will guarantee

Employment Training to all those aged between 18 and 25 who have been unemployed for six months and aims to provide also for those over 25 who have been unemployed for two years. The National Council for Vocational Qualifications is establishing a clear system of relevant vocational qualifications.

12

Legislation has been passed protecting members against abuses of trade union power, extending their rights to influence the affairs of their unions and to restore the balance in industrial relations between managements and unions. In particular, secondary blacking and picketing have been made unlawful and unions are required to hold ballots before strike action.

13

The Government have launched a major five-year campaign to ensure that business in every part of the country is fully prepared to take advantage of the Single Market that will exist in the European Community by 1992.

14

The Government have encouraged competition ^{throughout} ~~through~~ the economy. Proposals have been published for the reform of the legislation on mergers and restrictive trade practices.

15

The Government have launched the Enterprise Initiative, with the objective of helping businesses acquire the skills and information they require to compete effectively.

- 16 The balance of regional policy has been changed so that the Government's enterprise policies are properly reflected in the regions.
- 17 The emphasis of the Government's financial support for industry has shifted to industrial innovation. Support is now concentrated on collaborative research programmes, including the LINK scheme which brings together academic and industrial researchers, and the EUREKA initiative for collaborative research in Europe.
- 18 The Financial Services Act has established a statutory framework for self regulation of the financial services industry in the interests of investor protection, ^{controlled by} the Securities and Investment Board and a number of ~~self~~ ^rregulatory ~~o~~rganisations.
- 19 The Government have been active to strengthen safeguards against fraud and to ensure that the probity of our financial institutions is maintained without undermining their competitiveness. The Companies Acts 1980 and 1981 strengthened the powers of investigation and the courts' powers to disqualify directors for misconduct; and made insider dealing a criminal offence.
- 20 The Government have worked actively to maintain the world open trading system and are contributing to the current Uruguay Round of Multilateral trade negotiations, which was launched in 1986 under the United Kingdom presidency.

21 Since 1979 productivity per person has increased by nearly 50 per cent in agriculture and over 35 per cent in the food manufacturing industry. Prices of food to consumers have risen more slowly than the general price level. The annual rate of increase in food prices since May 1979 has been 5.8 per cent compared with an increase of 16.4 per cent during the period of the last Labour administration, February 1974 to May 1979. Exports of food, feed and alcoholic beverages have more than doubled since 1979.

20 Reform of the Common Agricultural Policy (CAP), to tackle the problems of burgeoning expenditure and surplus production, has been significantly advanced by the agreement at the European Council in February on the application of budget discipline to the CAP, notably through the introduction of extension of stabilisers in all the main CAP commodity regimes. The stabilisers, which link full levels of support to predetermined quantities of production and provide for reductions in support if these quantities are exceeded, are intended to act as a disincentive to surplus production and thus help bring supply and demand into better balance. These measures carry forward the process of reform of the CAP which has included the introduction of milk quotas in 1984, changes to the milk and beef regimes (including the maintenance of the beef variable premium) agreed under the UK Presidency in December 1986, and measures to weaken intervention in the cereals and oilseeds sectors introduced in 1987. The Government have also successfully negotiated

the sheepmeat regime. The wool guarantee, the suckler cow premium and expenditure on hill livestock compensatory allowances have all been increased. The Government have introduced measures designed to encourage farming practices which are beneficial to the landscape and to the conservation of wildlife, and have announced a number of new policy initiatives designed to encourage alternative uses of farmland, increase diversity on farms and in the rural economy generally. The Government recast capital grants in 1985 to put a strong emphasis on assistance for conservation work on farms and for investments to prevent pollution of rivers and streams from farm waste. Prompt action was taken to assist those farmers and growers affected by the storm of 16 October last year through specific emergency grant schemes. The sale, supply and use of pesticides has been brought under statutory control to ensure safe use in relation to operators, consumers and the environment.

23 After protracted and difficult negotiations the Government secured an EC common fisheries policy settlement in 1983 on terms very favourable to the United Kingdom. As part of that settlement and subsequently conservation, control and structural measures have all been strengthened. The Salmon Act 1986 strengthened powers to deal with illegal fishing and made improvements in the conservation and management of salmon. In Scotland a new inshore fisheries regime has been established. The value of UK fish landings and of fish farming output has increased substantially.

24 Controls to ensure protection of the marine environment have been strengthened and substantial reductions have been achieved in the low levels of contaminants in material licensed for disposal at sea.

25 In transport the Government have successfully increased consumer choice and efficiency by promoting competition in the provision of services.

26 In air transport, British Airways and the British Airports Authority have been privatised. The Government have authorised the development of Stansted as London's third airport, encouraged the development of airport facilities in the regions, improved the management of the main local authority airports by having them transferred to companies, and have banned the noisiest aircraft from operating at British airports. The Government have strengthened competition on international routes within Europe and over the North Atlantic by negotiating more liberal bilateral arrangements, and have secured agreement to a package of liberalisation measures within the European Community as a first step towards completion of the internal aviation market.

27 In surface transport, local bus services outside London have been deregulated. This has resulted in greater competition between operators, more innovation and flexibility in meeting the needs of passengers, lower costs and subsidies, as well as an increase in the overall provision of bus mileage. The privatisation of the National Bus Company well ahead of

schedule has been completed, and the majority of its subsidiaries have been bought by their own managers or employees. British Rail have been set objectives for improving the quality of their services and increasing their efficiency through reduced subsidy. They are now set to meet their 1989/90 objective while sustaining an ambitious and increasing investment programme to improve quality of service. This means that their subsidy will have been reduced by almost 45 per cent between 1983 and 1989/90. The Government have successfully promoted co-operation between public and private sectors in projects such as the Channel Tunnel, the London Docklands Light Railway and the Dartford-Thurrock crossing of the Thames.

28 In shipping, the Merchant Shipping Bill currently before Parliament includes measures to improve safety and encourage the employment of British seafarers aboard British ships. Extensive action has been taken to improve ferry safety following the tragic Zeebrugge disaster.

29 On roads, capital investment in trunk roads in England alone has increased by over 30 per cent since 1979. Some 750 miles of new and improved motorways and other trunk roads have been completed, including 300 miles of bypasses. The Government are supporting 340 major local authority road schemes, most of which are aimed at bypassing local communities or relieving them of traffic. The Government's continuing concentration on road and vehicle safety measures have given us the best

road accident record in Europe. Casualty figures for 1987 were the lowest for thirty years, despite a fourfold increase in traffic in the same period; and the aim is to reduce casualties by a third by the year 2000.

30 In energy, Government policies on taxation and licensing made 1987 the third best year ever for drilling activities in the North Sea despite the 1986 fall in oil prices. Domestic gas now costs less in real terms than in 1970, while electricity to domestic consumers has gone down by 8 per cent in real terms in the last five years.

31 Deep mined productivity of coal production is now 60 per cent higher than it was during the last year of the Labour Government and is currently some 50 per cent higher than the average for 1983/84, before the strike. This encouraging growth in productivity reflects a continuing effort by all concerned to produce coal at a price the market can afford.

32 Since 1979, spending on the Health Service is up by 35 per cent in real terms. There are over 10,000 more doctors and dentists and over 50,000 more nurses and midwives. Some 270 health building schemes, each worth over £1 million have been started and completed. Over 1 million more in-patient cases are now being dealt with each year, and waiting lists are down by 64,000. There is already clear evidence that the General

Managers who have been appointed throughout the health service are providing energetic and innovative leadership, with speedier and more incisive decision making.

33 Following publication of the White Paper "Promoting Better Health", the Government has opened up discussion with the professions about arrangements for implementing a wide range of important reforms in the delivery of primary health care. The emphasis is on health promotion, better services for the consumer and value for money.

34 In the field of social security, expenditure is now at its highest level ever, both in cash and real terms. The Government are now spending some £13 billion more in real terms than in the last year of the Labour Government. For example, real spending on the long-term sick and disabled has risen by £3 billion, an increase of over 80 per cent; and total public spending on benefits for the elderly has risen by about 30 per cent in real terms. The Government have undertaken a fundamental review of the social security system resulting in the Social Security Act 1986. Most of the provisions of that Act have now been implemented; this will make the system easier to understand, direct help more effectively to those who most need it, and improve work incentives by the introduction of the new family credit. Choice in pension provision is also being widened.

85 Since 1979 substantial progress has been made in reforming the structure and financial basis of local authorities so as to make them more accountable and responsive to the needs of their local electorate, and to give better value for money in the provision of local services. The structure of local government has been simplified and improved with the abolition of an unnecessary upper tier of Government in Greater London and the Metropolitan areas. The Audit Commission for England and Wales was established in 1983 and has already made great progress in identifying opportunities for improving value for money in local government, some of which is beginning to show results. Legislation on competition is ensuring that authorities subject the provision of an increasing range of local authority services to the discipline of competitive tendering. The Widdicombe Committee on the conduct of local authority business has identified a number of measures needed to improve local authority procedures and avoid abuses, which the Government are following up in stages. Measures on local government finance have restrained the growth of local authority expenditure, particularly in some of the more extravagant high spending authorities. The Local Government Finance Bill currently before Parliament will abolish domestic rates in England and Wales and replace them by a fairer and more broadly based community charge. The same Bill will remedy the uneven burden of non-domestic rates on businesses by establishing a nationally determined uniform business rate.

36 In housing, the Government introduced the first statutory charter of rights for public sector tenants including the right to buy. Since then over a million tenants have bought their homes. The stock of owner-occupied dwellings in Britain has increased by 3 million; more people own their homes than ever before; and 64 per cent of all dwellings are owner-occupied. There has been a net increase in the stock as a whole of about 1.6 million - more than enough to keep pace with the growth in the number of households over the period.

37 Grants for home improvements have been at a historically high level; improved targetting on those in most need is being introduced. The Government's Estate Action programme has helped local authorities with over 200 schemes on run-down council estates. A scheme of assistance has been introduced for owners of defective houses previously in the public sector and good progress has been made. Measures have been introduced to strengthen the rights of leaseholders living in private blocks of flats.

38 The Housing Bill, which is currently before Parliament, aims to broaden the choice open to tenants and encourage more private investment in housing; it will deregulate rents in the independent rented sector; provide the basis for an expansion of the housing association movement; allow for the establishment of Housing Action Trusts in some of the most run-down areas of local authority housing; and provide all secure local authority tenants with the opportunity to transfer to new landlords approved by the Housing Corporation.

39 In the environment, the Government have created a unified Inspectorate of Pollution with a remit to develop an integrated approach to pollution control. Following a successful initiative in Europe to bring to an end the addition of lead to petrol the maximum lead content of petrol has been cut by 60 per cent and unleaded petrol is now available at over 800 sites. The Government have taken steps to reduce the pollution of our rivers, estuaries and beaches. Last year the United Kingdom chaired the North Sea Conference which produced an important package of measures to safeguard and enhance the quality of the North Sea. The Government have made substantial progress in securing the future of the natural heritage. In particular, over 5,000 Sites of Special Scientific Interest (SSSIs) have been notified or renotified as part of the implementation of the Wildlife and Countryside Act 1981; this process is now 85 per cent complete. Also, 26 Special Protection Areas have been designated under the European Birds Directive, and 35 wetlands of international importance under the Ramsar Convention.

40 The Government have taken a wide range of steps to simplify and improve the planning system and to speed up its operation, while protecting and enhancing the environment in town and country. The area of approved Green Belt has more than doubled since 1979; the annual acreage of agricultural land taken for development in the 1980s is less than one third of the levels seen in the 1960s and early 1970s; and nearly one half of land for new housing development is redeveloped or vacant land within urban areas.

41

The Government have introduced sweeping reforms in the education system in England and Wales. The Education Reform Bill now before Parliament aims to improve the standards of achievement of all pupils. with the introduction of a national curriculum for the 5-16 age group of core and foundation subjects for which attainment targets, programmes of study and arrangements for assessment and testing will be established; to widen the choice available to parents for the education of their children; to ensure that schools can admit pupils up to the limit of their capacity; to require all local education authorities to develop schemes of resource allocation to schools and to delegate budgetary control to all Further Education colleges, secondary schools and larger primary schools; to offer all secondary schools and larger primary schools the opportunity to apply to opt out of local authority control; to establish polytechnics and other major colleges as independent institutions; and to reform the arrangements for funding the university system. In addition the Government continues to seek to improve teaching quality, and have introduced a new 16 plus examination system, the GCSE based on national criteria, and the AS levels to broaden A level studies. The technical and vocational education initiative has been introduced to boost practical elements in the 14-18 curriculum. In higher education, record numbers of students have been admitted and the Government has endorsed plans which provide for a continuation of the shift towards science, engineering and other vocational subjects.

42

The Government have substantially increased the manpower and other resources available to the police and have strengthened their powers to deal with public disorder. Over 50,000 Neighbourhood Watch schemes are now in operation. £80 million is being invested in crime prevention this year and a new National Crime Prevention Organisation will be established to co-ordinate local initiatives and spread good practice. An independent Crown Prosecution Service is now in operation throughout England and Wales. 24 senior and 34 junior attendance centres have been opened. Measures have been taken to ensure that the terms of imprisonment served by violent offenders fully reflect society's abhorrence of their crimes. Government assistance to the victims support movement has been greatly expanded: £11 million will be provided over the next three financial years to help local schemes. The Government have continued to develop an overall strategy for countering drug misuse and illicit trafficking. The Video Recordings Act has brought video nasties under control. Legislation has also been put through for data protection; to provide more rigorous control of animal experimentation; to provide a framework for the development of broadcasting by satellite and cable television (including the establishment of the Welsh Fourth Channel); to set out a new framework for police powers, for providing safeguards for the citizen and handling complaints against the police, in the Police and Criminal Evidence Act; to control the possession and sale of alcohol in connection with football matches; to provide for the

establishment of the Serious Fraud Office, now in operation, and make other improvements in the investigation, prosecution and trial of fraud offences; and to provide comprehensive new powers to investigate, restrain and confiscate the proceeds of drug trafficking, where the Government are working for international agreements to make such powers more generally effective. The Government have recently set up an enquiry to consider allegations that former war criminals may be living in this country. The Government have played a major role in developing international co-operation in the fight against terrorism and have strengthened police powers under the Prevention of Terrorism Act. The policy of fair immigration control has seen the number of people accepted for settlement in the United Kingdom fall from 69,700 in 1979 to 45,500 in 1987, the lowest total since Commonwealth citizens became subject to control in 1962.

43 X The Government brought ^{before} Parliament proposals to improve controls on possession of firearms and shotguns; to remove outdated restrictions in liquor licencing law; and, in the Criminal Justice Bill, have proposed steps to enable the United Kingdom to participate more effectively in the international fight against crime, including a major reform of extradition laws; to make provision for courts to order the confiscation of the proceeds of profitable crime, and for unduly lenient sentences to be reviewed; to create a statutory right for the victims of crime to

receive compensation; to tighten the law on possession of knives and to ban the sale of offensive weapons which have no legitimate use; and to strengthen the jury system.

44 The Government have continued the reform of family law, have legislated to remove the legal disadvantages of children born outside marriage and have brought schemes into effect to combat the evils of child abduction both within the United Kingdom and throughout the world. The Government have simplified conveyancing and extended the areas in which titles have to be registered. A Legal Aid Bill has been introduced to set up a new Board to administer legal aid and generally to ensure that legal aid is operated as efficiently and effectively as possible. The Government have continued the major programme of simplification and consolidation of our statute law.

45' In the Arts, the National Heritage Memorial Fund has been established
x with funding of some [£]90 million to date. There has been a significant upsurge in business sponsorship - the Government's Scheme has brought £16 million of new money into the Arts in four years. Major progress has been made with the building of the new British Library at St Pancras, and there have been major expansion schemes at some of the national museums and galleries, with the Tate Gallery's Clore Gallery and the Tate Gallery at Liverpool, the National Gallery's Sainsbury Wing, and the re-development of the Imperial War Museum.

46 In defence, a substantial increase in resources has enabled the capability of the Armed Forces to be strengthened. The Government played its full part in implementing the NATO 1979 twin-track decision to modernise intermediate range nuclear weapons while seeking to achieve an arms control agreement, and this policy has been vindicated by the INF Treaty. Increased efficiency is being pursued by the continuing transfer of resources from the support areas to the front line, and by introducing increased competition in defence contracts and promoting collaboration with our international partners. Finally, major re-organisation of the Headquarters Structure of the Ministry of Defence has been introduced.

47 In foreign policy, the Government have promoted closer European defence co-operation - inter alia through a revitalised Western European Union - as a means of strengthening the European pillar of NATO at the same time working vigorously for a more stable relationship between East and West. The Government have sought verifiable reductions in nuclear and conventional weapons and a global ban on chemical weapons, greater cooperation in settling regional conflicts and full respect for human rights. British Ministers and representatives have been active in building up an East-West dialogue with these arms control process. The Government played a leading role in the Conference on Disarmament in Europe which was successfully concluded in autumn 1986, and gave full support to our United States allies in their negotiations with the USSR over INF, which concluded last autumn with agreement on the global elimination of US and Soviet land-based INF missiles with ranges between 500 and 5,500 ~~kms~~ *kilometers*.

48 Within the European Community the Government reached agreement in 1984 that the United Kingdom should pay only its fair share of the EC budget.

49 Government have made it the Community's top priority to complete the single European market for goods and services by 1992 so as to give our industry improved access to important markets in Europe and a better base from which to compete in world markets. The Government have championed measures to help our citizens, such as less regulation, cheaper air fares and higher product safety standards.

50 The Government supported the entry of Greece, Spain and Portugal into the Community, thereby underpinning their democracy and strengthening NATO. At British initiative the EC member states have agreed an internationally binding basis for closer co-operation in foreign policy.

51 Rhodesia was brought to legal independence as the Republic of Zimbabwe in 1980. The Government resolutely upheld and continues to defend the right of the Falklands Islanders to live in peace under a Government of their own choosing. An agreement with China about the future of Hong Kong was ratified in 1985 and good progress has since been made in implementing that agreement. The Gibraltar border has been reopened, and negotiations started with Spain aimed at overcoming all our differences over the rock.

52

At the United Nations and elsewhere the Government have supported the international rule of law and respect for human rights. With our Commonwealth and European partners the Government have worked towards ending apartheid in South Africa by peaceful means. The Government have worked successfully for financial and administrative reform in the United Nations and have promoted international co-operation to combat terrorism and drug-trafficking. With the World Health Organisation the Government organised the 1988 London Summit of Ministers of Health on programmes for AIDS prevention, attended by 148 countries.

53

In the period 1979 - 1987 inclusive the Government have maintained a substantial and effective aid programme, totalling £11 billion. While the bulk of our bilateral aid has been focused on the poorest countries, the Government have provided long term help to nearly 130 developing countries. The Government have responded swiftly and generously to appeals for emergency aid to sub-Saharan Africa and are at present providing substantial help to African and other poor countries undertaking programmes of economic reform.

54

Within the last year unemployment in Scotland has fallen by 47,500. Manufacturing productivity in Scotland increased by 5.6 per cent per annum between 1979 and the first half of 1987. Service sector employment

showed an increased of over 62,000 between June 1983 and June 1987, and the number of self-employed increased by 45,000 between June 1981 and June 1987, compared with virtually no change in the 3 decades to 1981.

55 Since the introduction of the Enterprise Allowance Scheme in 1983, almost 30,000 unemployed people have been helped to start up in business, and over 132,000 people are currently benefiting from the Government's employment and training measures in Scotland. The Manpower Services Commission plans to spend some £330 million in Scotland in the current year.

56 In 1987 there was a net growth of 2,500 in company registrations in Scotland. Between 1979 and 1986 the output of the Scottish electronics industry rose by around 133 per cent in real terms, and between 1979 and 1986 electrical and instrument engineering output in Scotland rose by nearly 90 per cent. Inward investment of some £2.6 billion, planned to create or safeguard some 50,000 jobs, has been attracted to Scotland since the formation of "Locate in Scotland" in 1981.

57 Owner-occupation among Scots has increased significantly, from 35 per cent to over 43 per cent. A major contribution to this increase has been the 113,000 tenants who have exercised their right to buy their houses under the statutory charter of rights for public sector tenants introduced in 1980. The volume of applications for home improvement and

repairs grants has increased substantially. The Government have enabled the number of houses let by housing associations to increase sixfold since 1979. Legislation providing for the abolition of domestic rates in Scotland and their replacement by a community charge payable by all adults was enacted in 1987 and the new system will come into operation in 1989.

58 In town and country planning, measures have been taken to speed up the planning system. On the planning requirements of high technology industries, small businesses, private housebuilders and major retail developments the Government have taken steps to allow the establishment of Simplified Planning Zones. Major initiatives have been taken to reform and simplify the building control system to reduce restrictions while maintaining public safeguards. Access for disabled persons to public buildings has been greatly improved by reforms in building regulations.

59 As regards transport, deregulation of local bus services in Scotland has been achieved with service levels maintained overall and improvements in many areas. The Government has stimulated innovation through competition while cutting subsidies. Since 1979 over £710 million has been invested in motorways and trunk roads in Scotland, including completion of the of 127 miles of the A9 from Perth to Easter Ross and substantial progress on the Perth-Dundee-Aberdeen route, the A75 between Gretna and Stranraer, and the A82 alongside Loch Lomond. Twenty-seven bypasses, relieving communities of through traffic have been opened.

60 The provisions in the School Boards (Scotland) Bill make it clear that parents, members of the local community and the staff of the school, working together, should and will have a voice in the running of their schools. It is to the benefit of the education service and to the pupils that the education service should be accountable to its consumers. The parents' charter is an example of the success of the Government's policies. The proposals for the curriculum and assessment as set out in the consultation document outline the importance the Government attach to a balanced and structured curriculum and assessment system to be taken forward in co-operation and association with those involved in the education system in Scotland. The proposals aim to make available to teachers national advice on assessment policy and methods. As part of the wider process of assessment, the proposal to introduce a national system for the testing of key skills in English and Mathematics at Primary 4 and Primary 7 level is a progressive measure. The tests will cater for a range of pupil attainment in order that each pupil can be encouraged by what has been achieved and challenged to progress further, or where difficulty is encountered, be given appropriate help to overcome the problem. A particular success of the Government's policies and is the reforms to the curriculum for the 14-18 age group. The Standard Grade Development Programme could not have been brought to fruition without a close partnership between the Government and education authorities; nor could the extension of the Technical and Vocational Education Initiative to a national scheme with its relevance to

strengthening links between schools and industry have been achieved without such co-operation. The number of students in full-time higher education in Scotland is at the highest level ever recorded and radical changes in further education have greatly increased the take up of vocational training at all levels.

61

On law and order in Scotland, the chief constables have been encouraged to increase the visible police presence on the beat and in public places. Police manpower has increased, and in order to release police officers for operational duties, the Government are encouraging civilianisation of posts wherever possible. The rate of police grant has been increased to 51% and a major programme is nearing completion to replace police and fire service radio communications. Increased attention has been devoted to crime prevention.

62

The Government have intensified the campaign against drug misuse. Drugs Wings have been established in the Scottish Crime Squad and all 8 Scottish police forces now have a specialised drug squad or units. Legislation criminal justice has been introduced which, amongst other things, will enable the courts to confiscate the proceeds of drug trafficking and provide customs officers with powers of detention for suspected drug smugglers.

63

The Government's resolve to fit the Scottish Prison Service for the 1990s remain unshaken by recent incidents. Staff and financial resources have been increased, and last month saw the publication of "Custody and

Care". This detailed statement of corporate philosophy and future plans will initiate a period of sustained and intensive development within Scottish Prisons. The Government have established the Scottish Legal Aid Board which took over responsibility for most aspects of legal aid administration on 1 April 1987.

64
Since 1979 52 major hospital developments have been completed, providing 5,803 beds and 481 day places. A further 34 schemes are in planning, under construction or being commissioned, which will provide a further 4,484 beds. NHS Management in Scotland has been strengthened by the appointment of a General Manager for each Health Board and of Unit General Managers within Boards. This is producing more effective planning and decision-taking and better use of resources. We are already seeing the fruits of these initiatives in the form of improved efficiency within Boards, thus ensuring that the optimum amount of resources is devoted to patient care. Public education campaigns on AIDS apart, the Government have this year made over £6 million available to Health Boards throughout Scotland in recognition of the extra burdens which AIDS places upon them, including funding for 3 special AIDS units in Edinburgh, Glasgow and Dundee. The Government have supported several projects for research on HIV infection and AIDS and have provided funding for studies into the incidence of AIDS in Scotland. In addition, the Government encourage and support voluntary sector initiatives in the AIDS field.

65

An extra £7.6 million was allocated to Health Boards in 1987-88 of which £3.6 million was devoted to schemes to reduce waiting lists. A special fund of £3 million has been set aside for 1988-89 which will fund projects to reduce waiting times for patients. Health Boards are also being asked to increase the priority they give to this area.

66

Government spending on agriculture in Scotland has doubled since 1979 in real terms and over the last five years it has increased by over 20% to an estimated £308 million in 1987/88. The Government's commitment to the outlying areas of Scotland is demonstrated by the Western Isles Integrated Development Programme which ended its five year span in 1987 and provided £56 million to improve socio-economic conditions in the area and by the five year Agricultural Development Programme for Scottish Islands which started this month. This provides £38 million to increase the efficiency of agricultural businesses without adding to overall agricultural production.

67

As in other parts of the UK, the Government has agreed a package of measures to help farmers adjust to the changing agricultural situation by encouraging alternative uses of agricultural land and new sources of rural employment. These measures include a new Farm Woodland Scheme which will provide payment to farmers to encourage them to establish woodland on part of their farms, a Farm Diversification Scheme to provide grants to farmers wishing to diversify into non-agricultural activities,

new planning guidance on development of agricultural land and on expansion of the traditional forestry programme which is to be increasingly targeted at better quality, low ground land. In addition 5 Environmentally Sensitive Areas (ESAs) have been designated in Scotland under which farmers can receive payments for agreeing to farm in a conservation friendly way. These areas are in different parts of the country and include the Machair ESA in the crofting area of Scotland. *The Government are now replacing the anomalous tax arrangements for forestry with a much improved grant scheme.*

The Government have taken steps to transform the housing of important collections of museums objects and books in Scotland. Nearly £9 million was contributed to the construction of the highly successful Burrell Gallery, opened by HM The Queen in 1983. The first national gallery in the United Kingdom devoted entirely to modern art was opened at the site of the former John Watson's School in Edinburgh in 1984 at a cost of £3.5 million, and a completely new Government financed home for the Royal Scottish Academy of Music and Drama in Glasgow was opened by HM The Queen Mother earlier this year. A further £13 million has been spent on the first phase of the new Causewayside building for the National Library of Scotland, due to open in 1989, which will include a new Scottish science library, and an improved maps library as well as providing important new reception and storage facilities for the Library's book collections.

67 The Government have done more than any previous administration to secure the future of the Gaelic language. A new specific grants scheme for Gaelic education, designed to improve the quality of Gaelic teaching and

curriculum in schools, was introduced in 1986. Grants under the scheme amount to £0.5 million in the current year. In addition substantially increased resources have been allocated to a range of organisations providing support for Gaelic language and culture.

69 In Northern Ireland, the Government have pursued the policy of combatting terrorism, within the rule of law, by the most effective means available. In the implementation of this policy, the security forces have conducted themselves with great courage and skill: terrorists have been apprehended in large numbers, considerable quantities of material have been recovered, and many terrorist operations have been frustrated.

70 The Government have sought to build on the unique relationship between the United Kingdom and the Republic of Ireland in our mutual interest. The Anglo-Irish Agreement has brought opportunities for benefit to all the law abiding people of Northern Ireland, and the Government has vigourously pursued them in many fields, including that of cooperation against terrorism.

71 Efforts to find an agreed basis on which greater responsibility can be devolved to the elected representatives of the people of Northern Ireland have continued.

72 A Key objective of Government policy is to regenerate the private sector in Northern Ireland and release the region's potential for economic growth. To this end the industrial development organisations in Northern Ireland have promoted 64,450 jobs, while the YTP has provided opportunities for an estimated 72,000 entrants with some 23,500 man years of work provided by the Action for Community Employment Scheme. At any point in time some 29,000 persons are benefiting from a wide range of employment and training resources. A firm commitment has been made and significant steps taken to secure equality of opportunity in employment.

73 Belfast city centre has been revitalised both in terms of housing and commerce. Housing conditions have shown improvement with a considerable reduction in the level of unfitness, and a significant increase in level of owner-occupation.

74. In addition substantial programmes have been maintained in Agriculture, Health and Personal Social Service, Education, Environmental Service and Social Security.

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INNER CITIES AND
[WELSH OFFICE CONTRIBUTIONS]
TO FOLLOW



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01-270 0549 (Llinell Union)

ODDI WRTH YSGRIFENNYDD
PREIFAT YSGRIFENNYDD
GWLADOL CYMRU

WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER

Tel. 01-270 3000 (Switchboard)
01-270 0549 (Direct Line)

FROM THE PRIVATE SECRETARY
TO THE SECRETARY OF STATE
FOR WALES

CH/EXCHEQUER	
REC.	26 APR 1988 ✓ 26/4
ACTION	MR S. PICKFORD
COPIES TO	CST FST PME EST SIR P. MIDDLETON SIR T. BURNS MR ANSON MR MONCK MR SCOTLAND MR CULPIN MR ODIAKOWICZ MR SEDGWICK MR TURNBULL MRS BROWN MR HUBBARD MR MARGRISON

26 April 1988

Dear William

MISS SINCLAIR MR BENT
MR NYNAN MRON MISS EVANS
MR CRAPP MR TIRRE MR CALL

PQ ON THE GOVERNMENT ACHIEVEMENTS

Thank you for your letter of 19 April seeking contributions to the PQ put down by Sir John Biggs-Davison. A note setting out Government achievements ... in Wales since 1979 is attached.

/ As agreed I am copying this to the Private Secretaries to all Ministers responsible for Departments, and for information to Alison Smith (Lord President's Office), Mike Eland (Lord Privy Seal's Office), Murdo Maclean (Chief Whip's Office), Rhodri Walters (Lords Chief Whip's Office) and Trevor Woolley (Cabinet Office).

Yours sincerely

J D Shortridge

J D SHORTRIDGE

William Fleming Esq
Home and Social Affairs Secretariat
Cabinet Office



SIR JOHN BIGGS-DAVISON'S PQ : GOVERNMENT ACHIEVEMENTS IN WALES SINCE 1979

Since the establishment of WINvest in 1983 Wales has secured over 220 inward investment projects from overseas companies promising some 25,000 new or safeguarded jobs and involving about £800 million of capital investment. Since 1979 the Government has committed over £130 million - at today's prices - to the land reclamation programme in Wales, one of the largest and most sustained programmes in Europe and the Welsh Development Agency has constructed some 7 million sq ft of factory space. The success of the Development Board for Rural Wales is indicated by an estimated 3.5% increase in the population of the area covered by the Board between 1979 and 1986. 3 Enterprise Zones set up by the Government, are located in Wales: at Swansea, Delyn and the Milford Haven Waterway. Over 8,500 people are currently employed on these Zones, of whom 3,600 are in new jobs.

The Government has supported the rapid spread of local enterprise agencies in Wales. There are now 23; such agencies have had £8.8m central Government assistance and they estimate they have helped to create 18,900 jobs.

Seasonally adjusted unemployment in Wales has fallen in each of the last 22 months - a fall over that period of 3.1% points.

Since their institution in 1982 Urban Development Grants of some £34 million have been awarded to 67 projects throughout Wales. These are expected to bring forward a total private sector investment of some £159 million - a ratio of 4.7:1. As part of the Government's policy for inner city areas the Cardiff Bay Development Corporation was established on 3 April 1987 to regenerate the docklands area. In 1988/89 £16.2 million will be made available, the first tranche of a total commitment of nearly £50 million over the first 3 years.

Since 1981 the number of self-employed has increased by 34,000 to 149,000.



Owner occupation increased from 59% of housing stock in 1979 to 68% currently. Almost 60,000 public sector dwellings have been sold to their tenants under Right to Buy and voluntary terms since 1980 and over 50,000 new homes have been built for sale. Since 1979 the proportion of Welsh households lacking basic amenities has more than halved.

Over 142,000 home improvement grant schemes for private sector dwellings have been completed since July 1979 with a value of £414m. In the same period £339m has been spent on the renovation of local authority housing stock. Since 1982 over 5,500 dwellings have been improved under enveloping schemes.

Expenditure on the NHS in Wales has risen by over 42% after allowing for general inflation between 1978/79 and 1988/89. Over £500 million at current prices will have been invested in the capital estate of NHS hospital and community health services and 5 major new hospitals have been opened. We treated almost 24% more patients in 1986 than 1979. Medical and dental staff have increased by 13% and Nursing and Midwifery by 20% during this period.

Current expenditure on education, excluding school meals and milk, was 7.8% more in real terms in 1986/87 than in 1978/79. Pupil numbers dropped by 14.8% in the same period, and expenditure per primary pupil rose by over 21% from £747 to £909, and per secondary pupil by nearly 28% from £1,033 to £1,320; their best ever levels.

Since 1979 over £700 million has been spent on the construction and improvement of roads in Wales providing 22 miles of motorway and 107 miles of trunk road. We have started construction of the first ever immersed road tunnel in the UK - the Conwy crossing/A55 scheme.

Since 1979/80 overall net resources made available to the Wales Tourist Board have increased by 170%, including a 140% increase in project support, which over the period has stimulated £78m of mainly private sector investment and created almost 3500 new jobs.



The Government's direct financial support for the Welsh language has increased annually from £0.2 million in 1979/80 to nearly £3.3 million in 1988/89. This is a real terms increase of some 750% in that period. Since the Government decision to set up the Welsh 4th TV channel in 1982 S4C has been an outstanding success in both artistic and employment terms.

FROM : MISS J C SIMPSON
DATE : 27 APRIL 1988

PS/CHANCELLOR

cc PS/CST
PS/FST
PS/PMG
PS/EST
Sir P Middleton
Sir T Burns
Mr Anson
Mr Monck
Mr Scholar
Mr Culpin
Miss Peirson
Mr Odling-Smee
Mr Burgner
Mr Sedgwick
Mr Turnbull
Mr Hibberd
Mr MacAuslan
Mr Cropper
Mr Tyrie
Mr Call

PQ ON GOVERNMENT'S ACHIEVEMENTS

I attach a schedule of comments from Treasury Divisions on the draft PQ attached to Mr Fleming's letter of 25 April and Mr Shortridge's of 26 April.

B.

MISS J C SIMPSON



Parliamentary Clerk

mp
(On has
APPA's
copy)
cc PS/FST
Mr Hudson.

~~PS/Chancellor.~~

Please see the attached briefing on Early Day Motion 1002, I would be grateful for the Chancellor's agreement for the line to take in case this EDM is raised during Business Statement on Thursday. The Leader of the House would use the line to take verbatim in the House.

J. Wain's
27/4/.

* any chance of approval close today?

EARLY DAY MOTION 1002 : LABOUR PARTY PLANS ON PRIVATISED INDUSTRIES**Line to take**

Opposition parties can debate their policies on their own time. I agree that the Labour Party's proposals for the takeover of privatised industries without compensation are outrageous, but since an identical proposal was overwhelmingly rejected at the last election I would suggest that we do not need to worry about them too much.

Background

1. The Labour Party are considering a proposal that shares in privatised public utilities (eg BT, British Gas, the new Electricity and Water companies) should be converted into non voting debentures.
2. This would permit a Labour Government to regain control of the privatised industries without buying back the shares. Shareholders would still be entitled to such dividends as the company chose to pay, and could trade their shares, but would have no control over the company.
3. The only difference between this and Labour's social ownership policy at the last election is that in 1987 they proposed to give shareholders a guaranteed return or one linked to growth, whereas there is no mention of a fixed rate of return in the current proposal.

Drafted by Richard Bent.

1002 *LABOUR PARTY PLANS ON PRIVATISED INDUSTRIES*

Mr Malcolm Bruce
Mr A. J. Beith
Mr Matthew Taylor
Mr Richard Livsey
Mr Archy Kirkwood
Mr Alex Carlile

★ 6

That this House notes with alarm the Labour Party's draft proposals for converting shares in privatised industries to non-voting debentures, believing this would pave the way for a Socialist takeover of the British economy without compensation on a scale that would make even the Kremlin hesitate; presumes that is why Labour left wingers are prepared to support the measure being put forward by the Leader of the Labour Party and the honourable Member for Dagenham; and concludes that the Social and Liberal Democrats' proposals to promote competition and effective regulation of monopolies appropriately balances the interests of consumers and the rights of shareholders.

*PWF*

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

William Fleming Esq
Home and Social Affairs Secretariat
Cabinet Office
70 Whitehall
LONDON SW1A 2AS

27 April 1988

Dear William,

PQ ON THE GOVERNMENT'S ACHIEVEMENTS

I enclose a schedule of Treasury comments on the draft reply attached to your 25 April letter. I am sorry that this has missed your deadline.

Please could you let me know if any of these give you any difficulty.

Yours sincerely,

Andrew Hudson

A P HUDSON

TREASURY COMMENTS

- Para 1, line 10 Redraft to read "billion by end-1987, yielding earnings...."
- Para 1, line 11 Replace 'nearly' by 'over'
- Para 1, last 2 sentences Redraft to read "In 1987, non-North Sea company profitability rose to 10½ per cent, its highest level for over 20 years, having risen in every year since 1981."
- Para 6, line 3 Before "is now below", add "the unemployment rate".
- Para 7 would be better before paragraph 6, either as a separate paragraph or added to the end of paragraph 5.
- Para 11, line 2 Delete "guarantee".
- Para 11, line 4 After "Employment Training", add "or a place in the Enterprise Allowance Scheme or in a Jobclub".
- Para 11, line 5 Replace "six" by "between six and twelve".
- Para 18, line 3 Replace "controlled by" with "under".
- Para 30, line 1 Replace "made" with "helped to make".
- Paras 32 and 33 These could usefully be expanded. For example, the Scottish health section (paras 64 and 65) contains information, for example on aids and waiting lists, which could usefully be added here for the UK.
- Para 34 As drafted, this is factually correct. But we assume the Prime Minister would want to use this opportunity to present the rationale for the social security reforms more positively.
- Para 39, line 5 After "cut by 60 per cent" add ", a tax differential in favour of unleaded petrol of 11 pence a gallon has been introduced".
- Para 42, p19, 1st comp.sentence We think this sentence would be better omitted; it does not really convey the subtlety of what the actual proposal is.
- Para 46, second sentence This is effectively repeated in para 47, so we suggest deleting it here.

Para 47, line 9 Has something got left out of this line?
Para 48, line 1 Add "at Fontainebleau" after "agreement".
Para 48, line 2 Replace "its fair" with "a fairer".
Para 49, line 1 Replace "made" with "helped make".

60 pence, 75 pence (a figure the Hon Member for Oldham West used to favour), 83 pence, or 98 pence?'

iv. 'Would Labour restore the cut in the basic rate of income tax to 27 pence or do they stand by their election pledge of a basic rate of income tax at 29 pence.'

v. 'Would the Labour Party abolish the Married Man's Allowance?' (This would increase taxation by £7 a week for 11½ million couples.)

M. May

pp

A G TYRIE

spell out an alternative strategy to that laid down in my hon. Friend's Budget. They have told us what they think, but not what they like.

I have three very simple questions for the hon. Gentleman. One of them picks up a matter that he went on to discuss in the *Tribune* article. He said:

"We lost support in the final week of the campaign over taxation and especially on the married man's tax allowance issue."

I want to know from the hon. Gentleman, or from his right hon. and hon. Friends, what they are going to do about the married couple's allowance, as it will be soon. Will they abolish it, as they said they would during the election campaign? "No answer" came the stern reply.

Perhaps the hon. Gentleman will answer a second question, which has been raised by several Opposition Members. Will Labour abolish the upper earnings limit on national insurance contributions? Hon. Gentlemen have criticised my right hon. Friend the Chancellor for not doing so.

Mr. Chris Smith: The Economic Secretary clearly has not been listening to the debate in the past days. We have made it very clear that the existence of a ceiling on national insurance contributions is profoundly regressive in the tax system, and we want to see a properly progressive tax system that does not leave that anomaly in place.

Mr. Lilley: It is very useful to have that on the record. It would move in the opposite direction to that taken by my hon. Friend in his Budget. Marginal rates of taxation were reduced across the board. He will be increasing the marginal rates of tax and contributions which people face across a broad spectrum of incomes.

A third question, to which I will also welcome an answer, is this. Will they oppose the reduction in the basic rate of income tax on Monday? They will have to make up their minds on Monday night when the chance will come to choose. We have heard his decision from one of my right hon. Friends, the Member for Shropshire, North (Mr. Biffen). Will they also have the courage to join him? We would like to know. Once again, "No answer," came the stern reply.

Mr. Whitney: Would my hon. Friend allow me to join him in pressing the Labour party on this? We had an interesting contribution from, I think, the hon. Member for Livingston (Mr. Cook), who complained that 25 per cent. is a high rate of entry to tax. That statement appears to be in some contrast to the Labour party's objection to reducing the tax, when at one point Opposition Members seemed to advocate that 25 per cent. was too high. I hope that my hon. Friend will join me in welcoming this conversation of the Front Bench of the Labour party.

Mr. Lilley: My hon. Friend is quite right. It is a shame that we have not been able to flush them out on this issue. If they believe in open government, do they not believe in open opposition as well?

Mr. Cook: I am afraid that the hon. Gentleman—I cannot remember whether he was here at the time—has apparently forgotten that the very first Budget that his Government brought in abolished the reduced rate band, a reduced rate band which was then 8p less than the current standard rate. If one wishes to reduce the starting rate of taxation, one begins with the reduced rate band.

Mr. Lilley: Since we are all now on what was Labour's reduced rate band, that does not really carry us much

further. Would Labour Members reduce the rest of us to the reduced rate band if they had their way on Monday night? That is what we would like to know.

My right hon. Friend's budget has many facets—fairness to married women, recognition and removal of penalties on marriage, simplification, the removal of perks—but a major aspect is the range of measures designed to improve the working of the supply side of the economy. As the theme of today's debate is industry, I shall try to concentrate on these supply side measures, but first of all, I want to respond to a number of comments made by my right hon. and hon. Friends and by Opposition Members.

I turn first to the contribution of my right hon. Friend the Member for Shropshire, North who made, as he always does, a punchy, witty and excessively modest contribution. He was modest in one respect, in that he said that he had never had a day's lesson in economics.

I think that my right hon. Friend may have forgotten summoning me round, when he was Chief Secretary to the Treasury, and asking me to explain and elucidate the monetary situation at the time, which was causing him concern, as it apparently does now. I remember the occasion vividly. He sat there behind an otherwise empty desk, containing one book, which faced me rather than himself, a biography of Enoch Powell. When I asked him why it was there, he said that it was to show his officials where his intellectual loyalties lay—where, of course, they still lie.

But I wonder whether his master, from whom I take many of my own views, would agree with his proposed decision today, because I then pointed out to him—I think that he agreed with me—that although the money supply figures were showing considerable expansion, one should, as he always does, use common sense and examine the situation as it is. Clearly it was wrong to say that we were being profligate monetarily at a time when unemployment was far too high, when the exchange rate was visibly very strong, and when interest rates had been raised to considerable levels.

I would ask my right hon. Friend to consider today whether it can really be said that there is a serious danger of overheating from this Budget, which, for the first time for 20 years or so, gives us a substantial surplus; when we have interest rates which, in real terms, are significantly positive and obviously bearing down on inflation; and when there is, regrettably, still a high measure of spare capacity and unemployment in the labour market.

Surely, with a strong exchange rate, with a surplus and with the capacity and resilience that the economy has shown, we do not need a yet larger surplus, as my right hon. friend implicitly proposes. Or am I mistaken in thinking that, in voting against, as he has suggested he may—and I hope that he will reconsider it—a cut in the basic rate of income tax, he wants to add that money to the public sector borrowing requirement, the repayment of debt? If not, and if it were merely to be spent by the Government, that must be at least as, if not more, inflationary in its consequences. [Interruption.] If the hon. Members who are making sedentary contributions wish to make more reasoned contributions in an upright position, I shall give way.

Mr. Nigel Spearing (Newham, South): I am grateful to the Minister for that invitation, because he may be able to give us a lesson, as well as his right hon. Friend the Member for Shropshire, North (Mr. Biffen).

FRIDAY AGENDA

"If unemployment is not below three millions in five years, then I am not worth re-electing," Mr Norman Tebbit told a radio interviewer in the run-up to the last election three and a half years ago.

If the counting methods then being used were still being applied, the figure for today would be around 3.8 million and no doubt Mr Tebbit would be preparing to do the honourable thing. His position has been made only a little easier by the nine intervening, and eight previous, changes in how unemployment is calculated. Thanks to them it is officially 3.2 million, or just 150,000 higher than when he spoke.

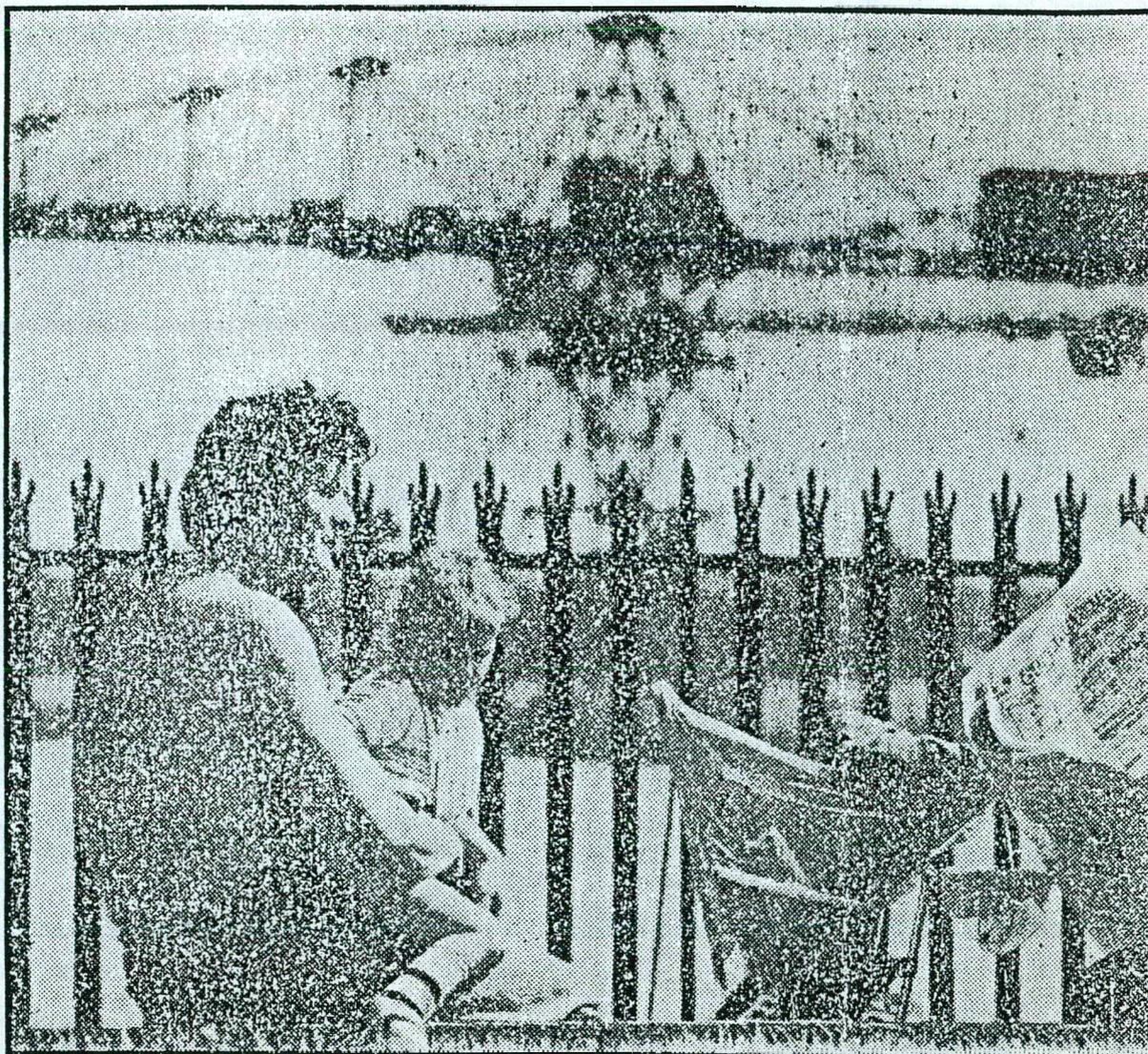
He has still 18 months. Has he any chance of seeing the total drop below three million before he and his party face the electorate?

Not much, according to a document on Regional Development policy prepared by the Department of Trade and Industry for the European Commission and passed quietly to Brussels, evidently on the principle of "not in front of the voters". That document, not so much published as served away in the House of Commons library, includes a chillingly titled appendix, "Regional Job Deficiency Projections". In 1990 around 3.12 million of us will still be unemployed.

According to ministers, unemployment is always about to fall. The Prime Minister, herself normally evasive about unemployment, thought it had "peaked" as long ago as December 1983. In January 1984 she saw it "levelling off". In May 1983 the Chancellor thought "the tide was turning". Mr Tebbit has assured us that nobody but a blind man could fail to see the light ahead. Lord Young, with a newcomer's reticence in the matter of hyperbole, has confined himself to predicting a fall in the numbers of the long term unemployed and set to work to bring it about, as the October unemployment figures show, by the dubious fixings of the Restart Scheme.

But still there is that sombre figure owned up to in Brussels — 3.12 million unemployed in 1990 — and even that may be an underestimate, for civil servants remain gloomy. At a recent conference of industrialists on Merseyside, Mr William Anderson, the head of the DTI North West Office, predicted that in 1990 unemployment would be as high as 3.6 million, and the Department of Employment, whose statistics form the basis for the MSC Corporate Plan, takes a roughly similar view.

The civil service pessimism is in line with forecasts from most independent academic



Unemployed shipyard workers in Newcastle

Cheating mi

GORDON BROWN

sources. Cambridge Econometrics, for example, now predict rising unemployment at 3.2m in 1990 with 3m still out of work in 1995. The National Institute (3.07m in 1990), the London Business School (3.1m in 1989) and others all anticipate more than three million unemployed. Only from the monetarist bunker of Liverpool comes tidings of a fall, to 2.7 m, and it is doubtful if even Mrs Thatcher believes that now.

The Government simply cannot reduce unemployment by present economic policies. Manufacturing jobs are still being lost at the rate of 13,000 a month. Jobs in the public service dwindle, as do those in what is left of the public sector. As the Govern-

ment's regional report makes clear, "continuing restraint on public expenditure will directly constrain employment in public services and indirectly employment in the private sector."

Yet still the Government hold out for inertia. In a little publicised response to proposals to create ¼m jobs from the all party Select Committee on Employment, Ministers opt for dogma rather than argument. It is simply "impracticable," they say, to employ up to 300,000 in the construction industry and "impossible" for the health and social services to absorb a further 100,000 in unskilled and semi-skilled jobs.

Even the private sector cannot be expected to res-

pond to financial support schemes and create another 100,000 or so jobs. Such job creation, says the Government, would be "virtually impossible."

Yet the Government is going to have to do something to improve the unemployment figures before the general election, and so far the indications are that substance will be sacrificed to appearance, and that the little pre-election miracle will, of necessity, turn out to be just another series of statistical conjuring tricks. Not content with 17 previous assaults on the statistics for the unemployed, ministerial energies are being devoted to a direct assault on the unemployed themselves.

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FROM: Assistant Parliamentary Clerk
DATE: 28 April 1988

01-270 5008

CHANCELLOR

TREASURY FIRST ORDER QUESTIONS - THURSDAY 12 MAY 1988

I attach for your consideration a proposed allocation of the Questions tabled for Oral answer on Thursday 12 May between yourself, the Chief Secretary, the Financial Secretary and the Paymaster General.

Out of the first sixteen and the first twenty Questions the allocation of each Minister is:

	1st 16	1st 20
Chancellor	5	5
Chief Secretary	5	6
Financial Secretary	3	5
Paymaster General	3	4

C.

A v. mixed bag, without many real run-scoring opportunities. A few possible swaps marked.

AH

Colin Hutson

COLIN HUTSON

A poor lot.
I have made a few changes.

1	C	Mr David Knox (Staffordshire, Moorlands): To ask Mr Chancellor of the Exchequer, when he next proposes to leave discussions with the European Community Council of Ministers about European monetary matters.	MR MORTIMER EC1	C/EX PMG
2	C	Mr Jacques Arnold (Gravesham): To ask Mr Chancellor of the Exchequer, how many tax breaks are eliminated or reduced by the Finance Bill 1988.	IR	FST
3	La	Mr Tony Worthington (Clydebank and Milngavie): To ask Mr Chancellor of the Exchequer, what estimates he has made of the effect on the United Kingdom balance of payments of recent changes in the sterling United States dollar exchange rate.	MR HIBBERD EAZ	C/EX CST
4	La	Mr Andrew F. Bennett (Denton and Reddish): To ask Mr Chancellor of the Exchequer, what is his latest estimate of the financial effect on the Exchequer in a full year of the changes in inheritance tax announced in the Budget.	IR	FST
5	La	Mr Tony Banks (Newham North West): To ask Mr Chancellor of the Exchequer, what steps he takes to ensure that advertising expenditure by government departments is kept under control.	MR GIEVE GEP1	CST
6	La	Mr Win Griffiths (Bridgend): To ask Mr Chancellor of the Exchequer, when he expects to make the Government's formal response to the fourth Report from the Treasury and Civil Service Committee on the Budget, House of Commons Paper No. 400 of Session 1987-88.	MISS SINCLAIR FP	PMG
7	C	Mr Eric Forth (Mid Worcestershire): To ask Mr Chancellor of the Exchequer, what is his latest estimate of the stock of United Kingdom net overseas assets.	MR HIBBERD EAZ	C/EX PMG
8	La	Mr Doug Henderson (Newcastle upon Tyne North): To ask Mr Chancellor of the Exchequer, what impact he expects the taxation changes announced in his Budget to have on the balance of payments.	MR DAVIES MPI	+16 C/EX CST
9	La	Marjorie Mowlam (Redcar): To ask Mr Chancellor of the Exchequer, what is his latest estimate of the financial effect on the Exchequer in a full year of the reduction of all higher rates of income tax to 40 pence in the pound, taken together with the raising of the higher rate threshold.	IR	FST PMG
10	C	Mr Gary Waller (Keighley): To ask Mr Chancellor of the Exchequer, what is his estimate of the weekly value to the average pensioner couple of the changes in income tax for 1988-89.	MR RILEY ETS	CST FST
11	C	Mr Nicholas Soames (Crawley): To ask Mr Chancellor of the Exchequer, how many rates of inheritance tax have been eliminated since 1979.	IR	C/EX FST
12	C	Mr James Cran (Beverley): To ask Mr Chancellor of the Exchequer, what were the regional growth rates in the British economy in 1986-87; and what information he has on regional growth rates in other Organisation for Economic Co-operation and Development countries.	MR HIBBERD EA1	C/EX
13	La	Mr John McAllion (Dundee East): To ask Mr Chancellor of the Exchequer, what is his latest estimate of the outturn rate of inflation for 1988-89.	MR GILHOLLY PAY 1	PMG
14	C	Mr Tony Baldry (Banbury): To ask Mr Chancellor of the Exchequer, what has been the United Kingdom annual inflation-adjusted rate of growth since 1981; and what equivalent information he has about the United Kingdom's major competitors.	MR HIBBERD EA1	CST
15	La	Dr John Reid (Motherwell North): To ask Mr Chancellor of the Exchequer, when he last met the Governor of the Bank of England; and what matters were discussed.	MISS O'MARA MG1	C/EX
16	La	Mr Alistair Darling (Edinburgh Central): To ask Mr Chancellor of the Exchequer, if he will assess the impact of the taxation changes in the Budget on the current account of the balance of payments.	MR DAVIES MPI	+8 C/EX CST
17	S. L. D.	Mr A. J. Beith (Berwick upon Tweed): To ask Mr Chancellor of the Exchequer, if he will make a further statement on his Government's progress towards the elimination of inflation.	MR DAVIES MPI	CST FST

18	La	Mr Robert N. Wareing (Liverpool, West Derby): To ask Mr Chancellor of the Exchequer, what is his latest estimate of the balance of payments deficit for 1988-89.	MR HIBBERD EA2	C/EX CST
19	C	Mr Geoffrey Dickens (Littleborough and Saddleworth): To ask Mr Chancellor of the Exchequer, what was the percentage increase in real take-home pay for a married man on half average earnings with two children: (a) from 1973-74 to 1978-79 and (b) from 1978-79 to 1988-89.	MR RILEY ETS	FST
20	C	Mr Tom Sackville (Bolton West): To ask Mr Chancellor of the Exchequer, if he will estimate the revenue effect of cutting the top rates of income tax to a single higher rate of 40 per cent.	IR	+22 PMG
21	La	Mr John Home Robertson (East Lothian): To ask Mr Chancellor of the Exchequer, how Her Majesty's Treasury monitors the public expenditure of Government departments on advertising.	MR GIEVE GEP1	CST
22	C	Mr Roger King (Birmingham, Northfield): To ask Mr Chancellor of the Exchequer, if he will estimate the revenue effect of cutting the top rates of income tax to a single higher rate of 40 per cent.	IR	+20 PMG
23	C	Mr Roger Knapman (Stroud): To ask Mr Chancellor of the Exchequer, if he will estimate the effect upon the elderly tax-payers of the change to independent taxation of husband and wife.	IR	FST
24	C	Mr Robert B. Hughes (Harrow West): To ask Mr Chancellor of the Exchequer, if he will make a statement on the current level of real personal disposable income in the United Kingdom.	MR HIBBERD EA1	CST
25	P L C	Dr Dafydd Elis Thomas (Meirionnydd Nant Conwy): To ask Mr Chancellor of the Exchequer, when he last met his counterparts from European Community countries; and what matters were discussed.	MR MORTIMER EC1	PMG
26	C	Mr Tim Devlin (Stockton South): To ask Mr Chancellor of the Exchequer, if he will make a statement on the growth of manufacturing output so far in 1987.	MR PICKFORD EB	FST
27	La	Mr John Battle (Leeds West): To ask Mr Chancellor of the Exchequer, what is his latest estimate of the balance of payments deficit for 1988-89.	MR HIBBERD EA2	CST
28	La	Mr Tam Dalyell (Linlithgow): To ask Mr Chancellor of the Exchequer, if he will make a statement on the exercise of his responsibilities in relation to guidance to the Civil Service on good management practice.	WITHDRAWN	PMG
29	C	Mr Colin Shepherd (Hereford): To ask Mr Chancellor of the Exchequer, by how much total employment rose in the United Kingdom in 1987.	MR PICKFORD EB	CST
30	C	Mr Anthony Beaumont-Dark (Birmingham, Selly Oak): To ask Mr Chancellor of the Exchequer, what is his latest assessment of the impact of the sterling exchange rate on the export performance of British industry.	MR HIBBERD EA2	FST
31	C	Mr Martin Brandon-Bravo (Nottingham South): To ask Mr Chancellor of the Exchequer, by how much total employment rose in the United Kingdom in 1987.	MR PICKFORD EB	CST
32	C	Mr David Atkinson (Bournemouth East): To ask Mr Chancellor of the Exchequer, if he will make a statement on the rate of inflation.	MR GILHOOLY PAY1	EST
33	La	Mr Peter Hardy (Wentworth): To ask Mr Chancellor of the Exchequer, what is his latest estimate of the rate of inflation; and what he expects it to be by the end of the current year.	MR GILHOOLY PAY1	EST
34	C	Mr David Heathcoat-Amory (Wells): To ask Mr Chancellor of the Exchequer, whether he anticipates any change in the dividend policy of companies as a result of the tax changes announced in the budget; and if he will make a statement.	IR	FST
35	C	Mr Timothy Wood (Stevenage): To ask Mr Chancellor of the Exchequer, what was the percentage increase in real take-home pay for a married man on half average earnings with two children: (a) from 1973-74 to 1978-79 and (b) from 1978-79 to 1988-89.	MR RILEY ETS	FST

36	C	Mr Andrew Mitchell (Gedling): To ask Mr Chancellor of the Exchequer, what is his latest estimate of the rise in company profitability in 1987.	MR HIBBERD EA1	CST
37	C	Dame Jill Knight (Birmingham, Edgbaston): To ask Mr Chancellor of the Exchequer, if he will estimate the effect upon the elderly taxpayers of the change to independent taxation of husband and wife.	IR	FST
38	La	Mr Dave Nellist (Coventry South East): To ask Mr Chancellor of the Exchequer, what evidence he has of any link between work incentives and cuts in the highest rates of income tax.	MR RILEY ETS	FST
39	C	Mr John Hannam (Exeter): To ask Mr Chancellor of the Exchequer, by how much manufacturing output has increased since the first half of 1979.	MR PICKFORD EB	CST
40	C	Mr Greg Knight (Derby North): To ask Mr Chancellor of the Exchequer, if he will make a further statement on the outlook for manufacturing investment in 1988.	MR HIBBERD EA1	CST
41	C	Mrs Virginia Bottomley (South West Surrey): To ask Mr Chancellor of the Exchequer, if he will make a statement on the current level of real personal disposable income in the United Kingdom.	MR HIBBERD EA1	CST
42	C	Mr Andrew MacKay (East Berkshire): To ask Mr Chancellor of the Exchequer, if he will make a statement on the current level of inflation.	MR GILHOOLY PAY 1	EST
43	La	Mr Harry Cohen (Leyton): To ask Mr Chancellor of the Exchequer, what representations he has received on the zero-rating for value-added tax of books and newspapers.	C+E	EST
44	La	Mr Derek Fatchett (Leeds Central): To ask Mr Chancellor of the Exchequer, what is his latest estimate of the rate of inflation for 1988-89.	MR GILHOOLY PAY 1	EST
45	C	Mr Tim Smith (Beaconsfield): To ask Mr Chancellor of the Exchequer, what representations he has received following publication of the Finance Bill.	MISS SINCLAIR FP	FST
46	La	Mr John Cummings (Easington): To ask Mr Chancellor of the Exchequer, what is his latest forecast for the rate of inflation to the end of 1989.	MR GILHOOLY PAY 1	EST
47	C	Mr Tony Marlow (Northampton North): To ask Mr Chancellor of the Exchequer, what representations he has received seeking an amendment to the Finance Bill to provide for the married persons tax allowance to vary according to the number of dependant children; what response he has made; and if he will make a statement.	IR	FST
48	C	Mr Kenneth Hind (West Lancashire): To ask Mr Chancellor of the Exchequer, by how much manufacturing output has increased since the first half of 1979.	MR PICKFORD EB	CST
49	La	Mr Mark Fisher (Stoke on Trent Central): To ask Mr Chancellor of the Exchequer, what he now expects the balance of payments deficit to be for 1988-89.	MR HIBBERD EA2	CST
50	C	Ann Widdecombe (Maidstone): Mr Chancellor of the Exchequer, what is the weekly value to a married man on half average male earnings of the changes in income tax for 1988-89.	IR	FST
51	C	Mr Timothy Kirkhope (Leeds North East): To ask Mr Chancellor of the Exchequer, in which regions adult unemployment has fallen in the United Kingdom over the last 12 months.	MR PICKFORD EB	CST
52	C	Mr Henry Bellingham (North West Norfolk): To ask Mr Chancellor of the Exchequer, what is his estimate of the effect upon married women with small incomes from savings of the change to independent taxation of husband and wife.	IR	FST
53	C	Mr Michael Colvin (Romsey and Waterside): To ask Mr Chancellor of the Exchequer, what is his estimate of the cost in terms of lost revenue of harmonising the duties on alcoholic beverages.	C+E	EST
54	C	Mr Michael Shersby (Uxbridge): To ask Mr Chancellor of the Exchequer, what is his estimate of the weekly value to the average pensioner couple of the changes in income tax for 1988-89.	MR RILEY ETS	FST
55	C	Mr Michael Jack (Fylde): To ask Mr Chancellor of the Exchequer, by how much the standard rate of corporation tax has been reduced since 1979.	IR	FST

56	C	Mr Andrew Hunter (Basingstoke): To ask Mr Chancellor of the Exchequer, if he will make a statement on the current level of interest rates.	MISS O'MARA MGI	EST
57	S C	Mr Matthew Taylor (Truro): To ask Mr Chancellor of the Exchequer, what assessment he has made as to whether the United Kingdom will be in a position to enter the exchange rate mechanism of the European Monetary System when the internal market is completed.	MISS O'MARA MGI	EST
58	C	Mr Patrick McLoughlin (West Derbyshire): To ask Mr Chancellor of the Exchequer, what has been the average of retail price inflation over the past five years.	MR GILHOOLY PAY 1	EST
59	C	Mr Phillip Oppenheim (Amber Valley): To ask Mr Chancellor of the Exchequer, when he next proposes to meet the Finance Ministers of the G7 countries to discuss exchange rates.	MR MATTHEWS IF2	EST
60	C	Mr Robert B. Jones (West Hertfordshire): To ask Mr Chancellor of the Exchequer, by how much manufacturing output has increased since the first half of 1979.	MR PICKFORD EB	CST
61	C	Mr Julian Brazier (Canterbury): To ask Mr Chancellor of the Exchequer, what is the weekly value to a married man on half average male earnings of the changes in income tax for 1988-89.	IR	FST
62	C	Mr Matthew Carrington (Fulham): To ask Mr Chancellor of the Exchequer, if he will estimate the effect upon the elderly taxpayers of the change to independent taxation of husband and wife.	IR	FST
63	C	Mrs Teresa Gorman (Billericay): To ask Mr Chancellor of the Exchequer, what is his estimate of the effect upon married women with small incomes from savings of the change to independent taxation of husband and wife.	IR	FST
64	La	Ms Joyce Quin (Gateshead East): To ask Mr Chancellor of the Exchequer, when he last reviewed the Government's policy on the level of the sterling exchange rate.	MISS O'MARA MGI	EST
65	UUP	The Reverend Martin Smyth (Belfast South): To ask Mr Chancellor of the Exchequer, if he will make a statement about tax returns in the building industry.	IR	FST
66	C	Mr Ian Twinn (Edmonton): To ask Mr Chancellor of the Exchequer, how many tax breaks are eliminated or reduced by the Finance Bill 1988.	MISS SINCLAIR FP	FST
67	C	Mr Andrew Stewart (Sherwood): To ask Mr Chancellor of the Exchequer, what is his estimate of the weekly value to the average pensioner couple of the changes in income tax for 1988-89.	MR RILEY ETS	FST
68	C	Mr Mark Wolfson (Sevenoaks): To ask Mr Chancellor of the Exchequer, what was the growth of output in 1987.	MR HIBBERD EAI	CST
69	C	Sir John Farr (Harborough): To ask Mr Chancellor of the Exchequer, what is the current annual rate of inflation; and what was the comparable figure 10 years ago.	MR GILHOOLY PAY 1	EST
70	C	Mr Edward Leigh (Gainsborough and Horncastle): To ask Mr Chancellor of the Exchequer, what was the rise in the tax and prices index in the 12 months to March.	MR GILHOOLY PAY 1	EST
71	La	Mr Ron Davies (Caerphilly): To ask Mr Chancellor of the Exchequer, what representations he has received seeking revision of his policy of allowing tax exemptions for forestry to continue during a transitional period for landowners with prior planting approval; what response he has made; and if he will make a statement.	IR	FST
72	La	Mr David Winnick (Walsall North): To ask Mr Chancellor of the Exchequer, what is his latest estimate of the balance of payments deficit for 1988-89.	MR HIBBERD EA2	CST
73	C	Mr John Watts (Slough): To ask Mr Chancellor of the Exchequer, what was the growth of output in 1987.	MR HIBBERD EAI	CST
74	C	Mr John Heddle (Mid-Staffordshire): To ask Mr Chancellor of the Exchequer, what was the percentage increase in real take-home pay for a married man on half average earnings with two children: (a) from 1973-74 to 1978-79 and (b) from 1978-79 to 1988-89.	MR RILEY ETS	FST

75	La	Mr Graham Allen (Nottingham North): To ask Mr Chancellor of the Exchequer, what is his latest estimate of the financial effect in a full year of the changes in capital gains tax for gains made before 1982 announced in the Budget.	IR	FST
76	La	Mr Sean Hughes (Knowsley South): To ask Mr Chancellor of the Exchequer, what is his latest estimate of the financial effect on the Exchequer in a full year of the changes in taxation arrangements for executive golden handshakes announced in the Budget.	IR	FST
77	La	Mr Greville Janner (Leicester West): To ask Mr Chancellor of the Exchequer, what representations he has received concerning the value-added tax status of books and journals.	CTE	EST
78	C	Mr John Bowis (Battersea): To ask Mr Chancellor of the Exchequer, how many higher rates of income tax have been eliminated since 1979.	IR	FST
79	S L D	Mr Simon Hughes (Southwark and Bermondsey): To ask Mr Chancellor of the Exchequer, what will be the estimated revenue effect of the Budget increase tax charges as they affect: (a) the top 5 per cent. of earners and (b) the bottom 5 per cent. of earners.	IR	FST
80	C	Mr Barry Field (Isle of Wight): To ask Mr Chancellor of the Exchequer, by how much the standard rate of corporation tax has been reduced since 1979.	IR	FST
81	La	Mr Nigel Griffiths (Edinburgh South): To ask Mr Chancellor of the Exchequer, what estimates he has made of the effect on the United Kingdom balance of payments of recent changes in the sterling exchange rate.	MR HIBBERD EA2	CST
82	PLC	Mr Dafydd Wigley (Caernarfon): To ask Mr Chancellor of the Exchequer, what recent representations he has received concerning changes in the income tax regime arising from the Budget.	MISS SINCLAIR FP	FST
83	La	Mr George Howarth (Knowsley North): To ask Mr Chancellor of the Exchequer, what is his latest estimate of the net effect on the Exchequer of the changes in inheritance taxation announced in the Budget.	IR	FST
84	C	Mr Chris Butler (Warrington South): To ask Mr Chancellor of the Exchequer, when he last met the Chairman of the Stock Exchange; and what matters were discussed.	MR ILETT FIM2	EST
85	C	Mr Anthony Coombs (Wyre Forest): To ask Mr Chancellor of the Exchequer, what percentage increases there have been in corporate investment and production between 1983 and 1987 in the United Kingdom; what changes have been made in levels of personal income tax in this period; and what information he has on comparable figures for France.	IR	FST
86	S L D	Mr Robert MacLennan (Caithness and Sutherland): To ask Mr Chancellor of the Exchequer, if he will make it his policy to publish detailed analyses of foreign exchange intervention.	MISS O'MARA MGI	EST
87	C	Mr Nicholas Bennett (Pembroke): To ask Mr Chancellor of the Exchequer, if he will make a statement on the current level of real personal disposable income in the United Kingdom.	MR HIBBERD EA1	CST
88	C	Mr Robert Hayward (Kingswood): To ask Mr Chancellor of the Exchequer, what was the rise in the tax and prices index in the 12 months to March 1988.	MR GIULIO PAY 1	EST
89	C	Mr John M. Taylor (Solihull): To ask Mr Chancellor of the Exchequer, how many higher rates of income tax have been eliminated since 1979.	IR	FST
90	La	Mr Dennis Canavan (Falkirk West): To ask Mr Chancellor of the Exchequer, what percentage of income taxpayers will benefit from reducing the top rate of tax to 40 per cent.; and what is the revenue effect of this measure.	IR	FST
91	C	Mr Simon Coombs (Swindon): To ask Mr Chancellor of the Exchequer, what are the latest figures for the growth in United Kingdom productivity since 1980.	MR HIBBERD EA1	CST

92	C	Mr Peter Thurnham (Bolton North East): To ask Mr Chancellor of the Exchequer, if he will make a statement about the current balance of payments position.	MR HIBBERD EA2	CST
93	C	Mr Michael Brown (Brigg and Cleethorpes): To ask Mr Chancellor of the Exchequer, in which regions adult unemployment has fallen in the United Kingdom over the last 12 months.	MR PICKFORD EB	CST
94	S L D	Mr Charles Kennedy (Ross, Cromarty and Skye): To ask Mr Chancellor of the Exchequer, what representations he has received seeking an amendment to the Finance Bill to alter the marginal tax rate position of pensioners; what response he has made; and if he will make a statement.	IR	FST
95	La	Mr Paul Boateng (Brent South): To ask Mr Chancellor of the Exchequer, when he last met the Governor of the Bank of England; and what matters were discussed.	MISS O'MARA MG1	EST
96	C	Mr Robert Key (Salisbury): To ask Mr Chancellor of the Exchequer, what is his latest estimate of the stock of United Kingdom net overseas assets.	MR HIBBERD EA2	CST
97	C	Mr Michael Fallon (Darlington): To ask Mr Chancellor of the Exchequer, if he will make a further statement on the outlook for manufacturing investment in 1988.	MR HIBBERD EA1	CST
98	C	Mr David Madel (South West Bedfordshire): To ask Mr Chancellor of the Exchequer, in which regions adult unemployment has fallen in the United Kingdom over the last 12 months.	MR PICKFORD EB	CST
99	La	Hilary Armstrong (North West Durham): To ask Mr Chancellor of the Exchequer, what is his latest forecast for the rate of inflation for the rest of 1988.	MR GILHOOLY PAY1	EST
100	C	Mr Gerald Bowden (Dulwich): To ask Mr Chancellor of the Exchequer, what was the percentage increase in real take-home pay for a married man on average earnings with two children: (a) from 1973-74 to 1978-79 and (b) from 1978-79 to 1988-89.	MR RILEY ETS	FST
101	C	Mr Tim Yeo (South Suffolk): To ask Mr Chancellor of the Exchequer, when he next expects to publish a revised estimate for the public sector debt repayment for 1988-89.	MR MOWL PSF	CST
102	C	Mr Hugh Dykes (Harrow East): To ask Mr Chancellor of the Exchequer, when he next plans to discuss problems of economic and financial conveyance with his EEC counterparts.	MR MORTIMER EC1	PMG
103	S L D	Mr James Wallace (Orkney and Shetland): To ask Mr Chancellor of the Exchequer, what representations have been received regarding the excise duty on AVGAS.	CTE	EST
104	C	Mr Lewis Stevens (Nuneaton): To ask Mr Chancellor of the Exchequer, what is his latest estimate of the rise in company profitability in 1987.	MR HIBBERD EA1	CST
105	P L C	Mr Ieuan Wyn Jones (Ynys Mon): To ask Mr Chancellor of the Exchequer, what recent representations he had received concerning the level of interest rates in the United Kingdom; and if he will make a statement.	MISS O'MARA MG1	EST
106	La	Mr Andrew Smith (Oxford East): To ask Mr Chancellor of the Exchequer, what is his present forecast on the balance of payments current account deficit for 1988.	MR HIBBERD EA1	CST
107	C	Mr Neil Hamilton (Tatton): To ask Mr Chancellor of the Exchequer, how many higher rates of income tax have been eliminated since 1979.	IR	FST
108	C	Mr John Marshall (Hendon South): To ask Mr Chancellor of the Exchequer, if he will make a statement about the trend of earnings.	MR GILHOOLY PAY1	CST
109	C	Mr David Sumberg (Bury South): To ask Mr Chancellor of the Exchequer, what estimates he has of the effect of his Budget on job creation in the North West.	MR PICKFORD EB	CST
110	C	Mr David Martin (Portsmouth South): To ask Mr Chancellor of the Exchequer, what has been the average of retail price inflation over the past five years.	MR GILHOOLY PAY1	EST
111	La	Mr Ronnie Campbell (Blyth): To ask Mr Chancellor of the Exchequer, what is his policy towards the proposal from the Commission of the European Communities to harmonise company tax allowances.	IR	FST



thp

FROM: A P HUDSON

DATE: 29 April 1988

MR HUTSON (Parliamentary Section)

TREASURY FIRST ORDER QUESTIONS - THURSDAY 12 MAY 1988

The Chancellor has seen your 28 April minute.

2. He has changed the allocation of questions as follows:

- 1 Paymaster General
- 3 Chancellor
- 7 Paymaster General
- 8 Chancellor
- 9 Financial Secretary
- 10 Chief Secretary
- 11 Financial Secretary
- 16 Chancellor
- 17 Chief Secretary
- 18 Chancellor.

APH

A P HUDSON

*pay*

FROM: A C S ALLAN

DATE: 29 April 1988

PS/CHIEF SECRETARY

cc PS/Financial Secretary
PS/Paymaster General
PS/Economic Secretary
Mr N Forman MP
Mr Tyrie**COMMITTEE OF THE WHOLE HOUSE: DEALING WITH GORDON BROWN**

The Chancellor has seen your minute to the Chief Secretary of 27 April. He would not pursue your (iv) - ~~of~~ Labour's policy on the basic rate - for the time being. He feels we need to wait and see how the Labour Party vote (and what they say) on Tuesday, first. Otherwise he wholly agrees with your points.

ACSA

A C S ALLAN



FROM: J J HEYWOOD
DATE: 4 May 1988

MR CALDER IR

cc Mr McGivern IR
Mr Mace IR
PS/IR

GORDON BROWN PQ ON TAX SHELTERS (PRIORITY WRITTEN FOR 12 APRIL)

The Financial Secretary is considering further whether he wishes to add anything to the answer "Liability to income tax in 1988/89 would be nil".

2. In the meantime could you or copy recipients explain:

- (i) "guaranteed rent receivable equals the interest outgoing";
- (ii) What the £1000m p.a. in tax avoidance comprises.

J. H.

JEREMY HEYWOOD
Private Secretary



FROM: ROSIE CHADWICK

DATE: 5 MAY 1988

MR CARPENTER

cc PS/Chancellor
 PS/Chief Secretary
 PS/Financial Secretary
 PS/Economic Secretary
 Sir Peter Middleton
 Mr Anson
 Mr Phillips
 Mr Luce
 Mr Hansford
 Mr Pickford
 Mr Allen
 Mr Dyer
 Mr Cropper
 Mr Tyrie
 Mr Call

C.

Suitably dull, but I'm not been
 on para 12 as drafted. *pmh.*

*I agree with
 your comments on
 para 12: psc
 done*

AMH

ADJOURNMENT DEBATE MONDAY 9 MAY 1988: RELOCATION POLICY

I attach the latest draft of the adjournment debate speech, which the Paymaster will be considering over the weekend. Major changes are sidelined. Also attached is a note of what we understand Mr James Cran is intending to say.

2. I should be grateful if any comments could reach us not later than 12.00 noon on Monday.

REC

ROSIE CHADWICK

Assistant Private Secretary

I congratulate my hon Friend on his success in the ballot, and on his choice of subject for our short debate this evening.

2. If I had not known before of his considerable interest in matters of Civil Service location generally and, of course, of his constituency and regional interest in these issues, the large number of pointed Parliamentary Questions he has asked me and Ministers in the Treasury and in other departments over recent months would have left me in no doubt of it.

3. But his choice of subject gives me a very timely opportunity to elaborate a little on the Government's policy on the location of Government work, to provide some further background on the new phase of that policy which I announced to the House last month, [and to assure my hon Friend of this Government's continuing commitment to re-location, wherever this is efficient and cost-effective.]

4. As my hon Friend has rightly said, in 1979 we announced a programme for dispersing 5900 Civil Service jobs out of London. As he acknowledges,

X
Simply not "completed"
if only ~~5900~~ 5560
jobs relocated.

this programme has been ^a successfully ^{and is all but} completed.
Some 5560 jobs have already been relocated as a
consequence. The locations to which they have
gone are widespread, and include Sheffield (1760
posts), Glasgow (1330 posts), Bootle (1210 posts),
East Kilbride (600 posts), Southend (90 posts),
Salisbury (70 posts) and Norwich (60 posts).
Planning is in hand for the small balance of 340
jobs remaining for dispersal under the 1979
programme.

5. Over and above that centrally-run dispersal programme, individual departments have, at their own initiative, relocated a considerable number of jobs, or have created new ones, out of London and the South-East. In all, these amount to well over 6000. They include, for example, a new office with 150 posts created by Her Majesty's Land Registry in Hull, and increases in the number of Department of Health and Social Security jobs in North Fylde, Lytham St Annes and Preston of almost 1200 and in the Newcastle central office of 500. My hon Friend and the House will also be aware of the recent decision to relocate the Patent Office to Newport which should create at least 500 new jobs locally.

6. In all, therefore, since 1979 some 12,000

Civil Service jobs have been located or created outside London and the South-East - about half through the centrally-managed dispersal programme and half at the initiative of individual departments.

7. This has contributed significantly to a substantial spread of Civil Service work and job opportunities throughout Britain, particularly when it is remembered that during this period the Civil Service has fallen significantly in size. The present picture is that about four-fifths of all civil servants already work outside Greater London: and more than three-fifths work outside London and the South-East.

And my hon. Friend will be more aware than most that . . . the Yorkshire and Humberside region was . . . the principal beneficiary of the Government's dispersal programme. The move of 1760 Manpower Services Commission jobs from London to Sheffield accounts for nearly one-third of the total number of posts so far dispersed under this programme.

8. The figures I have just quoted are good, but

[we are not content to let the issue rest] before I come to our plans for the future I would like to say a word about the interesting figures my hon Friend gave for civil servants in the English regions. I am not sure that I could endorse the details he gave; but the overall picture he paints is within its limits a fair one. The South-East does have a larger proportion of total civil servants - industrial and non-industrial - than any other English region, or than Scotland, Wales or Northern Ireland. It also ^{has} a significantly larger population than any other English region or than Scotland, Wales or Northern Ireland; and of course it includes the national capital and seat of Government.

9. But if my hon Friend was seeking to create the impression that no other English region has the same or higher proportion than Scotland, Wales or Northern Ireland I hope he will allow me to correct him. At 1 April last year the North West region of England had 10 per cent and the South-West region over 9 per cent of the total non-industrial Civil Service compared to just under 10 per cent in Scotland, about 5 per cent in Wales and just over $\frac{1}{2}$ per cent in Northern Ireland. One does need, of course, to bear in mind that in this country we have departments of state located in

territorial capitals but we have no regional Government system. I am sure that my hon Friend would not propose extra layers of bureaucracy of that sort but it is a point which justifies some ^{cau} ~~port~~ion over a purely statistical approach to what is a complex issue.

10. But I can assure him that the Government does not intend to rest on the progress already made]. When, on 31 March last, I informed the House in a Written Answer of the successful completion or near completion of the 1979 dispersal programme, I also announced a new phase in Government policy on the location of its work. I explained that though no further central targets for relocation would be set departments will be reviewing the location of their work with a view in suitable cases to finding locations offering advantages in terms of recruitment and retention of staff, value-for-money and other considerations relevant to service delivery and management.

11. After careful thought we decided that it would not now be sensible to have a new version of the dispersal programme of 1979, which was centrally managed and had overall statistical targets, but that we would instead exploit the tide of individual departmental initiative for relocation that has been running strongly in the last few years and

has, as I said, led to the actual or planned re-
location of as many jobs as the formal dispersal
programme itself. There are a number of reasons
for this. Firstly, it is consistent with the general
trend in Civil Service management, which is to
avoid central direction where possible and place
the power to make decisions and the responsibility
for making them with individual departments acting
within a clear framework of policy and with clearly-
defined incentives to take sensible decisions.
It seems to us that decisions taken in this way
are likely to be better decisions than those taken
in conformity with some massive central blueprint
or masterplan which would, very likely, be the
product of a vast interdepartmental committee -
probably meeting, incidentally, in the SW1 postal
district.

12. Secondly, it is consistent with the general
change that has been taking place in the economy
and in decision-making processes. As a result
of the fundamental changes that have occurred in
the British economy over the last few years there
are now greater geographical disparities in property
costs and labour supply conditions than ever before.
Sensible businesses are increasingly exploiting
these new flexibilities in the British economy,
and we want to build on the wish of individual
government departments to do the same.

*This seems to me to raise
all sorts of questions
about regional policy,
North-South divide etc.
Better just to say something
along the lines "Property is
cheaper, & staff easier to
find, outside the SE.
Businesses recognise this.
Govt. depts are doing the
same."*

13. My hon Friend has some doubts that departments will respond without central direction. They have already shown that they are keen to do so. It is of the essence that I cannot forecast now exactly how many jobs will be relocated as a consequence of this new phase of our policy, but I am sure that all departments will look seriously and sensibly at the options and that if the trend of the last few years is any guide a substantial number of jobs will be relocated to the benefit of the efficiency of the departments concerned, their costs and the value-for-money that they give, and of the economic conditions in the receiving localities. I know that my Ministerial colleagues are committed to this programme.

14. My hon Friend refers to the guidelines for departments on the location of work, copies of which I placed in the Library of the House. These guidelines not only emphasise the importance of thorough reviews on the principles that I have mentioned. They also require departments to give adequate weight to Government policy for the regeneration of regions and inner cities; and provide in a good deal of detail examples of the kind of cost and labour supply advantages that relocation can bring. I might add that they also offer the prospect, in suitable cases, of some short-term

help from the Treasury with the transitional costs of relocation. These costs can be significant, and we are anxious that they should not be a disincentive to achieving the longer-term benefits.

15. The new guidance takes account of the regional policy dimension in terms agreed with the regional and territorial departments. It requires that:

"For all major possible relocations (ie those involving more than 100 people) the department should consider any site or sites suggested by the territorial or regional policy departments within assisted or urban programme areas and include at least the most favourable of these in their list of costed options, even if this does not provide the greatest overall saving (the move must, however, generate a positive Net Present Value)".

16. The new guidelines have been firmly linked to running costs and to the Public Expenditure Survey: firstly, because we considered the policy might work better if the Treasury agreed to consider requests for help with transitional costs (by additions to running costs limits); secondly, because some expenditure benefits might be expected to be achieved if relocation were chosen; and, thirdly, because the Treasury would need to "keep the score"

of the overall plans and achievements of departments as the new policy progressed. In addition, Treasury expenditure divisions will ensure, within the context of the annual expenditure Survey arrangements, that departments produce worthwhile and relevant proposals on relocation in accordance with the guidelines. [Our role will not be passive. We do not intend to substitute central decision-taking for decisions by individual Ministers. But we shall ensure that departments do their reviews properly and follow them through.]

17. That there are benefits in the longer-term from sensible decisions on location and relocation is clear. We have not done, retrospectively, a full cost-benefit analysis of the dispersal programme undertaken in 1979 but there is evidence that sensible decisions can lead to considerable savings. For example, a recent report submitted to my Rt hon and Learned Friend the Secretary of State for Scotland evaluates very positively the results of dispersing part of the Overseas Development Administration from central London to East Kilbride in 1981. I understand that my Rt hon and Learned Friend intends to publish this report in the near future. I am sure my hon Friend will read it with interest and encouragement, and I have already made arrangements to circulate it to Government

departments generally as an example of the benefits that can be achieved.

X

18. As I am sure the House will recognise, relocation is not the answer to every Civil Service problem; nor should it be seen as an automatic device for spreading employment opportunities. Some Civil Service work will have to remain in London and the South-East. People who live in these areas need local services just as much as people living elsewhere - DHSS clients, for example. And some Civil Service work can best be done in close proximity to Parliament, Ministers, and the City. The criteria will be value-for-money, the provision of proper and efficient services where they are needed, [and not keeping in London work which can sensibly be moved to more suitable locations].

*people visiting the
only*

19. My hon Friend mentioned the attitude of the Civil Service unions. It is of course important, in introducing policies of this kind, to consider the position of the staff who will be subject to the new arrangements. We have given an assurance to the Civil Service unions that, when jobs are relocated, every effort will be made to avoid the compulsory transfer of people in mobile grades and to find alternative jobs within reasonable

travel distance for non-mobile grades. We have also confirmed, in the guidelines, the existing requirement on departments to consult their own Trade Union Sides when planning relocations; and, while there are issues which I have no doubt the unions will wish to discuss further with the Treasury, I see no ground for pessimistic assumptions.

20. In sum, I am sure that this new phase of location policy will yield considerable benefits - to departments, to the public they serve, to the Exchequer and to the localities which receive new Civil Service jobs. I will at the earliest suitable opportunity - probably some time next year - give the House some account of the progress made and planned. I am sure that my hon Friend, with his enthusiasm for the subject, will not be alone amongst honourable Members in following this progress with keen interest.



HOUSE OF COMMONS

LONDON SW1A 0AA

NOTES FOR ADJOURNMENT DEBATE MONDAY 9TH MAY

RELOCATION OF GOVERNMENT DEPARTMENTS

1. RELOCATION OF GOVT. DEPTS. OUTSIDE S.E.

- fully concede Govt. met 1979 commitment
 - *5900 posts were to be dispersed: mainly Scotland and North
 - *to-date 5500 posts dispersed: rest in hand
 - *another 6000 posts dispersed: Depts' own initiative
- this Govt. done more than most to get govt. into regions
- question: "Is progress to-date satisfactory?"
- Govt. say: 4/5ths Civil Service located outside Greater London
 - *factually correct: further analysis gives another picture
 - *analysis of staff by economic planning regions gives somewhat different picture

Non Industrial Civil Service Staff (England)

South East	46.6%
Yorks/Humberside	7.2%
West Midlands	7.1%
North	7.4%
East Midlands	4.8%
North West	12.0%
South West	11.3%
East Anglia	3.2%

Industrial Civil Service Staff (England)

South East	42.5%
Yorks/Humberside	4.9%
West Midlands	7.9%
North	3.4%
East Midlands	4.3%
North West	2.7%
South West	31.6%
East Anglia	2.6%

Non Industrial & Industrial - England

South East	46.0%
------------	-------

- of UK totals Scotland) do well because have
- Wales) Depts. of State
- N Ireland)
- English regions outside S.E. do badly: still the case
 - *conclude much to be done but not at any cost
 - efficiency)
 - cost effectiveness) watch words



- no iron law saying Civil Service in regions could not meet either criteria
- *Scottish/N.I./Welsh Offices presumably prove case

2. COST EFFECTIVENESS CAN BE MEASURED

(a) Inner London Weighting Cost

£126.4m	1983/84
£147.8m	1987/88
£675.5m	1983/84 to 1987/88

- additional costs of intermediate + outer London zone costs and:
 - Local Pay additions
 - Inner London Secretarial allowances
 - London allowance for lawyers & accountants & Inspectors of Taxes
- hours worked = 42 outside London
41 inside London
- resignation rates much higher in S.E.: inevitably involve extra cost

(b) Office Costs (Greater London)

Rent	£133m	
Rates	£116m	all per annum
Maintenance	£ 38m	
	<u>£287m</u>	

- guide to office rental values (contained in Treasury's own guidelines)
- *indicate considerable savings could be made
- *new accommodation per sq. ft. costs:-

South East(City)	West End	London Suburbs
<u>£25-£57</u>	<u>£18.50-£40</u>	<u>£7.50-£17</u>

Yorks/Humberside
£4.75-£7

West Midlands
£3-£8.50

- these indicate considerable savings could be made

3. EFFICIENCY AS CONSIDERATION FOR RELOCATION

- not identified as major obstacle in latest Treasury guidelines



- Govt. Communications Network (GTN) has nationwide coverage
 - *voice communication
 - *cheaper alternative to public network
- On Information Technology CCTA can advise on
 - *techniques for visual & document transmission
 - *successful experience of territorial depts.

4. MANY OTHER REASONS IN FAVOUR OF RELOCATION

(a) Contribution to Regenerating Regional Economies

- recognised by Treasury Guidelines (para 13)
- example: MSC move to Sheffield

(b) Regions Have Stake in Government

- to-date few policy formulation staff in regions: mainly functional
- further away from S.E.
 - *not only fewer civil servants
 - *also less senior
- reversal will dispel London based & biased Govt.

(c) Benefits of Relocation to Civil Servants

- difficult to sell: need for Govt. & managerial communications
- housing costs: 1 bedroom Westminster flat more than 4 bedroom house in Yorks/Humberside

5. GOVERNMENT'S NEW RELOCATION POLICY

- no further central targets being set but
 - *Depts will review own relocation requirements
 - *take into account Govt's regional/urban policies
- however statistics show enormous gap to be bridged
- worry that real progress won't be made because
 - *apparent passive nature of new policy despite Annual Surveys of progress by Govt. Depts.
 - Annual Efficiency Gains equal to 1.5% cost expenditure



* continued civil service union opposition
CPSA
SCPS

* modest relocation gains in last 10 years - indicate?

*propensity to relocate from Gt. London to S.E./S.W.
Corridor

From: Michael Brown, M.P.



HOUSE OF COMMONS
LONDON SW1A 0AA

BF 10/15
Prayon

4/

mp

5th May 1988

Dear Nigel,

I am writing to seek your support for the Second Reading of the Associated British Ports (No. 2) Bill on Wednesday, 11th May at 10 pm during opposed private business.

The Bill contains a number of provisions, but the most important relates to an investment which ABP wishes to make at the port of Immingham to meet the rapidly expanding demand on the facilities of that port. You will recall that ABP was one of the early examples of privatisation and has proved to be an outstanding success.

The Bill is being opposed, principally by Labour Members representing mining constituencies, on the grounds that the new facilities to be built by ABP could be used for the importation of coal. Indeed, it is likely that Labour Members will be required to oppose the Bill by means of an informal 3 line whip, just as they opposed the Felixstowe Dock and Railway Bill, which has only recently passed through the Commons. In both cases, an essentially private enterprise development faces opposition from public sector vested interests. Amongst the petitions against the ABP (No. 2) Bill is one by Mr. Arthur Scargill, acting for the National Union of Mineworkers.

If, before the debate on 11th May, you wish to have any further information, either I or ABP's Chairman, Sir Keith Stuart, would be happy to provide this.

I do hope I can rely on your support in the Division Lobbies.

THERE WILL PROBABLY BE A VOTE ON CLOSURE AT 10 PM FOLLOWED IMMEDIATELY BY A

VOTE ON THE SECOND READING.

Yours ever
Michael



INLAND REVENUE
STATISTICS DIVISION
SOMERSET HOUSE

FROM : J R CALDER
EXT : 6609
DATE : 6 MAY 1988

FINANCIAL SECRETARY

GORDON BROWN PQ ON TAX SHELTERS

1. Your Private Secretary's minute of 4 May asked for further information on two points on this Question in which Mr Brown has constructed an individual with earnings of £1 million a year, but no liability to income tax. A copy of the draft reply and background notes are attached for reference.

Guaranteed rent receivable equals the interest outgoing

2. The main shelter which Mr Brown has postulated in his Question is an investment of £810,000 in a new Enterprise Zone Unit Trust of which 94 per cent (£761,400) is attributable to building costs. The whole of the £761,400 can be set against the taxpayer's income. However, the investment would be expected to generate a rental income. To avoid this giving rise to an income tax liability, Mr Brown has specified that 50% of the investment has been borrowed. The interest on the loan can be offset against the rental income but not against income from other sources. By making the assumption that the rent to be received as income equals the payment of interest on the loan, Mr Brown has simply removed the possibility of

PS/Chancellor
Miss M Hay

Mr McGivern
Mr Mace
Mr Cayley
Mr Farmer
Mr McManus
Mr Keith
Mr Bolton
Mr Eason
Mr Fitzpatrick
Miss White
Mr Calder
PS/IR

income from the enterprise zone investment giving rise to a liability to tax. We are not entirely clear why the term guaranteed has been used, but trusts often imply a certain level of return when soliciting investment.

3. Mr Brown's figures are not unreasonable. The average rate of return on enterprise zone property trust investments, after management charges etc, is around 5%. If the taxpayer borrows one half of his investment at 10%, his interest payments will match his rental income.

£1 billion in tax avoidance

4. On 9 March Mr Brown called on the Chancellor to close "tax loopholes for the rich" which he said cost the country £1 billion a year. We do not know how Mr Brown arrived at this figure. The report in the Independent (attached to the background notes) said that Mr Brown had called for the abolition of relief on :

- Enterprise Zones (EZ)
- forestry
- Business Expansion Scheme (BES)
- executive share option schemes
- 'bed and breakfasting' of shares to establish a loss for CGT

Estimates for 1987-88 of the direct cost of reliefs for BES and approved share option schemes were published in table 6.5 of the Public Expenditure White Paper (PEWP) - attached. The cost of relief for BES amounted to £80 million on the basis of accruals in 1986-87 and for approved share option schemes to £200 million - on the assumption that all options eligible for relief in 1987-88 were exercised. For forestry, the cost of the option to be taxed under Schedule B instead of Schedule D was shown in PEWP at £10 million but the cost of CGT relief for disposals of growing timber is unknown. The Budget removed commercial forestry from the scope of income and corporation tax.

5. Last year a report to DOE from a firm of consultants gave a very tentative estimate for the cost of the special capital allowances regime in enterprise zones of £60 million in 1985-86 having built up from £25 million in 1981-82. The cumulative cost since 1981-82 at constant (1985-86) prices was put at £150 million. These costs include relief to companies as well as to individuals. The figure of £60 million agrees with a figure which Mr Brown quoted as an annual cost, but we do not know where his (presumably cumulative) figure of £270 million, quoted in the Independent, comes from. ~~the~~ X

6. We have no estimate of the tax consequences of bed and breakfasting quoted shares. Bed-and-breakfasting involves selling shares one day and buying them back the next. Where the shares have decreased in value since original acquisition this may establish a loss for capital gains tax purposes. Our general approach on bed-and-breakfasting is broadly that it is only effective if :

(i) holders of shares genuinely relinquish control of them;

(ii) they are genuinely exposed to overnight movements in the share price, and

(iii) the deals are arm's length or at open market value.

The point arose last November on a large block of partly-paid BP shares. (Mr Cayley's note of 4 November 1987 to the Chancellor - copy attached for ease of reference). The Chancellor responded (Minute of 9 November) that "he is glad to see that the Revenue is dealing robustly with this problem".

7. Thus the 1987-88 costs of the reliefs Mr Brown is reported to object to amount very broadly to £350 million plus unquantifiable elements for CGT relief for disposals of growing timber and bed and breakfasting of quoted shares. However, Mr Brown may also have other reliefs in mind. His

Question includes mortgage interest relief and retirement annuity relief. The cost of mortgage interest relief above the basic rate is estimated at £370 million in 1987-88, reduced to £270 million in 1988-89 with the cut in higher rates of tax. The total cost of relief for retirement annuity premiums in 1987-88 was £450 million (of which about £100 million would be relief above the basic rate).

Use of shelters by those with high incomes

8. Mr Brown's Question is obviously carefully contrived to demonstrate the possibility of sheltering the whole of a £1 million income from tax. But we have evidence that some individuals do use capital allowances to shelter their income on a large scale. And the small unpublished survey of high incomes conducted in 1986 and reported in Mr Johns's paper of 17 October 1986 on Minimum Tax found that 8% of the sample (equivalent to about 1,000 individuals nationally) sheltered more than half their income in 1982-83 and 1% sheltered more than 90%. The Budget reductions in tax rates will, of course, make sheltering less attractive in future. The notes for supplementaries to the Oral Question from Mr Jacques Arnold (for Answer on 12 May) - attached - list the reliefs removed, reduced and retained/extended in the 1988 Finance Bill.



J R CALDER

605/87

PRIORITY WRITTEN
TUESDAY 12 APRIL 1988

La - Dunfermline East

MR GORDON BROWN: To ask Mr Chancellor of the Exchequer, if he will estimate the tax liability in respect of the tax year 1988 of a married man aged 51 with no dependant children who is in receipt for that year of a salary from his employer of £1m assuming he has a mortgage of £30,000, a BES investment of £40,000, an investment of £810,000, in a new Enterprise Zone Unit Trust of which 94 per cent is attributable to building costs and where 50 per cent of the purchase prices is borrowed in circumstances where guaranteed rent receivable equals the interest outgoing, and who makes a contribution to a retirement annuity scheme amounting to £195,000.

DRAFT REPLY

Liability to income tax in 1988-89 would be nil.



J R CALDER

STATISTICS DIVISION/IR

22 APRIL 1988

/BACKGROUND NOTES

BACKGROUND NOTE

1. This question updates the question Mr Brown tabled for answer on 7 March 1988, a copy of the reply is attached.
2. The individual's tax liability has been calculated as follows:

Gross Income	£1,000,000
<u>less</u>	
mortgage interest relief	3,075
<u>less</u>	
BES relief	40,000
<u>less</u>	
relief on enterprise zone unit trust	761,400
<u>less</u>	
retirement annuity relief	195,000
<u>less</u>	
married man's allowance	4,095
	<hr/>
TAXABLE INCOME	NIL
	<hr/>

The calculations assume the following:

- (a) Mortgage interest rate of 10.25 per cent in 1988-89.

$$\begin{aligned} \text{Mortgage interest relief} &= \text{£}30,000 \times .1025 \\ &= \text{£} 3,075 \end{aligned}$$

A number of Building Societies have recently announced that they will be reducing their mortgage interest rate; most however have not said what the new rate will be.

- (b) 100 per cent relief on BES investment.
- (c) Relief on 94 per cent of investment in new enterprise zone. Tax relief can only be claimed on that part of the investment, 94 per cent, attributable to building costs; tax relief is not given on the purchase price of the land.

The interest paid on the proportion of the purchase price borrowed can be set against any rent received. As in this example the interest paid is equal to the rent received, the net effect on the taxpayer's tax liability is nil.

$$\begin{aligned} \text{Relief on investment in new} &= \text{£}810,000 \times .94 \\ \text{enterprise zone} & \\ &= \text{£}761,400 \end{aligned}$$

- (d) An individual aged 51 can claim tax relief on contributions to a retirement annuity scheme up to a maximum of 20 per cent of his net relevant earnings; tax relief can therefore be claimed on all of the £195,000.

4. Mr Brown has recently been taking a keen interest in the so-called "tax loopholes" for the rich; copies of two recent press reports showing his opposition to tax relief on property in Enterprise Zones in particular are attached.

Mr Gordon Brown.

Personal Taxation

Mr. Gordon Brown: To ask the Chancellor of the Exchequer if he will estimate the tax paid in respect of the tax year 1987-88 by a married man aged 51 years with no dependent children who is in receipt for that year of a salary from his employer of £1 million, assuming he has a mortgage of £30,000, a business enterprise scheme investment of £40,000, an investment of £800,000 in a new enterprise zone unit trust of which 94 per cent. is attributable to building costs and where 50 per cent. of the purchase price is borrowed in circumstances where guaranteed rent receivable equals the interest outgoing, and an investment in forestry for which a schedule D basis is claimed and for which net revenue costs in the year amount to £10,000, and who makes a contribution to a retirement annuity scheme amounting to £195,000.

Mr. Norman Lamont [holding answer 7 March 1988]:
Liability to income tax in 1987-88 would be nil.

PQ 999/516/87
28.3.88
UJ.130
NO.124
CJ.322

Call to stop millionaire tax dodgers

By FIONA MILLAR Political Reporter

CHANCELLOR Nigel Lawson was urged yesterday to end tax loopholes which cost the country £1,000 million a year.

Labour Treasury spokesman Gordon Brown claimed that tax dodges enable a person earning a million pounds to avoid paying any tax.

He said: "Tax avoidance has become such a big industry that it is costing the country at least £1,000 million a year.

"That money could be better spent on the NHS or reducing taxes for the ordinary citizen stuck with PAYE."

Mr Brown said five major loopholes made Britain one of the world's most lucrative tax havens.

Homeless

Up to £85 million a year, he said, was handed out to top-rate taxpayers to put money into nursing homes, private hospitals and hotels for the homeless as part of the Business Expansion Scheme.

A further £60 million was paid to pop stars and businessmen who used Government enterprise zones as tax havens, he said.

Mr Lawson has already been pressed to abolish forestry tax relief, which enables rich people to save millions by planting trees.

THE INDEPENDENT

Labour plea to end tax 'dodges'

THE ABOLITION in next Tuesday's Budget of £1bn of tax loopholes for the rich, including tax relief on property in Enterprise Zones, was demanded yesterday by the Labour Party. Pop stars, hotel companies and some of Britain's top businessmen were accused by Gordon Brown, a Labour Treasury spokesman, of using a series of tax dodges.

Labour's plans for taxing the better-off proved damaging to the party at the general election, but Mr Brown insisted at a press con-

By Colin Brown
Political Correspondent

ference that the tax concessions for investment were never intended for tax avoidance.

He confirmed that Labour would abolish tax relief on Enterprise Zones, which he said had cost the Treasury about £270m. He also called on the Chancellor to close four other loopholes — on forestry, the Business Expansion Scheme, executive share op-

tion schemes, and "bed and breakfasting" share deals, where shares are sold and repurchased overnight at a loss to write off against tax.

Mr Brown rejected any suggestion that the tax incentives were needed to secure investment in jobs. He said more jobs could be created by direct grants to Enterprise Zones. Mr Brown also said Labour would also oppose any lowering of the top rate of tax from 60p in the pound.

Mr Brown said a businessman

earning £250,000 a year could avoid paying any tax if he invested £20,000 in forestry, £40,000 in a Government Business Expansion Scheme and £190,000 in an Enterprise Zone.

He named one hotel company, already cashing in on benefits by offering bed and breakfast for the homeless in West London, which had bought and refurbished its property with £600,000 in Government tax reliefs available under the Business Expansion Scheme. //1

11. In anticipation of the introduction of housing benefit, rent rebates paid during the period 1977-78 to 1982-83 were reclassified from central to local government in Cmnd 8494 and the practice is continued in this White Paper. The expenditure on rent rebates continues to be classified to central government in the national accounts. Northern Ireland expenditure on police, fire and education is treated as central government expenditure in the national accounts but as local authority expenditure in the public expenditure planning total. Additionally, capital transfers from the Scottish and Welsh Development Agencies to local authorities are treated as local authorities' capital expenditure in the national accounts but as part of public corporations' external finance in the public expenditure planning total. Furthermore, the national accounts treat about half the expenditure on the Community Programme as appropriate to local authorities whereas it is all treated as central government expenditure in the public expenditure planning total. Local authority expenditure is discussed in more detail in Chapter 3; in particular Table 3.9 shows how local authority expenditure in the United Kingdom is financed.

12. The national accounts and the public expenditure planning total are generally consistent in their treatment of changes. Changes which stem from amending past practice or movements in the way expenditure is measured are termed classification changes and are applied to all years. Substantive changes in activity are termed policy changes and are not applied to figures before the date when they occurred. The only difference in this area between the national accounts and the planning total is that the national accounts regard switches of function between government departments as policy changes whereas, to preserve continuity, they are treated as classification changes in the public expenditure planning total.

13. Table 2.4 of Financial Statistics provides quarterly outturn data of the planning total about three months in arrears. These data on the planning total are derived from national accounts sources. In the Autumn following the year in question a Treasury analysis of public expenditure is published in Financial Statistics Table S12 alongside the national accounts measure of the planning total.

Tax provision

14. This White Paper outlines the Government's public expenditure plans but it also needs to be remembered that the Government often has a choice between providing help through public expenditure or through tax reliefs. Where the Government provides help through the tax system then this will be treated in the public sector accounts as a reduction in Government revenue, whereas the provision of a grant to the private sector will count as public expenditure. The effect for the individual or company concerned will often be similar and it is therefore sometimes appropriate to consider the cost of tax reliefs and allowances as well as the direct public expenditure costs when considering the level of assistance provided by the Government to certain sectors of the economy.

15. Table 6.5 therefore shows the costs of Inland Revenue tax allowances and reliefs in 1987-88. All figures, except those specifically referred to in the footnotes, are on the basis of accruals, not receipts, in 1987-88. In interpreting the costings, the following considerations should be borne in mind:

- (i) No attempt is made to distinguish reliefs and allowances which can be regarded as part of the structure of the tax system.
- (ii) Each relief is costed separately; the combined costs of more than one cannot, therefore, be calculated by summing the figures.
- (iii) The figures represent the reduction in tax liabilities resulting from the existence of the relief and cannot in general be interpreted as the tax yield from withdrawing it. If a relief were to be withdrawn, taxpayers' behaviour would be likely to change and alterations to other reliefs might be necessary, but estimates of these effects are usually very uncertain, particularly where the figure for the cost of the existence of the relief is large. An obvious example is the exemption from capital gains tax of gains from the sale of owner-occupied houses.
- (iv) The costs of personal income tax reliefs and allowances do not cover people who are not on Inland Revenue records because their incomes are below tax thresholds.

6.5 Direct tax allowances and reliefs

	£ million
	estimated cost for 1987-88
Income Tax	
Married man's allowance ⁽¹⁾	13,250
Single person's allowance ⁽²⁾	8,050
Wife's earned income allowance ⁽²⁾	3,600
Husband and wife; election for separate taxation of wife's earnings	390
Age allowance ⁽³⁾	450
Additional personal allowance for one parent family ⁽⁴⁾	170
Widow's bereavement allowance	30
Blind person's allowance	5
Dependent relative allowance	10
Housekeeper allowance	Under 1
Son's or daughter's services allowance	Under 1
Relief for:	
Employers' contributions to occupational pension schemes ⁽⁵⁾	1,600
Employers' contributions to occupational pension schemes ⁽⁵⁾⁽⁶⁾	2,900*
Investment income of occupational pension schemes ⁽⁵⁾⁽⁷⁾	4,100
Lump sum payments to pensioners ⁽⁵⁾⁽⁷⁾	1,200
Retirement annuity premium ⁽⁸⁾	450
Life assurance premiums (where insurance contract made before 14 March 1984) ⁽⁹⁾	520
Qualifying interest on loans for purchase or improvement of owner-occupied etc property ⁽⁹⁾	4,750
Approved profit sharing schemes	75*
Approved savings-linked share option schemes ⁽¹⁰⁾	45*
Approved share option schemes ⁽¹¹⁾	200*
Instalment relief on share options exercised outside approved schemes	2*
Personal equity plans	10*
Business Expansion Scheme ⁽¹²⁾	80*
Profit-related pay	under 1
Expenditure on property managed as one estate	2*
Foreign pensions	5*
Foreign emoluments (non-domiciled employee of foreign employer)—maximum charge of 75 per cent of emoluments (resident less than 9 years)	25*
Schedule E work expenses allowed as a deduction ⁽¹³⁾	320
Half of Class 4 National Insurance Contributions	70
Exemption of:	
First £70 of National Savings Bank, ordinary account interest	15*
Interest on National Savings Certificates including index-linked Certificates	410*
Premium Bond prizes	40*
SAYE	25*
British Savings Bonds bonuses	Under 1
Income of charities ⁽¹⁴⁾	390
Charitable donations under the payroll giving scheme	1
British government securities where owner not ordinarily resident in United Kingdom	390
Foreign service allowance paid to Crown Servants abroad	50
Payments under job release schemes	1*
Student maintenance awards	40*
NI child dependency additions	15*
Sickness benefit ⁽¹⁵⁾	40*
Invalidity benefit and severe disablement allowances	160*
Industrial disablement benefits	80
Allowances to rehabilitees	Under 1
Attendance allowance	45*
Mobility allowance	35*
Maternity allowance ⁽¹⁶⁾	10*
Family income supplement	30*
Supplementary benefits ⁽¹⁷⁾	110*
£10 Christmas bonus for pensioners	10*

Table 6.5 Direct tax allowances and reliefs (continued)

	£ million
	estimated cost for 1987-88
War disablement benefits	90*
War widow's pension	20*
Children's allowance to Forces' widows	Under 1
Pensions and annuities paid to holders of the Victoria Cross and certain other gallantry awards	Under 1
Option to tax woodlands under Schedule B instead of Schedule D	10*
Farming etc averaging of profits	10*
Income Tax and Corporation Tax	
Capital allowances: ⁽¹⁸⁾ ⁽¹⁹⁾	560*
Income tax relief	7,100*
Corporation tax relief	
of which:	700*
North Sea oil and gas production	400*
public corporations	6,000*
other	
Double taxation relief: ⁽²⁰⁾	2,400*
Income tax and corporation tax	
Corporation tax:	350*
Small companies' reduced rate of corporation tax	5*
Relief to investment companies for losses on unquoted shares in trading companies	
Petroleum Revenue Tax⁽²¹⁾⁽²²⁾	
Uplift on qualifying expenditure ⁽²³⁾	850
Relief for exploration and appraisal expenditure	300
Cross field allowance for 10 per cent of development expenditure on certain new fields	5
Oil allowance	280
Safeguard: restricting petroleum revenue tax to not more than 80 per cent of the excess over a 30 per cent return on historic capital cost	840
Tariff receipt allowance	80
Exemption for gas sold to British Gas under pre-July 1975 contracts	200*
Capital Gains Tax⁽²⁴⁾⁽²⁵⁾	
Exemption of:	500
First £6,600 of gains of individuals and first £3,300 of gains of trustees	100*
Gains accrued but unrealised at death	120*
Gains arising on disposal of life assurance policies ⁽²⁶⁾	
Gains arising on disposal of a person's only or main residence (or residence provided for a dependent relative) ⁽²⁷⁾	3,500*
Relief for:	5*
Loans to traders	5*
Land acquired by authorities with compulsory purchase powers	60*
General rollover relief for gifts (including transfers out of trusts)	
Inheritance Tax/Capital Transfer Tax⁽²⁵⁾	
Exemption of:	450*
Transfers on death to surviving spouses ⁽²⁸⁾	110
Transfers to charities on death	
Reliefs for:	40
Agricultural property	20
Business property	70*
Heritage property and maintenance funds	3
Quick succession relief	2
Double taxation	Under 1
Death on active service	

Table 6.5 Direct tax allowances and reliefs (continued)

£ million

estimated cost
for 1987-88

Stamp duty

Exemption of:

Transfers of government stocks and loan stocks	1,500
Transfers of houses or other property (not stocks and shares) where the consideration does not exceed £30,000	130

*This figure is particularly tentative and subject to a wide margin of error.

⁽¹⁾Includes £4,450 million cost of the difference between the married man's and single person's allowance.⁽²⁾Where a married couple has elected for the wife's earnings to be taxed separately they are each treated as qualifying for a single personal allowance. The cost of the allowances due in these circumstances is included in the cost of the single person's allowance.⁽³⁾This figure represents the cost of the amount of age allowance in excess of the ordinary personal allowance and includes £10 million cost of the higher age allowance introduced in 1987-88 for those aged 80 and over. The cost of the ordinary personal allowance for taxpayers receiving age allowance is included, as appropriate, in the figures given for the cost of the married man's allowance and single person's allowance.⁽⁴⁾Including £4 million for the additional personal allowance available to a married man with children whose wife is totally incapacitated by physical or mental infirmity.⁽⁵⁾The total cost of tax reliefs for pension schemes cannot be calculated by adding together the costs of the individual reliefs as this would imply a considerable degree of multiple taxation.⁽⁶⁾On the basis that under present arrangements employers' contributions are not taxable as a benefit in kind of the employee.⁽⁷⁾Assuming relief at the basic rate of income tax.⁽⁸⁾It is not possible to provide reliable estimates of the cost of exemption for investment income and lump sum payments related to retirement annuity contracts.⁽⁹⁾Including the cost of deductions at source for non-taxpayers.⁽¹⁰⁾The figure excludes the cost of the tax-free bonus or interest received under the SAYE contract. This is included in the SAYE item below. The figure quoted assumes that all eligible employees exercise their options.⁽¹¹⁾The figure quoted assumes that all options eligible for tax relief are exercised.⁽¹²⁾On the basis of accruals in 1986-87.⁽¹³⁾Of which about £25 million allowable under s.192 of ICTA 1970.⁽¹⁴⁾This figure comprises:

(i) The total sum repaid to charities and scientific research associations in respect of tax credits on dividends, and income tax deducted at source from other investment income, payments under deeds of covenant and payments by companies under s.29, FA 1986. Information is not available about income received by these bodies without deduction of tax, and no allowance in the figures is made for this;

(ii) an estimate of the higher rate relief received by the payers of covenanted sums.

⁽¹⁵⁾This figure excludes the taxable Statutory Sick Pay (SSP) which has replaced the benefit payable in most cases for the first twenty-eight weeks of incapacity arising from sickness or industrial injury.⁽¹⁶⁾This figure excludes the taxable Statutory Maternity Pay (SMP) which has replaced some of the non-taxable maternity benefits which were previously available.⁽¹⁷⁾This includes the cost of not taxing certain components of benefit paid to the unemployed.⁽¹⁸⁾The figures for capital allowances are net of balancing charges.⁽¹⁹⁾As in the past the capital allowance estimates include initial and first year allowances as well as "writing down" and any other allowances. However, the changes made by the Finance Act 1984 substantially removed initial and first year allowances, thus bringing the relief more closely into line with the depreciation actually experienced.⁽²⁰⁾Relates to accounting periods ending 1984-85, the latest year for which fairly full information is available.⁽²¹⁾Includes advance petroleum revenue tax.⁽²²⁾The figures are net of any consequential effect on corporation tax and represent the effect on 1987 calendar year accruals.⁽²³⁾The cost of all types of expenditure relief for PRT is upliftable expenditure, including uplift, non-upliftable expenditure and exploration and appraisal expenditure would be £2,800 million. This figure reflects the fact that in the case of PRT—in contrast to many other direct taxes—no distinction is made between revenue and capital, and operating costs as well as capital expenditure are classed as a relief.⁽²⁴⁾Including corporation tax on company gains. The estimates allow for indexation of acquisition costs.⁽²⁵⁾For capital gains tax (including corporation tax on company gains) and inheritance tax/capital transfer tax, most of the costs are on a receipts basis, i.e. the revenue which would be lost in 1987-88 assuming that the exemptions and reliefs had applied to the transactions on which the 1987-88 receipts were based. The exceptions are the capital gains tax exemption of life assurance policies and the exemption of the only or main residence, which are both on the accruals basis.⁽²⁶⁾It should be noted that in the absence of a capital gains charge on most life assurance disposals, certain gains from surrenders and maturities of life assurance policies are treated as income to be assessed for higher rate income tax.⁽²⁷⁾On the assumption that there would be no relief for gains when disposal proceeds were applied to the purchase of another house, and that there would be no consequential effects on length of ownership and on the housing market. Indexation of the acquisition costs will reduce the cost in future years.⁽²⁸⁾This cost is in respect only of transfers for which an account is submitted to the Capital Taxes Offices.

Glossary of terms

Aggregate Exchequer Grant (AEG) is the aggregate of grants from central government to local authorities to supplement income from the rates. It includes Rate Support Grant (RSG) (qv) and grants hypothecated to specific services.

Appropriation accounts are prepared for each Vote (qv), covering Supply expenditure (qv) which has arisen in the previous financial year.

£ billion is used to denote £ thousand million.

Block grant is the sum available for distribution to local authorities after deducting from Rate Support Grant (RSG) (qv) money paid as domestic rate relief grant.

Borrowing requirement: the public sector borrowing requirement (PSBR) indicates the extent to which the public sector borrows from other sectors of the economy and overseas to finance the balance of expenditure and receipts arising from its various activities. (For further details see page 34 of the 1987 Financial Statistics Explanatory Handbook.) For the purposes of the PSBR, net policy lending and transactions in company shares are regarded as expenditure. The borrowing requirements of the three sub-sectors of the public sector, central government, local authorities and public corporations (CGBR, LABR and PCBR) are similarly defined but include lending from one sub-sector to another. The PSBR is therefore equal to the sum of CGBR, LABR and PCBR, less all lending transactions between the



Inland Revenue

Policy Division
Somerset House

FROM: M F CAYLEY
DATE: 4 NOVEMBER 1987

CHANCELLOR OF THE EXCHEQUER

BP: BED AND BREAKFASTING

1. You will probably have seen the press stories about bed-and-breakfasting by institutions of partly paid BP shares. Copies of some articles are attached.

2. What appears to have happened is this:-

- (i) a number of institutions - mainly (possibly entirely) life assurance companies - were brought together by Phillips and Drew.
- (ii) on Monday 2 November, they sold jointly 106 million shares to the brokers at 70.5 pence a share. The shares were placed overnight with Phillips and Drew's market makers.
- (iii) on Tuesday 3 November, they bought back the same quantity of shares for one-sixteenth of a penny a share more - the difference being the broker's turn.

cc Financial Secretary
Sir P Middleton
Mr Cassell
Mr Scholar
Miss Sinclair
Mr Cropper

Mr Isaac
Mr Pitts
Mr Cayley
Mr Hamilton
Mr Newstead
Mr Mountain
Mr Spence
Mr Michael
PS/IR

Mr Wilmer

1. *Mr Gordon*
2. *Mr Connell*
3. *Mr Lester*
You might wish to see. Back to me

(iv) the prices at both stages were around 10p or more below the price being quoted at the time on the Stock Exchange.

3. The aim of the deals was to establish some £m50 of tax losses while retaining the investments in partly-paid shares in the expectation of future capital appreciation.

4. Our general approach on bed-and-breakfasting is broadly that it is effective if

(i) holders of shares genuinely relinquish control of them,

(ii) they are genuinely exposed to overnight movements in the share price, and

(iii) the deals are arm's length or at open market value.

5. At first sight one would be surprised if these conditions are satisfied in this instance. * If they are not, the transactions may well have no effect for tax purposes. In that event, we would ignore the bed-and-breakfasting altogether, and deny those involved any tax loss. Phillips and Drew and the institutions may have tripped themselves up by trying to be too clever.

6. It may well not be until late next year - when the companies' tax computations for their current accounting periods come in - that we shall be able to probe this: we do not have statutory authority to make enquiries now. But if meanwhile any of the parties approach us for clarification of the tax position, we shall use the opportunity to try to make some enquiries.

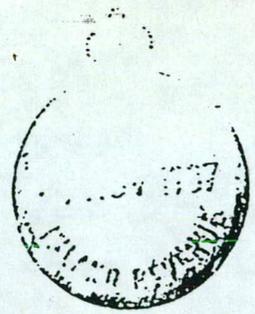
Michael Cayley

M F CAYLEY

* For example, the arm's length price for a sale of a large block of shares is below the stock exchange quoted price for small lots: but it is hard to see how the same could be true of the price for purchasing a large block.

ENC.

7cc.



FROM: J M G TAYLOR
DATE: 9 November 1987

MR CAYLEY - INLAND REVENUE

cc Mr. Pitts
Mr. Hamilton
Mr. Newstead.
Mr. Mountain.
Mr. Spence.
Mr. Michael.
Mr. Willmes.

cc PS/Financial Secretary
Sir P Middleton
Mr Cassell
Mr Scholar
Miss Sinclair
Mr Cropper
Mr Isaac - IR
PS/IR

BP: BED AND BREAKFASTING

The Chancellor has seen your minute of 4 November. He is glad to see that the Revenue is dealing robustly with this problem.

J M G TAYLOR

Oral 12 May 88

MR JACQUES ARNOLD

NOTES FOR SUPPLEMENTARIES -

Factual

(i) Reliefs removed in 1988 Finance Bill:

- new non-charitable covenants taken out of tax altogether (existing covenants and covenants to charities not affected) (yield £45m in 1988/89)
- occupiers of commercial woodlands taken out of income tax and corporation tax altogether - will produce eventual tax saving of over £10 million a year
- relief on home improvement loan interest abolished on new loans from 6 April 1988 (yield £80m in 1988/89)
- "top slicing" reliefs on redundancy payments and premiums for leases abolished (yield negligible)
- relief for business entertainment of overseas customers abolished (yield negligible in 1988/89).

(ii) Reliefs reduced in 1988 Finance Bill:

- Company car scales doubled for 1988/89 over 1987/88 levels - though benefit of company cars still undertaxed (yield £260m in 1988/89)
- From 1 August 1988 mortgage interest relief to be applied to residence rather than to

individuals or married couples (yield negligible in 1988/89)

- for Business Expansion Scheme (BES) new £500,000 limit on total amount of investment in twelve month period (£5m for ship-chartering companies)
- from 6 April 1989 rate of Life Assurance Premium Relief reduced from 15 per cent to 12.5 per cent (yield nil in 1988/89).

(iii) Reliefs retained or extended in 1988 Finance Bill include:

- BES relief extended to companies letting residential property on assured tenancies (subject to £5m ceiling)
- Enterprise Zone (EZ) Capital Allowances unchanged: 100 per cent capital allowances for expenditure on construction of industrial or commercial buildings within 10 years of designation as EZ.

(iv) Quantifiable Yield from above measures in 1988/89 £385m.



PHH

FROM: A P HUDSON
DATE: 9 May 1988

APS/PAYMASTER GENERAL

cc Mr Luce
Mr Carpenter

ADJOURNMENT DEBATE MONDAY 9 MAY 1988: RELOCATION POLICY

We had a word on Friday evening about the draft speech attached to your 5 May minute.

2. I have shown this to the Chancellor. His only comment is to agree that it would be better to shorten paragraph 12, to take out the references to fundamental changes in the economy, and simply make the points as follows:

- Property is cheaper, and staff easier to find, outside the South East;
- Businesses recognise this;
- Government Departments are doing the same.

A handwritten signature consisting of stylized, overlapping vertical lines.

A P HUDSON



FROM: ROSIE CHADWICK

DATE: 10 May 1988

MR McLAREN

cc PS/Chancellor
Mr Pickford
Mr Hibberd
Miss Simpson
Parliamentary Clerk

FIRST ORDER QUESTIONS: THURSDAY 12 MAY: ERIC FORTH MP

The Paymaster General is to answer Eric Forth's Question on Thursday, and proposes to use the following redraft:

X | "At the end of last year the United Kingdom's net overseas assets were estimated at some £90 billion, second only to those of Japan".

I should be grateful if you could provide Parliamentary Section with a revised version of this Q&A - routed via Mr Pickford - by close of play on Wednesday, 11 May.

REC

ROSIE CHADWICK
Assistant Private Secretary

FINANCIALTIMES

David Marsh on a detailed analysis of West Germany's balance sheet

Rising foreign assets cause concern ³¹

WEST GERMANY'S overall net foreign assets grew by 46 per cent last year, to more than DM260bn (\$156bn), and now stand at well over double the level of the end of 1985, as a result of the "recycling" abroad of the country's massive current account surplus, according to the Bundesbank, the country's central bank.

Along with this sharp increase in foreign assets, the product of heavy West German investment abroad in securities and fixed assets, the Federal Republic's liabilities have also increased sharply. This reflects the enormous expansion in international capital movements into and out of the D-Mark.

Making up 14 per cent of world currency reserves last year (double the proportion of the yen), the D-Mark is now firmly established as the world's second most important reserve currency, after the dollar.

The Bundesbank now appears to accept that it can do little to stop a further rise in significance of the D-Mark's reserve status, but none the less regards the trend with some concern.

In a speech last month, Mr Karl Otto Pöhl, the president of the Bundesbank, said the weight of foreign investors on the West German securities market "has not eased" the Bundesbank's monetary policy challenges.

The amount of foreign capital invested in the D-Mark meant that any "undesirable developments" in monetary and credit policies were "punished" more quickly and harshly than in the past by the capital and foreign exchange markets, he said.

In a detailed analysis of the greatly increased figures on both the active and passive sides of the country's balance sheet, the Bundesbank says that, at the end

	1981	1983	1985	1987
Gross Assets (year end)				
Direct investment*	62	73	90	103
Securities	47	80	125	148
Loans and credits ^{§§}	314	347	444	618
of which:				
Banks	154	161	223	303
Public sector	103	118	130	178
Additional	57	68	91	137
Non-interest bearing [¶]	142	159	178	180
TOTAL	565	658	836	1,049
Gross Liabilities				
Direct investment*	47	51	55	63
Securities	44	73	165	236
Loans and credits ^{§§}	311	347	383	379
of which:				
Banks	154	156	183	205
Public sector	56	77	79	62
Additional	102	115	121	112
Non-interest bearing	95	100	108	106
TOTAL	498	572	710	784

*Not including direct investment in form of credits or loans including Bundesbank's currency reserves
^{§§}Not including non-interest bearing loans
[¶]Real estate, trade credits, gold reserves, public sector participations
 Source: Bundesbank

of last year, the country's gross foreign assets topped DM1,000bn for the first time, rising by 9 per cent to DM1,049bn, from DM966bn at the end of 1986. Since foreign liabilities were barely changed, at DM784bn (DM785bn at the end of 1986), net assets rose sharply, to DM265bn, from DM181bn at the end of 1986.

The Bundesbank calculates that West Germany, despite its long history of current account surpluses, still ranks only third in the league table of major industrialised creditor countries. The Federal Republic's \$162bn worth of net assets at the end of last year compares with a 1987 net assets position of \$260bn in Japan, and is also below the com-

parable figure for Britain, put at \$187bn at the end of 1986.

The US is estimated to have shifted to a net debtor position of \$400bn at the end of last year. Underlining how the large current account imbalances among the US, Japan and West Germany have dramatically changed the international distribution of capital during the past five years, at the end of 1982 the three countries had net creditor positions of \$137bn, \$25bn and \$37bn respectively, according to Bundesbank calculations.

West Germany's net creditor level has accelerated since it returned to increasing current account surpluses after three years of rare current account deficits in 1979-81. The net foreign

asset position, DM65bn at the beginning of the decade, roughly doubled between the end of 1981 and the end of 1985, when it stood at DM126bn, and has more than doubled since then.

Further accretions are an arithmetical certainty in the next two years, because of the enduring size of the current account surplus. The surplus last year stood at DM80.5bn, down only slightly from DM85bn in 1986. According to the country's five leading economic research institutes, which presented their spring report in Bonn this week, the surplus will total DM75bn this year and DM70bn in 1989.

The Bundesbank records that West Germany earned a net DM6.4bn from its international capital stocks last year, taking into account DM50.3bn of capital and interest receipts on its gross assets, and DM43.9bn of payments on liabilities. This relatively low yield figure - only about 5 per cent on total assets exceeding DM1,000bn - partly reflects the non-interest bearing part of a large portion of assets (led by the Bundesbank's gold stocks, but also including trade credits and foreign real estate), as well as the effect of the fall in the value of foreign currencies against the D-Mark.

West German net income last year from foreign capital, at \$3.6bn, is well below the comparable annual figures of \$5.8bn for Japan and \$6.3bn for the UK. Even the US, despite its move into a heavy overall debtor position, ended with a nominal plus of \$3.5bn last year as its income from foreign investments - much of it denominated in non-dollar currencies and therefore heavily revalued - topped American payments on its burgeoning foreign debt.



A large, stylized handwritten signature in the top right corner of the page.

FROM: J M G TAYLOR
DATE: 11 May 1988

PS/FINANCIAL SECRETARY

cc Miss M Hay
Mr Calder - IR
PS/IR

GORDON BROWN PQ ON TAX SHELTERS

The Chancellor has seen Mr Calder's note of 6 May.

2. He has commented that Mr Brown's figure of £270 million (paragraph 5 of the note) must comprise £150 million plus a further £60 million for 1986-87 plus a further £60 million for 1987-88.

Handwritten initials, possibly 'JMGT', located below the main text.

J M G TAYLOR



AWP

FROM: A P HUDSON
DATE: 12 May 1988

APS/PAYMASTER GENERAL

cc Mr Hibberd
Mr D W Owen
Mr McLaren

FIRST ORDER QUESTIONS: THURSDAY 12 MAY: MR ERIC FORTH MP

The Chancellor has seen Mr McLaren's 10 May minute.

2. He does not see what is wrong with the Paymaster General's original suggestion in your 10 May minute. This would only be falsified if the German figure were actually above £90 billion.

A handwritten signature in black ink, appearing to be 'A P HUDSON'.

A P HUDSON



~~4/10/74~~
Julia
13/5
PMP

URGENT

PRO LIFE WHIP

Colleagues have asked for advice on whether to be available for votes on Friday. The very moment that business is completed on the two preceding Bills we will move back to votes on the Abortion Amendment Bill. Our opponents will be here to speak on the preceding Bills. If on Friday they believe that later votes could be taken and won on the Abortion Bill it would not be in their interests to protract the proceedings.

In the circumstances it is urgent that all pro-life MPs be available to vote for closures and for the later votes on the Bill.

We would be grateful if you would again be present throughout.

Bernard Braine

SIR BERNARD BRAINE MP

CONFIDENTIAL

⇒ Alex. pay



19 MAY 1988

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

My ref:

Your ref:

The Rt Hon John Wakeham MP
Lord President of the Council
Privy Council Office
68 Whitehall
LONDON
SW1A 2AT

Ch
Worth firm
Foy support!
AA

Dear John

FINANCIAL SECRETARY	
REC.	19 MAY 1988
ADD.	Mr. Guy
COPIES TO	PPS, CST, PMA, EST Mr. Burgard 18 MAY 1988 Mr. D. S. H. MOCRE Mrs. CASE Mrs. BROWN

I am writing to you in your capacity as Chairman of L and QL to seek your advice on handling a small but potentially very embarrassing problem which can be resolved only by a very short (one substantive clause) Bill. The Bill's purpose would be to make a simple amendment to S73 of the Civil Aviation Act 1982 to enable the European Organisation for the Safety of Air Navigation (EUROCONTROL) to collect navigation service charges in European Currency Units (ECUs) instead of in US dollars as at present.

Eurocontrol is responsible for co-ordinating air traffic control services across eight European member states, and collects navigation services charges in those eight and three other associate member countries. I make regulations under the 1982 Act each year to specify the rates of the charges. Similar regulations are made by the other member authorities under their own legislation, so that the new rates come into force simultaneously on 1 January.

The decision to replace the US dollar with the ECU was taken by Eurocontrol's Enlarged Commission in November 1986. But because ECU is a unit of account rather than a currency, the 1982 Act does not allow me by regulation to specify charges in ECUs.

The switch to ECUs would largely solve the severe difficulties caused by the fluctuating level of the dollar against European currencies, so giving greater certainty that the charges paid would be pitched at a level which fully covered costs without overcharging or undercharging the airlines. The industry in Britain and elsewhere in Europe warmly welcomed the decision and the UK gave it full support. We did however enter the caveat that there was no immediate prospect of making the necessary amendment to our primary legislation.

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Eurocontrol and all the other member states are ready to implement the decision. Eurocontrol's Central Charging Office is now primed to make the switch from 1 January 1989. The UK is now in a minority of one in not being ready. The changeover cannot happen unless all the members act simultaneously, and we are coming under increasing pressure from the other countries and from our own industry who find our inability to implement this small technical change mystifying.

My Department was aware of this potential problem when we put in our bids for legislation but, given the very heavy pressures on the programme, we did not at that time believe the potential embarrassment for the UK at Eurocontrol justified an early bid for a technical measure of this sort in an area which had attracted little public or political interest.

Since then air traffic control matters have become front page news. As you know the Commons Transport Committee is inquiring into traffic control safety and congestion issues. Lack of air traffic control capacity is becoming a major problem all over Europe and we shall not be able to solve it without increased co-operation between the European countries. The fact that we currently hold the Presidency of Eurocontrol provides an opportunity to get things moving the right way. However it also means that our credibility and effectiveness will be undermined if we are seen to be dragging our feet on the ECU. It is difficult for us successfully to push other member nations to make rapid progress on capacity when we are holding up reform of the charging system. We also leave ourselves open to the charge, however unjust, that our failure to implement this small straightforward change shows that we are not wholeheartedly committed to Eurocontrol and its work.

In the present climate of public concern and interest, the political and practical consequences of not proceeding with the amendment go far beyond the original embarrassment we envisaged in being seen to delay a desirable reform which had been agreed by a little known European organisation. Notwithstanding the pressures on the programme, I have concluded that we must bring forward the necessary legislation at the earliest opportunity, and I should be grateful for your advice on how this can best be achieved.

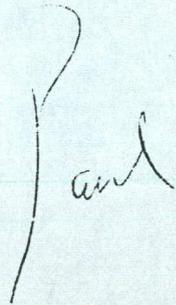
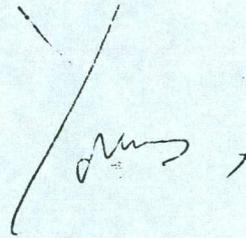
We have looked at the possibilities of implementing the change without a new Bill but have drawn a blank. We have clear legal advice that any attempts to prescribe charges in ECUs under existing legislation would be open to challenge and could well lead to navigation charges having to be repaid to the airlines. The Treasury have been consulted and have no objection to the amendment being made, but it is outside the scope of a Finance Bill. There does not appear to be any other suitable vehicle already in the programme; it is not appropriate for a Private Member's Handout Bill, which in any case offers no certainty of success. The only course therefore seems to be a new Government Bill.

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/ Ideally, the Bill should be taken this Session to allow the changeover to be implemented on 1 January 1989 as Eurocontrol wishes. I fully recognise the difficulties with the programme this Session, especially in the Lords, but the amendment will be very simple and non-controversial and draft instructions to Counsel are ready (copy attached). The Bill should not take up much time - it seems an ideal candidate for a Second Reading Committee. If, however, it is impossible to create even a small gap in the programme this Session, I hope you will be able to find room for the Bill in 1988-89, with introduction in the Lords, if that would be more convenient.

I am copying this letter to members of L, David Young, Sir Robin Butler and First Parliamentary Counsel.



PAUL CHANNON

CONFIDENTIAL

DRAFT INSTRUCTIONS TO PARLIAMENTARY COUNSEL

Use of European Currency Unit for Eurocontrol

Introduction

1. These instructions seek an amendment to Section 73 of the Civil Aviation Act 1982 to enable the Secretary of State, in making regulations under Section 73(1)(a), to require payments to him or to the CAA or to Eurocontrol of charges of amounts which may be prescribed in units of account defined by reference in more than one currency in respect of air navigation services, as well as in the currencies allowed under the existing provision.

Background

2. The European Organisation for the Safety of Air Navigation ('Eurocontrol') was established by International Convention (Cmnd 2114 as amended by Cmnd 5140 and Cmnd 7477) in 1960. Following its renewal in 1983, the Convention was amended in 1986 (Cmnd 8662) and will continue in force until 31 December 2005.

3. The Federal Republic of Germany, Belgium, France, the United Kingdom, Luxembourg, the Netherlands, the Republic of Ireland and Portugal have all ratified the Convention and are therefore full members of Eurocontrol. The organisation's primary role is to facilitate cooperation and planning in the provision of air traffic control services by the member states, but it also performs the useful role of collecting en route air traffic control navigation charges.

4. A multilateral agreement (Cmnd 4916) on the collection of en route air traffic control navigation service charges was signed in 1970. This was replaced by a new multilateral agreement (Cmnd 8662) in 1981, which came into force on 1 January 1986. The signatories to the Agreement are the 8 Eurocontrol members and 3 associated countries - Spain, Switzerland and Austria. The Agreement confirmed and strengthened Eurocontrol's role in collecting en route navigation charges.

Eurocontrol Route Charges System

5. The effect of the 1981 Agreement is that 11 European countries have entrusted Eurocontrol with the task of calculating, billing and collecting en route navigation charges from airlines in respect of en route navigation services made available by the national air traffic services of the countries concerned. The system is administratively very convenient since an airline simply pays one bill for each flight, even though the flight in question may pass over one or more of the 11 member countries. Separate bills, however, have to be paid for air traffic control services provided for take-off and landing at the airports at each end of the journey. These are collected separately by the authorities in those countries where such charges are raised.

6. The calculation of the charges is complex. Broadly speaking a unit rate of charge is calculated for each country by dividing the cost base of the country concerned by the amount of traffic which it is estimated will be using its en route navigation services in the year in question. The cost base consists of the relevant expenditure incurred by the country's national air traffic services organisation plus the country's share, if any, of Eurocontrol's annual expenditure budget. The charge made for a flight is calculated by multiplying the unit rate by the aircraft's weight factor and

the distance travelled. Since the unit rate varies from country to country, calculations are made by Eurocontrol's central route charging office for each country over which the flight passes, and the total for the flight is then worked out. Airlines are billed each month for all flights that month.

7. Having collected the charges from the airlines, Eurocontrol then reimburses each state the appropriate share of the income. Differences between the income received and the actual cost incurred by each country are repaid to, or recovered from, the airlines by reducing or increasing the cost base in the following next but one year.

Legal Powers in the UK

8. The relevant primary legislation is the Civil Aviation Act 1982 (which consolidated previous legislation) as amended by the Civil Aviation (Eurocontrol) Act 1983(c.11). Section 24 of the 1982 Act defines Eurocontrol and Schedule 4 sets out Eurocontrol's status and gives the Secretary of State powers to contribute financially to the organisation. The 1983 Act made certain amendments to give effect to the requirements of the amending Protocol to the Eurocontrol Convention and the Multilateral Agreement.

9. Section 73(1)(a) of the 1982 Act enables the Secretary of State to make regulations requiring payments to him or to the CAA or to Eurocontrol of charges, of such amounts and in such currencies as may be prescribed, in respect of air navigation services. The Secretary of State makes regulations under these powers in respect of the air traffic services provided by the UK's National Air Traffic Services for a number of UK airports, trans-Atlantic flights and North Sea flights, as well as for the en route navigation services which come within Eurocontrol's ambit. For the non-Eurocontrol

charges, the airlines are required to make payments to the CAA. In the case of the en route charges, the payments are of course made to Eurocontrol direct. There are at present no charges which are made payable to the Secretary of State.

10. For the Eurocontrol charges the relevant regulations are:

Civil Aviation (Route Charges for Navigation Services) Regulations 1984 (1984 SI 1920)

Civil Aviation (Route Charges for Navigation Services) (1st Amendment) Regulations 1985.(1985 SI 160)

Civil Aviation (Route Charges for Navigation Services) (3rd Amendment) Regulations 1986 (1986 SI 2120)

Civil Aviation (Route Charges for Navigation Services) (4th Amendment) Regulations 1987 (1987 SI 2083)

Amending regulations are made each year in December to prescribe the revised unit charges for the forthcoming calendar year.

11. Section 73(1)(b) empowers the Secretary of State to make regulations for requiring payment to any international organisation other than Eurocontrol or to any government outside the UK of charges of such amounts as may be prescribed in respect of air navigation services provided by the international organisation or government pursuant to an agreement to which the UK is a party. Unlike section 73(1)(a), this subsection does not refer to payment in a prescribed currency, and in this respect it is similar to subsection (2)(a), which empowers the making of regulations for the

payment of an annual charge of a prescribed amount to the CAA in respect of aircraft for which there is a certificate of airworthiness in force. In our view, the absence of any reference to a prescribed currency in these subsections means that we can only require payment to be made in sterling in all cases. We do not seek any amendment in relation to these powers.

Currencies Used for Making Payment

12. Since the inception of Eurocontrol, the en route navigation charges have been prescribed in US dollars. This has caused serious practical accounting problems. The fluctuation in the value of the dollar in relation to European currencies when added to the problem of accurately forecasting traffic levels, have made it very difficult to pitch the unit charges at a level that covers costs without overcharging or undercharging the airlines. For this and other reasons the Eurocontrol Enlarged Commission (the Ministerial level body of the eleven states) decided in November 1986 that the charges should be specified in the European Currency Units (ECUs) instead of US dollars. The UK fully supported this decision, but made it clear that this raised legal problems which might require an amendment to the UK's primary legislation.

Definition of Currency

13. The word "currencies" in Section 73(1)(a) of the 1982 Act has no statutory definition. Whether a medium of payment amounts to a currency therefore depends on all the material facts, and in particular on financial and banking practice. In our view the ECU cannot yet be safely considered to be a currency for the purposes of Section 73. Section 3(3) of the Exchange Equalisation Act 1979 as amended by section 113 of the Finance Act 1986 includes units of account defined by reference to more than one currency in the expression

"currency of the country" which may mean that the term "currency" without more is not sufficiently wide to cover units of account such as ECUs. In our view any attempt to prescribe charges in ECUs under Section 73 would be open to legal challenge, which would bring the danger of navigation charges having to be repaid to the airline at a subsequent date.

Amendment Required

14. We therefore require a Bill to amend Section 73(1)(a) of the 1982 Act to enable the Secretary of State to require payment to him or to the CAA or to Eurocontrol of charges of amounts which may be prescribed units of account defined by reference in more than one currency, in respect of air navigation services, whilst retaining his ability to prescribe currencies as already provided for in the existing provision.

15. We do not wish that the amendment should be limited to payments to Eurocontrol. It may well be, for instance, that the CAA might wish at some time in the future to specify the charges it makes for airport navigation services in ECUs instead of one of the more conventional currencies. Further, we do not want to limit the amendment by a specific reference to the ECU. It may well be that another international currency unit of account develops in a few years time which would be preferable to the ECU. We therefore see no reason to place any restriction on the type of unit of account which may be prescribed under Section 73(1).

CONFIDENTIAL

mp

FROM: N J ILETT

DATE: 20 May 1988

PARLIAMENTARY CLERK

cc: PPS -
 PS/Economic Secretary
 Sir P Middleton
 Sir G Littler o/r
 Mr Scholar
 Mrs Lomax o/r
 Mr Neilson

HOUSE OF LORDS PQ : LORD BRUCE-GARDYNE

I attach the PQ folder. The DTI are briefing Lord Young about the general issues this weekend, so he will be prepared to receive the folder after Treasury Ministers have cleared it.

2. The line of the answer follows that recommended by Sir Peter Middleton to the Chancellor earlier today; while the papers have been shown to the Bank, DTI and Treasury Solicitor, the subject matter is very awkward and there may be further comments on Monday.

behind
 N.J.

N J ILETT

P.S. I have just heard from DTI officials that Sir D. Schley has complained to Lord Young that our stance on GEMs is putting at risk Wabug's, and other people's, interests in Tokyo. Lord Young's response was that it should be possible to give Nomura good news as early as the Toronto summit. Minutes of this meeting will reach us on Monday.

* Mr George has now agreed the answer and the briefing, on the basis of what is within the best of a very awkward situation.

N.J.

ORAL

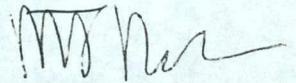
WEDNESDAY 25 MAY 1988

TREASURY

THE LORD BRUCE-GARDYNE - To ask Her Majesty's Government on what grounds they have withheld permission for NOMURA and DAIWA to commence trading in London as gilt-edge market makers.

DRAFT REPLY

The question of access to gilt-edged market maker status is one of a number of issues which are being considered.



for **N J ILETT**
FIM(2)

BACKGROUND

Lord Young is of course familiar with the background.

Lord Bruce-Gardyne's question is awkward. He is clearly opposed to what he correctly perceives as the Government's policy in this area. The objective in answering is to maintain the right degree of pressure on the Japanese consistent with the public presentation of the Prime Minister's meeting with Mr Takeshita. This involves striking a balance between a number of conflicting considerations;

- (i) Although the strategy of obtaining entry to Japanese markets by exerting pressure on new entrants here is well understood by all concerned, there have been few if any explicit public statements by Ministers to that effect. To make one now risks raising the temperature with the Japanese further than circumstances justify, and also risks encouraging UK political interest in a way which would make it harder to settle the BZW/GEMMs issue;
- (ii) There are also legal difficulties. The question of powers has been a factor behind Ministers' public reticence in the past. Lord Young will have had advice from his own Department on the use of his Financial Services Act reciprocity powers;
- (iii) The position of the Bank of England is delicate. With the Government's agreement, the Bank invited the two houses to apply, and told them that they could start on 3 May and early June respectively, subject to the qualification that political factors might intervene if progress at the Treasury/Finance Ministry bilaterals was insufficient. It is public knowledge (because Nomura and Daiwa have said so that the Bank gave them this approval.

So it is not possible to argue that it is simply a matter for the Bank to decide when to admit the two houses.

Hence the general approach of the draft reply and supplementaries, which tread a middle way between admitting specifically that reciprocal action is being taken on the instructions of the Government, on the one hand, and suggesting that this is purely a matter for the Bank, on the other. The supplementaries make the point that UK houses are waiting for admission to Japanese markets, without specifically linking that to Nomura and Daiwa here; and suggest some plus points about improving Anglo-Japanese relations which are well worth making. The more general the content of the exchanges with Lord Bruce-Gardyne, the less risk of legal or other embarrassments.

Lord Bruce-Gardyne may refer to reports in the Financial Times and over the Reuters networks which made it pretty clear that the delay is political in character - and in the case of Clive Wolman's article in the FT on May 10 (attached), allege differences of view between the Bank, DTI and Treasury. It is clearly important to avoid any implication of disagreement within Government, and the response to the suggestion that the Bank has already given the go-ahead, so the Government must have overruled the Bank, is that the Bank has indeed cleared the technical aspects of the application but that - as the initial reply said - the question of access to the gilts market and a number of other issues are being considered.

City and Securities Division
HM Treasury
20 May 1988

Defensive

The Bank has already said that Nomura and Daiwa meet its technical requirements.

True. As I have already said, their application is one of a number of issues which are being considered. A number of UK firms who are qualified in every respect are waiting for admission to Japanese Markets.

What message has the Bank sent to Nomura/Daiwa?

Matter for the Bank and the houses concerned.

Is the Government deliberately delaying Japanese access to UK markets?

Acknowledge that Japanese markets are a good deal more open to foreigners than they used to be. We are coming increasingly to value our relationship with Japan. But we still look to the Japanese to eliminate sources of friction by offering the same access to their markets as we offer to ours.

Disagreements between Bank/DTI/Treasury? [Clive Wolman article in FT]

Don't believe everything you read even in quality newspapers! Fully in agreement on the importance of maintaining London's lead in the global markets, and on working together to achieve access for British houses to financial markets in Japan and elsewhere.

Wrong for UK to adopt protectionist stance

Quite agree. UK financial markets thrive on the open door we offer to all qualified foreign houses. We expect other major international centres to grant the same freedom of access to their markets as we grant to ours. Sure that noble Lords share that objective.

Reciprocity powers

The Financial Services Act powers have not been used against

Nomura, Daiwa nor anybody else. The fact that Parliament has recently provided the Government with reciprocity powers is a measure of the importance we all attach to achieving fair treatment for British institutions in the global markets. We hope never to have to use reciprocity powers; but we shall if necessary.

Positive

Japan

Welcome the steps the Japanese have take, eg in admitting four UK houses to the Tokyo Stock Exchange last year. And recognise, more widely, welcome improvement in understanding between UK and Japan - 26% increase in UK exports to Japan last year. Must emphasise that we expect all qualified UK candidates to be admitted to the Tokyo Stock Exchange, as the Prime Minister told Mr Takeshita earlier this month. Look to the Japanese to remove these and other sources of friction in a relationship which we are otherwise finding of increasing value.

UK open markets

[DTI: factual material on numbers of foreigners here, especially Japanese].

UK successes in Japan

[DTI; factual material on UK houses in Japan already]

Japanese firms kept out of UK gilt market

By Clive Wolman

THE TWO big Japanese securities firms, Nomura and Daiwa, have been blocked from becoming market-makers in UK Government gilt-edged securities as a result of a last-minute political intervention for which no one is admitting responsibility.

The Bank of England, which supervises the gilt-edged market and originally invited Nomura and Daiwa to apply to become market-makers last autumn, is both embarrassed and angered at what it believes has been a clumsy way of putting pressure on the Japanese authorities to open up their financial markets to British firms.

Nomura was preparing to start its operations as a market-maker last Tuesday. Its financial controls and systems received the Bank of England's approval in early February. Mr Eddie George, the Bank director with responsibility for the gilt-edged market, said he had no objections to Nomura starting to trade as an official market-maker, with privileged access to the Bank's dealing desk, at the start of May. Daiwa was scheduled to start operating in early June.

However on April 29, the Bank

Japanese firms Continued from Page 1

contacted Nomura and told it that it would not be allowed to start trading after that weekend. Nomura decided on a policy of discretion and said nothing of the incident. The Bank said yesterday it could give no indication as to when Nomura or Daiwa would be authorised, if at all.

It has not yet been possible to find out who was responsible for the policy U-turn. "The two houses have been successful in meeting all their technical requirements as far as the Bank is concerned, but there is also official policy on reciprocal trade policy," was the most that the Bank would say yesterday.

What appears to have prompted a change of heart was a

series of frustrating Anglo-Japanese meetings on the issue of opening up the Japanese financial markets.

"The two firms have not been able to start trading when they wanted to but beyond that we are not commenting," the Treasury said last night.

Treasury officials however pointed an accusing finger at Barclays de Zoete Wedd, the leading UK securities firm, which, they say, has been aggressively lobbying the government ministries and the Office of Fair Trading to put pressure on the Japanese by blocking their entry into the gilt-edged market. BZW, and another UK firm, James Capel, have been denied membership of

the Tokyo Stock Exchange, supposedly because of lack of space.

BZW however denied last night that it had lobbied the Government to ban the Japanese firms from the gilt-edged market.

The final suspect is the Department of Trade and Industry which has also been actively lobbying the Japanese for greater access to their markets. Under the Financial Services Act, it has the power to restrict the activities of any foreign firm from a restrictive home country.

The DTI said last night: "You should not assume that there are precise links between getting access in one area of one market and another area of the other."

From: SIR PETER MIDDLETON

Date: 20 May 1988

Ch/ See also separate note from Parliamentary behind on question of who should field this for us in Lords

CHANCELLOR

cc Sir G Littler
Mr Scholar
Mrs Lomax
Mr Ilett

Agreed v. Mpr 20/5

GEMMS

I have spoken to the Deputy Governor and Sir Brian Hayes about this and about the way in which we should tackle the PQ put down by Lord Bruce Gardyne.

2. There are three main considerations.

(a) we cannot use the reciprocity provisions in this case, but even if we could we should not wish to do so;

(b) second, the Prime Minister was quite explicit with Mr Takeshita about delays in handling Japanese applications if there continued to be delays in Tokyo (see attached);

(c) The Bank, with our agreement, were quite explicit with Nomura and Daiwa

3. *Any* approach which says that this is a matter for the Bank is likely to prove difficult because if that is the case the Bank will wish to go ahead as they promised. Any approach which puts the sole responsibility on the Government is clearly equally difficult. So we need to find an approach which produces the necessary delay without putting anyone on the spot and without damaging London's financial status in a broad way.

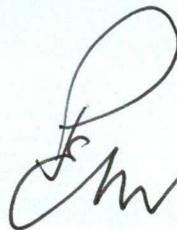
4. We need to do what we originally suggested: act a bit like the Japanese. I should answer the PQ on the following lines.

"This is one of a number of issues which are being considered."

If asked when a decision will be made, the answer would be when we have finished considering these issues. If asked who decides, we can say some issues are for the Government and some are for the Bank, but they have to be looked at together. I think such an approach would be acceptable to all parties, and is compatible with the positions which they have taken up. We should not need to write letters to anybody about anything. And we should not need to speak to Lord Bruce Gardyne - a course which I consider to be very undesirable.

5. If you are content with this officials could firm up the form of words.

6. This of course only puts the matter off. I share the doubts of those who question whether it is wise to deny the Japanese GEMM status for too long - though I think delay is perfectly reasonable for now. From what I know of BZW, they are at least as interested in keeping the Japanese out of the gilt market as they are in operating in Japan, and I do not think we should allow them to determine what is in the wider interest of London.



P E MIDDLETON

Methods should be mechanised so that the space constraints were no longer a problem. He accepted that the system must be changed and repeated that he would take a great personal interest in the matter. The Prime Minister said that she would expect no less. Meanwhile, Mr. Takeshita must expect to see delays in the handling of applications by Japanese firms in London, to match the way in which British firms were treated in Tokyo. She did not at all like having to say this. It went quite against our nature which was to be open and welcoming to business from abroad. But she simply could not justify treating Japanese firms fairly in London while there was discrimination against British firms in Tokyo.

Tax on Whisky

The Prime Minister continued that there was another difficult issue to discuss, that of discriminatory taxation on whisky. She had talked to several of Mr. Takeshita's predecessors about this problem. They had originally claimed there was no discrimination but we had always known that there was. When we had failed to get satisfaction as a result of our private representations, we had no alternative but to ask the European Community to seek redress under the GATT. The GATT had delivered a clear report, namely that all like spirits should be taxed on a non-discriminatory basis; and that all competing spirits should be taxed on a basis under which any discriminatory effect in favour of domestic products was no more than de minimis. We took the view that it would be unthinkable for Japan to fail to implement the conclusions of this GATT report in full. Anything else would strike at the very root of our trade relations.

The Prime Minister continued that the Japanese had recently made various proposals which went some way to meet our requirements, but not far enough. The main outstanding problem was that the differential between whisky and shochu was too high, at about 40:1. She would therefore like to propose to Mr. Takeshita that the tax on whisky should be set at 1000 yen, while the tax on shochu should be doubled. This would still leave a differential of 10:1 and we would want a clear commitment from the Japanese to reduce this further over a period of time, with arrangements for monitoring that it was actually happening. Such a solution would indicate a clear determination on Japan's part to implement the GATT ruling. She appreciated that this would be a difficult step for Japan. But we had had to take many difficult steps ourselves, and it would transform our relations to get this problem out of the way. She returned once more to the wider point that only if GATT rulings were observed strictly could the organisation play an effective part in solving world trade problems.

Mr. Takeshita said that he knew what the Prime Minister meant. A policy decision had already been taken to abolish the grading system for whisky. As for shochu, it was important to understand first what it was. It was a substitute for sake made in the south of Japan by poor peasants. It was therefore basically a regional drink with many small producers, who were in general supporters of his



Parliamentary Clerk

PS/Chancellor

The Lord fielding the Jay oral question on 7 June on interest rates has not been fixed. Lord Young is fielding two other oral questions (not Treasury) on 7 June, so in principle he could field this one. Lord Brabazon could also field it, as he is free that day. Therefore, who we approach to field this one is subject to the Chancellor's views.

passed on
20/5/

LTS might
start a loan
people, who is
pans. insurable
m



FROM: Assistant Parliamentary Clerk
DATE: 20 May 1988

01-270 5007

PS/CHANCELLOR

cc PS/Chief Secretary
 PS/Financial Secretary
 PS/Paymaster General
 PS/Economic Secretary
 Mr Pickford
 Mr Allen
 Mr Dyer

FORTHCOMING TREASURY BUSINESS IN THE HOUSE OF LORDS

You may wish to be aware of the following current forthcoming Treasury business in the Lords:

ORAL QUESTIONS

Wednesday 25 May Lord Bruce-Gardyne - To ask Her Majesty's Government on what grounds they have withheld permission for NOMURA and DAIWA to commence trading in London as gilt-edge market makers.

Government Spokesman: Lord Young. FIM2 (HMT) in the lead.

Tuesday 7 June Lord Jay - To ask Her Majesty's Government whether they will take steps to ensure a reduction in interest rates.

Government Spokesman: To be agreed. MG (HMT) in the lead.

TREASURY INTEREST BUSINESS

ORAL QUESTIONS

Monday 6 June Lord Bruce-Gardyne - To ask Her Majesty's Government what requests have been received from British Aerospace plc for additional support from the taxpayer and for exchange rate guarantees in connection with their participation in the Airbus project; and what reply has been given.

Government Spokesman: Lord Young. DTI in the lead.

C L Wallis
 C L WALLIS



FROM: A C S ALLAN

DATE: 23 May 1988

pay

PS/CHIEF SECRETARY

cc Mr Anson
Mr Phillips
Miss Peirson
Mr Culpin
Mr McIntyre
Mr Ramsden
Mr Mace - IR

CHILD BENEFIT: MR NICHOLAS BENNETT'S PQ

The Chancellor has seen Mr McIntyre's note of 23 May. He feels we must stick to Option (a) offered by Mr Ramsden: it would be folly to go any further than the Prime Minister has gone.

A large, stylized handwritten signature in black ink, appearing to read 'ACSA'.

A C S ALLAN

FROM: J P MCINTYRE
DATE: 23 MAY 1988

CHIEF SECRETARY

cc **Chancellor**
Mr Anson
Mr Phillips
Miss Peirson
Mr Culpin
Mr Ramsden

Mr Mace (IR)

Ch
Surely we must keep
the tax option open?
for the PM has
no

CHILD BENEFIT: MR NICHOLAS BENNETT'S PQ

Mr Bennett's Written Question on the taxation of child benefit is down for Answer by Thursday at the latest. Mr Ramsden's note below offers two alternative draft replies, and discusses their merits.

2. Before the PM's response to Mr Cartwright at Question Time on 17 May, we would probably have recommended you to reply that the future of child benefit was being kept under review, because of its large cost and un-targeted nature. This would have been in line with statements which DHSS Ministers had been making. However, you may feel that in the light of what the PM has said, this kind of reply now has to be ruled out.

3. Similarly, the very general and noncommittal formula often used in response to tax questions (the Member's point is noted and, like all tax matters, this is kept under review) would seem inappropriate.

4. As Mr Ramsden says, it would be possible to leave slightly open the taxation option by simply referring back to the PM's response to Mr Cartwright. But this may only lead to further Questions attempting to pin you down on whether taxation is a possibility. (The Chancellor may himself be questioned on this issue at the Conservative Women's conference tomorrow.) Denying that there are any present plans to tax child benefit might be a more effective means of quietening the issue (though of course

DHSS Ministers might well face similar questions on other reform options.) And, on balance, we think this would be the best Answer.

5. I suggest that, when the terms of the Answer have been settled, your office tells Mr Moore's office what you intend to say.

Jm

J P MCINTYRE

PRIORITY WRITTEN

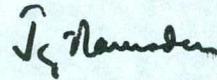
Con -

*MR NICHOLAS BENNETT: To ask the Chancellor of the Exchequer, what consideration has been given to the taxation of Child Benefit; and if he will make a statement.

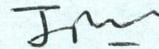
DRAFT REPLY

~~option a:~~ I refer the hon Gentleman to the reply which my right hon Friend the Prime Minister gave the hon Member for Woolwich (Mr Cartwright) on 17 May (OR 798).

~~option b:~~ I have no present plans to tax child benefit.



J C J RAMSDEN
X 5053



J P MCINTYRE
X 4799

23/5/88

BACKGROUND NOTES

1. Mr Bennett has put down two other PQs (Nos 113 and 114 on 18 May) to ask how much revenue would be raised by taxing CB, the amount this would represent in terms of a reduction in the standard rate of income tax, and the amount of CB going to families in a range of different income bands. The IR is preparing draft answers to these.

2. DHSS Ministers have for some time been preparing the way, in their public answers on CB, for possible changes to it. The attached annexe shows how the public line has evolved between 1985 and 1987. On 14 March Mr Scott refused to give the House an assurance that the manifesto commitment on CB would not be diluted within the life of this Parliament. He said:

"A benefit of that sort and scale must be under constant review".

(OR 14 March col 943 - copy attached)

The pro-CB lobby immediately began to probe. There were newspaper stories that CB was again under review. On 17 May the Prime Minister was challenged on CB at question time. Mr Cartwright asked her to deny press reports that CB "is to be cut, taxed, frozen, or abolished". The PM said in reply:

"I agree with the hon Gentleman that the manifesto clearly stated: "Child Benefit will continue to be paid as now, and direct to the mother." That commitment will be honoured".

(OR col 798 - copy attached)

3. Taxing CB is one of the options put to Ministers in the current review of CB, but that does not yet amount to Ministers "giving consideration" to the taxation of CB. The Government has not admitted to any specific review of CB. Doing so would have the lobby up in arms straight away.

Option a:

4. Option a, a reference to the PM's answer, plays safe. If the lobby detect an attempt to claw back room for manoeuvre, eg with a formula about "keeping tax matters under review as a matter of course", they could well question the PM again and perhaps secure a really unequivocal reply. As it is, her words are not inconsistent, on a strict construction, with taxing (or freezing) CB. And they remain on the record, whatever is said in answer to this PQ. Option a would at least hold the line at the PM's answer until passions have cooled.

5. But option a has disadvantages too. DHSS would prefer to avoid it because it might contribute towards a general impression that no action on CB was possible in this Parliament - either on taxing it or on changing its structure.

Option b:

6. Option b has the attraction of killing Mr Bennett's question on tax, without giving any hostages to fortune on the other possibilities which have been under review. But it would make it hard to announce plans to tax CB this Autumn, should Ministers subsequently want to do so. It effectively rules out taxing CB for this year at least.

Conclusion.

7. In presentational terms option b seems the more attractive, but option a would arguably keep the door to taxing CB just about open, if Ministers wanted to do so, without fanning the suspicions of the CB lobby once more.

8. DHSS officials believe that their Ministers would be content with option b, but have asked if Mr Moore's private office (who are aware of this PQ) could be consulted.



FROM: Deputy Parliamentary Clerk
DATE: 26 May 1988

01-270 5006

CHANCELLOR

TREASURY FIRST ORDER QUESTIONS - THURSDAY 16 JUNE 1988

I attach for your consideration a proposed allocation of the Questions tabled for Oral answer on Thursday 16 June between yourself, the Chief Secretary, the Financial Secretary and the Economic Secretary.

A number of the questions, because they have not been placed in a macro-economic or overall fiscal context, are strictly the responsibility of other Departmental Ministers. Consequently, Department of Employment would like us to transfer questions 4, 8, 14, 22, 69, 76, 83⁸⁵ and 90 relating to unemployment statistics, wage settlements and tourism; Department of Trade and Industry, questions 13, 106 and 117 on company profitability and Department of Transport, question 87 on 'road fund tax' for coaches. Are you content for these questions to be transferred?

NO - we should keep 4, 8 and 13 (to ~~go~~ 22 for safety). Can let others go!

Out of the first sixteen and the first twenty Questions - not sought for transfer - the allocation of each Minister is:

	1st 16	1st 20
Chancellor	5	5
Chief Secretary	4	4
Financial Secretary	4	6
Economic Secretary	3	5

I agree

*A few changes.
2. For Loan EST Pat.
on the light gears
mean all time,
I mean with 6
transfer 3*

Richard Savage

RICHARD SAVAGE

*12 x 15 -
both from archd -
shd cover that.*

1	La	Mr Tom Clarke (Monklands West): To ask Mr Chancellor of the Exchequer, what is his policy on income and wealth distribution in the light of the Church of Scotland study entitled Just Sharing, a copy of which has been sent to him.	MR S DAVIES MPI	CST CLEx
2	La	Mr Dave Nellist (Coventry South East): To ask Mr Chancellor of the Exchequer, by how much the gross pre-tax incomes of the top 5 per cent. of taxpayers have risen from 1978-79 to 1987-88; and if he will make a statement.	IR	FST
3	La	Mr Eric Martlew (Carlisle): To ask Mr Chancellor of the Exchequer, if he will make a statement regarding the rise in the Dm-£ sterling exchange rate since the beginning of 1988 and its effects on British industry.	MISS M O'MARA MG1 CCEAZ/MPI	C/Ex C/Ex
4	C	Mr Mark Wolfson (Sevenoaks): To ask Mr Chancellor of the Exchequer, what was the fall in long term unemployment in the year to January 1988.	? Transfer	FST CST
5	C	Mr Neil Hamilton (Tatton): To ask Mr Chancellor of the Exchequer, what has been the effect of the income tax cuts since 1979 on the living standard of a married man on half average earnings with two children.	MR C RILEY ETS	FST
6	La	Hilary Armstrong (North West Durham): To ask Mr Chancellor of the Exchequer, how many officials of his Department are responsible for monitoring: (a) the social security budget, and (b) other Department of Health and Social Security services. <i>responsibility by</i>	MISS M ARSON ST	✓ CST
7	C	Mr Patrick McLoughlin (West Derbyshire): To ask Mr Chancellor of the Exchequer, how many new jobs have been created in the economy since 1983.	MRS S AICKFORD EB	FST C/Ex
8	C	Mr James Cran (Beverley): To ask Mr Chancellor of the Exchequer, how wage rate settlements for the last 12 months for which figures are available compare with those for the preceding twelve months; and what is the underlying trend.	? Transfer	FST FST
9	C	Mr Jim Lester (Broxtowe): To ask Mr Chancellor of the Exchequer, if he will make a further statement on progress towards setting up the International Monetary Fund Enhanced Structural Adjustment Facility.	MR H WASH IFI	C/Ex FST
10	La	Mr Jimmy Hood (Clydesdale): To ask Mr Chancellor of the Exchequer, if he will make a further statement on progress within the European Community with regard to the harmonisation of value-added tax and excise duties.	C+E CCFP	✓ EST
11	C	Mr David Evans (Welwyn, Hatfield): To ask Mr Chancellor of the Exchequer, what has been the growth of economic output over the latest 12 month period for which figures are available.	MR J HIBBERD EAI	C/Ex +18
12	C	Mr Anthony Beaumont-Dark (Birmingham, Selly Oak): To ask Mr Chancellor of the Exchequer, what recent assessment he has made of the effectiveness of his policy towards the sterling exchange rate.	MISS M O'MARA MG1	C/Ex EST
13	C	Mr Richard Page (South West Hertfordshire): To ask Mr Chancellor of the Exchequer, what was the rise in non-North Sea company profitability in 1987.	? Transfer	FST
14	C	Mr Tony Speller (North Devon): To ask Mr Chancellor of the Exchequer, what estimates he has in sterling equivalent of the amount: (a) spent in the United Kingdom by foreign tourists, and (b) spent overseas by British tourists.	✓ Transfer	
15	La	Mr Calum Macdonald (Western Isles): To ask Mr Chancellor of the Exchequer, if he will make a statement regarding the effect of the recent appreciation of the value of the pound on the current account of the United Kingdom balance of payments.	MR J HIBBERD EAI2 CCMPI	EST
16	La	Mr Alun Michael (Cardiff South and Penarth): To ask Mr Chancellor of the Exchequer, what weight he gives to the effect of benefit withdrawals when assessing marginal tax rates.	MR C RILEY ETS CCFP	CST FST
17	C	Mr Bowen Wells (Hertford and Bishops Stortford): To ask Mr Chancellor of the Exchequer, when he next expects to discuss with other Finance Ministers his proposals on Sub-Saharan African debt.	MR H WASH IFI CCMPI	C/Ex
18	C	Dr Ian Twinn (Edmonton): To ask Mr Chancellor of the Exchequer, what has been the growth of economic output over the latest 12 month period for which figures are available.	MR J HIBBERD EAI	C/Ex FST +11

19	C	Mr David Heathcoat-Amory (Wells): To ask Mr Chancellor of the Exchequer, what is the cost of administering and collecting income tax expressed as a percentage of the revenue raised; and what information he has on the comparable figure in the United States of America.	IR	FST
20	C	Mr David Nicholson (Taunton): To ask Mr Chancellor of the Exchequer, what is the current United Kingdom volume share of world trade in manufactures.	MR J HIBBERD GAZ	EST CST X10
21	C	Mr Michael Latham (Rutland and Melton): To ask Mr Chancellor of the Exchequer, whether he will make a statement on inflationary pressures within the economy; and what action he envisages in that regard.	MR S DAVES MPI CC GA1	CH EST
22	C	Mr Tim Smith (Beaconsfield): To ask Mr Chancellor of the Exchequer, what was the fall in long term unemployment in the year to January 1988.	? Transfer	CST
23	La	Mr Dennis Canavan (Falkirk West): To ask Mr Chancellor of the Exchequer, what is his latest estimate of the number of people who will gain as a result of the abolition of the higher rate of income tax.	IR	FST
24	La	Mr Dennis Skinner (Bolsover): To ask Mr Chancellor of the Exchequer, when he next intends to meet other finance ministers to discuss world debt; and if he will make a statement.	MR H WASH IFI	EST
25	La	Ms Joy Quin (Gateshead East): To ask Mr Chancellor of the Exchequer, what is the average post-tax income now received by the wealthiest 2 per cent of taxpayers.	IR	FST EST
26	C	Mr David Atkinson (Bournemouth East): To ask Mr Chancellor of the Exchequer, if he will make a statement about the current rate of inflation.	MR J HIBBERD GA1 CC PAY1	EST
27	La	Mr Tam Dalyell (Linlithgow): To ask Mr Chancellor of the Exchequer, if he will make a statement on the efficiency of current promotion procedures within the Civil Service.	MR G JORDAN PMR	CST
28	C	Mr Andrew Mackay (East Berkshire): To ask Mr Chancellor of the Exchequer, if he will make a statement on the current level of inflation.	MR J HIBBERD GA1 CC PAY1	EST
29	C	Mr Graham Riddick (Colne Valley): To ask Mr Chancellor of the Exchequer, what assessment he has made of the effect on the labour market in the North of recent economic trends.	MR J HIBBERD GA1 CEB	CST
30	C	Mr James Arbuthnot (Wanstead and Woodford): To ask Mr Chancellor of the Exchequer, what has been the effect of the income tax cuts since 1979 on the living standards of a married man on half average earnings with two children.	MR C RILEY ETS	FST
31	La	Mr Dennis Turner (Wolverhampton South East): To ask the Chancellor of the Exchequer, how many officials of his Department are responsible for monitoring: (a) the social security budget, and (b) other Department of Health and Social security services. <i>Expenditure by</i>	MISS M PERSON ST	CST
32	C	Mr David Amess (Basildon): To ask the Chancellor of the Exchequer, what representations he has received seeking zero-rating for hospital radio broadcasting equipment; what response he has made; and if he will make a statement.	C+E	EST
33	La	Marjorie Mowlam (Redcar): To ask the Chancellor of the Exchequer, what is the average post-tax income now received by the wealthiest 2 per cent. of taxpayers.	IR	FST
34	La	Mr Tony Banks (Newham North West): To ask the Chancellor of the Exchequer, what is his estimate of the impact on the extent of poverty in the United Kingdom of public expenditure decisions taken by the Government since 1979.	MR J MACANAN GEP1	CST
35	La	Mr David Clelland (Tyne Bridge): To ask the Chancellor of the Exchequer, what is his estimate of the share of income taken in tax and national insurance from a single man earning: (a) £100,000 a year and (b) £10,000 a year.	IR	FST
36	La	Mr Bernie Grant (Tottenham): To ask the Chancellor of the Exchequer, if he will make a statement regarding the rise in the Dm-£ Sterling exchange rate since the beginning of 1988 and its effects on British industry.	MISS M O'MARA MG1 CC GA2/MA	EST

37	C	Mr Martin Brandon Bravo (Nottingham South): To ask the Chancellor of the Exchequer, what was the rise in the Tax and Prices Index in the 12 months to April.	MR J HIBBERD EAI CL MAYI	EST
38	La	Mr Thomas Graham (Renfrew West and Inverclyde): To ask the Chancellor of the Exchequer, what will be the gain to a man earning £1 million a year who also inherits £1 million in the 1988-89 tax year as a result of the changes made in the Finance (No. 2) Bill.	IR	FST
39	SLD	Mr Simon Hughes (Southwark and Brompton): To ask the Chancellor of the Exchequer, what was the rate of growth in consumer credit over the past year; and if he will make a statement.	MISS MO'HEAR MGI	EST
40	La	Mr Graham Allen (Nottingham North): To ask the Chancellor of the Exchequer, what is the average tax burden on a married couple with two children under 16 years in 1978-79; and what will it be in 1988-89.	MR C RILEY ETS	FST
41	C	Mr Timothy Wood (Stevenage): To ask Mr Chancellor of the Exchequer, what is the current United Kingdom volume share of world trade in manufactures.	MR J. HIBBERD EA2	CST
42	La	Mr John Battle (Leeds): To ask Mr Chancellor of the Exchequer, if he will make it his policy to publish at the time of his budget statement a full study of the redistributive effects on the taxation changes he is introducing.	MR J GILMOUR FP	FST
43	C	Mr Michael Jack (Fylde): To ask Mr Chancellor of the Exchequer, what assessment he has made of the effect of successive budget changes on investment in manufacturing industry in the North.	MR S DAVIES MPI	CST
44	La	Mr Robert N. Wareing (Liverpool, West Derby): To ask Mr Chancellor of the Exchequer, what has been the average increase in income of the poorest 5 per cent. of people in the United Kingdom since 1979; and what has been the average increase in income of the wealthiest 5 per cent.	CSD Resp. HMT Div. ETS	CST
45	C	Mr John Butterfill (Bournemouth West): To ask Mr Chancellor of the Exchequer, what is his latest forecast of the Budget surplus for 1988-89.	MR C MOWL PSF	CST
46	C	Mr Chris Butler (Warrington South): To ask Mr Chancellor of the Exchequer, what is his latest forecast for business investment in 1988.	MR J HIBBERD EAI	CST
47	C	Mr Nicholas Soames (Crawley): To ask Mr Chancellor of the Exchequer, what assessment he has made of the effect of successive budget changes on investment in manufacturing industry in the regions.	MR S DAVIES MPI	CST
48	C	Mr William Powell (Corby): To ask Mr Chancellor of the Exchequer, what is the current United Kingdom volume share of world trade in manufactures.	MR J. HIBBERD EA2	CST
49	La	Joan Ruddock (Lewisham, Deptford): To ask Mr Chancellor of the Exchequer, what proportion of public expenditure was devoted to: (a) housing, (b) education and (c) health in 1979 and in 1987.	MRS ROUTER GEP3	CST
50	La	Mr Nigel Griffiths (Edinburgh South): To ask Mr Chancellor of the Exchequer, what is the average share of post-tax income now received by the wealthiest one per cent. of tax payers.	IR	FST
51	La	Mr Doug Henderson (Newcastle upon Tyne North): To ask Mr Chancellor of the Exchequer, what will be the gain to a man earning £1 million a year who also inherits £1 million in the 1988-89 tax year as a result of the changes introduced in the Finance (No. 2) Bill.	IR	FST
52	C	Mr John Watts (Slough): To ask Mr Chancellor of the Exchequer, what has been the effect of the income tax cuts since 1979 on the living standard of a married man on average earnings with two children.	MR C RILEY ETS	FST
53	C	Mr Jonathan Sayeed (Bristol East): To ask Mr Chancellor of the Exchequer, what has been the growth of manufacturing productivity in the United Kingdom economy since 1980.	MR J HIBBERD GAI	CST
54	C	Mr Tim Yeo (South Suffolk): To ask Mr Chancellor of the Exchequer, what is his latest forecast of the Budget surplus for 1988-89.	MR C MOWL PSF	CST

55	La	Mr Harry Cohen (Leyton): To ask Mr Chancellor of the Exchequer, what is his estimate of the employment effect of: (a) reducing the income tax take from higher-rate payers by £2 billion in a full year, (b) reducing the income tax take for standard rate payers by £2 billion in a full year and (c) increasing by £2 billion the resources of the National Health Service.	MR C MCGWISS MP2	CST
56	La	Mr George Howarth (Knowsley North): To ask Mr Chancellor of the Exchequer, what mechanisms are available to him to effect alterations in the exchange rate.	MISS M O'MARA MG1	EST
57	C	Mrs Virginia Bottomley (South West Surrey): To ask Mr Chancellor of the Exchequer, if he will identify the benefits to: (a) single men and (b) married men with two children as a result of changes in taxation since 1979.	MR C RILEY ETS	FST
58	La	Mr Win Griffiths (Bridgend): To ask Mr Chancellor of the Exchequer, if he will make a statement regarding the rise in the Dm-£ Sterling exchange rate since the beginning of 1988 and its effects on British industry.	MISS M O'MARA MG1 C GAZIMPI	EST
59	C	Mr Charles Wardle (Bexhill and Battle): To ask Mr Chancellor of the Exchequer, how many new jobs have been created in the economy since 1983.	MR S PITCHFORD EB	CST
60	La	Mr Ron Brown (Edinburgh, Leith): To ask Mr Chancellor of the Exchequer, what is the current value of the 1979 pound; and if he will make a statement.	MISS M O'MARA MG1	EST
61	C	Mr Quentin Davies (Stamford and Spalding): To ask Mr Chancellor of the Exchequer, what has been the annual growth of productivity for the whole economy since 1980.	MR J HIBBERD GA1	CST
62	C	Mr Tom Sackville (Bolton West): To ask Mr Chancellor of the Exchequer, what was the growth of real personal disposable income in 1987.	MR J HIBBERD GA1	FST
63	La	Mr John Cummings (Easington): To ask Mr Chancellor of the Exchequer, what is his estimate of the share of income taken in tax and national insurance from a single man earning: (a) £100,000 a year and (b) £10,000 a year.	IR	FST
64	La	Mr Gavin Strang (Edinburgh East): To ask Mr Chancellor of the Exchequer, what is his latest estimate of the level of investment by United Kingdom manufacturing industry in 1987-88.	MR J HIBBERD GA1	CST
65	C	Mr Matthew Carrington (Fulham): To ask Mr Chancellor of the Exchequer, what has been the average level of retail price inflation over the past five years.	MR J. HIBBERD GA1 C AM1	EST
66	La	Mr John Evans (St. Helens North): To ask Mr Chancellor of the Exchequer, what plans his Department has to assist the economic development of Merseyside.	MR M WALLER IAE2	CST
67	C	Mr Tim Boswell (Daventry): To ask Mr Chancellor of the Exchequer, what was the growth of real disposable income in 1987.	MR J. HIBBERD GA1	FST
68	C	Mr Hugo Summerson (Walthamstow): To ask Mr Chancellor of the Exchequer, what has been the effect of the income tax cuts since 1979 on the living standard of a married man on average earnings with two children.	MR C RILEY ETS	FST
69	C	Mr John Bowis (Battersea): To ask Mr Chancellor of the Exchequer, what has been the fall in adult unemployment over the past 12 months.	? Transfer	
70	C	Mr Gerald Howarth (Cannock and Burntwood): To ask Mr Chancellor of the Exchequer, what has been the growth of manufacturing productivity in the United Kingdom economy since 1980.	MR S MATTHEWS IF2	CST
71	La	Mr Tony Lloyd (Stretford): To ask Mr Chancellor of the Exchequer, if he will make a statement on the differential impact and government policy on economic development in the regions.	MR M WALLER IAE2	CST
72	C	Mr Harry Greenway (Ealing North): To ask Mr Chancellor of the Exchequer, if he will estimate the income tax remitted to taxpayers at all levels since 1979; and if he will make a statement.	IR	FST

73	La	Mr Ronnie Campbell (Blythe Valley): To ask Mr Chancellor of the Exchequer, how many officials of his Department are responsible for monitoring: (a) the social security budget, and (b) other Department's of Health and Social Services.	MISS M PERKIN ST	PMG
74	C	Mr David Martin (Portsmouth South): To ask Mr Chancellor of the Exchequer, what was the rise in the Tax and Prices Index in the 12 months to April 1988.	MR J. HIBBERD GA1 CC PA11	EST
75	C	Mr Jeremy Hanley (Richmond and Barnes): To ask Mr Chancellor of the Exchequer, how many new jobs have been created in the economy since 1983.	MR SALKFORD EO	CST
76	C	Ann Widdecombe (Maidstone): To ask Mr Chancellor of the Exchequer, what has been the fall in adult unemployment over the past 12 months.	? Transfer	
77	La	Mr Thomas McAvoy (Glasgow, Rutherglen): To ask Mr Chancellor of the Exchequer, what representations he has received on the redistributive impact of his budget changes.	MR J. GILMOLLY FP	FST
78	La	Mr Alistar A. Darling (Edinburgh Central): To ask Mr Chancellor of the Exchequer, what is the average share of post tax income now received by the wealthiest one per cent. of tax payers.	IR	FST
79	C	Mr David Shaw (Dover): To ask Mr Chancellor of the Exchequer, what is his latest forecast for business investment in 1988.	MR J. HIBBERD GA1	CST
80	SLD	Mr Matthew Taylor (Truro): To ask Mr Chancellor of the Exchequer, if he will make a statement concerning the decision of the Inland Revenue to cease the practice of enclosing pre paid envelopes in correspondence with taxpayers.	IR	FST
81	C	Mr Ian Taylor (Esher): To ask Mr Chancellor of the Exchequer, what is his latest forecast for business investment in 1988.	MR J. HIBBERD GA1	CST
82	C	Mr Peter Thurnham (Bolton North East): To ask Mr Chancellor of the Exchequer, if he will make a statement about manufacturing output during the last 12 months for which figures are available.	MR J. HIBBERD GA1	CST
83	C	Mr Mike Woodcock (Ellesmere Port and Neston): To ask Mr Chancellor of the Exchequer, what was the fall in long term unemployment in the year to January 1988.	? Transfer	
84	La	Mr John McFall (Dumbarton): To ask Mr Chancellor of the Exchequer, what representations he has received on the redistributive impact of his Budget changes.	MR J. GILMOLLY FP	FST
85	C	Mr Andrew Mitchell (Gedling): To ask Mr Chancellor of the Exchequer, what was the fall in long term unemployment in the year to January 1988.	? Transfer	
86	C	Mr Patrick Thompson (Norwich North): To ask Mr Chancellor of the Exchequer, what has been the average level of retail price inflation over the past five years.	MR J. HIBBERD GA1 CC PA11	EST
87	C	Mr Robert Adley (Christchurch): To ask Mr Chancellor of the Exchequer, if he will seek to increase the road fund tax on a 53-seat coach from £85 to £850.	? Transfer	
88	C	Mr Michael Fallon (Darlington): To ask Mr Chancellor of the Exchequer, what has been the annual growth of productivity for the whole economy since 1980.	MR J. HIBBERD GA1	CST
89	C	Mr Andrew Stewart (Sherwood): To ask Mr Chancellor of the Exchequer, what has been the effect of the income tax cuts since 1979 on the living standard of a married man on average earnings with two children.	MR C. RILEY ETS	FST
90	C	Mrs Gillian Shephard (South West Norfolk): To ask Mr Chancellor of the Exchequer, what has been the fall in adult unemployment over the past 12 months.	? Transfer	
91	C	Mr John Greenway (Ryedale): To ask Mr Chancellor of the Exchequer, what has been the growth of manufacturing productivity in the United Kingdom economy since 1980.	MR J. HIBBERD GA1	CST
92	La	Mr Ernie Ross (Dundee West): To ask Mr Chancellor of the Exchequer, if he will make a statement regarding the effect of the recent appreciation of the value of the pound on the current account of the United Kingdom balance of payments.	MR J. HIBBERD GA1	CST

93	La	Mr Jimmy Dunnachie (Glasgow, Pollok): To ask Mr Chancellor of the Exchequer, if he will make a further statement on progress within the European Community with regard to the harmonisation of value-added tax and excise duties.	CTE	EST
94	C	Mr Spencer Batiste (Elmet): To ask Mr Chancellor of the Exchequer, what is his latest forecast of the Budget surplus for 1988-89.	MR C MAWLE PSF	CST
95	La	Mr Harry Barnes (Derbyshire North East): To ask Mr Chancellor of the Exchequer, if he will make a statement regarding the economic effects of further appreciation of the £ against the Deutschemark.	MISS M O'MARA MG1 CC EA 2(MP)	EST
96	C	Mr Lewis Stevens (Nuneaton): To ask Mr Chancellor of the Exchequer, what assessment he has made of the effect on the labour market in the regions of recent economic trends.	MR J. HIBBERD GAI	CST
97	La	Dr John Reid (Motherwell North): To ask Mr Chancellor of the Exchequer, if he will make it his policy to publish at the time of his Budget statement a full study of the redistributive effects on the taxation changes he is introducing.	MR J. GILHOOLY FP	FST
98	La	Mr Elliot Morley (Glanford and Scunthorpe): To ask Mr Chancellor of the Exchequer, if he will make a further statement on progress within the European Community with regard to the harmonisation of value-added tax and excise duties.	CTE	EST
99	SD	Mr Henry McLeish (Fife Central): To ask Mr Chancellor of the Exchequer, what representations he has received on the redistributive impact of his budget changes.	MR J. GILHOOLY FP	FST
100	C	Mr Kenneth Hind (West Lancashire): To ask Mr Chancellor of the Exchequer, what was the rise in the Tax and Prices Index in the 12 months to April 1988.	MR J. HIBBERD GAI CC AM1	EST
101	C	Sir John Farr (Harborough): To ask Mr Chancellor of the Exchequer, if he will make a statement on the current level of wage inflation.	MR J. HIBBERD GAI CC AM1	EST
102	La	Maria Fyfe (Glasgow, Maryhill): To ask Mr Chancellor of the Exchequer, what is his policy on income and wealth distribution in the light of the Church of Scotland study entitled Just Sharing, a copy of which has been sent to him.	MR S DAVES MPI	FST
103	La	Dr Lewis Moonie (Kirkcaldy): To ask Mr Chancellor of the Exchequer, when he next expects the harmonisation of value-added tax and excise duties to be discussed at the Council of Ministers.	CTE	EST
104	La	Mr A. E. P. Duffy (Sheffield, Attercliffe): To ask Mr Chancellor of the Exchequer, if he will make a statement on the current level of interest rates.	MISS M O'MARA MG1	EST
105	C	Mr James Paice (South East Cambridgeshire): To ask Mr Chancellor of the Exchequer, what was the growth of real personal disposable income in 1987.	MR J. HIBBERD GAI	FST
106	C	Mr Simon Coombs (Swindon): To ask Mr Chancellor of the Exchequer, what was the rise in non-North Sea company profitability in 1987.	? Transfer	
107	C	Mr Timothy Kirkhope (Leeds North East): To ask Mr Chancellor of the Exchequer, what assessment he has made of the effect of successive budget changes on investment in manufacturing industry in the North.	MR S DAVES MPI	FST
108	C	Mr David Evennett (Erith and Crayford): To ask Mr Chancellor of the Exchequer, what has been the effect of the income tax cuts since 1979 on the living standard of a married man on half average earnings with two children.	MR C RILEY ETS	FST
109	C	Mr Phillip Oppenheim (Amber Valley): To ask Mr Chancellor of the Exchequer, when he last met the Governor of the Bank of England; and what matters were discussed.	MRS G NOBLE FMI	EST
110	C	Mr Barry Field (Isle of Wight): To ask Mr Chancellor of the Exchequer, what proposals are being made to the European Commission on taxation on tourists, in the light of the introduction of the European Single Market; and what representations he has received seeking a tourism or landing tax in the United Kingdom.	CTE	EST

111	La	Mr Gerry Steinberg (City of Durham): To ask Mr Chancellor of the Exchequer, what is the average post-tax income now received by the wealthiest 2 per cent. of taxpayers.	IR	FST
112	C	Mr Anthony Coombs (Wyre Forest): To ask Mr Chancellor of the Exchequer, when he last attended the National Economic Development Council; and what matters were discussed.	MR T. BURR 1A63	CST
113	La	Mr Frank Doran (Aberdeen South): To ask Mr Chancellor of the Exchequer, if he will make a statement regarding the effect of the recent appreciation of the value of the pound on the current account of the United Kingdom balance of payments.	MR J. HIBBERD EA2 CC MP1	CST
114	C	Mr Robert McCrindle (Brentwood and Ongar): To ask Mr Chancellor of the Exchequer, if he will indicate the rate at which business activity is currently expanding in the United Kingdom; and if he has any evidence of developing bottlenecks.	MR J. HIBBERD EA1	CST
115	La	Mr Ted Garrett (Wallsend): To ask Mr Chancellor of the Exchequer, what is his estimate of the share of income taken in tax and national insurance from a single man earning: (a) £100,000 a year, and (b) £10,000 a year.	IR	FST
116	C	Mr Sydney Chapman (Chipping Barnet): To ask Mr Chancellor of the Exchequer, what is his latest estimate of total Government revenue in 1988-1989; and if he will make a statement.	MR C MOWL PSF	CST
117	C	Mr William Cash (Stafford): To ask Mr Chancellor of the Exchequer, what was the rise in non-North Sea company profitability in 1987.	? Transfer	
118	C	Mr Jacques Arnold (Gravesham): To ask Mr Chancellor of the Exchequer, what has been the average level of retail price inflation over the past five years.	MR J. HIBBERD GM CC PAW1	EST
119	La	Mr Brian Wilson (Cunninghame North): To ask Mr Chancellor of the Exchequer, if he will make a statement on the recent reductions in United Kingdom interest rates.	MR M O'MARA MS1	EST
120	La	Mr Andrew Smith (Oxford East): To ask Mr Chancellor of the Exchequer, what is the average share of post-tax income now received by the wealthiest 1 per cent. of taxpayers.	IR	FST
121	La	Mr Mark Fisher (Stoke on Trent Central): To ask Mr Chancellor of the Exchequer, what is his latest estimate of the balance of payments for 1988-89.	MR J. HIBBERD EA2	CST
122	La	Mr John McAllion (Dundee East): To ask Mr Chancellor of the Exchequer, what will be the gain to a man earning £1 million a year who also inherits £1 million in the 1988-89 tax year, as a result of the changes proposed in the Finance (No. 2) Bill.	IR	FST
123	La	Mr Rhodri Morgan (Cardiff West): To ask Mr Chancellor of the Exchequer, if he will make it his policy to publish at the time of his Budget statement a full study of the redistributive effects of the taxation changes he is introducing.	MR J. GUNWY FP	FST