

PREM19

93

MINISTERS

(Ministers' assessments of
position they inherited on
taking office)

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The PM asked all
Cabinet Ministers to submit
notes on their personal
assessment of the position
they had inherited in their various
Departments

MINISTERS

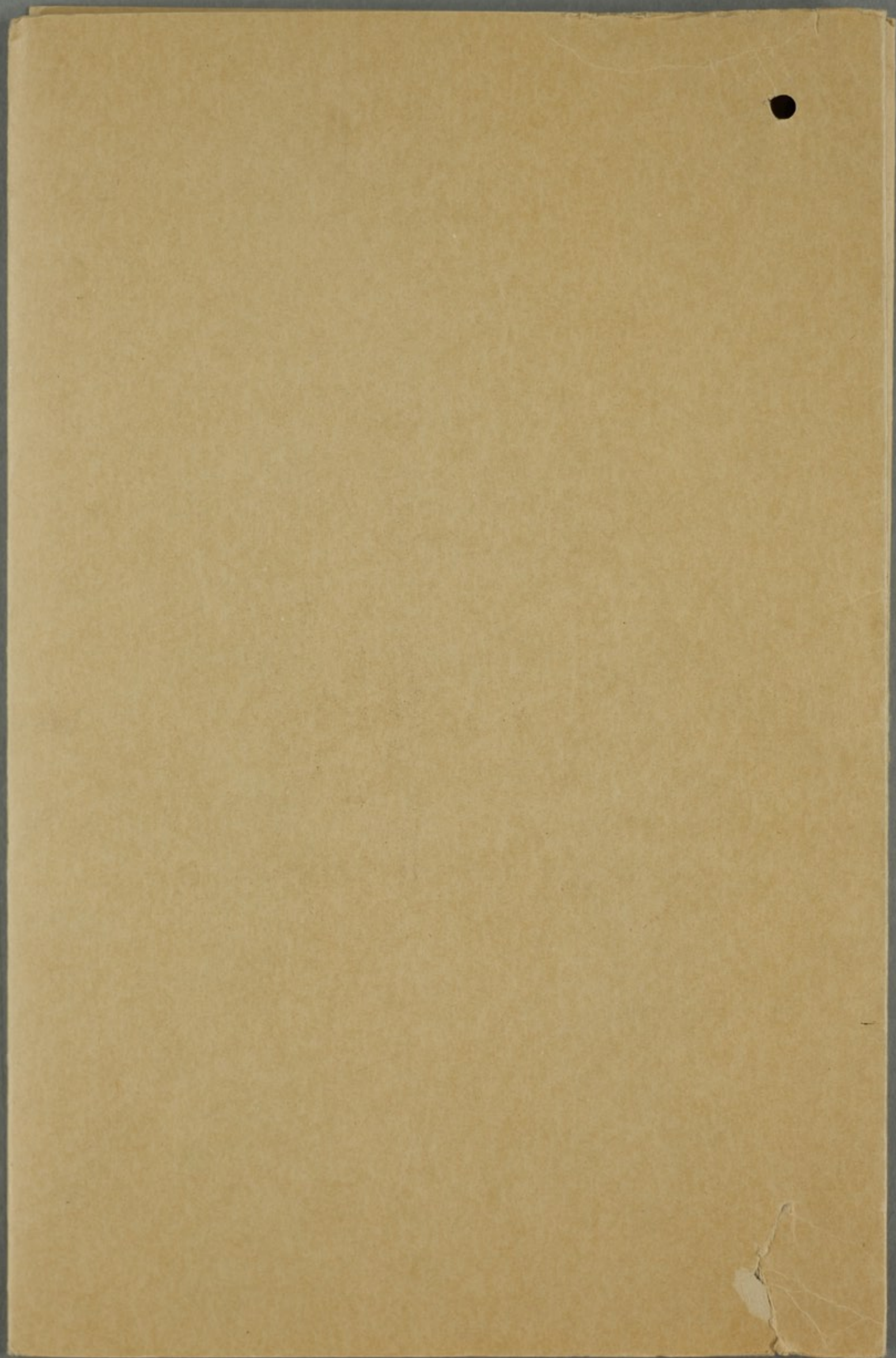
MAY 1979

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PREM 19/93



① Mr Cawthorne ← CONFIDENTIAL

② p.a.

✓ Mr Walker
Mr Pyde



Prime Minister ^{minutes 2}

Just to note at this stage.
These issues will have to
be tackled in the cash
limits discussion and in
the PESC review.

Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

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15/5

PRIME MINISTER

and

Flag A

I have seen the Defence Secretary's minute of 9th May on "Our Inheritance", which contains several bids for major additional expenditure on defence. I think we all accept that some increase is required. But it is important that we should not rush important decisions: we need to tackle the issues in an orderly manner and in the context of our overall financial objectives.

2. So far as expenditure in the current year is concerned, Cabinet have agreed that the full Armed Forces pay award should be implemented immediately, and that the cash limit should be increased accordingly. This means an increase of £269 million.

3. The Chief Secretary will shortly be circulating general proposals on Cash Limits in the current year and the Lord President specific proposals about the Civil Service. On the question of how we should cope with the impact on cash limits of the Civil Service pay award, the proposal will be for a uniform arrangement which would apply to all Departments. I see no reason to make an exception for Defence.

4. On the separate question of an increase in non-pay expenditure, I note that the Defence Secretary foresees a requirement for an additional £200-300 million this year. This is much larger than I had expected and would mean bigger cuts in



other programmes to accommodate it. There is also the question whether in practice it would be spent efficiently within the year. I recommend that the matter be discussed urgently by my officials and his.

5. As for the medium and longer term, we shall need to look at the Defence Budget in the context of our plans for public expenditure as a whole, and a collective judgement about the appropriate balance of our defence contribution to the Alliance. I hope it will not be assumed that whatever additional resources can be made available should only be incremental to programmes inherited from our predecessors. It may be that the balance should be adjusted, and greater spending on some parts of the programme offset by reductions in others or by utilising resources more efficiently. I cannot believe that there is no waste, of the kind we know exists in Central and Local Government, in the Services too.

6. I am sending copies of this minute to our Cabinet colleagues and Sir John Hunt.

A handwritten signature in dark ink, appearing to read 'Geoffrey Howe'.

(GEOFFREY HOWE)

11th May, 1979

11 MAY 1979



CONFIDENTIAL

[Faint handwritten signature]

Ministers

over



Ministry of Agriculture, Fisheries and Food
Whitehall Place London SW1A 2HH

From the Minister's
Private Office

Done 10/5 ✓

C.F. Please check that
this has been done; then

PA MAF 10/5 ✓

CONFIDENTIAL

Michael Pattison Esq
Private Secretary
10 Downing Street
London SW1

10 May 1979

Dear Mike,

OUTSTANDING ISSUES FACING THE GOVERNMENT

This is simply to confirm my request to you to
destroy my letter of 9 May to Nick Sanders
enclosing a note on three points within my
Minister's field of interest. You have assured
me that this has been done, and that you have
substituted my Minister's personal minute to
the Prime Minister dated 9 May and headed
"OUTSTANDING DECISIONS".

Yours sincerely
Garth Waters

Garth Waters
Principal Private
Secretary

10 MAY 1979



From: THE PRIVATE SECRETARY



HOME OFFICE
QUEEN ANNE'S GATE
LONDON SW1H 9AT

9 May 1979

Dear Ken

Your office asked mine for a note of things which the new Home Secretary had discovered on taking office.

The Home Secretary has approved the terms of the attached note.

I am copying this to the Private Secretaries to the members of the Cabinet.

Yours,
J.A.C.

J. A. CHILCOT

K. R. Stowe, Esq., C.B.

THE INHERITANCE - THE HOME OFFICE

There are a number of problems, perhaps in the broadcasting field in particular, which the previous Government had failed to face.

2. The outstanding problem, however, for which the last Government, in company indeed with nearly every administration since the war, shares responsibility, is the failure over a long period to provide sufficient resources for the prison system. Mr. Justice May's inquiry into the prison services will bring this out when it reports in the summer.

3. None of these matters, in the Home Secretary's judgment, requires to be referred to in any general survey of this Government's inheritance from its predecessor.



1. Although the Department is faced with some long-term problems, mentioned below, the general position is satisfactory; there is nothing likely to lead to an immediate crisis.
2. Steady increases in the number of cases coming before the courts, particularly the Crown Court, are leading to unacceptably long delays between committal and trial, notably in London and the South East, and the over-use of part-time judges, a practice which is wasteful and not conducive to the good administration of justice. The remedy must lie in the strengthening of the Bench, particularly the Circuit Bench, by the appointment of more full-time judges. To put myself in a position to do this, it will be essential for me to make the conditions of service - particularly as regards salaries and allowances - sufficiently attractive to make men (and women) of the right calibre accept appointment. At present, too few are willing to do so.
3. There is a need to step up the pace of law reform. A number of Law Commission (and other) recommendations which have already been submitted will have to be examined urgently, with a view to identifying those proposals which we can accept; I hope to see a concerted drive to get them through Parliament.
4. The Report of the Royal Commission on Legal Services, expected next month, is likely to recommend major changes in the field of legal aid and allied matters. This will be a substantial commitment for my Department

5. I shall be addressing you separately about the personnel problems surrounding the House of Lords, the Court of Appeal, and ~~the~~ any possible future LCJ. These appointments, as you know, are technically yours, and there are points wh. require careful thought, though fortunately little, if any, money.



PM/79/41

PRIME MINISTER

The Government's Inheritance: Foreign Affairs

1. Apart from the obvious problems over Europe and Southern Africa, the following look difficult for political or other reasons.

SALT and the British Deterrent

2. American willingness to help with the Polaris successor could be influenced by our attitude to SALT.

Comprehensive Test Ban

3. The Americans want us to meet the Russians by accepting more seismic stations.

Turkey

4. The Americans and Germans want us to give much more than the £7.5 million our predecessors offered towards the bailing-out operation.

Pakistan Nuclear Weapons Programme

? 5. We and the Americans need to decide how best to apply pressure.

Tanks for Jordan

6. King Hussein wants to know soon if he can have some of the Shir tanks Iran is no longer taking.

Iran

7. The Shah is likely to press us to let him reside in Britain. Can we decently refuse? → No.

Independence for Kiribati (Gilbert Islands)

8. There could be Parliamentary trouble (Banabans) over the Independence Bill, which must go through quickly if the independence timetable is to stick.

Aid in Africa

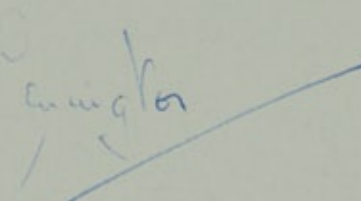
9. Our predecessors promised - or intended to offer - aid to a variety of not necessarily desirable recipients. We shall have to review in detail.

/ Falkland



Falkland Islands, Belize, Gibraltar

10. The difficulties are longlasting, and still unresolved.

Carrington

(CARRINGTON)

Foreign and Commonwealth Office

9 May 1979

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

9th May 1979

Dear Tim,

.....

I attach a note on the problems inherited by the Chancellor of the Exchequer and the Chief Secretary.

*Yours ever,
Martin*

(M.A. HALL)

T. Lankester, Esq.,
No.10, Downing Street

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IMMEDIATE PROBLEMS

The main problems requiring immediate attention may be summarised as follows:-

1. Economic Outlook generally: Prospects are sombre. Output is rising very slowly and the rate of inflation likely to increase to about 11 per cent by the year end before taking account of any Budget increase in indirect taxes. Control of inflation is a paramount requirement and this will require tight monetary and fiscal policies. The outlook for productivity, profits, output and employment is equally discouraging. The Budget will be the first major step in tackling these fundamental problems.

2. Fiscal Policies: With a large deficit in prospect there is little room for manoeuvre in the short-term if we are to keep tight control over the money supply without increasing interest rates. The scale of reductions in direct tax, which are crucial, make all the more important the need to reduce public expenditure.

3. Public Expenditure: Some immediate expenditure cuts are essential in 1979-80 as part of the Budget. Urgent decisions are needed on cash limits; those set by the previous Government, based on their 5 per cent pay guideline, were unrealistic and are now untenable. We also need to set in hand now a wider review of the scope for cutting expenditure in the medium term, but the main action on this will be in June/July rather than the first month.

4. Public Sector Pay: We are half-way through this year's annual public sector pay settlements, but major cases are outstanding. These include teachers (most immediate), armed forces, doctors and dentists, post office, electricity and gas. Our aim must be to hold settlements within the broad pattern already established and avoid any action in the pay field

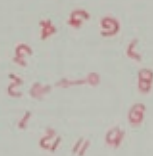
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prejudicial to our fiscal and monetary policies. We shall also need to determine the future of the Clegg Commission.

5. Europe: No progress has been made in correcting the inequitable arrangements under which, though 7th in GDP per capita, we are by far the largest net contributor to the Community Budget and our position will worsen as the transitional arrangements end. Radical changes in the financial mechanism are necessary; we must make a start at the Finance Ministers' Council on 14th May. The Government will need in due course to make its position clear on EMS.

6. Internationally, the main issues of imbalances between the major economic blocs, growth and employment and currency instability need to be considered in preparation for the Tokyo Summit. These factors all affect the UK's room for manoeuvre on domestic policies.

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- 9 MAY 1979



PRIME MINISTER

After two days in the Department of Industry I have found at the top level a general and ready acceptance of the need to create a much more encouraging framework for enterprise and effort.

Very big issues of public spending and of jobs have to be tackled. Assumptions, attitudes and, in some cases, pledges have been such in the postal services, shipbuilding, aerospace, NEB activities and even steel, as to encourage unrealistic expectations. But if this Department is to play its part in creating a lower taxed and more vigorous economy, substantial savings will have to be made in what I regard as the unrealistic and irresponsible pledges made by our predecessors - pledges that could only have led to higher taxation, higher public borrowing, diminished competitiveness and therefore to fewer jobs in anything but the shortest term.

Similarly the accretions to regional policy will need to be reviewed so as to get much better value for less money.

I have set work in hand defining the options/^{open}to us. I shall be coming forward with proposals for action on all these fronts and we shall be doing everything possible to support the Chancellor in his efforts to change the climate.

KJ

K J

9 May 1979

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MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

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

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PRIME MINISTER

OUR INHERITANCE

Our predecessors cut £12 billion off planned defence expenditure to 1983-84, mostly through deliberate changes in the programme but partly through short-term cuts for economic reasons. The defence budget for 1978-79 was the lowest in real terms since the Korean War. There have been some beginnings of recovery; they accepted the NATO commitment to aim for a 3% annual real increase in defence spending, and reflected this in their spending plans for 1979-80 and 1980-81. But even the latter figure leaves the defence budget £250M below what they themselves forecast their programme would cost in that year.

2. The background to the NATO call for increased resources for defence is the growing military capability of the Warsaw Pact. The defence budget I have inherited is, however, simply inadequate to finance the existing defence programme. There is no provision for improvements to our theatre nuclear forces, nor for a successor to Polaris. There is serious cost escalation in a number of major equipment programmes.

3. In the current year, the Defence Estimates are insufficient to finance the pay awards to the Armed Forces and the Civil Service announced by our predecessors, let alone the restoration of full comparability for the Armed Forces to which we are committed. It also made insufficient allowance for inflation in the equipment we buy from industry. We need an additional £300M or so for Forces' pay and some improvements in conditions of service;

/ probably ...

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2.

probably £100M for Civil Service pay; and possibly up to £200-300M for non-pay items, if real cuts in the equipment programme are to be avoided.

4. There remains a serious manning problem in the Armed Forces. Though recruitment was quite good last year, the loss of trained manpower through premature voluntary retirement was substantial, leaving all three Services seriously short of experienced personnel. These shortages, together with overstretch caused by the continuing Northern Ireland commitment, have also had an effect on morale. The Armed Forces need to feel that the country appreciates what they do and that they have a secure future.

5. Many of the same considerations also apply to our civilian staff who are in many cases interchangeable with military personnel. The application of pay policy in the public sector over the last few years while PRU has been in abeyance has produced a marked disparity between the pay earned by civil servants and that obtainable outside, particularly for the computer staff, the more skilled industrial craftsmen and technical grades. There are severe shortages of skilled workers in the research establishments, the Royal Dockyards and other installations vital to the whole defence programme. There are particular problems at Aldermaston which could cost us dearly if not put right quickly.

3 6. Finally, our predecessors committed the Ministry of Defence to disperse some 5,000 staff to Glasgow in the mid-1980s (mainly from the South of England outside London, and Harrogate) and some 4,000 to Cardiff from London, rather sooner. This dispersal will increase costs, reduce efficiency and could increase our overall staff numbers. Against the reductions the Department has already made (some 40,000 over the past five years), it has been difficult to identify the posts to go. The unpopularity of the moves, particularly to Glasgow, suggests that their implementation will be a serious management problem.

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7. I am sending copies of this minute to all my Cabinet colleagues and to Sir John Hunt.

9th May 1979

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~~PRIVY COUNCIL OFFICE~~

WHITEHALL, LONDON SW1A 2AT

PRIME MINISTER

This note summarises the situation at the Civil Service Department as I see it now.

2. On 2 May a pay settlement was reached between the nine non-industrial Civil Service unions and the Official Side, after selective strike action of unprecedented extent and duration.

The action has now virtually ended, though one or two difficult issues have still to be resolved with the unions. Accordingly the CSD's most pressing task is to deal with the aftermath of this confrontation while maintaining the day to day management of the Civil Service.

3. The strike action was effective and Departmental operations are in some disarray, particularly those whose computer work was affected - including Premium Bonds, National Savings, VAT repayment and farm subsidies. It will be some time before we know the true costs, but we can already say that recovery times will vary from a few weeks to several months, depending in part on the willingness of staff to work overtime and on our ability to bear the cost of such work.

4. The unity of the Staff Side was strained but outwardly the unions have so far managed to maintain the appearance of a common front. It is an open question whether they are financially able to undertake similar action in the future but they do attach great importance to the integrity of the Pay Research system and will seek to protect it. The forthcoming question of pay for senior grades will not, however, cause difficulties of the same kind. What is quite clear is that morale in the Service generally has been falling. This is a pity because there is reason to believe that the great majority of civil servants want nothing better than to get on with their jobs. I intend to see this reversed.

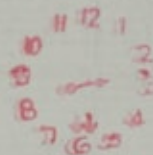
5. The pay settlement has also left us an acute problem - where to find the money. Cash limits for Civil Service pay for 1979-80 allow for increases of only 5½% over 1978-79 pay rates whilst the cost of the pay settlements this year is likely to be some 16%. As you know I am having a paper drafted urgently which will set out my proposals.

SOAMES

9 May 1979

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59 MAY 1979



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TIME MINISTER

You asked for a report from all of us on what we have inherited From my point of view I think the main features are as follows:-

PAY

With less than 3 months to go to the end of the current "round" nearly half of all employees in major groups monitored by the DE have yet to settle. This is so in both the public sector and the private sector. It is partly the normal pattern, but partly reinforced by unusual delay in negotiations.

The average level of settlements, including productivity deals etc, cumulatively since the beginning of the round is around 12%. Again there is little difference between the public sector and the private sector, though there is a wider spread in the private sector. With the inevitable "drift" of earnings above settlement levels this might indicate an outturn for the round of around 14% - the same as last year. However, recent settlements and offers have tended to be one or two percent higher.

Key groups yet to settle in the public sector include teachers, electricity supply manuals and engineers, postmen and other Post Office staff and engineers, the industrial civil service and local authority white collar staff. In the private sector the main negotiations are those for the national engineering agreement, building and civil engineering, the clearing banks and some large firms such as ICI.

UNEMPLOYMENT

All the signs are that we are facing increasing levels of unemployment in the next few years with severe run-downs in a number of industries unless the policies we have in mind take quick effect. My Department has a big programme of special employment measures, in 1979/80 running at about £540 million per annum, which we will need to look at to assess their cost-effectiveness.

STRIKES

This winter our strike record has been very bad. Over 5 million working days were lost in the first 3 months of this year.



9 MAY 1971

11/11
11/11





From the Minister

PRIME MINISTER

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH

9 May 1979

OUTSTANDING DECISIONS

Milk

In order to enable milk producers to achieve reasonable returns, and to cover the costs of milk processors and distributors the Government fixes the maximum wholesale price of milk and the maximum retail price to consumers. The prices are adjusted twice a year on 1 October and 1 April. The review of April '79, which is bound to involve an increase in the retail price, is now seriously overdue and a decision will be needed within the next few days.

Tate and Lyle Refinery closure

As part of the programme of rationalisation for the sugar refining industry following UK accession to the EEC, Tate and Lyle have proposed the closure of one of their two Scottish refineries and a slight enlargement of the other. This would involve a net loss of 340 jobs at Greenock, an area of persistent high unemployment. The company originally sought Government agreement to give notice at the beginning of April and now wishes to proceed in the next two or three weeks.

Hill Livestock Compensatory Allowances

The previous Government announced in March a 50p supplement to the higher rate of hill sheep subsidy for 1979 only. No changes were announced in the lower rate for sheep or in the hill cattle allowance. A decision is now needed to seek Parliamentary approval to a regulation implementing the 50p supplement. Late last month the Farmers' Unions asked for more help for hill farmers to compensate for losses and extra costs due to the severe winter. This will have to be considered and a meeting will take place on May 15 to obtain the facts upon which a judgment can be made.

Peter Walker



PRIME MINISTER

I have had the opportunity to conduct a brief survey of the inheritance at the Department of the Environment.

The total housing programme has collapsed to levels of new construction last seen 30 years ago.

The private rented sector has continued to decline and a review initiated by the last Government in 1975 still remains unpublished.

The finance of local government remains as it was before the publication of the Layfield Report in 1976.

An extremely serious situation threatens the ratepayers as a consequence of the present rising levels of inflation and the already promised comparability payments that may result from the Clegg Inquiry.

I shall be writing to you in detail about this shortly but it adds urgency to our determination to reduce drastically the present number of controls exercised by central over local government in order to seek manpower economies by next year. The manpower and other economies cannot be quantified until we have decided which controls can be removed.

There is considerable concern in the Construction Industry over the inadequate supply of land for building and we shall be looking at the planning procedures urgently. In particular the Community Land Act has to go.

The Inner City Programme appears to have had little direct effect in the cities themselves.

There has been a reduction in the size of the Department over recent years. This process will be continued.

I am copying this to Cabinet colleagues.

WJH

MH

9 May 1979



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

Prime Minister

Dear Prime Minister,

You asked for a note of my inheritance.

The picture is dominated by the unemployment statistics - 175,590 (7.9%) in total last month. The picture is darkest in the west where male unemployment is running at 10.6%. Of those actually in employment the Department estimates that about 34,000 jobs would not exist but for the short term palliatives introduced by our predecessors, of which about 20,000 is a net reduction in the unemployment register.

Shipbuilding, particularly on the Clyde, is in a parlous state. 20,000 are employed directly in the industry and apart from Yarrows the yards have secured very few orders. Just before the Election Marathon (the former UCS) was given a further 14 months of life at very considerable public expense.

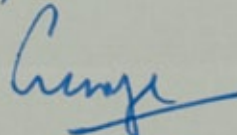
I will have to deal soon - in some cases very soon - with a number of well publicised pending plant closures where the action we take will be seen as a test of the policies we intend to follow. Among these are Prestcold at Hillington (being kept alive on Scottish Office money), Lawsons in the North East, Massey Ferguson at Kilmarnock, Monsanto at Irvine and - perhaps the most difficult of all - the Wiggins Teape pulp mill at Fort William which has very serious implications for the Forestry Commission and the private woodland owners.

The steel industry in Scotland presents problems although perhaps not quite as serious as elsewhere.

Urban deprivation on a vast and debilitating scale scars the Central Belt of Scotland, particularly in the West. The private sector can make a contribution to its alleviation; but the initiative and the money will have to come from the public purse. The very slow progress which has been made in the "show piece" Glasgow East End Area Recovery project illustrates the problem: I will have to consider whether some new form of machinery is required for handling it. Over Scotland as a whole local authority budgets are almost £50m over the level allowed for in the last Government's expenditure plans. Needless to say Scotland has not been insulated from the industrial troubles which have affected the country as a whole. My inheritance last Saturday was of a country almost without courts. Teachers had not received their pensions in Scotland since February: hospital waiting lists are causing serious distress; and there are still unresolved pay claims, particularly that of the teachers.

Of course there is a bright side. Some firms are doing very well: many, particularly in the electronics field, are expanding. North Sea oil has brought a considerable number of jobs (but this growth is almost over). The output of engineering graduates from Scottish universities and colleges is holding up: the decline in population in the Highlands and Islands has been arrested for the first time in a century; and the efficiency of the Scottish Farmers is constantly increasing.

Yours ever,



GEORGE YOUNGER

SCOTTISH OFFICE
9 May 1979



9 MAY 1979



PRIME MINISTER

1 The Welsh Office covers a wide range of departmental responsibilities and our problems are therefore common to other Departments such as Health, Education and Environment. The position is much as we expected. Overall expenditure within our area of responsibility was planned to rise by only 3% over the 4-year period up to 1982/83 but the effect of recent wage settlements and cash limits has already been felt in a number of areas, notably Health.

2 The Welsh economy remains weak. Though enquiries from potential investors have increased, the actual number of new jobs created has been small. The absolute level of unemployment remains three times as high as it was in the mid 1960s. We will be faced with particular problems because of the poor state of the Welsh coal industry and the continuing rundown of the steel industry.

3 Housing policy stands out as a beacon of Government failure, with a huge stock of decayed housing and a story of muddle in the previous Government's House Building Programmes and use of resources. The need for more effective policies for housing matters is urgent.

4 The squeeze imposed by cash limits has already had severe effects on the budgets of Area Health Authorities and I have been emphasising publicly that these are the result of policies initiated before we took office.

5 The Welsh language is politically important and we have some difficult early decisions to take in connection with it. I will be anxious to announce positive measures before some that may be considered hostile - though in accordance with our belief in parental choice. We may therefore wish to introduce legislation similar to part of the previous Government's Education Bill to enable Local Authorities to help the language as well as aiding the National Eisteddfod. We will want to press on urgently with the Fourth Channel.

6 The Road Programme is formidable, but many of the schemes have completion dates a long way into the future. They must remain our absolute priority.

7 There is a major scheme, substantially agreed by officials and with the draft Bill prepared, to move responsibility for RSG in Wales to the Welsh Office. I am checking on the staffing implications but subject to that will be anxious to obtain colleagues' agreement to this rearrangement.

8 We are committed to a Welsh Select Committee but action need not be taken until we have given the House the further consideration that has been promised for general changes in this field. We will want to lay an Order immediately for repeal of the Wales Act.

NR .

CONFIDENTIAL



PRIME MINISTER

I have a lot to learn about Northern Ireland and it will take a few weeks for a complete newcomer to the Province to put the problems into perspective.

The major issues were well-known to us in Opposition: the political stalemate, the terrorists' threat to law and order and the dirty protest in the Maze prison to try to obtain political status. But I have already hit upon several issues in the economic and social fields which call for urgent consideration:

- the rate of unemployment is twice that of the rest of the United Kingdom
- household incomes are lower and the cost of living higher than in other parts
- the size of the public sector is exceptional compared with Great Britain
- there is pressure within Northern Ireland to have access to North Sea gas
- the future pattern of education currently rather different from the rest of the United Kingdom will have to be decided soon

I am sure this is only a beginning.

I have already visited my Belfast office to meet the Chief Constable and the GOC. Detailed briefings on security will follow but I know that Airey felt that Roy Mason was on the right lines in this field.

On politics we have a little while to explore the ground carefully and cautiously with the local parties, but expectations are already aroused that we shall make a move fairly soon. Once I have cleared my mind on the scope for political development I shall want to report to you further.

Finally I can see difficult problems ahead with Dublin and the Irish-Americans. I hope to see the Irish Foreign Minister fairly soon and I shall stress the need for really practical close co-operation between the police forces on the Border. Political progress, if we can bring it off, seems to be the key to holding steady responsible opinion in the USA and denying support from there to PIRA.

9 May 1979

CONFIDENTIAL

J.S.A.

18 MAY 1979

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DEPARTMENT OF HEALTH & SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Secretary of State for Social Services

9 May 1979

Nick Sanders Esq
Private Secretary
10 Downing Street
LONDON
SW1

Dear Nick,

As requested I attach a note from my
Secretary of State on the State of the
Department of Health & Social Security.

Yours sincerely

D Brereton
Private Secretary

ENC.

Confidential to
The Prime Minister

THE STATE OF THE DEPARTMENT OF HEALTH & SOCIAL SECURITY

This Department is vast (nearly 100,000 people), so in the three days since Saturday I have only tickled the surface.

Urgent Problems

1. Doctors and Dentists Pay Review Body Report

The last Government accepted the new Consultants' Contract in principle, but pricing was left to the DDRB. The cost of the Contract (£5 - £6 million in 1979/80, £23 million in a full year) is not included in existing cash provisions. I am told that if it has to be financed by internal economies it will "provoke a very hostile reaction" from the professions. The Report implies a general criticism of the outgoing Government for misleading the professions on this.

2. Remuneration of NHS Chairmen

The last Government admitted an increase was long overdue. Nothing was done. Doubling is recommended.

3. Elizabeth Garrett Anderson Hospital

We are apparently faced with an acute crisis over nursing levels and standards, so that Labour's professed aim to keep "the concept" going until it could be relocated is now seriously at risk.

(A separate speaking note will follow, as requested personally by the Prime Minister.)

4. Pay in the National Health Service

The Whitley System is widely criticised. A report to the last Government (The McCarthy Report) proposed reforms.

Little has happened. Last winter's disruption has stopped, but nothing has been done to get at the causes.

5. Social Security Uprating

Some of the increases promised by Labour in the Election (eg Child Benefit) are not in the PESC figures, and no provision was made. (I have asked for a complete run-down of all Labour's promises in my field for which no provision was made.)

6. DHSS Staffing

In common with other Departments, it appears that the Civil Service Pay Settlement involves costs well in excess (by about £40 million) of the cash limits provided for in Estimates in 1979-80. To reduce staff to remain within cash limits will involve "widespread compulsory redundancy". Indeed, to absorb the whole cost in 1979/80 would require staff reductions in the range of 15 to 20% ie up to 20,000 posts. A substantial part of this cut would then need to be restored in the following (full) year.

9 May 1979

P J



10-11-50

General Remarks

Some of the information provided by labor in the district (including benefits) are not in the report, and as provided by labor. I have asked for a complete list of all labor's provisions in my field for which no provision was made.

Other Remarks

In regard to the district report, it appears that the district report by the labor union will include a list of the provisions of the labor union (about 200 million) of the labor union. In addition, in 1949-50, to reduce the cost of the labor union, the labor union has introduced a new system of payment, based on the cost of the labor union. This new system will be based on the cost of the labor union, and will be based on the cost of the labor union. This new system will be based on the cost of the labor union, and will be based on the cost of the labor union.

CONFIDENTIAL



Chancellor of the Duchy of Lancaster

Cabinet Office
70 Whitehall London SW1
Telephone 01-930 5422

9 May 1979

Lead Ken

Your office asked for a note on one sheet of paper about the major issues which the Chancellor of the Duchy of Lancaster will face.

The Chancellor has three areas of responsibility:

The Leadership of the House;

Office of the Chancellor of the Duchy;

and:

Minister responsible for the Arts.

There is no specific item bearing on his role as Chancellor of the Duchy of sufficient immediate importance to warrant mentioning now, but the most major issues which the Chancellor sees in the two other areas are set out in the attached note.

John and
John Stevens
J W Stevens
Private Secretary

K R Stowe Esq
Private Secretary
Office of the Prime Minister
10 Downing Street
LONDON SW1



LEADER OF THE HOUSE

HOUSE PROCEDURES

The most urgent task will be to bring to the House of Commons the Government's proposals on the Report from the Procedure Committee. He will be under pressure to give the House an opportunity to decide very soon on the new structure of Select Committees, so that Committees can be appointed for the new Parliament on the new basis. He would like to agree to this if possible, and he will be sending the Prime Minister a further note about this, and about the other recommendations in the Report, during the next few days.

MEMBERS' PAY, ALLOWANCES AND PENSIONS

The Top Salaries Review Body is expected to submit the first part of its report soon after the Whitsun Recess, and decisions will then be needed on handling.

DEVOLUTION

The Chancellor of the Duchy is arranging to discuss urgently with the Secretary of State for Scotland how best the Government should fill its commitment to discussions with other parties on the government of Scotland and to the repeal of the Scotland Act. He will shortly submit a joint paper with recommendations.

MINISTER RESPONSIBLE FOR THE ARTS

In the arts field the concern will be to take greater steps to preserve and protect the heritage. There are plans to set up a heritage fund and a Bill is in course of preparation. In addition, the Chancellor is anxious to create conditions in which private patronage of all aspects of the arts will flourish and the safeguarding of our heritage can be assured. To this end he will wish consideration to be given towards creating the necessary incentives within the tax system, including exemption from capital taxes in exchange for reasonable public access.

Particular problems which the Chancellor will consider include the status of the Victoria and Albert and the Science Museums (which are Government run, unlike the other national museums which have their own Trustees) and more immediately, the question of whether the V & A should re-open to the public on Fridays; and the difficulties caused by the soaring overheads at the National Theatre on the South Bank - a problem which will arise again when the Royal Shakespeare Company moves to the new Barbican Theatre.



PRIME MINISTER

At Cabinet yesterday you asked each Minister to send you a note on any serious problems which we have inherited from the previous administration. As you will appreciate the Department of Trade was not operating in a particularly partisan or sensitive area. Mr Edmund Dell was near to our own thinking in many respects, and Mr John Smith may not have been here long enough to secure any long-lasting damage.

Clearly we will wish to bring about a change in atmosphere and a reduction in the scale of government in every field.

However, apart from the general problems resulting from an overrun in cash limits as a result of public sector pay settlements I have not discovered any specific areas where the previous administration has deliberately concealed the facts for electoral or party purposes.

In ^{the} trade field there are problems in regard to previous Socialist attitudes towards Chile and Southern Africa where we have obviously lost jobs. You may wish to ask other departments about the restrictions on the imports of coking coal from Australia, required by the government in direct contradiction to the interests of British Steel.

On the prices side I am not aware of any Price freezes directly required by the Secretary of State prior to the election. However, it would, of course, be possible to note political overtones in many acts of the Price Commission but this is a general area on which you are already well-informed.

SN
JN

Department of Trade
1 Victoria Street

9 May 1979

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-9 MAY 1975

PRIME MINISTER

You asked for a note on the major problems and difficulties we have inherited from the previous administration on the energy front. As I see it the main points are as follows:-

1. Following the Iranian crisis we inherited a very tight oil situation, with some firms finding it hard to get the oil they need and localised instances of petrol shortages. Most companies are now allocating supplies to regular and contract customers. These pressures are already being reflected in increased oil and petrol prices and further increases are in prospect. For example petrol prices must be expected to rise 4p or 5p over the next few months, even without any change in fuel tax.
2. Price rises for domestic gas and electricity are imminent. Under the outgoing administration the two industries sought price rises of 8% - 9% from the 1st April, but these were frozen by the Price Commission pending investigation. Every day that goes by increases the conflict between the Price Commission's activities and the financial targets for these nationalised industries which are at present laid down on a one-year basis only.
3. The National Coal Board is forecasting a loss of £375 million in the current financial year before grants and after interest. Their current 5-year plan shows continuing large losses and heavy reliance on Government support. Our predecessors had no clear idea how these losses were to be paid for or contained.
4. The impetus in North Sea oil drilling activity has declined substantially (only 62 wells drilled last year compared with 105 in 1977 and 87 in 1976). The signs are that this trend is continuing.

Contd/...

5. There is growing public concern about the nuclear power industry, particularly following the Harrisburg incident in the US and the leak of radioactive waste at Windscale. Fresh initiatives on the international level seem certain. Urgent steps will be needed to strengthen public confidence in the safety of nuclear power operations.

The nuclear construction industry is in disarray and general uncertainty prevails about reactor choice for the future.

DA.
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Secretary of State for Energy,

9th May 1979:

A-CC PS/MS
Mr. T. P. JONES

PRIME MINISTER

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The nuclear construction industry is in disarray and general uncertainty prevails about reactor choice for the future.

DA
2

Secretary of State for Energy,

9th May 1979:



PRIME MINISTER

You asked for my thoughts on the position I have inherited on taking office.

1. As you know, I have given my earliest attention to the impasse over teachers' pay in the Burnham Committees and have already put my proposals for action to you. Pay policy aspects apart, I consider it most unfortunate that I have had to begin my relationship with the teachers' union in this state of confrontation. I will have to devote a lot of attention to mending bridges with the LEAs and the unions, and restoring confidence as soon as the immediate Burnham questions are resolved, and will be asking our colleagues to recognise the importance of this in other connections like, for example, public expenditure.

2. A number of local education authorities had been specifically called upon by the previous government to reorganise their schools on comprehensive lines. A few of these authorities are currently involved in legal action: we must therefore withdraw the compulsion to reorganise as soon as possible. Our commitment to repair the damage done by the abolition of the direct grant schools scheme makes it urgently necessary to institute a new assisted places scheme. Standards are by no means as bad as some Press reports suggest, but there are problems of morale amongst teachers. Hopefully, with fair and firm handling we can overcome these difficulties.

3. In the field of higher and further education, a particular problem is presented by the system which we inherited of financing students aged 16-19. Several agencies are involved in providing grants at differing rates for these students; and moreover the different types of course and institution catering for these young people operate under different regulations. We need to disentangle the complexities of the present system in order to encourage 16-19 year olds to participate in vocational as well as non-vocational education.

Mark Carlisle

MARK CARLISLE
May 1979



29 MAY 1979

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9 May 1979

PRIME MINISTER

You asked for a note about the situation as I found it when I took office. The day to day responsibility for co-ordination of Government Information was carried out by the Parliamentary Secretary of the Privy Council Office. In theory, responsibility at Cabinet level rested with the then Leader of the House, but in practice this did not happen. The division between the Government information service and political propaganda had become blurred and areas of responsibility and lines of communication were not clearly defined.

My preliminary consultations with your Press Secretary and the Director General of the Central Office of Information (COI) indicate that there is considerable scope for streamlining the information services of Government Departments by much greater use of the Common Services provided by COI.

I have seen Lord Thorneycroft today to make initial arrangements, for your approval, about the boundary lines to be drawn between the Government information service and Party publicity. We are agreed that the Government information service should be used strictly and solely for Government information and not for Party political publicity. My knowledge of the Press and journalists has convinced me that this would be appreciated by them and lead to more sympathetic treatment. My contacts with the Party Chairman and his publicity advisers have been satisfactorily arranged.

I intend discussing with Paul Channon the relationship between my office, the Civil Service Department and the COI.

In consultation with your Political Secretary I propose to keep in touch with any Political Advisers who may be appointed by Ministers.

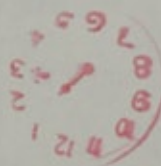
There will, of course, be short term problems arising out of the European elections which I have already discussed with Departmental Chief Information Officers and I think the boundary lines are clearly understood.

Particularly during the first year of this Government it is going to be essential that adequate preparatory information briefing is available before any major legislative or other change is made, and that defensive briefing on sensitive items should be prepared as far in advance as possible. In this, I shall act as a link between the official services, your own Office and Central Office, making sure the division of responsibility is clear and that both make their full contribution in their respective fields.

AM.

Paymaster General's Office

AM.



F9 MAY 1979

PRIME MINISTER

TRANSPORT

You asked for my immediate assessment of the transport position we inherited.

Rail and Bus Services

We have just gone through a period of unprecedented fare increases. Rail fares, for example, increased by no less than 165% in the period between 1974-1979. Not only have fares increased, but some services have also deteriorated. In particular rural services are in an exceptionally bad position. In many of our country areas services are either incomplete or non-existent.

Ports

The Port of London in particular faces a critical financial position. In 1978 the Port lost £12.7m and liabilities exceed assets. Another problem has been that the threat of nationalisation has hung over the ports industries for the last five years.

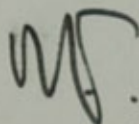
Roads

The road maintenance position is now extremely serious. Complaints about it are now coming in from all over the

country. This has resulted partly from the cuts of the last Government and partly because of the exceptionally bad winter.

Private Sector

Nothing has been done over the last five years to encourage the private sector. On the contrary, Labour threatened nationalisation of both road haulage and the ports. The assumption has been that only the big public corporations can do the job. Yet this is patently not true. There are opportunities for new bus operators to provide services particularly in country areas; and for private investment in the National Freight Corporation. Only 25%-30% of work on the road programme now goes to private firms of consulting engineers. They should be given more work in the Department's road programme, which would also help them to increase their work overseas.



NORMAN FOWLER



1973 MAY 18

END

Filmed at the National
Archives (TNA) in London

February 2010