

PREM19

104

PRIME MINISTER

(PM's visits to
Departments & possible
regional visits)

PREM 19/104



● PART 1 ends:-

NJS to PM 25.9.79

PART 2 begins:-

NJS to PM 27.9.79

Prime Minister

PRIME MINISTER

YOUR VISIT TO THE DHSS

I attach the briefing for your visit to the DHSS which you saw when it was scheduled for 29 August. The only part which you have not seen is the revised timetable and the briefing on the row within the DHSS about options on staff cuts. These two items are at the front of folder 1.

You also asked for copies of the most recent annual reports of the SBC and the National Insurance Fund. They are attached, together with the Department's own annual reports. All of these documents are for 1977, since 1978 ones have not yet been published.

MS

201

25 September 1979



Prime Minister. ✓ MS

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

25 September 1979

Nick Sanders Esq
Private Secretary
10 Downing Street
LONDON
SW1

Dear Nick,

VISIT BY THE PRIME MINISTER: 26 SEPTEMBER 1979

I attach four copies of the revised agenda for tomorrow's visit which includes the names and duties of officials who will be present at each stage. Also enclosed are:

- (1) A brief on our recent discussions with the Staff Side of this Department on options for manpower reductions (four copies). *Formed Part of PM Brief - See DHSS MINS 23/8/79*
- (2) The DHSS Annual Report 1977 *- Attached Folder*
- (3) The Supplementary Benefits Commission Annual Report 1977 *Attached Folder*
- (4) The Annual Report of the Chief Medical Officer 1977
- (5) The National Insurance Fund Account 1977-78. *- Attached Folder*

Our arrangements for the visit including lunch assume, as before, that the Prime Minister will be accompanied by Mr Gow, Mr Wolfson and yourself plus 1 or 2 detectives. Please let me know as soon as possible if there is any change in these arrangements.

Yours sincerely

D Brereton
Private Secretary

ENC.



File 16

10 DOWNING STREET

From the Private Secretary

BF 3.12.79

13 September 1979

Further to our conversation on the telephone this afternoon, I am writing to confirm that the Prime Minister will be paying a visit to your Department on Monday, 14 January 1980. She will be arriving at 1130 and will stay with you until 1500.

The purpose of the visit is to discuss the main issues facing your Department at the present time with your Secretary of State, Ministers and Senior Officials. She would also like to meet as many of the staff as is possible within that time. You kindly agreed to submit a programme to me by the beginning of December.

CAROLINE STEPHENS

Bernard Dodwell, Esq.,
Department of Industry.

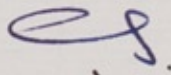
98

c. Mr. Sanders

MR. PATTISON

Before you went on holiday, you put into operation a possible visit by the Prime Minister to the Department of Employment on Tuesday 2 October. Employment came back to us saying that the Secretary of State would be away so could we offer them another day. I thought it would make sense to make a straight swap with Industry and as we had not yet contacted Industry, I gave Employment Monday, 26 November and offered Industry the 2nd. 09. However, Sir Keith was not very content as he already had a rather important engagement that day so I have now given Industry Monday 14 January and Employment are happy with Monday 26 November.

I have not been successful in finding any other Department to take the October slot, so that is now free time for the Prime Minister.



13 September 1979



Prime Minister
over

10 DOWNING STREET

From the Private Secretary

13 September 1979

Further to our conversation on the telephone today, I am writing to confirm that the Prime Minister will be visiting the Department of Employment on Monday, 26 November. She will be arriving at 1130 and leaving at 1500. You will appreciate that the timings might have to be altered depending on other commitments at that time.

CAROLINE STEPHENS

Andrew Hardman, Esq.,
Department of Employment.

c. Mr. Lankester
Mr. Rattison O/R

PRIME MINISTER

You were to have visited the Department of Employment on 2 October. This will now not be possible as Mr. Prior has to be out of London. I have, however, managed to do a direct swop with the Department of Industry, which was to have been on 26 November. As Sir Keith is in London on 2 October, the Department of Industry would be very pleased to have you on that day. Can we go ahead with setting up a programme?

CAROLINE STEPHENS

12 September 1979

MR. LANKESTER

The Prime Minister has a visit to the Department of Employment scheduled for Tuesday, 2 October, 1100-1500.

I have not yet confirmed this date with Employment, nor have I suggested issues which the Prime Minister might wish to pursue. Could I leave you to set up this visit in my absence on leave?

MAD

visit postponed

CF

Ms. Show

no papers on

*PM
other visits to*

4 September 1979

Dpts.

TL

Prime Minister

Mr PATTISON

answered by telephone.

*MP
/*

PM's VISIT TO CSD

Is this still likely? If so, when would you like a brief by?

CP
..

C PRIESTLEY
3 September 1979

~~BF 17 9 79~~

BF 4/10/79



File
Prime Minister's Top

10 DOWNING STREET

From the Private Secretary

30 August 1979

The Prime Minister has been hoping to find an opportunity to spend the day in Wales, which would include a call on the Welsh Office, in October. It now appears that this will not be possible, but she would still like to arrange for such a visit when an opportunity presents itself.

With this in mind, I would be grateful for your suggestions for a day's programme for the Prime Minister, which would include some time at the Welsh Office in Cardiff.

The pattern which the Prime Minister has previously adopted for such visits is as follows. She would leave London the night before (in practice usually a Thursday), arrive at her destination in the late evening, and stay in a hotel. The following morning she is content to start a programme as early as 8 o'clock if that seems desirable. In the case of Wales, she would probably like to take in a range of activities in the morning, including some industrial visits. She is particularly interested to visit small companies employing high technology and with an expert orientation. You might also want to work in points (a) and (b) from Bob Williams' letter to me of 8 June. She likes to take the opportunity to stop and talk to people throughout her programme, and to include a walk-about in public - perhaps in a shopping centre - at some stage. Again, there were suggestions for these at (d) of Bob Williams' letter.

We have found it convenient to leave aside 45 minutes or so at the end of a morning for press coverage, mainly for set piece interviews with local radio and television. This was mentioned at (f) of Bob Williams' letter. We would need to consider whether the occasion justified a formal press conference in addition to individual interviews.

When the Prime Minister visited the Scottish Office, she found it very useful to talk to senior Ministers and officials to discuss, over lunch, off the record major problems which the Department was expected to face over the coming months. I am sure the Prime Minister would be content to do this again, but if your Secretary of State felt she should meet a cross-section of the community as in (e) of Bob Williams' letter, we could suggest this to her. Thereafter, she would want to have a meeting with senior staff, and would then want to visit some parts of the office, perhaps concluding with a meeting with a cross-section of the Department's staff, including Staff Side representatives, over a cup of tea.

/We should aim

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We should aim to conclude this programme by about 1630, to allow time for the Prime Minister to undertake a political engagement in the area before returning to London in the early evening.

With this in mind, it would be helpful if you could let me have detailed suggestions for a programme which we could put into effect at fairly short notice when a suitable space appears in the Prime Minister's diary. Perhaps you could let me have something in the course of next month.

M. A. PATTISON

G.C.G. Craig, Esq.,
Welsh Office.

PRIME MINISTER

VISIT TO DHSS, WEDNESDAY 29 AUGUST

I attach two folders. The first contains the briefing prepared by DHSS on the issues you have indicated you would like to discuss when there. The second contains other material which I have commissioned to shed light on the Department's activities.

First, there is a helpful note from Sir Derek Rayner's Office, which includes a number of questions on the NHS, on social security and unemployment benefit, and on personal social services.

Second, the folder includes the letter which you saw ✓ earlier from Dr. Balfour Lynn setting out his concerns on structure, decentralisation, communications, industrial relations, and ways in which the private sector can help the public sector.

Third, there is a note from Sir Kenneth Berrill with ✓ further questions you might wish to pursue on the health, personal social services and social security questions.

Finally, there is a short note from Sir Ian Bancroft's office on manpower questions which you might like to pursue.

MAD

24 August 1979

cc for information
Sir Derek Rayner

Mr PATTISON

PRIME MINISTER'S VISIT TO DHSS, 29 AUGUST

I attach some questions which the PM might find useful. The following notes may help to set the scene.

Rayner and DHSS

2. Sir DR has seen three Ministers separately, Mr Jenkin and Mrs Chalker about the "Rayner project" and Dr Vaughan, at the latter's request, on NHS procurement. I attach a copy of Sir DR's subsequent letter to Dr Vaughan.

3. THE RAYNER PROJECT is on how social security benefits are paid. Sir DR is well content with this and how it has been set up. But he has so far been prevented by the STAFF SIDE from visiting a local office. He is willing to risk a row with the staff side over this, as it completely mis-reads him to regard him as "anti staff". On the contrary, he is very much interested in how staff are led to work with pride and loyalty, a subject which concerns him in the case of DHSS.

4. With this in mind, Sir DR thinks that the PM should see the attached letter from a local office manager (who is happy that she should). The important bits are side-lined. The message which comes across, and not just from this writer, is that management must manage or forfeit the respect of those who wish to be managed and not go along with the militants, who are of course more energetic than the non-militants.

5. Sir DR thinks that the DHSS does some good work, eg on the simplification of FORMS (example attached) but on the basis of the little he knows about it DHSS does worry him. He fears that the SQUALOR of Alexander Fleming House may be characteristic of too much of its practice and management including, he suspects, too great a disconnection between HQ and the field staff. The allegations about RAMPTON HOSPITAL may be systematic of such a discontinuity.

General points on DHSS

6. DHSS's massive responsibilities raise in an acute form efficiency/value for money questions in both central and local government. The Secretary of State is directly responsible for the NHS, administered by health authorities and boards acting as his agents, and for the Social Security system,

administered by DHSS. He is also responsible for policy on the Personal Social Services, but these are administered by local authorities.

7. The Department of Employment also figures in the Social Security system as DHSS's agent in administering Unemployment Benefit and paying supplementary allowances. The Manpower Services Commission has a part too, since those seeking UB must first register for work at a Jobcentre. (This means that the unemployed often go to three offices. They start at the plush Jobcentre; they claim benefit from the DE's UB Office and are assessed for supplementary benefit at the DHSS local office, neither of which is at all plush.)

8. The basic problems are how Ministers deliver good quality and cost effective services, or help local government to deliver them, with minimum bureaucracy and how they get and keep a work force of the right size and avoid surrendering their managerial responsibilities to the unions.

Points made by the public

9. The subjects of letters to the PM or Sir DR include: wastage of food and other consumables in hospitals; excess bureaucracy, administrative staffing and paper work in NHS; need to reform the procurement of NHS supplies; inadequate leadership for/supervision of junior DHSS staff; and wasteful heating and lighting of DHSS offices.

10. I attach a letter to Sir DR from Mr McLean which illustrates some of the problems as seen by an informed member of the public.

C PRIESTLEY
23 August 1979

Attachments: ✓ Possible questions for Prime Minister
✓ Letter from Sir Derek Rayner to Dr Vaughan on NHS supply procurement
✓ Forms: an example of change for the better ✓
✓ Letters to Sir Derek Rayner from Mr Eades and Mr McLean

POSSIBLE QUESTIONS FOR THE PRIME MINISTER'S VISIT TO DHSS,
29 AUGUST

Questions on the NHS

1. The Secretary of State is often said to lack adequate organisational and other means of getting value for money in a system alleged to be out of control, over elaborate and bureaucratic. WHAT ARE THE THINGS THAT GET IN THE WAY OF THE MINISTER'S ENSURING THAT PATIENTS GET COST-EFFECTIVE SERVICES? WHAT NEEDS TO BE DONE ABOUT THEM?

2. WHAT IS THE MOST COST-EFFECTIVE WAY OF RATIONALISING THE PROCUREMENT OF NHS SUPPLIES?

3. It is often argued that cuts fall on services, not on administration. (Administration and works/maintenance account for 15.5% of NHS manpower.) IS IT TRUE THAT CUTS FALL ON SERVICES RATHER THAN ON ADMINISTRATION?

Questions on Social Security and Unemployment Benefit

4. DO WE REALLY NEED SEPARATE DHSS, DE AND MSC OPERATIONS AND SEPARATE OFFICES? WHAT ARE THE COSTS OF THE PRESENT ARRANGEMENTS? HOW CAN THE ADMINISTRATION OF SOCIAL SECURITY AND UNEMPLOYMENT BENEFIT BE UNIFIED AND SIMPLIFIED?

5. If staff side opposition is argued, WHAT IS THE COST OF CONTINUING TO GIVE INTO IT? WHAT ARE THE JUSTIFIABLE GRIEVANCES OF STAFF, IF ANY, WHICH WE COULD REMOVE?

6. If it is said that the size of the staff is "demand-led", I ACCEPT THAT WE NEED PEOPLE TO DEAL WITH PEOPLE, BUT ARE THE PROCEDURES AND RULES SIMPLE ENOUGH? DO WE INTEND TO GO ON INCREASING STAFF? HAVE WE SOLD THE PASS THROUGH THE "MANAGEMENT FORMULA" (see attachment to Mr Laughrin's letter of 19 July to Mr Pattison)? *

Questions on Personal Social Services

7. WHAT DOES THE DEPARTMENT DO TO HELP THE PUBLIC GET VALUE FOR MONEY? HOW DO THE CALCULATION OF RATE SUPPORT GRANT, THE ANALYSIS AND DEVELOPMENT OF POLICY AND THE DHSS'S SOCIAL WORK SERVICE GROUP COME INTO THIS?

* DHSS staff numbers have increased by 20% since 1974 (80,900: 97,600).



CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01-9305422 ext 233 8224

1 August 1979

Dr Gerard Vaughan MP
Minister of State for Health
Department of Health and Social Security
Alexander Fleming House
Elephant & Castle
London SE1

Gerard Vaughan
PROCUREMENT OF NATIONAL HEALTH SERVICE SUPPLIES

I enjoyed meeting you and Mr Collier last Friday, when I promised to look up the correspondence between the Institute of Purchasing and Supply and myself. I find that when the Director General wrote to me in May it was to send me a copy of his letters of 11 May to your Secretary of State and of 27 October 1978 to his predecessor; this means that the IPS's views, which strongly favour a "Supply Directorate with effective authority", are already available within the Department.

It may be helpful if I re-state the points which I have in mind on this issue, as follows.

The starting point is, presumably, that the arrangements made must ensure value for money and supplies of specified quality available at the right time and to the right standard. To my mind, there is a clear case for procurement arrangements which provide for (a) central control over supply staff and over policy towards capital and bulk non-perishable expenditures; (b) decentralised control over perishable and small item expenditures; (c) regional storage and distribution for those items where regular production runs will bring substantial economies and where there is enough demand to justify bulk deliveries by item into the warehouse and mixed by sizeable loads to the user; and (d) taking into account the needs of both the user and the industrial supplier. There are obstacles in the way of such arrangements, not least the difficulty of finding the right person to head up the central organisation and of overcoming entrenched sectional interests, but there is already the model of a Procurement Executive in MOD which deals with a large proportion of the expenditure and, by including the users in its management, achieves reasonable efficiency whilst also taking into account the needs of contractors.

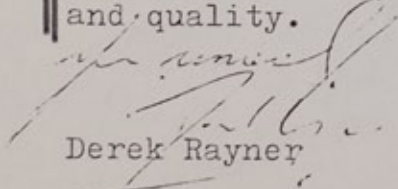
I would like to add the following points of detail:

a. Because I favour the model for a new supplies body at paragraph 14.1 on page 6 of the Salmon Report, I believe that a central agency should be responsible for the supply staff in the DHSS and the NHS. But I would see it as being responsible, not for buying, which can be left to individual authorities or institutions, but for the co-ordination of negotiations leading to contracts with suppliers. In this role it should agree specifications and set standards in consultation with users and provide them with an intelligence service; I agree with the point you made that one should avoid setting standards which result in products that users cannot afford to buy.

b. The central agency should pay particular attention to co-ordination in respect of major capital items. Here my impression is that the relevant industries are badly in need of long-range information; only a central body is appropriate for the task of dealing with very expensive items produced as a result of substantial industrial investment.

c. The central agency should draw on the work of commodity teams which would be tasked with producing specifications for major items and with reviewing existing specifications with the help of the users, eg Regional Supplies Offices. (I made the point that in the retail business it pays to listen to what one's customers have to say.)

d. The central agency should impose disciplines on procurement by individual authorities, with the aim of avoiding producers who have a poor record in, for example, industrial relations, delivery and quality.


Derek Rayner



(LO Address) []

ANNEX B []

Tel. Ext. []

19 []

BEFORE

Dear Sir or Madam,

I am arranging for one of my Supplementary Benefit officers to visit you on

..... 19..... This visit will probably be made in the morning/afternoon. I am sorry I cannot be more definite about the time but the officer has a number of other visits to make during the day. I hope you can arrange to be in. But if you are at work or have a prior important engagement (eg hospital appointment) please don't remain at home. If this is the case perhaps you could let me know by the day before the visit, telephoning the number shown at the top of this letter.

The officer who calls will ask for information — which will be treated as confidential — about the following :

Your rent and rates (or other household costs, if for instance, you are an owner-occupier) and whether anyone else lives with you.

Any income you have — such as national insurance benefit or pension, Child Benefits, Family Income Supplement, part-time earnings or income from a private insurance scheme.

Any savings or investments — such as National Savings Certificates, Co-operative Share Account, shares or house property. (You will not be asked about personal possessions such as furniture, books or jewellery.)

In order that we may deal with your claim as speedily as possible it will also be helpful if you can produce as many of the documents listed overleaf as you (or your wife/dependant) hold, and any similar documents you think we should see.

Yours faithfully

Manager

Documents relating to household outgoings

- If you pay rent —
rent book or latest receipts for payment of rent
- If you pay ground-rent or feu duty —
latest receipt for ground rent or feu duty
- If you have a mortgage on the house —
latest annual statement from building society or other evidence of mortgage and interest
- If you pay rates yourself —
latest demand for rates and water charges
- If you have applied for a rent rebate or allowance and/or a rate rebate —
any notification received from the Local Authority

Other documents

Retirement and other pension books, Child Benefit books and Family Income Supplement books

Savings Bank books, Building Society Pass-book

Bank Pass-books and/or bank statements

National Savings Certificates

Premium Bonds

Other Government securities

Co-operative Society Share Account Books

Unit Trust, Stock or Share certificates

Confirmation of earnings (if any) eg wage slips or pay packets

Notice of award of sick pay from your employer or superannuation, works pension or payments from a Trade Union

Home visit

A visitor will call to see you about supplementary benefit on

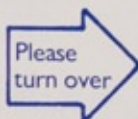


The visitor will call between
9 o'clock and 1 o'clock.
1 o'clock and 4 o'clock.

We are sorry that we cannot give you an exact time. We hope that you will be in when the visitor calls.

If you cannot stay in, please let us know. Ring us up on the day **before** the visit. The number is at the bottom of this letter.

Please read the list on the back of this letter. The visitor needs to see the things on it so that we can work out your benefit.



A16B in E/SFU

Date

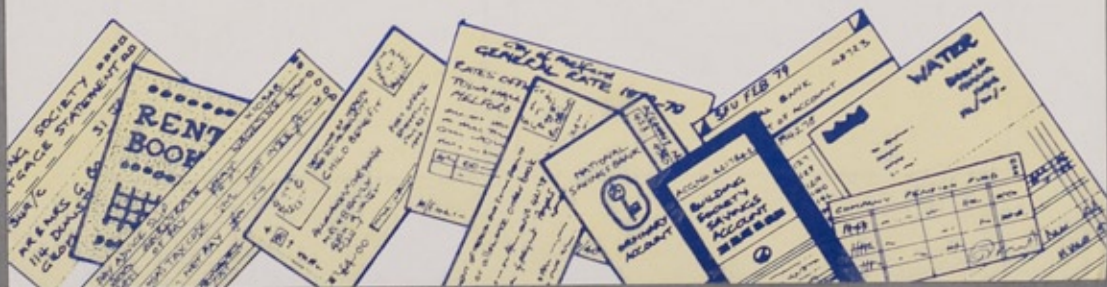
List of things to show the visitor

You won't have all the things on this list. But please show the visitor the ones you **do** have, even if they belong to your wife or to people you are claiming for such as your children.

- ★ **Pay-slips** from part-time work.
- ★ **Books** for things like pensions, child benefit, child benefit increase, family income supplement, sickness benefit and maternity allowance.
- ★ **Rent book** or your last **rent receipt**.
- ★ **Bills** for rates, water, ground rent or feu duty.

And show details of any

- ★ **Mortgage.** The visitor needs to see how much you still owe and the rate of interest on it. Get these facts in a note from your building society.
- ★ **Rate rebate, rent rebate or rent allowance.**
- ★ **Savings.** Show savings books, bank statements or premium bonds.
- ★ **Works pension or payments from a trade union.**





Department of Health and Social Security

Crown Building 73 London Road Redhill Surrey RH1 1LP

Telephone Redhill 60366 (direct)
or 65020 Ext 71.

Your reference

Our reference

Date 10 August 1979

Sir Derek Rayner
c/o The Rayner Project
Room 53
Ingram House
13-15 John Adam Street
LONDON WC2N 6HD

Your reference

Our reference

Date 10 August 1979

Dear Sir Derek

I was interested to see that you had been appointed to report to the cabinet on efficiency in administration within the Civil Service. I write to you as a local office manager in the Department of Health and Social Security to give my views on conventions and practices which inhibit successful management.

You must be a busy man and I will try to be brief. The first item mentioned below is in my opinion the most important single aspect and requires early attention.

1. CHANGED STAFF ATTITUDES TOWARDS AUTHORITY

The change can be recognised throughout the whole of our society in many forms. The phenomenon seems to stem from many causes such as lack of discipline in the home, at school, the effect of certain TV programmes, inadequate or misdirected leadership and so on. But possibly the largest single influence is that of the power of the trade unions who have sought with ever-increasing strength to impose their will on management in industry and government alike. Staff have been encouraged by their unions to react to almost any change (cuts, procedural or organisational changes, accommodation changes and the like). Threats to ban this or non-co-operate with that has at times made working conditions very difficult and has done a great deal of damage to good industrial relations. Staff have become used to doing things (or not doing them, as the case may be) unheard of even 10 years ago, fully confident that they will be shielded from any recriminations which otherwise might arise. The perversion of participative management (which otherwise has much to commend it) has also played its supportive role in eroding the authority of the Manager, since staff assume that they, in certain circumstances, have the right to veto and through the union machinery can therefore overrule such matters which would normally be considered a matter for managerial decision. Two such instances have occurred to me in recent times as follows:

a). At a previous office we wished to carry out a feasibility study to establish the desirability of merging two different work sections. On the surface many advantages could accrue by so doing. Although a carefully reasoned case was submitted, the project was rejected by the Regional Office Staff Side because their policy at the time was non-co-operation with work of an experimental nature.

b). At my present office we found first class accommodation on offer locally (unused space for which rent was being paid by P.S.A.) and proposed that we should take it over and thus complete the planned integration with the Caterham Office (a small N.I.O. situated some 5 miles away) which would then close. The integration would have been of benefit to both organisations which separately are small but when merged become a much more viable proposition. However, despite much

/continued...

*Please let me speak to him.
Ends this morning.*

*Sp
22.8.79*

work and valiant attempts by the Regional Office Official Side to persuade Staff Side, the latter refused to agree to integration until the new office is ready in Redhill some 2½ to 3 years hence.

The instances quoted above are only the bare bones of long stories with many ramifications, but they illustrate the ascendancy and initiative that unions have managed to gain for themselves over the last decade. The situation cannot, of course be reversed overnight, but reversed eventually it will have to be if we are to manage again in the true sense of the word - that is to say to command and control. Participative management in my opinion gives far too much scope to staff to exercise authority without having to accept the overall responsibility for their actions and as a first step I would propose that we should abandon the participative approach and substitute in its place consultative management. Authoritarian management is rarely seen these days but all managers I know are the type who would, first, when faced with problems requiring action, consult staff affected by changes in work, organisation or accommodation, etc. Indeed to avoid pitfalls and wrong decisions one inevitably must obtain all the facts and usually the only way to establish these is by consultation. However, once having reached the stage of decision, it is incumbent on staff to accept the situation. The majority always have done and always will. But how can one deal with the smaller hard core of staff, who are motivated by various reasons and often vociferant, to fall into line? A difficult question to answer but if management is to succeed it will have to be tackled with skill, tenacity and forthrightness. The only sure way is for a complete change of direction to be manifestly seen to be emanating from the highest levels and for Managers thereby to feel confident that they will receive full support in carrying out matters felt to be in the best interests of office efficiency and therefore of the Department. It would also seem that a certain amount of re-education of staff is desirable to explain the economic facts of life and therefore why certain actions are necessary, thus attempting to offset the information/comment/instructions issued freely by unions. The wider and deeper this is done the better, since if progress is to be made present attitudes must change and staff generally made to appreciate current problems. They must also become more appreciative of the fact that, by and large, they are employed and paid to do what is required of them. A point which appears to be ignored in some circles.

2. RESTRICTED KNOWLEDGE OF AND VARYING WORK STANDARDS OF OUTPUT OF STAFF

Some staff limit themselves to performing only a small range of duties and have no interest and no intention of gaining experience of other work. Further, some individuals will only perform their "own" work and are not interested in helping out when colleagues are on holiday or absent for some other reason. On the other side of the coin some staff are conversant with many types of duties and are willing to move from one job to another as required. Additionally, they are always happy to help clear the work of others in arrears or who are absent. We therefore have varying standards of work, output and co-operation. In a local office organisation it is essential for staff to be able to interchange and to take over each others duties as required. As matters stand, the heavy load and difficult tasks are undertaken by a smaller cadre of willing staff upon whom the whole organisation ultimately depends. It is unfair to the latter, in such circumstances for all staff to be paid equally within their incremental scale for unequal effort. We cannot, of course, at this stage alter pay already in existence to individuals, but I submit that opportunities will occur in future when pay rises are in operation to review staff performances and approve rises only to those who are considered to be fully up to the standard of knowledge, experience and output. Obviously much thought would have to be given to such a scheme since it would be regarded with the highest suspicions by unions and by some staff as an efficiency barrier. A common standard would have to be laid down and apply throughout the whole of the country. If such a scheme were adopted, I submit that it is likely to act as an incentive, a challenge and general stimulant to most staff.

/continued...

THE INTRODUCTION OF FLEXIBLE WORKING HOURS

Flexible working hours (F.W.H.) were introduced some years ago and are certainly popular with certain sections of the staff. For some duties in the office it matters little whether staff attend early or late, provided their jobs are completed timeously. However, in general in local offices where small sections are working to an E.O. Supervisor, "flexihours" are not desirable from an organisational viewpoint. It has become difficult to find staff willing to perform functions where the finishing time is uncertain (cashier/stockholder duties) and for post opening, for example, where staff are required to attend at a pre-specified time each morning. There is always the possibility of abuse, morning, evening or lunchtime when supervisors attend at times different to those of their staff, with a resultant drop in output and so on. The time has come I feel for a complete investigation into the working of the F.W.H. scheme to take place with a view to reporting on its effect on organisation and efficiency.

OTHER ITEMS

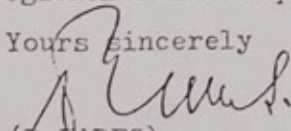
The educational standard of some school leavers, even though they may possess five "O" level subjects is appalling. Spelling and grammar is weak and often their knowledge of elementary arithmetic is minimal. Quite a proportion of applicants do not know their multiplication tables, are not able to add 1.3 to 1.8 (answer often given is 2.11) or say what 75% is as a fraction. One is forced to the conclusion that a good proportion of school leavers are ill-equipped basically to cope with the sort of work carried out in DHSS where the ability to write reasonable English and work out accurately simple arithmetical calculations concerned with benefit payments and other tasks is essential. In short, our educational system is failing to produce material capable of coping with skills required in the work-a-day world. The system seems sadly in need of revision, especially in relation to two basic subjects - English and maths. Changes made here would help considerably to improve our work standards.

Another matter which requires attention is the inadequate machinery for dealing with staff regarded as "dead wood" or sub-standard.

Finally, I would like to mention the inadequate and costly service provided by the Property Services Agency. Small maintenance jobs required by the office are, as you will know, carried out against a "running" contract. My experience, especially during more recent years, is that delays occur in obtaining satisfactory completion of work and that the amounts charged are much above one those would expect (as a householder I certainly would not expect such charges). If ever an opportunity were presented for real savings in expenditure, this is it. My opinion is that delegated authority should be given to local managers to arrange for small jobs to be carried out by a local builder or handyman. Bills vetted by the Manager could either be paid locally or by the Regional Office of this Department. I am sure that if such a procedure were adopted, savings would accrue and a better service could be obtained. →

I apologise if my approach to some problems may appear strident since I do not wish to be so, but as I near the end of my service career, I am concerned at the trends which are occurring and feel that unless we are given a "jolt", the encroaching tide of militancy will end in disaster, possibly worse than that felt during the years of depression in the '30s. This is my only reason for writing to you and I should be very happy to see some vigorous (but fair) action being taken. I write against a background of some 10 years experience as a manager of four different offices (staffs between 50 and 120 in strength) in DHSS with previous service in the Ministry of Defence, Ministry of Aviation and Ministry of Food, and am consequently fairly knowledgeable of Civil Service affairs at local, regional and headquarters levels.

Yours sincerely


(J EADES)

Telephone:

Wolverhampton (0902) 23899

HH/JGM/AG

May 11 1979.

Sir Derek Rayner,
Joint Managing Director,
Marks & Spencer Limited,
Baker Street,
London.

Heanton House

Salop Street

Wolverhampton WV3 0SH

Dear Sir. Derek,

Many years ago I saw your exhibition in Baker Street on Lord Marks campaign to reduce paper work - was it one sheet left out of ten? I modelled my business on it. The organisation I sold to Tarmac is now one of their best profit earners, and has provided both a new chief executive, and a very able man to succeed him as head of the housing division. And I note that Eric Pountain has started in his first two weeks as Chief Executive by stopping entirely some things that were sacred cows of the old regime. It's the only way to cut the middle aged spread of excessive overhead which comes from a prosperous past. I found that far from being overloaded, a reduced staff had less to do. There were not so many people to send memos to.

54
Five quick areas of study for you from my experience as a member of the NHS Wolverhampton Area Health Authority, and as chairman of the NHBC Standards committee.

First the forthcoming part W of the Building Regulations. This is a 1½" thick (as yet secret) document prepared by 30 or so civil servants part of Mr. Howells old department, aided by a 30 strong Quango working at present in isolation. The Building Regulation section of DoE under Mr. MacPherson is also concerned with the revision of the water regulations, but do not expect to do anything for four or five years because of shortage of staff and the difficulty of reconciling and co ordinating their work with the work of Howells' men. The division is between waste and pollution on the Howell side, and use on the DoE side. As Mr. MacPherson described it, Howells men would specify a tap with no hole in it because then there could be no pollution or waste, whilst his men would like to see a hole so that the water could be used. Meanwhile the several Regional Water Authorities are also drafting new regulations based on the model byelaws, and of course their efforts are contradictory. The only sure result is increased costs. For instance every pipe in a domestic central heating system now has to be readily accessible either being mounted on the surface (which is unsightly) or buried in a removeable duct which is expensive. There is no evidence (such as we in NHBC require before change in our specification) that the costs borne by householders in repairing pipes buried in the floor concrete justify the massive expense of providing a duct for every pipe. Remedy: stop entirely all DoE work on water regulations except to issue a directive to water authorities not to increase their specification unless it is justified by facts.

54
Secondly study the report (issued in May 77) "Regional Chairman's Enquiry into the working of the DoHSS in relation to Regional Health Authorities". Among the gems are

references to a total lack of control over people issuing directives and circulars "because having been appointed they had to do something". Often these circulars involving increased costs came in the same envelope as others cutting the finance available. Our own administrators reckoned that 33% of their time was spent reading, understanding, circulating, discussing, replying to or implementing this plague of verbiage. I proposed we instruct our officers to spend only 20% of their time - one day a week - and to put the rest on a 'waiting' list like we do our patients but sadly my AHA didn't support me.

Thirdly - in the NHS - set up a failure system like M & S. Recently a suspect dried milk batch was analysed by our chief pharmacist and he notified the Department. It took two months before the DoHSS sent out a warning, although in the Midlands an unofficial grapevine took all the stuff off the shelf that day. I went to Baker Street to find out more of the way you handle such problems in two hours and wrote to Ennals to tell him. I had a very long letter back from some senior civil servant saying how impossible it would be to use M & S methods in the NHS. As some one said for every solution the civil servant can find six problems. Anyway why does the NHS run mini shops in clinics to distribute baby food when Mothercare or M & S could do it at a fraction of the cost? We have store rooms and serving counters in our health clinics used one day a week, and then spend money extending the clinics to accomodate doctors we have no room for!

Fourthly look at the way Whitely council pay agreements affect the management structure of the NHS. The recent settlement of the below - third -in-line engineers (remember the work to rule of hospital engineers last autumn) has had an incredible result. The DoHSS suggested a change in the way of agreeing establishment from a crude bed count (OK with hospitals but difficult with the clinics etc taken over from local authorities) to a cubic metre count of the buildings maintained, with a pointage system to allow for sophisticated equipment in operating theatres etc. From this a management structure is developed. No senior engineer with certain qualifications must look after more than so many thousand cubic metres of building or and so on down the line. In Wolverhampton we now have to provide 3 senior building supervisors to look after New Cross Hospital instead of one man. There's no more work, and our Works officer has some difficulty in dividing the work out. One thing is certain; in three months all three will be overloaded and needing secretarial assistance. The men appointed are senior draftsmen handling minor projects up to £ 50,000. But the agreement will not allow them to design work in future above £ 10,000. So we now have either to recruit further designers, or put the work out. In cash terms, at constant 1979 pay levels our supervision costs will increase from £ 66,000 to £ 132,000 in three years. There is no additional funding, so the £ 72,000 will have to be matched with savings elsewhere. Maybe we will sack a few nurses so that three highly paid, index linked engineers will do the work one did before.

Fifthly look at the National Building Agency. This was set up under Cleeve Barr to spearhead the disastrous system building drive of the late 60's. It never had a real job to do, and has been searching for one ever since. It's a laughing stock in the industry, and an expensive burden for the tax payer.

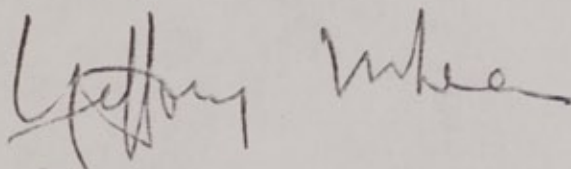
Sixthly look at N.E.D.O. I served on the Building NEDC for five or six years, and am still on one of its subcommittees. In all that time there's little achievement, and what has been done has been largely ignored. It's just a talking shop. The comment by

Patrick Sargeant of the Daily Mail after the famous Chequers meeting of the little Neddies and the Government was apt. No one present, said he, had ever had to produce a profit. The system is firmly in the hands of the Nedo secretariat - non accountable to Parliament. Sub committees have no representation on the industry councils, industry councils have no direct voice on the NEDC. Communication from one level to another is only through the 'office'. And I suspect the office is mainly concerned with keeping some fat cats living on the hog. As to the pathetic belief in tripartite agreement, all this amounts to is the emasculation of any really worthwhile contribution to the reports they produce .

The housing for all committee on which I worked for three years ^{was} were very angry when their work was reported on by three 'independent' wise men because the original report was too controversial. And all this work duplicated the Government committee sitting at the same time. NEDO has served its purpose and should go.

Apologies for a note longer than I first intended. But I have covered six subjects.

Yours sincerely,



Geoffrey McLean.



Spoke DHSS about
composition of visiting
party ✓

MAD 24/11/79
Prime Minister

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

Mike Pattison Esq
Private Secretary
10 Downing Street
London
SW1

23 August 1979

Dear Mike

VISIT BY THE PRIME MINISTER: 29 AUGUST 1979

Thank you for the guidance in your letter of 13 August to Bernie Merkel about the arrangements for 29 August. I enclose

- a. The agenda and timetable with names of officials who will be present during the course of the visit
- b. Briefs on the main topics suggested for discussion:
 1. National Health Service Hospitals
 2. Social Security issues
 3. Royal Commission on the National Health Service

Our arrangements for the visit including lunch assume that the Prime Minister will be accompanied by Mr Gow, Mr Wolfson and yourself plus 1 or 2 detectives. I would be grateful if you could let me know as soon as possible if there is any change in these arrangements. I attach three extra copies of the briefing for use by those accompanying the Prime Minister.

Yours ever

D BRERETON

Encls:

PRIME MINISTER'S VISIT - 29 AUGUST 1979

Agenda

1. Visit to DHSS Library, Canteen (12.30 - 13.00)

<u>Library</u>	- Miss A Kahn	- Chief Librarian
	Mr A Cooper	- Senior Librarian, Readers Services
	Miss J Male	- Librarian, Enquiry Desk
<u>Canteen</u>	- Mr W Salisbury	- Chairman, DHSS Refreshment Club
	Mr J B Heron	- Secretary/Treasurer, DHSS Refreshment Club
	Mrs K Peacock	- Staff Supervisor

2. Working lunch with Ministers, two Permanent Secretaries and Deputy Chief Medical Officer, D701, (13.00 - 14.15)

Topics for Discussion

1. Social Security issues
2. DHSS Management and Industrial Relations

3. Meeting Secretary of State, Junior Ministers and senior staff D104, (14.15 - 15.00)

Those attending

Secretary of State

Mr Reg Prentice	- Minister for Social Security
Dr Gerard Vaughan	- Minister for Health
Sir Patrick Nairne	- First Permanent Secretary
<u>Mr G J Otton</u>	- Second Permanent Secretary (Social Security)
Dr Gillian Ford	- Deputy Chief Medical Officer (Health Services Policy)
Mr P Benner	- Deputy Secretary (NHS Personnel)
Mr A J Collier	- Deputy Secretary (NHS Organisation and Resources)
Mr T E Nodder	- Deputy Secretary (Services Development Group)
Mr R E Radford	- Deputy Secretary (Principal Finance Officer)
Mr J W Stacpoole	- Deputy Secretary (Supplementary Benefits - Chief Adviser to Supplementary Benefits Commission)
Mr J Bolton	- Chief Works Officer
Dr E L Harris	- Deputy Chief Medical Officer (Scientific Services and Medicines Field)
Miss P Friend	- Chief Nursing Officer
Mr W Utting	- Chief Social Work Service Officer

Topics for Discussion

1. Hospitals
 2. Social Security issues
-
4. Visit 2nd Floor of C Block - staff dealing with Special Hospitals and Family Planning/Abortion/Smoking
(15.00 - 15.30)
 1. Special Hospitals
 - Principal - Mr L A Wood, Head of Section responsible for management and staffing of special hospitals.
 - Senior Executive Officer - Mr D F E Hogg, financial management and planning of special hospitals.
 - Nursing Officer - Mr V D C Lake, professional advice on special hospitals and Mental Health Act.
 2. Family Planning/Abortion/Smoking
 - Principal - Miss M Chiverton - work on Mr Corrie's Abortion (Amendment) Bill and family planning.
 - Principal - Mr D Milner - smoking policy
 - Senior Investigator - Mrs D Mason
 - Investigators - Miss R A Stickland) Inspection of
Mrs H Coles) Private Sector
Mrs B Reid) of Abortion.

VISIT TO DHSS

PRESS COMMENT ABOUT THE DHSS OPTIONS

1. The article in Saturday's "Guardian" and a similar one in the "Standard" the previous evening (copies attached) both derive from a meeting the Secretary of State had with a deputation from the Departmental Staff Side on Tuesday, 18 September. The meeting took place at the request of the Staff Side because they had been told previously at a Whitley meeting that it was not the intention to disclose the options under consideration for saving Civil Service manpower.
2. The Staff Side based the protest on the fact that many other Ministers have disclosed all or some of their options, that they and the staff were being kept in the dark, causing unnecessary apprehension, and that there was increasing and worrying speculation in the press about DHSS' options.
3. They were told that it was entirely for Departmental Ministers to decide whether or not to disclose the options; that the DHSS options at the higher levels were particularly sensitive because reductions of, say, 15%-20% could be made only by a major change in the policy or the organisation and handling of Social Security benefits, and that all the evidence suggested that there was a serious risk of disclosure to the press. Premature disclosure would almost certainly cause unnecessary anxiety for the old, the disabled, the unemployed and the disadvantaged - the public served by DHSS - because there was little to suggest that the options at the highest levels would commend themselves to Government Ministers collectively.
4. Secretary of State told the Staff Side that he therefore had no intention of disclosing until Ministers had had the opportunity to consider all the options thoroughly. He hoped to be able to consult with the Staff Side at a later stage but he would give no guarantee to do so before the Government had arrived at its decisions.

5. The Secretary of State's reference to the unlikelihood, in his personal view, of the Government wishing to pursue DHSS options at the higher levels has obviously been taken up by the representative at the meeting of the Society of Civil and Public Servants and fed to the press. The way that the latter has handled the matter reinforces the view that the Union representatives want this information not, as they claim, to allay the fears of staff, but in order to spread alarm, aided by the press, among both the staff and the public, as a means of promoting support for their campaign against reductions in public expenditure.

6. Our impression is that the Unions are put out that very little about the DHSS options has got to them or the press despite the fact that the information had to be handled by a relatively large number of staff in the Department's HQ. What has appeared so far has either been very wide of the mark or has simply repeated the policy guidance given by the Secretary of State to officials about the approach to be adopted in working up the options. This guidance was in fact sent to the Departmental Staff Side for their information.

7. The references to health service cuts in some of the press reports of the discussions with Staff Side are entirely misplaced as the discussion was confined entirely to reductions in civil service manpower.

Why 'health cuts' are 'kept secret'

by Norman Leith

TWO Civil Service unions claimed today that the Government is refusing to release details of cuts it may be making in the Department of Health and Social Security, on the grounds that they might "alarm the public."

The Health Minister, Mr Patrick Jenkin, refused to spell out the options for 10, 15 or 20 per cent cuts at a meeting with union chiefs on Tuesday.

According to a spokesman for the Institution of Professional Civil Servants, Mr Jenkin told the meeting that he would not release the details on the grounds that a reduction of 20 per cent was "very way out, and unlikely. They would raise unnecessary alarm among the public, and

Hospitals to lose beds

COMMISSIONERS who took over Lambeth health authority, after it refused to carry out Government spending cuts, today called for a 10 per cent reduction in acute hospital services in the Guy's teaching district.

Staff levels should also be reduced substantially, they

the Press reaction would not do the Government any good."

Mr Dave Heywood, assistant secretary of the Society of Civil and Public Servants, said the Minister had told them that if the public knew what cuts were being considered "it would cause alarm and dependency."

The unions claim that the Health Ministry is the only

said in a consultative document.

The plans call for a cut in the number of in-patient beds in the district by 112 to 763. In-patient services at St Olave's Hospital, Roehampton, would be transferred to the other two hospitals in the district — Guy's and New Cross.

Government Department to refuse details of planned cuts in the Civil Service.

A statement from the SCPS said Mr Jenkin had denied the unions the information because "DHSS deals with matters of great concern to the public; that at least some of the options being considered by the Cabinet were options which 'no Government which had not taken leave of its senses' would implement—in the short term."

Mr Heywood, who was present at the meeting, said today: "This attitude by the

Government is a serious denial of the democratic process."

Peter Rouman writes: Local authorities which obey the Government's call for cuts in services instead of trying to find alternative ways of saving money face industrial action.

The warning came today from Mr Geoffrey Drain, general secretary of NALGO, the union with 500,000 members working in town halls.

Agreement

Mr Drain, addressing official leaders and chief executives meeting in Scarborough for the local government conference, said he had noted that associations representing the local authorities had reached basic agreement on an approach to the Government on the question of cuts.

"We hope that the unions can also bring some form of pressure to bear to change the Government's attitude," he added.

"No doubt unions will resist cuts by industrial action but I do not believe there is going to be a great wave of industrial unrest."

Jenkin 'said cuts were alarming'

By Melanie Phillips,
Michael White,
and David Hencke

A Civil Service union claimed yesterday that Mr Patrick Jenkin, the Secretary for Social Services, has told them that cuts being considered for his department by the Cabinet could only be implemented by a government which had taken leave of its senses.

Mr Jenkin reportedly said that the public could not be told of the possibilities being considered because people would be too alarmed by them.

Mr David Heywood, an assistant secretary at the Society of Civil and Public Services, said that Mr Jenkin had made these remarks when the union had asked him why the Department of Health and Social Security was the only major department to refuse to tell the unions about options being proposed.

Government departments are

faced with a choice of making cuts of 10, 15 or 20 per cent to meet Government policy of cutting the Civil Service. Mr Jenkin, said the union, explained his refusal to provide them with information about these options on the grounds that the DHSS dealt with matters of great public concern. Some of the cuts being considered were options which "no government which had not taken leave of its senses would implement in the short term."

The unions could not be told, he said, because the public would get to know and be alarmed at what the Government was considering. "He insisted that all these — unspecified — proposals were being seriously considered by the Cabinet, and none could be ruled out," said a union statement.

Mr Heywood said that the attitude represented a serious denial of the democratic process. "The unions, representing nearly 100,000 workers whose jobs are threatened, are

being denied consultation because of Patrick Jenkin's overriding concern that the public should not know until it is too late the alarming and way-out proposals this Government is considering.

Patrick Jenkin has taken his cue from earlier Government statements that 'sensitive cut proposals were not to be disclosed. The same approach is apparent in the secrecy of his special commis-

sioners now running — or rather, running down—Lambeth area health authority. Cuts of 10, 15 and 20 per cent in DHSS staff would mean, said the union, that more than 8,000, 13,000 and 17,000 people respectively would be made unemployed.

The Government's proposed cuts were again lambasted by Labour and Liberal party spokesmen last night. Mrs Shirley Williams spoke of "not

just cuts but wounds in the body politic" and the Opposition's social services spokesman, Mr Stanley Orme, spoke of the welfare state being "at war."

The Liberal MP Alan Beith, said that country children would be hit hardest by cuts in school transport and meals and suggested that the Government seemed to be "moving back to the idea that there should be one education system for the peasants and something better for the elite."

Speaking in Warrley, Mrs Williams said: "What will happen to the schools beggars believe? If the Government had wanted to protect Britain's future it would have exempted teachers and textbooks and fostered invention and innovation—all long-term means of saving resources. Instead, it attacked "the millions of vulnerable people, young and old."

Mr Orme said in Cheltenham: "The health service is to be deprived of essential and

the crucial financing and the pressure will be towards private treatment, private insurance and the creation of two health services.

Mr Geoffrey Drain, general secretary of NALGO, told local authorities at Scarborough yesterday, that he expected his union to take selective industrial action against spending cuts this winter. But he added that most of the unions' effort was going to be spent persuading the Government to change its mind.

He urged the 545 local authorities at the conference to join NALGO in seeking to persuade the Government of the value of public spending.

Mr Michael Heseltine, the Environment Secretary, had been "inaccurate and misleading" in presenting the cuts as a reduction in expenditure in his speech on Thursday, said Mr Drain. "You know, and I know, that the cuts are a reality because at this moment you are having to implement them."

124/130 Southwark Street London SE1 OTU telephone 01-928 9671

20th September, 1979

BR, SEC, 108/79

TO : BRANCH SECRETARIES
SEC members for information

Dear Colleague,

MEETING WITH SECRETARY OF STATE

The Section Chairman and I were part of a departmental Staff Side delegation which met the Secretary of State and the junior Ministers (Prentice and Chalker) on Tuesday 18th September.

We had asked for the meeting to obtain information regarding the cuts options currently being considered by the Cabinet, or alternatively to be given an explanation as to why DHSS was the only major Government department not to have consulted its Staff Side.

I am circulating separately a fuller report of the meeting to the membership. The purpose of this circular is to advise you that the attached press release has been issued by the Section with an embargo for Monday a.m. Branch and Regional representatives should therefore get in touch with local press contacts with a view to getting local coverage.

We need to emphasise that the Government promised to fully consult the unions when proposals were under consideration. Patrick Jenkin has opted out of that promise because the cuts options in DHSS are too sensitive and would cause unnecessary anxiety. This means of course that the Government will consider DHSS cuts in secret with no opportunity for the public or the unions to express views which might influence them.

Cuts options in DHSS will create alarm and despondency.

20% cuts cannot be ruled out.

No commitment to consult unions before decisions are made.

Yours fraternally,

DAVID HEYWOOD

Section Secretary

Enc.

society

of civil & public servants
executive and directing grades

124/130 Southwark Street London SE1 0TU
telephone 01-928 9671

DA Heywood
Assistant Secretary

date
your ref
our ref

EMBARGO: NOT FOR USE BEFORE MORNING
PAPERS MONDAY 24TH SEPTEMBER

PRESS RELEASE

CUTS KEPT SECRET TO AVOID PUBLIC 'ALARM AND DESPONDENCY'

Civil Service unions have been told by Secretary of State Patrick Jenkin, that if the public knew what cuts in Health and Society Security are being considered by the Government it would cause 'alarm and despondency'.

At a meeting with Patrick Jenkin, the unions had sought information on the 10%/15%/20% cuts options proposed for the DESS to meet Government plans to cut the civil service. DESS is the only major department to deny this information to the unions, but Patrick Jenkin still refused to give any. His reason for this was that DESS dealt with matters of great concern to the public; that at least some of the cuts being considered by the Cabinet were options which 'no Government which had not taken leave of its senses would implement - in the short term': the unions could not be told, because the public would then get to know, and would only be alarmed at what the Government was considering. He insisted that all these - unspecified - proposals were being seriously considered by the Cabinet, and none could be ruled out.

David Heywood, SCPS Assistant Secretary for DESS, who was present at the meeting said this weekend:

"This attitude by the Government is a serious denial of democratic processes. The unions, representing nearly 100,000

workers whose jobs are threatened, are being denied consultation because of Patrick Jenkin's overriding concern that the public should, not know until it is too late the alarming and 'way-out' proposals this Government is considering. This is not merely bad industrial relations, it is contrary to the fundamental democratic right to public debate. Whatever one's politics, it is the public's right to know what is being considered and, by expressing its views, to make damned sure that Governments do not 'take leave of their senses.' It is highly ironic that the same man, only this week, told picketing trade unionists that he favoured reasoned argument and debate."

"Patrick Jenkins' has taken his cue from earlier Government statements that 'sensitive' cuts proposals were not to be disclosed. The same approach is apparent in the secrecy of his special commissioners now running - or rather, running down - Lambeth Area Health Authority. It is an extreme form of the Whitehall arrogance, shared by mandarins and ministers of successive governments, which asserts that decisions are best made in secret by those who know best."

NOTE TO EDITORS

The Department of Health and Social Security employs nearly 100,000 people in all parts of the country. The effect of 10%, 15% and 20% cuts in the various regions would increase unemployment as follows:

INCREASED UNEMPLOYMENT RESULTING FROM:

<u>Region</u>	<u>10% Cut</u>	<u>15% Cut</u>	<u>20% Cut</u>
Northern	1687	2531	3375
Yorks & Humberside	567	851	1134
East Mids & East Anglia	529	794	1059
London	2396	3594	4792
South West	416	624	833
Wales	386	580	773
West Mids	548	823	1097
Manchester	444	667	890
Merseyside	829	1245	1659
Scotland	683	1025	1367

Contact: David Heywood work 01-928 9671
home 0277 823004

124/130 Southwark Street London SE1 OTU. telephone 01-928 9671

19th September, 1979

SEC 301/79

Ref: W/14, W/27b

To: All SEC Members

Dear Colleague,

MEETING WITH SECRETARY OF STATE (18TH SEPTEMBER, 1979)

A Staff Side team met the Secretary of State, who was accompanied by Reg Prentice and Linda Chalker, on the evening of 18th September.

We opened the meeting by asking why DHSS was the only major Government Department not to have consulted its Staff Side on the options being considered by the Government when at our earlier meeting (2nd July) he had suggested that he would be in a position to come to Staff Side "later in July".

The Secretary of State responded by stating that he could not answer for other Departmental Ministers but that DHSS was dealing with a very sensitive area so far as the public is concerned. He invited the Staff Side to consider the implications of what percentage cuts of 10%, 15% and 20% would be for the Department. The suggestions under consideration by the Government included some 'way out options' which "no Government which had not taken leave of its senses would implement". If the media got hold of some of the proposals the publicity given would create 'alarm and despondency' amongst the public. He could, he said, understand that staff would like to know what options were under consideration but on balance he felt he could not disclose because of the effect of publicity on the public. We made the point that whilst the public might be alarmed, our members were equally alarmed and anxious that cuts of between 10% and 20% were being considered. We pointed out that the Secretary of State had a responsibility to the staff and he should recognise their concern at the lack of information. We pointed out that Ministers for Industry and Trade had publicly stated that 20% cuts could not be achieved. In that event his silence was of even greater concern. The Ministers response was that he would want to wait until proposals were "within the bounds of possibility". It was not worth risking a public outcry. In response to attempts to pin him down on the question of consultation he refused to be drawn. We suggested that if there were proposals which no sane Government would introduce we would be satisfied to be consulted about those proposals which were serious contenders. We asked for assurances that there would be consultation before final decisions are made and that we would not be presented with Cabinet decisions which were final. We also asked him to confirm that his earlier comments meant that 20% cuts were not feasible in DHSS.

On none of these points was the Secretary of State prepared to give any indication of the likely outcome. He said he would want and he hoped to be able to consult the Departmental Staff Side before decisions were finalised but he could offer no assurance. He could not, he said consult the Staff Side now on any of the options because the matter was still under consideration. For the same reason he was unable to say that 20% cuts would not happen in

We then went on to discuss the HQ position and the registered disagreement on the failure of the Official Side to provide details of where work was being cut out to meet staffing deficiencies. In particular we criticised the delay in Senior Management at HQ being asked to consider which work functions would be cut out.

The Secretary of State advised us that we would be provided with a list indicating where work has or will be cut in order to achieve the 4% cut in the current year. The list will be provided in time for the meeting with HQ Staff Side scheduled for 5th October. We were advised at the meeting that the current staff in post figures indicate a reduction of only 2% below the 1st April figures.

The meeting ended with the Secretary of State undertaking to advise the Departmental Staff Side when he was in a position to disclose the options under final consideration.

He then asked the Society and CPSA to stay behind which we did with the Departmental Staff Side Chairman.

The Minister told us that he wanted to take the opportunity to talk about the position in some local offices which was causing the department concern. He went on to argue that the Society and CPSA at national level were engaged in a political campaign intended to deter the Government from the course it is following. He did however accept that the same form of action had been taken against the previous Labour administration.

With regard to Local Offices such as Nuneaton and Breckfield the Minister said that Management would have to take action and he was prepared to authorise Management to take disciplinary action in appropriate circumstances. In particular he said the Government is going to have to consider the kind of threat made by the Society at the Child Benefit Centre which he regarded as unjustified when CPSA members at Washington had expressed a desire to work overtime. We then had a discussion on the constitutional position of the unions in implementing policy decisions. He could not accept that Civil Service Unions have a right to take industrial action directed at Government policy decisions. He maintained that industrial action was only justified in relation to matters relating to Conditions of Service. I tried to explain that the present action was only designed at this stage to highlight staffing deficiencies, the threat of action at Washington was a response to a situation where members of staff were prepared to depart from Union policy and where Management were intent on going back on an agreement not to offer overtime. Reg Prentice was unable to contain himself and at this point interjected to say that he was a supporter of Whitleyism and that he regarded the action threatened as unconstitutional. The Government were responsible to Parliament and any attempt to divert the Government through industrial action was a challenge to the supremacy of Parliament. The Secretary of State would not say what action would be taken against staff but did say that they might have to "send people home". It was clear however that he wanted us to know that he is prepared to embark on a get tough policy. We will of course have to wait and see what the Department does now and be ready to respond if they decide to take steps to suspend or discipline staff.

Yours fraternally,

DAVID HEYWOOD

Section Secretary

NHS HOSPITALS

Hospitals take a long time to plan and build. Hospitals now coming into service were planned many years ago; and they reflect policies and attitudes of the 1960s rather than 1970s. We can - and will - change attitudes, but it takes time. Meanwhile, the NHS must cope with what it has - when capital is short, and within cash limits.

2. There is a case for big, and a case for small. The NHS has to make the best of both cases.

3. The case for the good small hospital. Social, the focus of a community; health, a more human environment with ability to keep good staff; economic, that it maintains an asset for future use, and encourages local "flag-day" support.

4. The different roles of small hospitals include:-

acute services related to the general provision in the District;

maternity;

short stay of patients admitted by GPs;

provision for the elderly or senile;

services for the mentally ill or handicapped.

} and a lot more besides.

5. The case for the big hospital. Clinical advantages in concentrating some services together; some psychiatric and geriatric patients receive more effective treatment in close proximity to other kinds of medical care; there are certain minimum requirements for training of doctors and nurses; there are advantages in concentrating support services.

6. But there are also disadvantages - big hospitals are difficult to manage; by no means universally popular with staff or patients and often too far from where many live; their size and complexity may daunt those who use them or work in them; sometimes the hospitals can be brought into use only at the expense of local hospitals which could go on providing a good and valued service if allowed to do so.

7. In time, the NHS will get the balance right. Immediately, Ministers are faced with decisions - eg about closures. Each one has to be settled on its merits; see the note attached about three recent cases - Creaton, Bowthorpe, and Cowley Road.

Plymouth
350
Risks
Lynn

Newha
Radcliffe
Radcliffe

Three closure proposals -

Bowthorpe
Creaton
Cowley Road

Bowthorpe, Wisbech. Maternity. 42 beds.

For closure: better consultant care and anaesthetic cover at
at King's Lynn.

Against closure: convenience of patients; closure a blow to
Fenland as a community.

Decision - keep open.

Creaton, 12 miles from Northampton. General. 34 beds.

For closure: concentrate surgical facilities on expanded
Northampton Hospital; release resources; isolated hospital,
not close to most patients or staff. Better use of junior
medical staff.

Against closure: some local patients; closure will mean
overall reduction in surgical beds.

Decision - close.

Cowley Road, Oxford. Geriatric. 198 beds.

For closure: release resources to commission new John Radcliffe
Hospital, and implement plans for expansion of clinical base to
teaching medical students; fewer geriatric beds overall but more
modern approach to care in big hospital.

Against closure: need for geriatric beds, community pressure
to keep it open; underlying this the fear that Oxford's advanced
medicine and teaching is pre-empting too much of the available
resources. M

Decision: set up inquiry into Cowley Road, including the
possibility of identifying the need to review the health services
in Oxford as a whole. N

PRIME MINISTER'S VISIT - 29 AUGUST 1979

SOCIAL SECURITY

1. Operational Strategy

A major Departmental objective is the improvement of our operational systems for delivering benefits. This involves a commitment to further computerisation and the use of new technology to check the ever growing demands of the present system for manpower. The aim will be greater speed and flexibility in our operation, providing a more efficient, economical and accurate service.

Other major Departmental objectives are:

2. Simplification

This is a widely recognised need. The history of social security is one of growing complexity as special benefits have been added to meet particular needs (eg in the field of disablement) or more sophisticated benefits introduced to meet demands for better provision (eg new pension scheme).

Problems inhibiting simplification are:

less fine tuning and rougher justice mean some people lose out and this is politically difficult.

substituting more broadly based benefits for existing range of small specialised benefits involves higher expenditure.

In these circumstances, scope for improvement is limited, but current action includes:

simplification of supplementary benefit scheme (nil-cost package in Autumn legislation).

review of industrial injuries scheme (consultative document later this year).

intensification of search for simpler procedures, forms, leaflets.

examination of payment methods (Rayner project).

3. Reduction of fraud and abuse

The Cabinet's decision on 23 July to allow an extra 600 staff on anti-fraud work will enable us to step up our control measures and save wasteful public expenditure as well. We are also discussing with DE measures to tighten up on the application of the "availability for work" rules.

4. Improve incentives to work

The "why work" syndrome is difficult to combat through holding benefits down (they are not overgenerous for most families). Relativity with low wages is

the main problem. Best tackled through:

taxation policy (higher tax thresholds are a great help: taxation of short-term benefits currently under examination - likely to be a long term project, but more immediate plans being developed for making employers responsible for taxable payments during first six weeks of sickness).

{ removing disparities between income in and out of work (better child benefit and introduction of a universal housing benefit - but expensive).

increased effort to prevent "voluntary unemployment".

5. Annex A attached gives background information on the growth of social security operations and expenditure, incentives and the poverty trap, and the disabled. Annex B sets out the long term strategy for improving the system by further computerisation.

Benefit expenditure

6. Following table shows existing expenditure plans, before any changes coming out of present PESC review:

	£m. @ 1979 Survey Prices			
	1980-81	%	1981/2	1982/3
Retirement pensions	<u>9214</u>	<u>57</u>	9472	9686
Child benefit	2722	14	2543	2379
Benefits for sick, invalids and the disabled	2587	13	2683	2774
Supplementary benefits	2306	12	2339	2366
Widows benefits	772	4	777	784
Unemployment benefit	<u>743</u>	4	745	745
Other benefits	417	2	416	415
Administration costs	717	<u>4</u>	722	726
Total	19478		19697	19875

7. Outturn is usually close to forecast; but some variation is inevitable, and a small margin of error can involve large sums of money. The most unpredictable element is the number of unemployed: this affects both benefit expenditure and contribution income, and a change of 100,000 could alter the balance by £145m. at current figures. (The Government Actuary was badly out in his forecast of this item for 1976/77, when he had to rely on earlier experience of rising unemployment. He has now revised his models, basing them on most recent experience, and his latest forecasts have been much closer.)

8. Decisions in current PESC review will affect these figures. The main change already agreed is moving to prices only uprating from 1980 onwards. This is estimated to save £84m. in 80/81, rising to £505m. in 83/4.

9. Forward prospect is for little change in total expenditure in real terms, provided upratings are confined to prices only. The number of pensioners will increase slightly. Child benefit is shown above as declining, because there is no specific provision for its uprating.

NI Contributions

10. 70 per cent of benefits financed from National Insurance Fund, 30 per cent from taxation. The Fund receives 18 per cent supplement from Treasury, and small income from invested balances: otherwise it depends entirely on contributions - currently 16½ per cent over a range of earnings (10 per cent employer: 6½ per cent employee) - lower for those contracted out.

11. Present expectation is that contribution rate will not have to rise much next year - perhaps ½ per cent. Moving to prices only benefits, while maintaining

earnings-related contributions should contain need for increase.

12. The earnings limits for contribution purposes are, by law, linked with pension rate, and so rise annually. Annual increase is necessary to match rising expenditure, and to prevent a regressive shifting of the balance towards the lower paid. At present upper limit is £135 - roughly 1½ times average earnings for male manual workers. This is low by comparison with other countries.

Incentives and the poverty trap

13. The main lines of attack on the "why work" problem are -

- (i) increased effort against abuse to discourage "voluntary unemployment";
- (ii) raising tax thresholds;
- (iii) bringing short-term benefits into tax; →
- (iv) reducing disparity between incomes in and out of work by universal benefits - child benefit most important here (and a Unified Housing Benefit, if possible).

14. The poverty trap is the withdrawal symptom of the benefit system. It tends to be exaggerated in discussion of hypothetical extreme cases, involving marginal tax rates of 100 per cent + on every extra £1 earned. In practice it does not work so severely. Hard to cure - raising of tax thresholds helps most directly.

The Disabled

15. No recent survey: best available estimate is that there are some 2 - 3 million physically or mentally handicapped people in the population, of whom 80 per cent are over age 50 and more than half are over pension age.

16. Within overall expenditure on disabled, preferential schemes for war pensions cost £340m. and for industrial injuries £300m. Latter scheme is under review as a result of Pearson Commission (on Civil Liability etc.), and a draft discussion document about possibilities for NIL-cost reform is ready for Ministers' consideration.

17. Proliferation of small benefits for small groups of disabled (see paragraph 1 and footnote) has led to pressure for a single disablement benefit. (Manifesto aim - to work towards a coherent system as the strength of the economy allows). This would be a very expensive proposition - a non-starter for the present.

SOCIAL SECURITY OPERATIONS STRATEGY STUDY

1. DHSS has been working since 1977 on developing a long-term strategy for improving the payment of benefits to the public. The main objectives are:-

containing the growth of social security staff
 improving service to the public
 simplification of the social security system
 development of a new system of communications and computers for the 1990s.

2. A future strategy requires making the best use of the computer technology that is becoming available. DHSS is one of the biggest computer users in Europe but its present computer systems are based on the established technologies available when orders were placed 5-10 years ago. The Department must continue to use techniques of proven reliability to ensure a service in which the public have confidence but a future computer system must also take full advantage of technical advances. These include an expected reduction in capital costs (and of machine costs relative to wages) which may make it possible to use methods which previously were not cost effective.

3. The strategy study is concentrating on the fundamentals of a future system - where the contact points with the public should be, what information the Department needs to assess benefit entitlement, where to store the information and how to obtain it when needed and how payments should be made. For the future the aim must be to bring together all the information the Department has about the benefit position of an individual (and, ideally, of dependants) at the right point in the system. This should make it possible to minimise the questions asked of the public and speed up the service provided by cutting down the manual processing of information. This approach has been called the "whole person concept" and involves considerable improvement in cross referencing of information and greater mechanisation of the handling of that information.

4. A future strategy will need to be flexible enough to adjust to any foreseeable changes in the benefit structure. The strategy will, for example, take account of the Government's commitment to improve work incentives by taxing short-term benefits and to move towards the fulfilment of its original tax credit objectives as and when resources permit. It will be essential therefore in developing the strategy to keep in close touch with Inland Revenue (whose new computer systems will be operational by the end of the 1980s) and Department of Employment. The main foreseeable snag at present is staff reactions. Any reductions in staff numbers will be gradual but the Civil Service Unions are very apprehensive about technological advances and have recently demonstrated the vulnerability of large computer installations. It will be important to protect future systems as far as possible against this vulnerability but at the same time to secure staff (and the public) support for proposed changes.

ROYAL COMMISSION ON THE NATIONAL HEALTH SERVICE

Task of Royal Commission

The Royal Commission, under the chairmanship of Sir Alec Merrison, was set up with the terms of reference:

"To consider in the interests both of the patients and of those who work in the National Health Service the best use and management of the financial and manpower resources of the National Health Service."

The Commission was required to cover all four parts of the United Kingdom. It started work in May 1976 and published its (unanimous) report on 18 July this year. A list of the members of the Commission is attached at Appendix 1.

Publication of report

2. The report is about 500 pages long and contains over 100 recommendations. There is a shortened version - "A Service for Patients" (copy being provided with separate brief for Sir Alec Merrison's meeting with the Prime Minister on 29 August). The report has been generally well received by the Press and NHS interests, though there have been some criticisms - including, for example, those of the BMA for not calling outright for extra money for the NHS. The report is positive in its approach and, for the most part, low key - "reform, not revolution", in the words of Sir Alec Merrison.

Action on report

3. The Secretary of State said in his statement to the House:

"On the major issues of structure and management we shall put forward proposals in a document in the Autumn, and will invite early comments on that document from the interests affected."

4. Work on the Consultative Document is now in hand. It will not deal with all the Commission's recommendations. The intention is that those which do not run counter with Government policy, or would require the commitment of unavailable resources, should be dealt with in the course of the Department's normal activities.

Major topic for discussion - with political implications

5. A brief summary of the recommendations is at Appendix 2. Major topics for discussion are:

a. Streamlining the NHS structure - how do we balance the promotion of greater local autonomy at District level with an effective strategic planning role for the 14 Regions? How, within a more streamlined Service, will the requirements of accountability best be met?

b. Relations with the personal social services - an important element in the 1973/74 Reorganisation was closer co-operation with the local authorities: what will be the impact of a revised NHS structure on the important relationship between the health services and the personal social services?

c. The private and voluntary sectors - how significant for the NHS are measures to expand the private sector? What should be the future role of the voluntary sector, and what contribution can this make to the financial support of health care?

d. Industrial relations within the NHS - what are the prospects for the Royal Commission recommendation that "the TUC should take the necessary steps in initiating discussions on the procedure for dealing with national disputes in the NHS?"

APPENDIX I

ROYAL COMMISSION ON THE NATIONAL HEALTH SERVICE

Sir Alec Merrison DL FRS (Chairman)
Vice-Chancellor University of Bristol. Previously held government research posts at Christchurch and Harwell and academic posts at Liverpool before moving to Bristol in 1969. Sir Alec chaired the Committee of Inquiry into the Regulation of the Medical Profession whose report was published in April 1975. He was a member and Vice-Chairman of the South Western Regional Health Authority until his appointment to the Royal Commission.

Sir Thomas Brown (Vice-Chairman)
Chairman of the Eastern Health and Social Services Board
Northern Ireland

Professor Ivor Batchelor CBE
Professor of Psychiatry
Dundee University

Professor Paul Bramley
Professor of Dental Surgery
Sheffield University

- * C M Clothier Esq
Parliamentary Commissioner for Administration & Health Service
Commissioner (from January, 1979). Formerly QC and Recorder and
Judge of Appeal in the Isle of Man

Ann Clwyd,
Journalist, Broadcaster and member of the Cardiff Community Health Council;
newly elected member of the European Parliament.

Peter Jacques Esq
Secretary of the Social Insurance and Industrial Welfare Department
of the Trades Union Congress.

Professor Jean McFarlane (now Baroness McFarlane of Llandaff)
Professor of Nursing
Manchester University

Miss Audrey Prime OBE
Chairman, Enfield and Haringey AHA: until 1976,
Staff Side Secretary of the NHS General Whitley Council

Miss Kay Richards
Assistant Director of Social Services Hertfordshire County Council:
until 1.5.77. Senior Lecturer in Social Planning, National Institute for
Social Work.

Lady Sherman
Member of NE Thames RHA

Sir Simpson Stevenson
Chairman of the Greater Glasgow Health Board

Councillor Dr Cyril Taylor
General Medical Practitioner Liverpool

Dr Christopher Wells OBE TD
General Medical Practitioner Sheffield (retired)

Frank Welsh Esq
Director Grindlay's Bank Limited

** Professor Alan Williams
Professor of Economics
York University

- * Resigned 3 January 1979 on appointment as Parliamentary Commissioner
- ** Resigned 31 August 1978 because he disagreed with the way the Commission was going about its work.

APPENDIX 2

SUMMARY OF COMMISSION'S MAIN RECOMMENDATIONS ON DISCUSSION TOPICS

Streamlining the NHS Structure

- a. Dropping a management tier, leaving one operational and the planning level in most places (para 20.46):
- b. Transferring formal accountability for "matters within their competence" to the 14 Regional Health Authorities. This would include most of the activities of the NHS (para. 19.33):
- c. The national pattern to be flexibly applied locally and details to be worked out by RHAs (Health Departments outside England) (para. 20.48 and 20.51):
- d. Abolishing separate Family Practitioner Committees to administer GPs, etc, contracts and simplifying the professional advisory committee structure.

Relations with Personal Social Services

The Commission considered and rejected radical change in the responsibilities for either the health or personal social services, including proposals that the NHS should be run by local government and that the PSS should be run by the NHS.

The Private and Voluntary Sectors

- a. "the Health Services Board should be given power to control and a responsibility to consider, the aggregate of beds in private hospitals and nursing homes when any new private development is considered in a locality" (para. 18.39);
- b. The NHS should aim to provide for about 75% of all abortions on residents of the UK (para. 18.37).

Industrial Relations within the NHS

Apart from the recommendation referred to in the main brief, the Commission proposed:

"the health departments and staff organisations and unions should give urgent attention to industrial relations training for both staff representatives and management" (para. 12.11).



CF
for Jon as it
is not out of London.
14/8

10 DOWNING STREET

From the Private Secretary

13 August 1979

Don Brereton wrote to me on 3 August about the arrangements for the Prime Minister's postponed visit to your Department, which is now scheduled for 29 August. We have since spoken about this.

I have now had a chance to consult the Prime Minister again. She is content with a programme on the lines we discussed:-

- 1200 Meeting with Secretary of State, Junior Ministers, and senior staff. This meeting and the later working lunch should cover:-
- Report of the Royal Commission on the NHS
 - social security issues including incentives, simplification
 - hospitals
 - the poverty trap
 - forecasts for national insurance expenditure and contributions
- 1245 approx Walk around parts of the building, including perhaps canteen, library, Social Security Enquiry Office.
- 1315 approx Working lunch
- 1445 approx Visit a section of the Department at work - perhaps staff dealing with special hospitals.
- 1530 approx Leave for 10 Downing Street - where the Prime Minister will, at 1600, meet the Chairman of the Royal Commission on the National Health Service. Your Secretary of State will also attend this meeting.

/I hope

-2-

I hope that this guidance will now enable you to confirm the tentative arrangements which you have already made.

B.C. Merkel Esq
Department of Health and Social Security

MR. JAMES

MISS PARSONS

CHIEF SUPT. WARWICKER

I attach copies of draft programmes for the Prime Minister's visits to:-

1. DHSS - Wednesday 29 August
2. The North West - Thursday/Friday 30/31 August
3. Scotland - Wednesday 5 - Monday 10 September

You will see that the Prime Minister has broadly approved these for planning purposes. In the Scottish case, we still have to sort out a number of engagements to add to the programme for Friday 7 September. I am circulating the current draft to allow contingency planning, and I will keep you informed of significant changes.

M. A. PATTISON

13 August 1979

PRIME MINISTER

This might be a convenient moment to remind you of the programme of tours, and visits to Departments, in your diary for the rest of the year. I set this out below, and I attach to this minute the programmes currently envisaged for the first three of these visits. Could you please take a look at these and indicate any queries or doubts. (In the case of the Scottish tour, there are one or two options where we would like your decision.)

Beyond these three visits are you still content with the shape of proposals for the rest of the year, always subject to the intervention of urgent Government business? I have had it in mind that you might also spend a couple of hours at the Civil Service Department, which is your own, later in the recess. I suggest that we should do this without too much advance warning. I think it is particularly important that Sir Ian Bancroft's senior colleagues in the Department should get to understand from you personally how much importance you attach to improving management, the tightening of efficiency, and a long term effort to reduce waste and cut down the functions of Government. I do not think we need set this in the diary now, but should simply choose a day when a gap appears at short notice.

The list of visits is as follows:-

Wednesday 29 August, 1200-1600 ✓

DHSS

Thursday evening, 30 August/Friday 31 August ✓

Tour of North West

5-10 September

Scottish visit

Thursday evening, 13 September/14 September

West Country tour (North Devon, Bristol)

Tuesday 25 September

Milton Keynes shopping centre - opening ceremony

} This will be at the
time of the Rhodesia
conference - may
have to be
postponed

/Tuesday 2 October

Tuesday 2 October, 1100-1500

Department of Employment

10-12 October

Party Conference

Thursday evening, 18 October/Friday 19 October

Visit to Cardiff/Welsh Office

Monday 29 October, 1130-1500

Department of Industry

Thursday evening, 1 November/Friday 2 November

Visit to the North East

Monday 26 November, 1130-1500

DES

Thursday evening, 13 December/Friday 14 December

Visit to East Anglia.

MAD

10 August 1979



File tw

10 DOWNING STREET

From the Private Secretary

6 August 1979

BK 17.8.79

Caroline Stephens has previously been in touch with you about the Prime Minister's programme in Scotland in the period 5-8 September.

She will be spending 5 September in the Orkney and Shetland Islands. Thereafter, she hopes to visit Dounreay on the morning of Thursday 6 September, and would plan to leave for Aberdeen in the early afternoon.

As we discussed on the telephone today, it would be most helpful if you could establish that the proposed visit would be convenient to AEA. It would also be helpful if you could enquire whether AEA can arrange for suitable accommodation to be reserved nearby for the Prime Minister's party over the night of 5 September. The party is likely to include the Prime Minister and Mr. Thatcher, Mr. Ian Gow M.P. (Parliamentary Private Secretary), a Private Secretary, a Press Secretary, possibly the Prime Minister's Political Secretary, a Personal Secretary and two Detectives. We will confirm the exact numbers a little nearer the time.

M.A.P.

Energy replied
that the visit is
convenient to AEA.
PP with G/R^s. 17/8/79

W.J. Burroughs, Esq.,
Department of Energy.

GB

✓ MAF

PRIME MINISTER

As you know, I approached Dr. Stanley Balfour-Lynn - in a low key way - to get some material for you to use when you visit DHSS. You saw the letter in which he provided the response.

He rang me earlier this week expressing his "horror" to discover that the fact that an approach to him had been made was covered in some detail in a magazine called "Hospital Doctor" - extracts at Flag A.

Very few people knew of the approach I had made to him. There was no letter. You mentioned the subject at a meeting including Sir Ian Bancroft, Sir Derek Rayner, Mr. Priestly, David Wolfson and me. I spoke to Dr. Balfour-Lynn, and also spoke to Patrick Jenkin's Private Secretary. The latter had not put anything in writing in DHSS, nor had he mentioned it to anyone other than the Secretary of State. I have since learned from Mr. Jenkin's office that, when Mr. Jenkin had a lunch engagement with Dr. Balfour-Lynn a few weeks back, he was surprised to read in the same periodical the morning before a list of points that Dr. Balfour-Lynn was going to put to him. It seems that the good doctor has close links with this particular magazine, and uses every opportunity for self-publicity. Despite his protestations, and the fact that he drew the articles to my attention, I am satisfied that none of the very few people who knew that he had been approached by No. 10 would have been likely to let this information get to the magazine.

I agree

All this suggests that Dr. Balfour-Lynn is not a good candidate for inclusion amongst the informal advisers with whom you maintain private contacts. He is not prepared to respect the confidence which you require.

I agree -
people who can't keep
quiet are a positive danger.
MAF

3 August 1979

Talk Back

WHEN Dr Stanley Balfour-Lynn replies to Mrs Thatcher's request for his opinions on private medicine, it is fair to assume that she will not enjoy too much what he says. For he is less than happy with the way in which Tory policy is going. Everyone thought that private medicine, having flourished under a Labour government, would positively boom under a Tory administration. But that, says Dr Balfour-Lynn, is not his own personal opinion. Why?

I deplore the phasing out of the Health Services Board. According to the Government's consultative letter, it wants the private hospitals to go to the area health authorities for their approval as to how the private sector should develop.

We have in the past come across many AHAs which are so opposed to private medicine that we have been able to make no progress whatsoever.

Their opposition arises, we find, for many reasons; very often pragmatic, sometimes because they genuinely believe that it's a bad thing for the NHS. Nevertheless, decisions have been made by area health authorities which have been on purely political grounds.

When the Act was passed by the last government, it was people like ourselves — the independent hospitals group of that time — together with the doctors, who had inserted the arrangements of the Health Services Board in order to protect the interest of private medicine.

The Health Services Board acted as a watchdog. It was

well balanced, equally representing both points of view, left and right.

It had as its chairman a liberal judge who was a very fair man, and it gave a very fair hearing to all considerations. Not only did it do a good job, but it collected a wealth of detailed data as to the facilities that were available both in and out of the NHS — and I believe that the secretariat should be retained at all costs.

But it is very important to realise that in the last 18 months, under a Labour government, private medicine developed rapidly. Can it be that under a Conservative government, it's not going to develop in any way?

To be quite frank, it is my view that I will find it very difficult to recommend to my company that we look with enthusiasm at the future of hospital building in this country.

It takes five years to plan a hospital. You have to determine the facilities, arrange the finance, plan the construction and so on. We have to look ahead, when we invest large sums of money, for 10 to 20 years.

In Birmingham, for example, where we are planning a 100-bed hospital, we know that it will cost £5 million today. In two years' time, it will probably come out at nearer £8 million. Now, for our feasibility study, we have to know what other private beds are available within the vicinity. And if the private pay beds are not now to be

Backwards way on

Under the Tories the private sector should be booming, but is it, asks Dr Stanley Balfour-Lynn

phased out (as we had anticipated in our earlier studies) our hospital will be running at too low an occupancy, and will become uneconomic.

I don't think this is the effect the Conservative Government has in mind. I don't think it is intentional —

I think it is misguided. There are three factors to take into consideration when it comes to hospitals. First: the patients. Not many patients relish the idea of going into pay beds in NHS hospitals — they are embarrassed and harassed, which

is not the right atmosphere to start making a recovery from an illness.

Next, the consultants. They are obviously going to prefer to use the pay beds, because they can use their own team, and it is very convenient. And they are using staff who are contracted 100 per cent to the NHS — so they are getting all these people on the cheap, and more money is left for the patients to pay for the doctors and for the hospital.

And furthermore, the ideal facility for a doctor — clinic, pay bed or private hospital — is one which is half empty, because they can then get their patients in with no difficulty. So they want pay beds, clinics, and private hospitals, all three.

But the consultant doesn't realise that if it is going to take us five years to build the clinics in replacement of these pay beds, and if these pay beds stay in those numbers (or even increase) it's always going to be a contentious point among some sections of the population.

So if a Labour government is re-elected, and the pay beds are still there, or increased, they're going to try and phase them out again. They may again try and get rid of private medicine in totality. And there will not be any private hospitals standing at the side to take their places, because they will either not have been built or they will have gone into bankruptcy. They cannot

survive on that basis.

We can't plan hospitals costing millions of pounds on the assumption that we are going into competition with the NHS. We've either got to work with the NHS or we can't work.

So by getting rid of the Health Services Board, we have no protection whatsoever. They are throwing us to the wolves at local government and administrative level. That's the first point. The second is that by retaining the pay beds, we can't balance our books.

There's one more thing. There has been an artificial demand here for private beds from the Middle East. And there's no doubt about it; they are going home, where they are building hospitals at a tremendous rate — many of which we are being asked to manage; and they are going to other countries because they think we are becoming too expensive for them.

There is going to be a fall in the number of people demanding private beds, largely restricted to those who are insured. So we have to produce hospitals of a comparable standard to pay beds, at a comparable cost — healthy competition, in other words.

And we can't do that unless we have the figures before us. We cannot spend millions of pounds on mere speculation.

Under the Labour government, although they were against private medicine, and were phasing out pay beds, at least we knew where we were, and so private medicine thrived. Now we do not know where we stand. And private medicine will come to a halt if the Conservatives push on with this idea.



Stanley Balfour-Lynn is chief executive of American Medical Europe.

which doctors use telephones in discharging their duties.

At the same time the practical implications for consultants of this year's Review Body report continue to emerge.

Regional health authority chairmen have indicated to the government their acceptance of an 18 per cent increase for consultants and this just awaits final Cabinet approval and could be included in August salaries.

Equally a joint submission from the Department of Health and Central Committee for Hospital Medical Services on the reallocation of the 8 per cent previously set aside for recall fees has

At the same time the CCHMS would like to see greater definition of certain elements of the contract. It is going for better study leave terms and the eventual resurrection of emergency recall fees.

Although junior doctors have been receiving their annual pay award earlier the process has been far from smooth. Although a DHSS document went out in June for July implementation, health authorities have not been meeting the timetable.

The BMA says it was inundated with calls from juniors. A BMA spokesman said the delay was 'disgraceful'. There did not seem to be

Balfour-Lynn advises

MRS THATCHER has approached Dr Stanley Balfour-Lynn, Chief Executive of the successful private hospital enterprise American Medical (Europe) for his views on conservative policy on private medicine.

The move follows severe criticism from several quarters in private medicine of the Government's plans to wind up the Health Services

Board, which oversees phasing-out of pay beds and private hospitals.

Many private hospitals are worried that the halt on pay bed closedowns, and the resulting free-for-all with hospital proposals instead being vetted by local health authorities, would lead to a situation where it was impossible to plan private projects. See "Talkback", page 6.

In this issue

- Full details on the report of the Royal Commission on the National Health Service page 2
- Are our psychiatrists merely dustbin keepers for the real doctors? GP columnist page 8
- Thirty years of car testing has led to some surprises for Dr John C Kennedy page 11
- Reader Information Service page 14
- Letters page 5

chell and Butler, to provide them with private insurance.

The men's shop stewards have hailed the deal — which will cost the company £41 a head — as a major breakthrough. But the Transport Union is investigating the arrangement, which is in opposition to its policy.

And the health service union COHSE has described the deal as 'morally wrong and undemocratic'.

The scheme, run by Private Patients Plan, also enables employees to get cover for their families for just over a pound a week.

£1m award

AN AMERICAN court has awarded \$2.5m (£1.1m) to a woman who suffered a stroke and partial paralysis from using contraceptive pills.

The award was made against Ortho Pharmaceutical Corporation, makers of Ortho Novum, the biggest-selling pill in the States.

Ms Kathleen Ertel, 27, suffered a stroke five years ago. She contended she was not given proper warning from either her doctor or the manufacturers.

Waiting

THE MEAN wait for hospital admission was 15.7 weeks in England and Wales in 1976, according to Government statistics published last week. That represented an 11 per cent rise on the 1975 figures.

Surgical operations went up by 180,000 on the previous year, to 2,684,000, excluding normal deliveries.

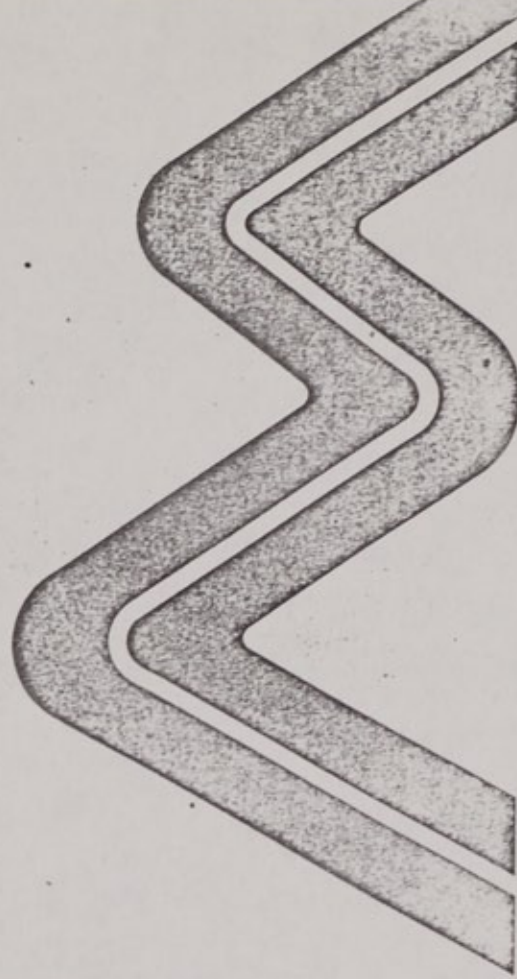
The oral hypoglycaemic with a physiological pattern of action



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specialist units may remain closed because the area



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

3 August 1979

Mike Pattison Esq
Private Secretary
10 Downing Street
LONDON
SW1

Dear Mike

Thank you for your letter of 25 July about the proposed visit by the Prime Minister on 29 August.

2. The Secretary of State has noted that the Prime Minister would not expect Ministers or officials to change their holiday plans; and we have now established who would be available on the 29th. Regrettably both Ministers of State, Dr Vaughan and Mr Prentice, and the Parliamentary Under Secretary of State for Social Security - Mrs Chalker, are away from London on 29 August. Several senior officials will also be on leave. But the Secretary of State will be here, as will Sir George Young, the two Permanent Secretaries, and the Chief Medical Officer.

3. If the Prime Minister is content for the arrangements to go ahead on this basis we suggest the following programme from midday to about 14.00.

12.00 Short tour of building, including library and canteen and perhaps also Social Security enquiry office.

12.45 Working lunch with Secretary of State,
14.00 Sir George Young, Lord Cullen (who deals with our business in the Lords), the two Permanent Secretaries and the Chief Medical Officer - at which the main topics might be the report of the Royal Commission on the NHS and the social security issues of incentives and simplification.

4. I would be grateful for an early indication of how the Prime Minister would wish to spend the rest of the time with us. The arrangements for the previous visit included an opportunity for the Prime Minister to meet senior administrative and professional staff at Deputy Secretary level - this would amount to 10 - 15 people. We would like to retain this in the revised programme - the Prime Minister might meet them over a cup of coffee immediately after lunch. But while the earlier

M M
Prime Minister
spoke in Market.
He will ring or write further.
BF 17/viii
MA 27/viii

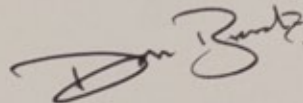
E. R.

programme envisaged a discussion with this larger gathering for about 1½ hours before the lunch time discussion, this may not now fit in so well immediately following the lunchtime talk of over an hour.

5. Another possible option which we have considered is for the Prime Minister (after meeting the balance of senior administrative and professional staff) to continue her tour of the office by visiting a section of the Department at work. This would involve meeting staff in their rooms - perhaps 6 or 7 offices - to enable the Prime Minister to get the feel of the work from a cross-section of the staff. One corridor we have considered has some staff dealing with the special hospitals and others with family planning matters including abortion.

6. The Secretary of State's sole concern is to make it a valuable visit for the Prime Minister. It would be helpful to know as soon as possible which of the options I have set out she might prefer and to have any guidance you can offer on whether she would be interested to meet staff in the subject areas we have suggested in the second option (paragraph 5). Any further advice you can give on the detail of these arrangements, including the Prime Minister's preferences regarding lunch would be welcome. I am on leave until the week beginning 20 August, but Mr Merkel will be available to talk on the telephone if that was the best way of following up these points.

Yours sincerely



D Brereton
Private Secretary

**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*Mike Pattison Esq
Private Secretary
10 Downing Street

31 July 1979

Dear Mike,

Dr Stanley Balfour-Lynn

We spoke about the article which appeared last week in Hospital Doctor, 25 July 1979, Volume 3 No 2; I enclose a photocopy of the relevant pages. In our experience it is not at all unusual for Dr Balfour-Lynn to advertise the fact that he is meeting the Prime Minister and what he intends to say. For this reason the Secretary of State regards Dr Balfour-Lynn as someone to be treated with caution whilst recognising that he has considerable talents in organisation and management in the private sector of medicine.

Yours sincerely
D Brereton

D BRERETON

ENC

Hospital Doctor

25 July 1979

Balfour-Lynn advises

MRS THATCHER has approached Dr Stanley Balfour-Lynn, Chief Executive of the successful private hospital enterprise American Medical (Europe) for his views on conservative policy on private medicine.

The move follows severe criticism from several quarters in private medicine of the Government's plans to wind up the Health Services

Board, which oversees phasing-out of pay beds and private hospitals.

Many private hospitals are worried that the halt on pay bed closedowns, and the resulting free-for-all with hospital proposals instead being vetted by local health authorities, would lead to a situation where it was impossible to plan private projects.

See "Talkback", page 6.

WHEN Dr Stanley Balfour-Lynn replies to Mrs Thatcher's request for his opinions on private medicine, it is fair to assume that she will not enjoy too much what he says. For he is less than happy with the way in which Tory policy is going. Everyone thought that private medicine, having flourished under a Labour government, would positively boom under a Tory administration. But that, says Dr Balfour-Lynn, is not his own personal opinion. Why?

I deplore the phasing out of the Health Services Board. According to the Government's consultative letter, it wants the private hospitals to go to the area health authorities for their approval as to how the private sector should develop.

We have in the past come across many AHAs which are so opposed to private medicine that we have been able to make no progress whatsoever.

Their opposition arises, we find, for many reasons; very often pragmatic, sometimes because they genuinely believe that it's a bad thing for the NHS. Nevertheless, decisions have been made by area health authorities which have been on purely political grounds.

When the Act was passed by the last government, it was people like ourselves — the independent hospitals group of that time — together with the doctors, who had inserted the arrangements of the Health Services Board in order to protect the interest of private medicine.

The Health Services Board acted as a watchdog. It was

6 Hospital Doctor

Backwards way on

Under the Tories the private sector should be booming, but is it, asks Dr Stanley Balfour-Lynn

is not the right atmosphere to start making a recovery from an illness.

Next, the consultants. They are obviously going to prefer to use the pay beds, because they can use their own team, and it is very convenient. And they are using staff who are contracted 100 per cent to the NHS — so they are getting all these people on the cheap, and more money is left for the patients to pay for the doctors and for the hospital.

And furthermore, the ideal facility for a doctor — clinic, pay bed or private hospital — is one which is half empty, because they can then get their patients in with no difficulty. So they want pay beds, clinics, and private hospitals, all three.

But the consultant doesn't realise that if it is going to take us five years to build the clinics in replacement of these pay beds, and if these pay beds stay in those numbers (or even increase) it's always going to be a contentious point among some sections of the population.

So if a Labour government is re-elected, and the pay beds are still there, or increased, they're going to try and phase them out again. They may again try and get rid of private medicine in total. And there will not be any private hospitals standing at the side to take their places, because they will either not have been built or they will have gone into bankruptcy. They cannot

survive on that basis.

We can't plan hospitals costing millions of pounds on the assumption that we are going into competition with the NHS. We've either got to work with the NHS or we can't work.

So by getting rid of the Health Services Board, we have no protection whatsoever. They are throwing us to the wolves at local government and administrative level. That's the first point. The second is that by retaining the pay beds, we can't balance our books.

There's one more thing. There has been an artificial demand here for private beds from the Middle East. And there's no doubt about it; they are going home, where they are building hospitals at a tremendous rate — many of which we are being asked to manage; and they are going to other countries because they think we are becoming too expensive for them.

There is going to be a fall in the number of people demanding private beds, largely restricted to those who are insured. So we have to produce hospitals of a comparable standard to pay beds, at a comparable cost — healthy competition, in other words.

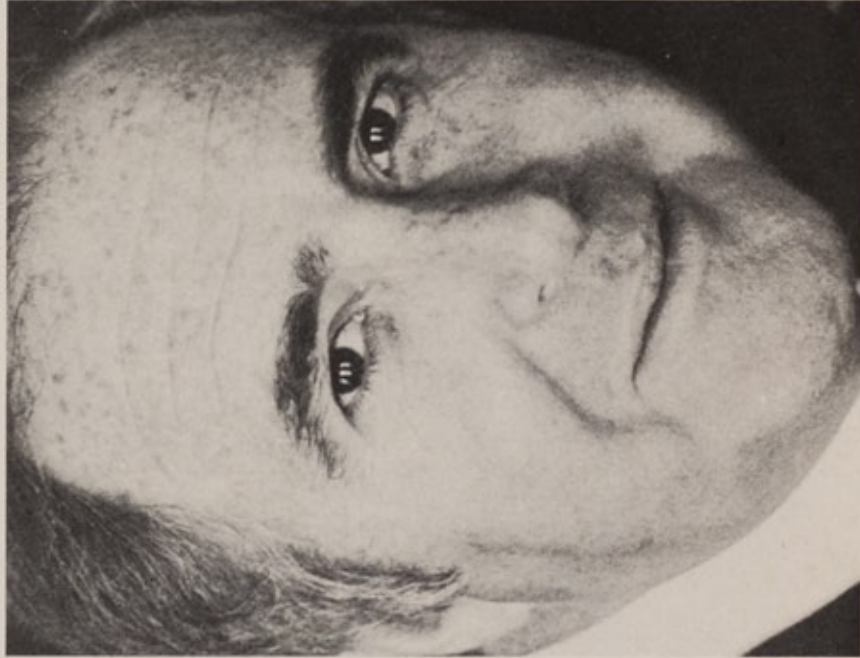
And we can't do that unless we have the figures before us. We cannot spend millions of pounds on mere speculation.

Under the Labour government, although they were against private medicine, and were phasing out pay beds, at least we knew where we were, and so private medicine thrived. Now we do not know where we stand. And private medicine will come to a halt if the Conservatives push on with this

I think it is misguided. There are three factors to take into consideration when it comes to hospitals. First: the patients. Not many patients relish the idea of going into pay beds in NHS hospitals — they are embarrassed and harassed, which

phased out (as we had anticipated in our earlier studies) our hospital will be running at too low an occupancy, and will become uneconomic.

I don't think this is the effect the Conservative Government has in mind. I don't think it is intentional —



Stanley Balfour-Lynn is chief executive of American Medical Europe.



Prime Minister, *his*
cc CSD
Sir D. Reynolds
Cab. off

10 DOWNING STREET

From the Private Secretary

25 July 1979

BF 24.8.79

As we discussed on the telephone earlier in the week, Wednesday 29 August would be a convenient date for re-scheduling the Prime Minister's visit to DHSS.

I hope you will make it clear that the Prime Minister would not expect Ministers or officials to change their holiday plans, but would simply like to spend time with those who are available on that date.

Our intention would be for the Prime Minister to arrive about 12 noon, and to stick to the sort of programme you had prepared for the cancelled visit scheduled for 23 July. The Prime Minister would probably be able to stay until about 3.30 p.m.

You will not need reminding that these Departmental visits are the most vulnerable part of the Prime Minister's diary if other urgent business crops up, and once again there is no guarantee that we will be able to stick to the date.

Could you please arrange for me to receive briefing for the Prime Minister on the topics previously agreed by Thursday 23 August.

M. A. PATTISON

Don Brereton, Esq.,
Department of Health and Social Security.



10 DOWNING STREET

PRIME MINISTER

Unfortunately it is not convenient for you to visit the DHSS on Monday 13 August as the Secretary of State will be away. However, they would be delighted if you could go to them on Wednesday 29 August which is just prior to your visit to the North West. Do you agree please?

EJ.

Yes Mr.

24 July 1979

MAD

Await revised
date for visit. Prime
Minister
MAD

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Qa 04200

To: MR WHITMORE
From: SIR KENNETH BERRILL

1. I understand the Prime Minister is due to visit the Department of Health and Social Security on Monday afternoon to discuss the work of the Department.
2. I attach a note from the CPRS on the main issues the Prime Minister might wish to have in mind for the visit.
3. I am sending a copy of this minute and attachment to Sir John Hunt.

KB

20 July 1979

Att

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Prime Minister's Visit to the Department of Health
and Social Security - Monday, 23 July 1979

1. This note sets out some of the main issues which the Prime Minister may like to raise with DHSS on Monday. It is divided into the three main areas for which DHSS is responsible - health (some £7,000m. England and Wales), personal social services (£1,200m. England and Wales), and social security (£18,500m. Great Britain). Social security expenditure now accounts for one-quarter of public expenditure, and health and personal social services together for about 13 per cent. Overall, the Department itself is responsible for over one-third of public expenditure.

HEALTH

2. The demand for better health services is virtually limitless. At any foreseeable level it is bound to be constrained by resources available. But there is considerable scope for improvements in productivity within the existing system. A number of important issues have been waiting on the Royal Commission Report just published. Some of its recommendations may well be unacceptable (e.g. those in favour of phasing out prescription charges, or against any switch to financing through insurance schemes). But others (e.g. those dealing with structure, prescription of drugs, management and prevention) are very relevant in considering how limited resources can be deployed in the most cost effective way. Some important areas are -

(a) Structure. There is general agreement, now endorsed by the Royal Commission, that one tier of the present structure (which runs from DHSS at centre, through regional, area and district authorities) is superfluous. Two questions are worth raising:

(i) If, as seems likely, the area health authority is the tier which should be abolished, what is the likely scale and timing of the manpower and cost savings which would result?

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(ii) How far can the benefits of a shorter chain of command be enhanced by increasing delegation from the centre, in particular to the regional health authorities? At present DHSS operate a detailed planning system, based on five year plans submitted by the regions which are subjected to detailed official comment and discussion. Is this degree of central intervention really necessary to fulfil the Secretary of State's statutory responsibility for the provision of health services? Can regions (as recommended by the Royal Commission) be given a much freer hand, subject perhaps to special safeguards for a minimum level of certain services?

(b) Clinical freedom. To what extent is the principle of 'clinical freedom' standing in the way of desirable changes? Can progress be made without unacceptable infringement of the principle? Two examples are -

(i) The drug bill. This now stands at nearly £750m., has been growing in real terms, and represents an increasing share of NHS spending (over 10 per cent). There are major questions on how cost effective all this is. Drugs are often unnecessarily prescribed, and expensive drugs are prescribed when inexpensive ones would be as satisfactory. The Royal Commission has proposed an approved drugs list (an approach adopted in some other countries). This will meet with opposition from the profession, as well as from the big drugs companies. But there are big savings to be made if better controls can be established. (One step forward would be to bring Family Practitioner Services, which are at present demand determined and through which most drugs are prescribed, within DHSS cash limits.)

(ii) Lengths of stay in hospital. There are marked variations both between regions and within regions. Are there means of encouraging convergence towards greater cost-effectiveness?

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(c) Prevention. The Royal Commission recommends more concentration on preventive measures (both within DHSS responsibilities, e. g. maternal and pre-natal care, and in areas that lie outside DHSS's own functions, e. g. seat belts, smoking, alcohol, fluoridation, and better eating). The last Government published a paper on prevention and health, with a series of follow-up booklets on particular aspects. But the initiative seems to have run out of steam. Some preventive measures are not cost effective, and others have to be balanced with issues of individual freedom. But there is a case for a thorough review linked closely to resource costs. Is DHSS satisfied, where preventive measures lie with other Departments, that arrangements for a co-ordinated assessment are adequate? Where large social costs are involved, how much weight should be given to individual choice (e. g. seat belts)?

(d) Management.

(i) NHS staff relationships. These have been deteriorating. Relationships between medical staff and administrators on the one hand and ancillary staff on the other are strained. The Royal Commission recommends a thorough review of industrial relations. Is it accepted that changes are needed, and how does DHSS think the job can be tackled? To what extent is structural change, and more local autonomy, likely to improve the position?

(ii) DHSS central administration. The central DHSS bureaucracy (both administrative and professional) is large and unwieldy and is sometimes criticised for being out of touch with the grass roots. Could it be trimmed, e. g. by leaving health authorities to handle the large amount of casework (complaints from the public, etc.) on services for which they are directly responsible? Do we need in DHSS parallel hierarchies of administration and professionals

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(doctors, nurses, social workers)? Could they be merged (e. g. by having more professionally qualified administrators)? Or should the establishment of doctors, nurses, etc. be drastically reduced and the necessary professional input be obtained through an expanded network of retained consultant advisers?

These points are also relevant to personal social services.

PERSONAL SOCIAL SERVICES

3. The main preoccupation of these services is the care of the elderly in the community. The increasing number of the very elderly (75+, and 85+) is the main challenge facing them in the foreseeable future. (The previous Administration published a discussion document 'A Happier Old Age', and this Government has announced its intention of publishing a White Paper on the Elderly in due course.)

(a) Community versus institutional care. It is now widely accepted that community care, where possible, is generally better than institutional care on both cost and social grounds. Is this general policy (whether in relation to the elderly or the physically and mentally handicapped) being implemented as fast as is practicable? What are the main constraints, e. g. administrative inflexibility in the transfer of resources and co-ordinated planning between the NHS and local authorities, or inability of families to assume the burden of care for elderly/handicapped relatives without some increased support for which resources are not available? Should the policy be given greater impetus and, if so, how?

(b) Voluntary sector. The voluntary sector already makes a significant contribution. But its impact is limited, and there are difficulties in making it effective in areas of greatest need and deprivation. Can it be better used and directed? Could more be done to draw on the large untapped resources of the 'young' retired to help the 'elderly' retired?

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(c) Charging. Has the scope for charging, e. g. for domiciliary services, been adequately reviewed? There are administrative problems of collection. But many elderly people, who are not 'needy' in financial terms, nevertheless need, and would be prepared to pay for, services for which there is in practice no alternative provision.

(d) Delinquency. The Manifesto proposed to revise the Children and Young Persons Act 1969 (to give Magistrates the power to make residential and secure care orders on juveniles). DHSS might be asked whether they think the borderline between their own and the Home Office's responsibilities could be better defined, and how severe the practical problems of the present arrangements are?

SOCIAL SECURITY

4. Major proposals already decided are the revised 'prices only' uprating formula for pensions and other long term benefits, and the 'nil cost' reform of the supplementary benefit scheme (including the abolition of the Supplementary Benefit Commission).

(a) Incentives for low paid. The interaction between tax and benefits is a crucial area for securing better incentives for the lower paid. A scheme for bringing unemployment benefit into tax by 1982 is under urgent interdepartmental study (DHSS is involved with the Treasury, Inland Revenue, Department of Employment, and the Civil Service Department), and should come to Ministers for decision in the Autumn. DHSS is also working (on a similar timetable) on a scheme for transferring payment of sickness benefit for the first 6 weeks from DHSS to employers. The advantages would be reduced public expenditure and manpower, and the application of normal PAYE: but the proposal is likely to meet CBI as well as TUC opposition (more work for employers, and less security for employee). DHSS might be asked about progress and current assessment. Other factors

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which are important in mitigating 'poverty trap' effects for those in low paid work are the level of child benefit (where uprating policy has not yet been decided by Ministers) and the steepness of the withdrawal taper for the means tested benefits (Family Income Supplement, rate and rent rebates, school meals, etc.).

(b) Enforcement and fraud. DHSS - and a wide spectrum of public opinion - believe that the scope for cost savings on social security by stronger enforcement measures is large (e. g. the mere invitation to a meeting with an unemployment review officer leads to a high proportion of withdrawn claims). Manpower constraints are at present preventing DHSS from pursuing these opportunities as vigorously as they would wish. The issue has come before Cabinet in their public expenditure discussions. The question is to what extent manpower considerations should stand in the way of expenditure savings where more manpower can be shown to be highly cost effective.

(c) Retirement policy. A longer term issue on which DHSS might be asked for their views is the direction, and timing, of changes in retirement policy, in the light of (a) the case for greater flexibility in individual choice of retirement age, and (b) the difficulty in justifying the longer term differential retirement ages for men and women. A further point is the timing and phasing of the abolition of the earnings rule, which is a Manifesto commitment, but which will be very expensive.

(d) Poverty. Defining 'poverty' by reference to supplementary benefit level creates a presentational problem in that every time supplementary benefit rates are increased, the numbers in 'poverty' also increase. In the longer term the new pension scheme, and possibly real increases in child benefit, could reduce the number of elderly and large families who fall within the conventional 'poverty' definition. Meanwhile, could

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DHSS do more to remind the public that the real level of 'poverty' has been going up, even though the numbers of the 'poor' have not been going down? The pressure groups never draw attention to this.

(e) Administration/staff. Two aspects -

(i) Worthwhile savings could be made by improvements in the method of paying benefits. Unemployment benefit will be paid fortnightly later this year but, in contrast to most other countries, other benefits are still mostly paid weekly and in cash. Sir Derek Rayner is looking at this area.

(ii) DHSS staff in social security offices have been noticeably militant, and staff relations seem to be poor. What accounts for this (the size of the total organisation, the nature of the work?), and how do management hope to secure improvements? To what extent will changes in the supplementary benefit scheme, with greater emphasis on entitlement rather than discretion, help?

20 July 1979

20 JUL 1979

12 1 2 3 4
5 6 7 8 9 10 11



DR. STANLEY BALFOUR-LYNN
CHAIRMAN
American Medical International (Europe)

20th July, 1979,

SBL/BT

Mr. Michael Patterson,
Private Secretary to the Prime Minister,
10 Downing Street,
London. S.W.1.

Dear Mr. Patterson,

Because of the limited time that I was given I have tried to put down some of the more important aspects of my thoughts without, I hope, being too long winded. I do hope that the Prime Minister will accept my letter in the spirit in which it was written.

Yours sincerely,

DR. S. BALFOUR-LYNN

✓MAP
(Dept visits file) 4

American Medical International

PRIME MINISTER

I commissioned this for your
D+SS visit. There is no need
for you to see it until we
re-schedule that, but you
might like to glance at Dr B-L's
ideas if you get to the
bottom of the box over
the week-end.

MAP
20/7/79



American Medical International

DR. STANLEY BALFOUR-LYNN
CHAIRMAN
American Medical International (Europe)

20th July, 1979,

SBL/BT

The Rt. Hon. Margaret Thatcher,
Prime Minister,
10 Downing Street,
London. S.W.1.

Dear Prime Minister,

In response to your request for my personal views on the salient features necessary to improve the National Health Service I am attaching a report highlighting the problems which are causing me considerable concern.

I shall be as brief as possible; however, I believe these fundamental issues so important to the future of both the public and private sectors that I would be happy to elaborate in discussion.

FUNDAMENTAL STRUCTURE

The following is an over simplified account but the N.H.S. does require simplification. Let me say at the outset that it is my firm belief that quality care in the N.H.S. can be achieved without substantial additional finance.

The N.H.S. must be approached as any other major business. Too much nonsense has been talked and is still being talked by people who have a totally unrealistic attitude towards the achievement of the end product. In order to provide quality care it is essential to have quality control. Therefore, the N.H.S. must be taken out of politics.

This would be best achieved by setting up a National Health Board under the control of a Chief Executive who has a proven business record. This person would be directly responsible to the Secretary of State.

...../

The National Health Board, which he would Chair, would have representatives from the medical, dental, nursing, legal and accounting professions, the Trade Unions and representatives of the community who have an interest in the health of the nation. Its responsibilities would be to determine the philosophy, policy and financial distribution within the Service. It would also be necessary to agree with government the basis and level of funding of the Service as a whole.

Such a Board would ensure continuity of forward planning and its back up staff would have top management experience within the N.H.S.. This would be a preferable option to the involvement of the D.H.S.S. which, in the main, consists of career Civil Servants without previous hospital experience.

DECENTRALISATION

In direct line with the National Health Board would be no more than 30 regions throughout Britain, each under the control of a Regional Executive Officer. It is absolutely imperative to eliminate the present 'management by consensus' approach which has proved so inefficient and frustrating over the past few years. 'Management by consensus' slows down decision making and is a vehicle of compromise. An organisation adopting such an approach can never hope to succeed.

Therefore this Regional Executive Officer would have, not a committee, but experts available in every field who would be called upon by him in a consultative capacity. Within his region he would be totally responsible and have control over all hospital facilities and community health services. He would have a number of assistants depending upon the number of hospitals within his region. This would create a vastly improved management structure.

GRASS ROOTS

Directly responsible to each Regional Executive Officer would be the most senior person in charge of the hospital and its small satellites, previously called 'The Administrator', but called by myself the 'Managing Director' for the following reasons:

1. He would have complete control of all his various departments such as nursing, radiology, pathology, catering, housekeeping, business office, and so on, and the heads of these departments would be directly responsible to him.
2. In order for him to make his hospital function to its best advantage he would also be responsible for the various medical ancillary services within the vicinity of his hospital such as ante-natal clinics, district nurses, district midwives, 'meals on wheels', etc. This would be a more efficient and more realistic contribution to the community health services within his precinct.

COMMUNICATIONS

There would be a streamlined communication system, programmed by modern computers, which will create a rapid interchange of essential information between the Regional Executive Officer and all his Managing Directors within the region. Emphasis would be placed on performance and the monitoring of results and there would be penalties and bonuses awarded accordingly.

QUALITY CONTROL

The emphasis in monitoring would be twofold; quality of care and management performance. The activities of the National Health Board would be monitored by a Select Committee of the House of Commons, Chaired by the Secretary of State. The Board, in turn, would monitor Regional Executive Officers who, in turn with their team of specialist consultants, monitor the performance of the Managing Directors of hospitals in each region. Proper sanctions against poor performance throughout the Service must be built into the system.

THE MEDICAL PROFESSION

The attitude of my colleagues, which frankly has been accepted without question since the inception of the N.H.S., needs to be re-examined if the medical profession is to reach its full potential within the health service.

They must develop within the profession their own methods for monitoring the efficiency and application of their medical colleagues working within the N.H.S. at all levels.

For example, consultants working in the hospitals must satisfy the Regional Executive Officer and his team of medical advisers that they are giving value for money.

It is not difficult for information to be gathered by the N.H.S. management as to how much time and throughput is effected by consultants. This would not then be a matter of opinion, which could arouse resentment, but would be a matter of fact.

There should be a similar monitoring of the work of general practitioners but this is more difficult to achieve. However, it should be compulsory for general practitioners to attend regular refresher courses and to take regular examinations, say, every three to five years to assess their current knowledge of what facilities are available within the N.H.S. and how best they can use them for the benefit of their patients. Merit awards should also be supplied to the general practitioner.

Finally, I would recommend that general practitioners should be required to take a more active role in their local hospitals with their compensation based on a fee for service basis. This would benefit both the general practitioner and help considerably the staffing of the hospitals.

PAY BEDS

This subject must be looked at from three points of view; the patient, the consultant and the people responsible for providing alternative hospital facilities.

1. The Patient

Private patients no longer relish the thought of occupying a pay bed in the N.H.S.. Many have experienced embarrassment, sometimes harrassment, neither of which are conducive to the peace of mind necessary for their recovery.

2. The Consultant

The consultant will always prefer using his N.H.S. hospital for his private patients. It is more convenient, he has no journeying to make, he also has his own staff of doctors, technicians, nurses, etc. with whom he works. However, the people who support him in the N.H.S. hospital work full-time, are paid full-time by the N.H.S., and should be giving their full time to the N.H.S.. By taking private patients out of the N.H.S.

hospitals it will remove the one justifiable criticism that exists at present. It will also avoid an unnecessary confrontation with the unions.

3. The Private Sector

Under the last government private medicine started to develop rapidly because, finally stability and security had been created and thus considerable investment could be contemplated with confidence.

The private sector was no longer in the hands of local government officials, employed by the N.H.S. and often openly antagonistic to private medicine.

The creation of the Health Services Board ensured a fair and impartial attitude which local Health Authorities cannot guarantee because of local political pressures. Thus the Health Services Board at least ensured that local government could only reject proposals on purely town planning considerations and not political ones.

It takes five years to produce a modern hospital. A 100-bed hospital, fully equipped at today's prices costs approximately £5 million and when finished nearer £8 million. It is totally unrealistic, therefore, to believe that the private investor is going to consider building private hospitals in competition with the N.H.S., especially in view of the comments I made earlier regarding consultants. The viability of these expensive projects depends entirely on what other private beds are available in the vicinity.

Private enterprise has to take into account the next ten to twenty years in any major investment, which is beyond the expected life of most governments. It goes without saying, however, that where pay beds or ancillary departments cannot be replaced economically by the private sector then these must remain.

INDUSTRIAL RELATIONS

The establishment of a National Health Board would enable all matters relating to pay and conditions of service to be taken out of the central government arena. This should help to minimise the desire of Trade Unions to play politics. A no-strike agreement should be given priority. The present so-called "bonus" schemes are not truly performance related and

hence wasteful of resources. A new bonus/incentive award related to the achievement of cost effectiveness should be negotiated.

HOW THE PRIVATE SECTOR CAN HELP THE PUBLIC SECTOR

There are numerous ways that this can happen. From a cost effective point of view there can be considerable savings of N.H.S. resources by extending contractual arrangements to the private sector.

Holland and Norway have already found that it is cheaper to send their patients to this country for major heart surgery.

The private sector can offer a range of services to the N.H.S., for example, management consultancy, medical and financial systems, computerised hospital design and functional layout, maintenance programmes. Many more of these can be listed.

The private sector should contribute trained personnel by establishing training colleges for nurses and technicians and to a lesser extent doctors.

When the private sector offers services this has the advantage of cost effectiveness as private enterprise, unlike the N.H.S., must have regard to the level of investment, protection of asset values and the need to achieve quality of service within a price subject to market considerations.

I can hardly believe that recommendations are now being made that voluntary organisations without any professional expertise whatsoever may be asked to administer hospitals on a "do-it-yourself" basis. The results will be catastrophic.

CONCLUSION

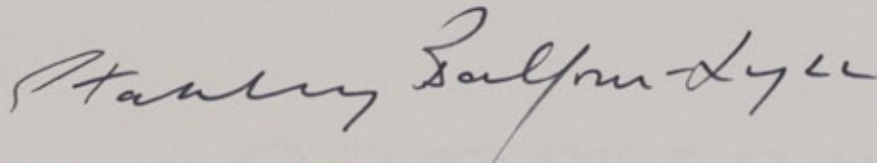
If some of the principles that I have advocated are considered worthy it will be necessary to invest in training programmes for the expertise that will be required in making the service a success. This is the only area where evolution and not revolution should apply.

...../7

I understand that you asked for my personal views and that these views could be expressed frankly in confidence, in which case I would like to say that so much nonsense has been talked about the re-organisation of the N.H.S. and so many schemes are now being mooted, which are not practical, and I do urge you with the greatest respect to gather around you advisers with their feet on the ground and who have a proven track record of success in the organisation and management of a major industry.

With kindest personal regards,

Yours sincerely,

A handwritten signature in cursive script that reads "Stanley Balfour-Lynn". The signature is written in dark ink and is positioned above the typed name.

Stanley Balfour-Lynn

Rike
11.00 - 15.00

PRIME MINISTER

I wonder what sort of plans you have for the diary between returning from Lusaka on 9 August and your departure for Islay on 15 August. I am trying to keep it as free as possible immediately on your return as you will have heavy boxes and be very tired. However, one or two meetings have had to creep in. As you will have had a great deal of publicity in Lusaka I assume that you will not be seeking any more for the days immediately on your return. Would you therefore consider a visit to the DHSS on Monday 13 August as it had to be cancelled this Monday because of Cabinet?

if convenient for DHSS. has not

Should you wish to do anything which could include a photograph, I will have a word with Henry James for some suggestions.

ej.

19 July 1979

MR. PATTISON

1. As we are not getting a diary meeting until after Lusaka, I wonder what you feel about Departmental visits which we discussed earlier this week. As the DHSS has now been cancelled, perhaps this one could go in in August, but I would rather not arrange any more unless she is going to be working flat out during the Recess.

2. Will you put a note into her about the format of press conferences during regional tours?

ED.

- 1. Give me a DHSS date*
- 2. Press office are giving me a proposal for press time in Manchester. I will take it case by case, starting here. MAF.*

19 July 1979

MANAGEMENT IN CONFIDENCE



✓ MAD

CIVIL SERVICE DEPARTMENT
WHITEHALL LONDON SW1A 2AZ
Telephone 01 273 5400

*Sir Ian Bancroft G.C.B.
Head of the Home Civil Service*

Mike Pattison Esq
10 Downing Street
London SW1

19 July 1979

Dear Mike,

PRIME MINISTER'S VISITS TO DEPARTMENTS

When Sir Ian Bancroft and Sir Derek Rayner saw the Prime Minister on 16 July, it was agreed that we should let you have a short note of any points relating to staff costs, efficiency and the like which the Prime Minister might fruitfully raise on her visits to departments.

... For the visit to DHSS (which I understand has now been postponed until later in August) I attach a few questions which might be used on that occasion. Perhaps you would let me know if you would like us to vary the approach in any way in the future.

Yours Sincerely,
David

DAVID LAUGHRIN
Private Secretary

MANAGEMENT IN CONFIDENCE

MANAGEMENT-in-CONFIDENCE

SUGGESTED QUESTIONS FOR DHSS

Economy

Eliminating waste and inefficiency in such a big and dispersed department must be quite a task. Are you satisfied that you are doing it effectively? Can you put a figure on the savings you have obtained in, say, the last year?

[Because most DHSS work is demand-led, its staff numbers have increased by nearly 30,000 in the last 10 years. This reinforces the need for close monitoring of staff numbers and the streamlining of administrative processes.]

Lower grade/senior staff ratios

I believe you have about 65,000 staff in local offices. I imagine the number of junior staff must be related fairly directly to the number of claimants they have to deal with, but how do you decide the right number of senior staff?

[A "management formula" assigns middle managers in DHSS local offices in strict proportion to the number of junior staff. There is some evidence that this results in overstaffing at the middle management level and the formula is being reviewed. Union opposition to any change would be very strong.]

Industrial relations

How much influence do the unions have on the running of the department?
and Public

[The unions (mainly the Society of Civil Servants and the Civil and Public Services Association) have had a growing influence in DHSS in recent years. Largely as a result of threatened disruption of the department's work, they secured from Ministers in 1975 the management formula (see above) and a pay lead for junior local office staff. Management decisions tend to be taken with a very close eye to possible adverse union reactions.]

Fraud

I'm sure that if you had more staff you could reduce social security fraud, but can't more be done by better use of existing staff?

[DHSS are constantly seeking to increase their total staff numbers to deal with fraud. Could they not divert more staff from lower priority work or encourage their local office staff to greater vigilance in dealing with claimants? And are they making enough effort to get local publicity for fraud detection?]

MANAGEMENT-in-CONFIDENCE

CF bfa
To note.
And keep?
P
20/7

19 July 1979

Thank you for your letter of 18 July, with your note of topics discussed during the Prime Minister's visit to New St. Andrew's House last week.

This covers the ground admirably, and I have no comments to add.

MAP

K.J. MacKenzie, Esq.,
Scottish Office.

m



✓ MAP
SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

M A Pattison Esq
Private Secretary
No 10 Downing Street
LONDON SW1

18 July 1979

Dear Mike,

PRIME MINISTER'S VISIT TO THE SCOTTISH OFFICE

I attach, as agreed, a draft note briefly indicating the subjects touched upon at the lunch with the Prime Minister on 11 July as the basis of an agreed text for the record. You will note that I have simply tried to outline what was said regarding each of the main problems which the Prime Minister asked to be identified and have not attributed statements to individuals. I would be glad of any comments which you wish to suggest.

I have conveyed separately to the Department the gist of the Prime Minister's discussion with the Lord Provost of Edinburgh about the structure of local government. I will be writing tomorrow about the representations which the Prime Minister received from NUPE and the Aberdour and Dalgety Bay Joint Action Group.

Yours sincerely,

Kenneth Mackenzie

K J MACKENZIE
Private Secretary

DRAFT

PRIME MINISTER'S VISIT TO THE SCOTTISH OFFICE - WEDNESDAY 11 JULY 1979

The Prime Minister and her party took lunch with the Secretary of State and senior officials. The complete list of those present is attached.

The Prime Minister asked what the Scottish Office regarded as the most difficult problems with which they had to deal and the discussion ranged over the following:

1. Industrial Problems

Scotland has always been more successful than other Development Areas in attracting industrial investment from abroad but has had less industrial movement from other parts of the United Kingdom. Labour relations are patchy but not notably worse than elsewhere in the UK and the promotion of small businesses continues to be successful. Difficulties in obtaining planning permission are not a critical factor or a serious disincentive to potential investors except in a very few extremely complicated cases such as Moss Morran but some relaxation of controls would certainly help.

The performance of the Scottish economy is more dependent on jobs in the public sector and therefore more at risk from public expenditure cuts. The greatest single worry is the future of the shipbuilding industry and its suppliers. The main problems affecting our competitive position seem to be:

- (a) The practices of craft-based unions which lead to less effective use of capital resources;
- (b) As elsewhere in the UK delivery times are often way behind those of our competitors;
- (c) The incentives we can offer are less generous than those of eg Southern Ireland and this is permitted by EEC rules;
- (d) Distance from main markets;

- (e) Lack of a substantial components industry to support or expand upon large assembly plants notably in the motor industry; and
- (f) The co-existence of high levels of unemployment and lack of skilled manpower.

2. Common Fisheries Policy

Scottish boats now land some 60% by weight of the UK catch or about 53% by value. To be acceptable to the Scottish industry, any settlement of the CFP would, in addition to exclusive rights up to 12 miles (except possibly for French fishing in the south west), have to include an element of preference in waters beyond that. The UK have until now sought such a preference on a flag state basis but this was regarded as discriminatory and therefore contrary to the Treaty and not likely to be negotiable. Even so this was not a reason for jettisoning an objective which had been central to the UK's and the industry's negotiating position for over three years, particularly when there seemed a real possibility of negotiating it in the form of a preference for dependent fishing communities. This could, with effort limitation by means of licensing, protect local boats from the growing concentration of stranger boats on their traditional fishing grounds. Although such a concept inevitably raised complex issues - for example how local was 'local'? - it had to be recognised that the interests of the inshore fleet in this respect were not invariably in line with those of the deep water sector.

Under Community law, fish was a common resource and legally common access would prevail unless further derogations were agreed beyond 1982. This would be politically unacceptable in Scotland as elsewhere. Further derogations might, however, be less difficult to negotiate than would the rest of the settlement. While quotas were objectionable because they lent themselves to dishonesty, they were the only basis available for dividing up the stocks. What was important was that there should be effective means of enforcement, probably by effort control.

3. Torness

While it is certain that there will be further organised protests over

the building of Torness, the station is absolutely essential to meet future electricity demand after 1990 as the SSEB already burns virtually all the power station coal produced in Scotland and coal is currently being imported in order to safeguard winter output. Consent has been given for the construction of the power station subject to the nuclear safety requirements being met.

As regards reactor choice, Magnox has proved a successful design but existing stations are small. One of the two reactors comprising the existing AGR at Hunterston B was now performing satisfactorily - the accident to the other was unconnected with the choice of reactor and was not nuclear in nature - and SSEB have full confidence in the development of this design which is planned for Torness. A major difficulty is that uncertainty over the future organisation of the nuclear construction industry which is causing loss of morale and staff within the Nuclear Power Corporation is delaying the design of the nuclear island for the AGRs. The turbine generators for which a design contract is to be placed with GEC will be four flow as at Peterhead; the CEGB's choice is for six flow turbine, to be built by NEI.

Development of the fast breeder reactor in the UK was still a considerable time in the future. It now seemed certain that the French Phoenix would be the first successful commercial fast breeder reactor.

4. Urban Deprivation in Glasgow

The worst problems are organisational and social rather than financial. The GEAR project has been bedevilled by local authority jealousies and a new town development corporation type of solution, while attractive, is not politically practicable. The working population does not have the skills to match the available jobs, and training schemes have to cope with the fact that migration to other areas has tended to leave behind the older and less adaptable. A strict laissez-faire policy towards industry would probably lead to further depopulation of inner city areas and loss of agricultural land on the outskirts. The sale of council houses would not have a significant effect on these areas as take-up is likely to be poor especially in multi-storey blocks.

5. Rate Support Grant

Some means should be found of discriminating between individual local

authorities. It is not acceptable that consistent overspenders should be treated on the same basis as authorities who budget carefully, or indeed that in the distribution of grant they should benefit from their profligacy.

Prime Minister

Mr Ian Gow MP

Mr Derek Howe

Mr M A Pattison

Mr G Roberts

Secretary of State

Sir William Fraser

Mr J I Smith

Mr T R H Godden

Mr J A M Mitchell

Mr E L Gillett

Mr A L Rennie

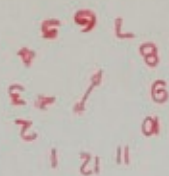
Mr W K Reid

Mr R W Deans

Dr R G L McCrone

Mr J Cormack

Mr K J MacKenzie



18 JUL 1979

MANAGEMENT IN CONFIDENCE



CIVIL SERVICE DEPARTMENT
WHITEHALL LONDON SW1A 2AZ

Telephone 01 273 5400

*Sir Ian Bancroft G.C.B.
Head of the Home Civil Service*

M Pattison Esq
10 Downing Street
London SW1

17 July 1979

Dear Mike,

PRIME MINISTER'S VISITS TO DEPARTMENTS

We spoke about the possibility of CSD providing brief notes on points which the Prime Minister might raise when she visited departments. I hope to let you have something later in the week before the Prime Minister visits the DHSS on the 23 July.

In future, if this is possible, it would be helpful to have a copy of the department's brief a little in advance of the deadline for our brief so that we avoid duplicating points already covered and pick up any apparent omissions. I quite appreciate that the Prime Minister does not wish to set up extensive briefing arrangements and the purpose of this would only be to allow one or two senior managers here to cast their eyes over the material from the point of view of their own area of work.

Yours sincerely,

David

DAVID LAUGHRIN
Private Secretary

MANAGEMENT IN CONFIDENCE

RESTRICTED



Prime Minister

10 DOWNING STREET

From the Private Secretary

B/F 19 7-79

9 July 1979

Thank you for your letter of 6 July, with proposals about the Prime Minister's visit to DHSS on 23 July.

As I explained to you on the telephone, this falls in a crowded week in the Prime Minister's diary, and I am afraid that you must bear in mind the possibility of last minute cancellation.

Subject to this, the Prime Minister is content with the programme suggested. She would like to ensure that she meets a wide cross-section of staff, and you might like to consider whether the time before lunch could be better used visiting parts of the Department in preference to continuing the discussion over sherry.

She has noted the topics which the Secretary of State has in mind for the working lunch. The Prime Minister would like the day's discussion to cover, at some point, small hospitals, the poverty trap, incentives to work, and forecasts on national insurance expenditure and contributions.

We have discussed briefing. As I told you, detailed briefing is unnecessary. It is not a question of preparing the Prime Minister against the possibility of being caught out without information: this is to be seen as a fact-finding visit, and the briefing should contain summary factual background on the items to be discussed, and a note of major issues facing the Department. All discussion will be off the record, although you may want to make a short note of topics covered and any specific conclusions or decisions arrived at. We can discuss this nearer the time. Could I please have the briefing by close of play on 19 July.

MAP

Don Brereton, Esq.,
Department of Health and Social Security.

RESTRICTED



*Note - We
cost of the
work must not
fall on the
public. It
reduces
their educational
pay.*

10 DOWNING STREET

PRIME MINISTER

After your Scottish visit next week, the next Departmental visit on your programme is to DHSS on 23 July.

Mr. Jenkin's proposals are set out in the attached letter.

Given the state of the diary, it may well prove necessary to postpone this to allow for more pressing Government business. If it goes ahead, are you prepared to stay for a small working lunch with the Minister and his senior advisers at the end of the discussion? This could prove a useful way to round up after a wider discussion with his senior staff earlier.

*Yes
not*

Mr. Jenkin suggests four policy areas for discussion. Do you want to add any?

*(I should like to see more people and a much wider
W.D. - K. H. C. Can we*

6 July 1979

*Spent by 324 units
to improve the life of the*

meeting with range
of people.
ms.

Can I have a whole
class table report
the NI. find a
Syst. Board in Commission
before 1 p.
ms.



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

Mike Pattison Esq
Private Secretary
10 Downing Street

6 July 1979

Dear Mike

PROPOSED VISIT BY THE PRIME MINISTER TO DHSS - 23 JULY

The Secretary of State and his senior officials have been looking carefully at a programme that might be suitable for the visit proposed on 23 July. As I mentioned to you previously the Secretary of State would be very pleased to entertain the Prime Minister to lunch which would allow a further discussion of our policy objectives and problems.

If this was possible we would suggest a programme on the following lines:

11 - 12.30. A meeting with Ministers, senior administrative and professional staff - about 25 people in all.

12.30 - 1.00 An informal conversation over a glass of sherry with those who attended the meeting and a number of other staff from various parts of the Department.

1.00 - 1.45 A working lunch with the Ministers, the two permanent Secretaries and the Chief Medical Officer.

The items suggested for discussion at the earlier meeting are

- (1) Social Security operations and strategy including the need for simplification
- (2) Health and Personal Social Services in particular the role of trade unions and industrial relations policy.
- (3) Disablement Policy
- (4) The Role of the Voluntary Sector.

It may not be possible to cover all of these items in the time available; we have listed them in our order of priority.

E. R.

At a working lunch the Secretary of State suggests that it would be useful to discuss some specific policy areas:

- (a) Royal Commission on the National Health Service
- (b) Review of Supplementary Benefits
- (c) Personal Social Services
- (d) Industrial Relations in the Department

*Small hospital
- Barty Prop - Inclusive to
work.
+ presents for N.I. expenditure
reductions*

I would be grateful if you would let me know once the visit is confirmed whether the Prime Minister would be free to join the Secretary of State for a working lunch and if the proposed programme and agenda meet the Prime Minister's wishes. In the light of your guidance about agenda items, we shall then let you have briefing notes as a basis for discussion.

*Yours sincerely
D Brereton*

D BRERETON



RECEIVED
MAY 19 1964

CONFIDENTIAL



10 DOWNING STREET

Visits file, re

M/F 31/11

With the compliments of

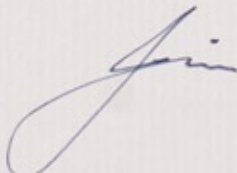
Miss Patten,

Hope these are useful

PA

Hoskyns Group Limited
91-93 Farringdon Road London EC1M 3LB
Telephone: 01-242 1951

John,
I hope these details
are of some use

A handwritten signature in dark ink, appearing to be 'John', written in a cursive style with a large loop at the end.

With compliments

NOTES ON UK ELECTRONICS COMPANIES

CPU Computers Limited. Copse Road, St. Johns, Woking, Surrey.

Tel: Woking (048 62) 73883

Incorporates Computer Ancillaries and LSI Computers Limited. Principal business is UK agent for Shugart Diskette drives. Manufactures and sells M-ONE business computer for small businesses with Sales, Purchase, Nominal ledgers and Stock Control and BOM processing. Sales to date about 250 machines at £7,000.

Estimated annual turnover £2M. Managing Director David Johns. Capital privately held - no known history of Government grants. Recently launched new range of intelligent VDUs.

Garage Management Services. GMS House, Boundary Road, Woking, Surrey.

Tel: Woking (048 62) 70913

Principal business conversion of petrol pumps to electronic readout. Manufactures and sells Datapod range of point of sale terminals. Received NCC grant to upgrade POS terminal to 8085 level. Factory in Falmouth because of Regional Development Grants. Sales of POS terminals to date about 100. Estimated turnover £1M. Managing Director Colin Howerd.

Zygal Dynamics Limited. Bank Chambers, 13 High Street, Chesham, Bucks.

Tel: Chesham (024 05) 75681

Principal business agency for Diablo Printers and conversion of VDUs and keyboards to APL character set. Supplier to ICL, Barclays Bank and Equity & Law. Produces Data Mate and Data Master store and forward Floppy disk based terminals. Produces System 90 for small businesses using CAP microCOBOL and packages. High quality word-processing speciality. Managing Director John McLean.

Minster Automation. Mill Lane, Wimborne, Minster, Dorset.

Tel: Wimborne (0202) 886151

Principal business sale of telephone monitoring equipment for industrial and hotel use. 50+ sales at £40,000. Equipment based on PDP8. 25% stake held by Borthwick who recently beat NEB to the post as supplier of loan capital. About to release Z80 based equipment for PAB X 7 selling at £9,000. This new equipment is excellent and should sweep the market. Received NCC grant (25%) for software development of Z80 system. Managing Director Jim Prideaux.

P. Minster

PRIME MINISTER

Wednesday 11 July will now not be the date of Parliamentary discussion on the Wales Act, and we can therefore go ahead with your Scottish visit.

You approved the outlines of this earlier. I now attach more detailed proposals from Mr. Younger's office.

You were not happy with the initial suggestions for factory visits. The letter proposes an alternative, Microwave and Electronic Systems Limited, described at "X". I attach at Flag A a description of Ethicon Limited. Do you have a strong preference for MESL, which would further complicate the timetable, or will you settle for Ethicon?

This date will be during the Annual Trades Fortnight, limiting the number of companies functioning. We have considered whether this makes it a bad time for your visit, but have concluded that this will not undermine the central purpose. It would be some time before another suitable day became available.

Subject to your preferences about the company, we will now confirm these arrangements?

MP

We will also fit in a brief call on the Provost, as a courtesy.

Antai

— Have these figures been checked with our Minister at the Scottish office? Also with local M.P. if convenient?
MB.

25 June 1979

(i) Ethicon Ltd.

A wholly owned subsidiary of Johnson and Johnson, the US pharmaceutical group, the company's main factory is at Sighthill, Edinburgh, employing some 1196 (435 male). The company manufactures medical accessories and the Sighthill factory produces surgical sutures, needles and ligatures. More than 50% of production is exported and the company received the Queen's Award for exports and technology in 1966, and the export Award in 1970, 1975 and 1977. The company applied for an Interest Relief Grant of £55,800 in 1975 (on which 2 payments of £4,650 are outstanding).



8/F 19.6.79

10 DOWNING STREET

From the Private Secretary

15 June 1979

Dear Andrew

As I told you on the telephone today, the Prime Minister has now started to consider a programme of visits around the country. In your letter of 11 June, you provided suggestions for some companies which might be suitable. The list included H.H. Electronics of Cambridge and the Prime Minister already has an engagement in Cambridge on Friday 6 July. She may well decide to make a factory visit that day, and I would therefore be grateful for further background on H.H. Electronics, and for any other suggestions you might have to make for suitable companies in the Cambridge area.

Could you also take informal soundings of H.H. Electronics about the possibility of a visit by the Prime Minister in the course of Friday 6 July. I think a visit of about an hour in the early afternoon might fit into the programme.

We also discussed a possible visit by the Prime Minister to the Department of Industry. Our very tentative schedule for such visits includes this late in October. We can come back to this nearer the time.

It would be helpful if I could have this further information about Cambridge by close of play on Tuesday 19 June.

Yours ever

Mike Paterson

A.A. Duguid, Esq.,
Department of Industry.



10 DOWNING STREET

From the Private Secretary

15 June 1979

The Prime Minister has now had a chance to consider a tentative schedule of visits to regions and departments. You wrote to me on 11 June with suggestions relevant to the Department of the Environment.

We have pencilled in a day in the North West for Friday 31 August. This would allow a full day's programme, with the Prime Minister travelling up to Manchester the previous night. I would now like to see more detailed proposals for the use of time based on the Greater Manchester option in your letter, and including a visit to Skelmersdale New Town. The programme should include a walk about with media coverage, and some factory visits in the region. The Prime Minister is particularly interested in small but expanding businesses employing modern technology which are export orientated. I have had suggestions for a number of visits from the Department of Industry, and in the North West; these include Kitchen Queen of Manchester and Gullick Dobson Limited of Ince, Wigan. If either you or Andrew Duguid at Industry have further suggestions, I would like to see them.

You told me that your Secretary of State suggested that the Prime Minister would wish to give a Press Conference and TV interviews at the end of the day. We would certainly want the programme to include some media exposure, but this might come best in the middle of the day, in order to allow reporters covering the trip plenty of time to meet deadlines for evening bulletins and Saturday morning papers.

The Prime Minister would also want to include at least one specifically political engagement on the agenda. This might perhaps be a party for local Conservative workers at the end of the day's events. Richard Ryder, the Prime Minister's Political Secretary, will be giving some thought to this.

The programme should also include a visit to your regional offices. I believe that your office also functions for transport, and it might be useful to add some transport orientation to the trip. After the visit, the Prime Minister might want to have some discussion both with your Secretary of State and with the Secretary of State for Transport about her impressions.

/All these

All these proposals, including the timing, are tentative, but it would be helpful if I could now have suggestions for a more detailed timetable. Perhaps you could prepare one, in consultation with Genie Flanagan (Department of Transport) and Andrew Duguid (Department of Industry), to whom I am copying this letter, by say, 6 July.

M. A. PATTISON

D.A. Edmonds, Esq.,
Department of the Environment.

RESTRICTED



Prime Minister
Mr Ryder
Supt Warwick
John Parsons

10 DOWNING STREET

From the Private Secretary

BF 25.6.79

15 June 1979

Thank you for your letter of 8 June, with your Secretary of State's advice about the programme for a visit by the Prime Minister to the Scottish Office in Edinburgh.

The Prime Minister has agreed in principle to undertake the visit on Wednesday 11 July. But this will remain tentative until the Parliamentary timetable is clear: the debate on the repeal of the Wales Act may take place that day in which case the visit will have to be postponed.

On the basis of your letter and our subsequent conversations, the Prime Minister would be content with a programme on the following lines:

Tuesday 10 July

2200 Arrive Edinburgh by RAF flight. (Unfortunately, it will not be possible for the Prime Minister to arrive in time to accept the invitations offered by Mr. Younger for that evening, as she has other engagements in London in the early evening.)

The Prime Minister would be delighted to accept Mr. Younger's invitation to her to stay in his official residence.

Wednesday 11 July

0815 Visit fisheries cruiser at Leith Docks

0900 Factory visit, possibly Ethicon Ltd.

1030 Visit to Western General Hospital

Followed by visit to Lothians and Border Police HQ

1200 Walkabout followed by arrival at St. Andrew's House, with press and television coverage at this stage.

1230 Working lunch at St. Andrew's House with Secretary of State and senior staff.

1415 Visits to departments within St. Andrew's House.

/1515

RESTRICTED

RB

1515 Informal meeting over tea with cross-section of staff, to include union representatives.

1600 Leave St. Andrew's House for hotel near airport.

At the hotel, the Prime Minister would attend a function to be arranged by the Conservative Party for party workers in the Edinburgh region.

1830 approx Depart Edinburgh for RAF Northolt by RAF flight.

Could you now work out further details of timings. This order of business is not sacrosanct, and we are open to your advice, but I hope that the content of the programme can be preserved.

The Prime Minister's party would probably include Mr. Denis Thatcher, Mr. Ian Gow (Parliamentary Private Secretary), a Private Secretary, Mr. Derek Howe (Paymaster General's Office), a detective and a secretarial assistant. This group will travel on the RAF flight, and our detectives might also make additional arrangements direct with the police in Edinburgh. We will need to discuss further who should be accommodated where.

MAP

K.J. MacKenzie, Esq.,
Scottish Office.



10 DOWNING STREET

From the Private Secretary

15 June, 1979.

B/F 6.7.79

I discussed with Stephen Hickey how the Prime Minister might take a close look at the work of DHSS, and he wrote to me on 7 June with some suggestions for regional visits.

The Prime Minister's diary is now getting very crowded, and we have therefore had to limit proposals for regional visits for the moment. But I think that the Prime Minister would like to come across to the Department to talk to Mr. Jenkin and senior officials, and also to meet a cross section of staff. We have tentatively pencilled in to her diary a two hour period from 1100 on Monday, 23 July. Could you please let me know quickly whether this is convenient and, if so, let me have suggestions for a programme and topics for discussion by 6 July.

M. A. PATTISON

B.C. Merkel, Esq.,
Department of Health and Social Security.

JB

VISIT TO THE SCOTTISH OFFICE

You agreed to pay an early visit to Scotland, primarily to help direct public attention to the amount of Scottish business which is actually handled by the Scottish Office from Edinburgh.

The earliest available date seems to be Wednesday 11 July. (At present, the Debate on the Repeal of the Wales Act is tentatively pencilled in for 11 July. You might want to be present for that, and you might also regard that as an unfortunate time to be seeking to turn public attention to Scotland, so planning would have to be subject to the confirmation of the Parliamentary timetable).

Mr. Younger has been considering what kind of programme might serve the purpose. His ideas are in the letter at Flag A, with a suggested itinerary (Flag B) and background notes on some of the proposed visits (Flag C).

Some alterations will be desirable, both for timetable and presentational reasons. Based on Mr. Younger's views, a workable schedule might be roughly as follows:

Tuesday 10 July

2100 Depart Heathrow (Northolt cannot be used this late).
2200 Arrive Edinburgh.
To hotel or Secretary of State's official residence (which would you prefer?)

Wednesday 11 July

0815 Visit fisheries cruiser at Leith Docks.
0900 Factory visits at Ethicon Ltd and Burton's Biscuits. *I have "done" so many biscuits, is there an alternative.*
1030 Visit to Western General Hospital followed by visit to Lothians and Border Police HQ (these are close together).
12 noon Walk about, arriving at St. Andrew's House, with press and television coverage.
1230 Working lunch at St. Andrew's House with Secretary of State and Senior Staff (probably unavoidable as you will be unable to accept Mr. Younger's offers of hospitality on Tuesday night).

1415 Visits to Departments within St. Andrew's House.
1515 Informal meeting over tea with cross section of staff, to include union representatives (a separate meeting with union representatives is to be avoided: there is still much bitterness in the Scottish Office in the aftermath of the Civil Service industrial action.)
1600 Leave St. Andrew's House for hotel near Airport.
~~1615-~~
1745- Party for Conservative workers in Edinburgh region.
1830 Depart for Northolt.
1930 Leave Northolt for Downing Street.

We cannot lengthen the timetable at either end: on the Tuesday night, you have an Audience followed by a cocktail party for Members' wives. On Wednesday night you would want to be back in London in good time to prepare for Thursday's Cabinet. But this would still allow a worthwhile programme. The morning's activities would provide the required focus on a range of business which is the responsibility of the Scottish Office, and this could be brought out to journalists on arrival at St. Andrew's House. Your further meetings within the Scottish Office would then be more private, and you would not be faced with the need to provide some instant public reaction to them. Most journalists will want to have their stories by lunch time.

Are you content that your Scottish Office visit should follow these lines?

Yes no

May we arrange such a visit for 11 July, subject to the Parliamentary timetable?

MAJ Yes no

14 June 1979



8 ST. JAMES'S SQUARE LONDON SW1Y 4JB

Telephone Direct Line 01-214 6025...

Switchboard 01-214 6000

M A Pattison Esq
Private Secretary
10 Downing Street
LONDON SW1

13 June 1979

Dear Mike

PRIME MINISTERIAL VISIT TO DEPARTMENT OF EMPLOYMENT

You spoke to me last week about arrangements for a possible Prime Ministerial Visit to discuss the work of the Department of Employment on the lines of the Prime Minister's recent visit to the Department of Energy.

We think it would be best to think in the first instance in terms of a visit to DE Headquarters, the centre piece of which would be a round-table discussion of the major issues facing the Department, with Mr Prior and other DE Ministers, the Permanent Secretary and a few other senior officials.

The Prime Minister might at a later stage wish to visit the Head Office of one or more of the Departmental agencies such as the Manpower Services Commission, or to visit local offices of the Department and its agencies.

As to timing, it may be relevant that the Department is moving from its present Headquarters to Tothill Street during August and early September.

Yours Sincerely
Ian Fair

I A W FAIR
Private Secretary

1.

PRIME MINISTER

You wanted to undertake a series of visits to Departments. Richard Ryder and I have been considering this alongside possible factory visits and political engagements around the country. I suggest below some dates which might be used for these purposes, with initial suggestions for each of them. I attach to this note some more detailed ideas.

Regional visits should be planned on a full day's programme wherever possible, preferably leaving London the previous night. Fridays are most likely to remain free of last minute Government business. For visits to headquarters of Departments in London, 2-2½ hours seems adequate drawing on the precedent of your visit to Energy.

Tentative dates:

- Friday 6 July : ✓ Factory visit in Cambridge ✓
before your CPC Summer School
- Wednesday 11 July : ✓ Visit to Edinburgh, to ✓
(Leaving London Tuesday night) include Scottish Office
and its activities, factory
visits, and meeting with
Party workers. (Separate
note submitted on this)
- Monday 23 July : ✓ Visit to a Department (?DHSS)
(1100 - 1300)
- Late July : ✓ One-day visit to Polaris base
- Friday 31 August : ✓ Regional visit: perhaps to ✓
(leaving Thursday night) North West, including work of
the Departments of Environment
and Transport, factory visit
and political engagement.
- 4-8 September : ✓ Scottish visit - Orkney and ✓
Shetlands, energy matters and
Balmoral - already agreed.
- Friday 14 September : ✓ Regional visit - perhaps to ✓
West Country covering industrial
and political engagements

/22-30 September

- 22 - 30 September : Kept clear for overseas visit ✓
- Tuesday 2 October : Visit to a Department - ✓
(1100 - 1330) *Not August + early Sept* perhaps Department of Employment
- Friday 19 October : Regional visit, perhaps ✓
(leaving Thursday night) Cardiff, to cover Welsh Office, local industry and political engagements.
- Monday 29 October : Visit to a Department - ✓
(1100 - 1330) perhaps Industry.
- Friday 2 November : Regional visit covering ✓
(leaving Thursday night) industrial and political engagements - North East or East Anglia?
- Monday 26 November : Visit to a Department - ✓
(1100 - 1330) perhaps DES
- Friday 14 December : Regional visit - perhaps ✓
(leaving Thursday night) East Anglia or North East

Arrangements for a visit to Northern Ireland would come into a separate category and this will no doubt be proposed as and when it seems appropriate. This list of suggestions does not give special attention to the work of the Department of Trade and the Ministry of Agriculture, both of which will need to be kept in mind, nor the Foreign and Commonwealth Office, Ministry of Defence, and Treasury, which can perhaps be left for the time being as you have regular dealings with their business here at No. 10. (Defence would have been covered in part by the Polaris Base visit.) You might also want to have meetings with the senior staff at Transport and Environment after looking at them on the basis of their regional organisation in the North West.

Civil Service Dept

Flag A provides Mr. Edwards' suggestions for a Cardiff visit, suggested above for 19 October. Flag B shows how you might look at the Department of the Environment's activities in the North West - suggested for 31 August. Flag C suggests a selection of companies in different regions which might be suitable for visits. These could all be worked into a programme like the one outlined above.

/Should we now

Should we now plan visits on this timetable in more detail, subject to the intervention of urgent Government business, or would you like to discuss the options before we take this further?

Yes please
no.

MAD

12 June 1979



B³

2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

11 June 1979

Dear Mike

You asked me to let you have ideas for a visit by the Prime Minister to one of our Regional Offices. The Secretary of State has discussed with his Ministers and they agree that the most appropriate Region to visit would be the North West. This would enable visits to both Manchester, where the Regional Office is located, and to Liverpool.

The attached note lists some of the areas which could be covered in a single day. My Secretary of State suggests that the visit should take place preferably after 29 June when he will be visiting the Region for talks.

If you could let me have a date and some times, together with any other indications of the Prime Minister's preferences, we can draw up a more detailed programme. The attached outline has, of course, been seen and approved by my Secretary of State.

Yours sincerely
D A Edmonds

D A EDMONDS
Private Secretary

Mike Pattison Esq
10 Downing St

POSSIBLE VISIT BY THE PRIME MINISTER TO THE NORTH WEST: DRAFT PROGRAMME

GREATER MANCHESTER

Regional Office of DOE/DTP

Manchester/Salford Inner City - tour and sight of particular projects

Housing - Private - Byron St Development
Public - Smithfield Market Scheme
(currently being assessed for Good Design Housing Award)

Dereliction - Higher Folds Reclamation Scheme (Leigh)
(largest in Region - now complete. Examples of unreclaimed land nearby).

Possibly a visit to Skelmersdale New Town

MERSEYSIDE

South Docks - Problem of decline and dereliction on a large scale

Seaforth Docks - The modern Port

Inner City - Tour of the partnership area to view the problems and opportunities and projects

Housing - Private - Stanfield Road - Anfield Estate
(Built for the City, but sold for private occupation)

Public - Everton Heights Development
(multi-storey development - includes "The Piggeries")

In both areas the Prime Minister might like to have arranged meetings with:

Small businessmen;
local authority offices to meet staff coping with poverty issues;
community groups/local authority tenants;
Conservative local authority Leaders.

At the end of the day, my Secretary of State suggests that the Prime Minister will wish to give a press conference and TV interviews

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11 JUN 1979

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DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

PS/ *Secretary of State for Industry*

Mike Pattison Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

11 June 1979

Dear Mike,

VISITS BY THE PRIME MINISTER

You asked last week for some suggestions from the Department for suitable companies which the Prime Minister might include in visits to several UK regions. I attach a list with two or three suggestions in each of the four regions we discussed. Each of these companies has an excellent group record, but we can, of course, produce further suggestions if required.

We also discussed briefly the possibility of a visit by the Prime Minister to this Department. We should of course be delighted to make arrangements for this whenever you suggest.

Yours sincerely

Andrew Duguid

ANDREW DUGUID
Private Secretary

(1) North West RegionKitchen Queen, Manchester

Fitted kitchen furniture manufacturer. Established in 1965 as a part-time business operating from a garage. The company has expanded rapidly with sales of £15m and has gone public.

Gullick Dobson Ltd, Ince, Wigan

Gullick Dobson - is the mining machinery division of Dobson Park Industries Ltd. It claims to be the world's largest manufacturer of powered roof support systems and supplies 60% of the National Coal Board's requirements as well as most of the requirements of the major overseas users. The company have been particularly successful in supplying self-advancing hydraulic support systems for long and short wall mining in both home and foreign markets.

In 1977 Gullick had some 2,000 employees and a turnover in excess of £48M. It is a past winner of the Queen's Award for Technological Innovation.

(2) South West RegionQuantel Ltd., Newbury

Quantel, in association with Microconsultants, is involved in the production of advanced equipment for broadcast TV systems and in various instrumentation products used in systems control.

The company is ten years old and employs 280 persons: turnover is £6m.

James Pearsall and Co Ltd Taunton, Devon.

James Pearsall, established in 1975 as a traditional London thrown silk trader, is a wholly owned subsidiary of Bridport Gundry Limited (turnover 1977/78 12.4 million exports 5.6 million, employment 800). The company, now based in Taunton, has moved a long way from its historic silk trade, and is now primarily engaged in the manufacture of surgical sutures (for which they are world famous) and industrial sewing thread.

James Pearsall (employment 250) have three manufacturing units in Taunton to increase the firm's capacity (to meet the expected demand for industrial sewing thread), with turnover in 1977/78 of £3.5 m of which £900,000 was accounted for by exports. 95% of the firm's output of surgical sutures is exported and they claim to have 50% of the European market.

Watts, Blake, Bearne and Co Ltd. Park House, Courtenay Park, Newton Abbot, Devon.

The company operates as an extractor, processor and seller of ball and china clay, principally in Devon. Wholly-owned subsidiaries operate in France and West Germany. 74% of total value of ball clay sales is exported and in 1977 china clay exports slightly

/increased ...

increased to 42% of sales; total exports were worth £8.6m. Much of Watts Blake UK sales is taken up by the Staffordshire potteries where a lot of its finished wares end up for export. Watts Blake therefore contribute greatly directly and indirectly to UK exports.

In 1977 the group trading profit before taxation increased by 28% from £2,137m to £2,734m. Employees totalled 770 within and 141 overseas. The company operate a wealth sharing scheme for their employees and labour relations are considered very satisfactory.

(3) East Anglia

H H Electronics, Cambridge

A successful company manufacturing electronic components for consumer goods products. 150-200 employees.

The Acoustical Manufacturing Co Ltd., St Peters Road, Huntingdon

The Company was founded in London in the 1930s and moved to Huntingdon in 1944 and manufactures the 'QUAD' range of amplifiers, loudspeakers, tuners and associated equipment for domestic use and public address systems. Turnover is presently over £3m and 70% output is exported primarily to Holland, Canada, West Germany, France and Australia. The workforce comprises 200 employees. The company gained a Queen's Award for Technological Achievement in 1978 for a circuit design relating to Hi-Fi audio amplifi.

Datron Electronics Ltd., Norwich Airport Industrial Estate, Norwich

Datron Electronics is a private company formed in 1971 and was founded by a Director of a large American electronics company when their UK operation was run-down. It manufactures a range of Digital voltmeters and Data Logging products, finding application in a wide spectrum of industries, and has recently moved into a purpose built factory of some 20,000 ft². Growth has been impressive, turnover increasing from £37,000 in 1973 to over £1m in 1978 of which exports, primarily to Europe, account for over 50% total sales. Since 1973 the workforce has increased from 7 to 60 employees. The company has been assisted by the NRDC under Section 8 of the Industry Act (1972) and is an impressive example of a successful small company.

(4) Northern Region

DJB Engineering Ltd, North West Industrial Estate, Peterlee, Co Durham

The outstanding growth of this private company since their formation in 1973 has been very much a personal achievement of the founder Mr Brown. By the year ending March 1977 the number of employees had risen to 380 and the turnover exceeded £10 million pa. The company manufacture a range of heavy duty off highway dump trucks of which some 90% are exported. The use of many Caterpillar components and access to Caterpillar's world wide marketing network contributes significantly to the company's performance. From the start the close contact between the company and the Department's Northern Regional Offices has resulted in the company obtaining a number of loans, including one in 1977 for £1 million.

Company plans include a further £7.7 million expansion aided by a £2 million loan from the European Investment Bank and a £680,000 IRG

/from ...

from the Department. By 1981 a turnover in excess of £42 million pa and 850 employees are forecast.

This is a clear example of Government assistance enabling a new company to become established and so create employment in a Development Area. They were awarded the 1977 Sunday Times "Best Newcomer to Export" Award and won a Queen's Award for Exports in 1978.

Steetley Refractories Ltd, Magnesia Division, Hartlepool, Cleveland

The Magnesia Division forms part of the Steetley Company's Chemical and Ceramics Group and are principally concerned with the production of Seawater Magnesia mainly for use in refractory linings of steel smelting furnaces. The process of extracting magnesia products from seawater was pioneered at Hartlepool in the late 1930s so that the UK steel industry could gain independence of foreign sources of natural magnesite. The Hartlepool plant was the first, and is now the largest, of its kind in the world with an annual capacity of a quarter of a million tons. The company are at the forefront of refractory technology and have commissioned a major new plant at Hartlepool using a unique Large Grain (LG) process to manufacture high quality seawater magnesia.

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Y SWYDDFA GYMREIG

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Oddi wrth Ysgrifennydd Gwladol Cymru



WELSH OFFICE

GWYDYR HOUSE

WHITEHALL LONDON SW1A 2ER

Tel. 01-233 3000 (Switchboard)
01-233 6106 (Direct Line)

From The Secretary of State for Wales

8 June 1979

Dear Mike,

You asked George Craig here whether we could suggest the kind of programme which might be put together for a visit by the Prime Minister to Welsh Office in Cardiff.

We would suggest the components of the visit might be as follows:-

(a) An industrial visit - either to a small firm in the Cardiff area or possibly to be shown the area around the now closed East Moors Steelworks whose early redevelopment is of concern to the Welsh Office, the Welsh Development Agency and local authorities.

(b) This might be followed by a visit to Ely Hospital. My Secretary of State has the NHS high in his priorities and, since Welsh Office is both a central Government Department and a Regional Health Authority in Wales, a hospital visit would be particularly appropriate. The Prime Minister could see at Ely Hospital the improvements made there since the events of the late 1960s and meet representatives of local authorities and the Area Health Authority to hear of plans for supporting the handicapped in the community in South Glamorgan after discharge from the hospital.

(c) In the Welsh Office itself we propose a meeting with officials lasting say an hour and a half, during which the Office would aim to describe the main policy problems presently confronting the Department. This might be followed by a briefer and more social meeting with a cross-section of the Department's staff - including representatives of the Departmental Whitley Council's Staff Side - possibly over a cup of tea or coffee. (Handling the Staff Side is something we would wish to advise on further nearer the time of the

/Prime Minister's

Mike Pattison Esq
10 Downing Street
LONDON SW1



Prime Minister's visit in the light of then current circumstances and experience on visits to other Departments).

(d) We would then suggest that the Prime Minister could go for a short "walk-about" either in the main Office at Cathays Park or in the Pearl Building which is a five minute walk away across the Cathays Park gardens.

(e) It is certain that civic dignitaries and leading business figures would hope to have an opportunity to meet the Prime Minister during her visit. We assume that the Prime Minister would not want a civic lunch with all that entails. However, my Secretary of State could give an informal lunch to which 20 or so people might be invited, including leading figures in local government and business in South Wales and in particular those who work closely with the Welsh Office.

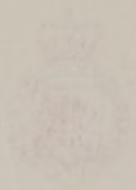
(f) We would also assume, although clearly we are in your hands on this, that a little time will be needed to meet the Press, BBC Wales and HTV Wales at some stage. There will certainly be considerable Press interest in the visit.

Clearly these are only first suggestions endorsed by my Secretary of State. However, we will be only too glad to provide either more detail on the ideas above, or to suggest alternatives. We would be grateful to hear from you of the Prime Minister's reactions.

Yours sincerely,

Bob Williams,

R J T WILLIAMS
Private Secretary



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JUN 1979

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SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

M Pattison Esq
Private Secretary
No 10 Downing Street
LONDON

8 June 1979

Dear Mike,

You asked for a suggested programme for the Prime Minister's visit to the Scottish Office on 11 July. I attach the outline of a suggested programme which recognises the Prime Minister's wish to see something of the work of Departments inside and outside the Office and in particular to meet some of our clients.

Our direct dealings with the public are limited - the provision of agricultural advice, the payment of student grants and the payment of teachers' pensions are three of the more obvious examples. The nature of the Scottish Office is such that our main clients are the Scottish local authorities. The Prime Minister could, of course, visit a local authority and seek to establish what they thought of us; but I think it would be impossible to narrow a meeting with a local authority in this way and that a full-blown discussion with a local authority would take up too much of the Prime Minister's time. What we suggest therefore is that she might meet a few representatives of the Convention of Scottish Local Authorities as representing our most substantial clients or that she might also visit the Police Headquarters in Edinburgh since we have a lot of direct dealings with the police.

The options listed in the attached paper (including the visit to the Police Headquarters) are designed to give the Prime Minister a choice. Obviously, even if she does not meet the Convention of Scottish Local Authorities it would not be possible to make even a single visit under each of the headings A to E. However, all the visits suggested except for one of the hospitals are in or very near Edinburgh, so travelling times would be cut to a minimum.

We hope that the Prime Minister, as well as meeting senior staff, would visit one or two specific places within New St Andrew's House, perhaps a typing pool or a registry; and she might in addition visit a particular unit - say one of our Education Divisions or the Police Division - and meet together staff at all levels. You will see that we have suggested tea with representatives of the staff unions. This rather curious expression conceals the fact that we have at the moment no Staff Side (and therefore in effect no Whitley Council) - a consequence of the very severe strain on our staff relations in the Scottish Office which resulted from the action we took during the dispute earlier this year.

The Secretary of State would like to speak to the Prime Minister or Mr Ian Gow MP about the general arrangements for the visit as soon as convenient next week. In order to emphasise the position of the Scottish Office as representing a corporate central government presence in Scotland, Mr and Mrs Younger would be very pleased indeed if the Prime Minister agreed to stay overnight in the Secretary of State's official residence, No 6 Charlotte Square, with of course Mr Thatcher (if he is also coming). There would be sufficient accommodation to enable a Private Secretary and two detectives to stay overnight as well.

Mr Younger also has in mind to suggest that he might hold a reception on the Tuesday evening to enable the Prime Minister to meet leaders of Scottish life including leaders of representative and public bodies. Following that he would like to give a private dinner party at which Mrs Thatcher could meet the other Scottish Office Ministers, the Scottish Law Officers and their wives.

Yours sincerely
John Wilson.

J S WILSON
Private Secretary

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HOSPITAL VISITS IN THE EDINBURGH AREA

The first choice might be Gogarburn Hospital, situated on the outskirts of Edinburgh, which provides some 670 beds for mentally handicapped adults and children. Over recent years much has been done to upgrade wards and ancillary services but it is a good example of the difficulties which face staff and the community in caring for this category of patient. A visit to a hospital of this kind is always an encouragement to the staff involved and is evidence of our declared intention to give priority to long-stay patients. In addition the future of services for the mentally handicapped is uncertain and will remain so until the recommendations in recent reports on these services, particularly the JAY Report, have been considered and adopted or rejected.

Alternatively if time permits for a journey over the Forth Road Bridge of about 30 minutes duration, Lynebank Hospital with 390 beds, which provides similar services for mentally handicapped could be visited. It is located in Dunfermline, Fife. This is a relatively new hospital completed in 1968 and is a good example of current thinking on hospital provision for mentally handicapped patients. It accommodates some severely handicapped children and adults and has excellent links with the education authority.

If the preference is for a visit to an acute hospital then the Western General Hospital in north Edinburgh might be appropriate rather than Edinburgh Royal Infirmary which will have been visited by Her Majesty the Queen on 2 July on the occasion of the 250th Anniversary celebrations. This major teaching hospital has some 550 acute beds and includes highly specialised services such as radio therapy, neurosurgery and organ transplantation; it is also the centre for some medical research projects. There is a mixture of old unsatisfactory accommodation in buildings which were provided in 1868 as a Poor Law Institution and very new accommodation in purpose-built departments for specialties such as radiotherapy and neurosurgery and for outpatients and accidents.

Also within Edinburgh a visit could be made to the Royal Edinburgh Hospital which comprises several different buildings in south Edinburgh. The main complex has some 500 psychiatric beds partly in old upgraded buildings and partly in a new building. The site also houses the Professorial unit for Edinburgh University's Department of Psychiatry and an alcoholism unit.

A visit to the Royal Victoria Hospital, also within the city of Edinburgh, would cover a different kind of health care from any of the others suggested. This was originally a hospital for tuberculosis patients using the traditional pavilion type of accommodation but was converted to long-stay geriatric services as the needs changed. It has some 150 beds, some in new purpose-built wards and the construction of other new ward blocks is under way. It also has an active day hospital.

INDUSTRIAL VISITS

The Prime Minister may like to select one of the following companies for a visit while in Edinburgh. Of these, it is likely that both will have received Regional Development Grants from the Department of Industry on purchases of machinery and, in the case of Ethicon, on the new buildings which form part of their considerable expansion in recent years. As indicated below, Ethicon also have received selective financial assistance under section 7 of the Industry Act 1972 in respect of this same expansion.

(i) Ethicon Ltd

A wholly owned subsidiary of Johnson and Johnson, the US pharmaceutical group, the company's main factory is at Sighthill, Edinburgh, employing some 1196 (435 male). The company manufactures medical accessories and the Sighthill factory produces surgical sutures, needles and ligatures. More than 50% of production is exported and the company received the Queen's Award for exports and technology in 1966, and the export Award in 1970, 1975 and 1977. The company applied for an Interest Relief Grant of £55,800 in 1975 (on which 2 payments of £4,650 are outstanding).

(ii) Burton's Gold Medal Biscuits Ltd

A wholly owned subsidiary of Associated British Foods, Burtons manufacture biscuits and cakes for both the home and export market at their factory at Sighthill, Edinburgh. The company currently employs around 1200 (345 male) and has not applied for selective financial assistance from the Department.



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

M Pattison Esq
Private Secretary
10 Downing Street
London SW1

7 June 1979

Dear Mike,

PRIME MINISTER'S VISITS

You asked us to suggest three contrasting places which the Prime Minister might visit to see something of the work of the Department on the ground. The suggested places, where the Prime Minister could in half a day see at least something of the work of the NHS, local authority personal social services and social security, are:

Hillingdon
Wigan or Sefton
Gloucestershire

I would be grateful for the earliest possible notice of when the Prime Minister intends to make her visits. In the meantime I am asking our officials to put in hand outline plans.

Yours sincerely

S H F Hickey

S H F HICKEY
(Private Secretary)

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

From the Minister's Private Office

M Pattison Esq
Private Secretary
10 Downing Street
London SW1

5 June 1979

Dear Mike,

PRIME MINISTER'S VISITS TO DEPARTMENTS

You asked me last week to give some thought to the arrangements that we would recommend for the Prime Minister's visit to the Ministry of Agriculture, Fisheries and Food as part of her programme of acquainting herself with Departments. I have spoken about this with the Minister and with my Permanent Secretary and, as I have already told you, we think it would be best for the Prime Minister to come and meet the Minister, other Departmental Ministers and senior officials here at Headquarters.

Our Department is responsible for important interests not only in agriculture but also in food processing and fishing, and it would not be easy to arrange a short programme of visits that would enable the Prime Minister to get the views of our clients in all these fields. Nor is our regional organisation, which basically pays out grants and provides advice to farmers, one that offers much in the way of interest to the casual visitor.

For the same reasons, I assume that the Prime Minister would not be greatly interested in seeing officials of the Ministry at work in the various buildings that we occupy in London. One government office, or indeed any office, is much like another. If you agree, we will map out a programme for the Prime Minister's visit when you let me know that she is coming.

*Yours sincerely,
G R Waters*

G R WATERS
PRINCIPAL PRIVATE SECRETARY

15 JUN 1973



File

Energy



10 DOWNING STREET

From the Private Secretary

23 May 1979

Thank you for your letter of 22 May with which you enclosed a draft note of the principal points which the Prime Minister made at the meeting last Friday.

I would like to suggest the following changes:

(1) Page 1, line 7: insert the following -
"The decision of the previous Government to burn an additional 2 million tons of coal at the power stations this summer would make us more vulnerable to coal shortages."

Line 16: add the following sentence -
"She suggested that the CEGB should consider imports on a significant scale in order to increase stocks, though she appreciated that the attitude of the NUM could not be ignored."

(2) Page 2: delete the sentence in line 8 beginning "She noted that she was born and bred".
Add at the end of that paragraph - "She therefore questioned the wisdom of the massive investment programme which the NCB were currently embarked on. Moreover, on environmental grounds, she was unhappy with the proposed Belvoir development."

(3) Page 3: delete the sentence in line 10 beginning "She remarked" and replace with - "She asked why the industry had decided to move from 500 mw to 660 mw sets. It seemed that teething problems with the 500 mw sets had only recently been overcome: would it not have been better for the CEGB to persevere with these sets rather than take risks with still larger ones?"

(4) Page 3: under the heading "Nuclear", I suggest the following redraft - "The Prime Minister said that she believed that we would only come close to solving our problems in energy supply when we had a substantial contribution to overall supply from nuclear power. She was confident that UK engineers would not cut corners in a way which could expose us to incidents of the kind which had taken place at Three Mile Island."

/(5) Page 5:

(5) Page 5: Perhaps you could add a final paragraph under the heading:

"International Negotiations

The Prime Minister said that the UK should take a tough line in international negotiations on energy issues. It was essential that the national interest should be protected."

As you will see, I have somewhat toned down one or two parts of the draft. Even so, in view of the Prime Minister's remark at the meeting that she did not want there to be any minutes, I suggest that the circulation of this note be confined to senior officials in your Department. I would like to have a copy of the final version for our own records, and I would like to have a copy for the Cabinet Office.

T. P. LANKESTER

John Arnott, Esq.,
Department of Energy.



SECRETARY OF STATE FOR ENERGY
THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ

01-211 6402

PERSONAL AND CONFIDENTIAL

22 May 1979.

T.P. Lankester, Esq.,
Private Secretary to
the Prime Minister,
10 Downing Street,
London SW1.

Dear Tim,

PRIME MINISTER'S VISIT TO THE
DEPARTMENT OF ENERGY

I attach a first - very rough - draft of a note of the principal points made in discussion on Friday. I'll be happy to take on board any comments you may have.

The precise style in which it is reported will plainly depend on the choice of circulation.

*Yours,
John*

John Arnott,
Private Secretary.

Encl.

DRAFT

PRINCIPAL POINTS MADE BY THE PRIME MINISTER ON HER VISIT TO THE DEPARTMENT OF ENERGY : 18 MAY 1979.

Oil

The Prime Minister expressed the view that ~~the~~ cuts in consumption incurred through or on behalf of international agencies could not be top priorities for the UK. It was much more important to keep industry going by maintaining adequate supplies of fuel. She was very concerned that a ~~specific~~ ~~blanket~~ figure of 5% ~~was a blanket restriction which~~ did not take sufficient account of the circumstances of individual countries.

Generally on fuel stocks for the coming winter she noted that if there should be any difficulties in supply we would have need of maximum reserves of other fuels, and ^{she also} felt that as a contribution towards flexibility we should have more dual-fired power stations. If there should prove to be difficulties with supplies it would be absurd not to have taken any possible steps towards securing alternative supplies, and she asked specifically what constraints applied to the import of coal in order to support coal stocks. ^{Turning to the North Sea,} She enquired about the causes of the decline in ^{oil} ~~exploitation~~ ^{activity} and as to the right balance of incentive and compulsion for future policy, and ^{she} felt that there was a real risk that ~~use of too many sticks~~ ^{excessive regulation} regardless of ~~the availability of~~ ^{countervailing incentives} balancing carrots would have a damaging effect on confidence.

Coal

The Prime Minister asked what ~~we were able to do with~~ ^{could be done about} the £300 million loss which the NCB expected to make this year

The decline of the previous forecast to be an additional 2 m tons of coal at the same price

The Committee British LEBB should

would strongly with... Officials explored but to... of... a... of...

~~She~~ recalled that Government's relations with the NCB had largely consisted of a ^{Succession} ~~series~~ of write-offs for so long as she could remember. She asked how much a pit had to be losing before it could be closed, and expressed confidence that many miners would be happy to accept closure providing that they were given generous terms of redundancy. The Rhondda was cited as an area where extensive pit closures had not prevented the development of economic prosperity. She ~~remarked~~ ^{noted} that she was born and bred in the area of the ^{proposed} Belvoir development, ~~she~~ ^{and remarked} felt that there were too few ^{beautiful} ~~public~~ areas left in Britain and ~~very much hoped this project would not proceed.~~ She had great difficulty in seeing the money which the Government had continuously put into the coal industry as any kind of serious investment proposition; ~~as~~ there remained no likelihood of a return on the money which had been put in. ~~She recalled again~~ ^{again,} that Over the years of her knowledge of the industry, it had frequently been promised that a few more years of investment would see the industry round the corner; ~~but the improvement had yet~~ ^{to appear}

Electricity

On re-organisation, the Prime Minister said that she had never been able to see the case for a further re-organisation. She was against it because it tended to absorb energy which could otherwise be applied to the problems which the industry faced. ~~There had been many re-organisations in the past which had failed to produce a wholly satisfactory structure and she~~ ^{The real need, she felt,} felt there was a need to inject more competition into the field. She recalled that the Conservative Party had suggested many years ago a structure of regional power boards, rather than a

She ~~bordered~~ ^{mentioned} the ~~main~~ ^{main} ~~idea~~ ^{idea} ~~was~~ ^{was} ~~to~~ ^{to} ~~re-organise~~ ^{re-organise} ~~the~~ ^{the} ~~industry~~ ^{industry} ~~on~~ ^{on} ~~a~~ ^a ~~number~~ ^{number} ~~of~~ ^{of} ~~regional~~ ^{regional} ~~boards~~ ^{boards} ~~and~~ ^{and} ~~to~~ ^{to} ~~inject~~ ^{inject} ~~more~~ ^{more} ~~competition~~ ^{competition} ~~into~~ ^{into} ~~the~~ ^{the} ~~field~~ ^{field} ~~and~~ ^{and} ~~to~~ ^{to} ~~produce~~ ^{produce} ~~a~~ ^a ~~wholly~~ ^{wholly} ~~satisfactory~~ ^{satisfactory} ~~structure~~ ^{structure} ~~and~~ ^{and} ~~she~~ ^{she} ~~felt~~ ^{felt} ~~there~~ ^{there} ~~was~~ ^{was} ~~a~~ ^a ~~need~~ ^{need} ~~to~~ ^{to} ~~inject~~ ^{inject} ~~more~~ ^{more} ~~competition~~ ^{competition} ~~into~~ ^{into} ~~the~~ ^{the} ~~field~~ ^{field} ~~and~~ ^{and} ~~to~~ ^{to} ~~produce~~ ^{produce} ~~a~~ ^a ~~wholly~~ ^{wholly} ~~satisfactory~~ ^{satisfactory} ~~structure~~ ^{structure} ~~and~~ ^{and} ~~she~~ ^{she} ~~felt~~ ^{felt} ~~there~~ 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DRAFT/3.

The main emphasis of the choice of design was primarily a matter for the CEGB, but that the criteria were necessarily moving to 660 sets

centralised industry and remarked that she felt it would be highly beneficial if the consumer could have the option of buying surplus electricity from any producer—such as a local manufacturer—who might happen to have excess production, rather than being tied to a ~~CEGB~~ ^{national} monopoly. Rather than a re-organisation of the industry, she would like to see fairly small changes to open the industry up to competition and wondered whether it would be possible to add something to this end to the ~~Trade~~ ^{proposed by the Trade Secretary} Secretary's Competition Bill which is being ~~developed~~ ^{developed} at the moment.

She remarked on the difficulties which had ~~attended~~ ^{followed} ~~on~~ the decision by the industry to use 500 Mw ^{nuclear generator} sets and wondered why the Government did not have the power to discourage the Board from such imprudent technological adventures. She also expressed surprise that more attention had not been given over the years to the relatively high losses ⁱⁿ of the electricity ~~transmission system.~~ ^{production.}

Nuclear *in order to make it possible to CEGB to produce with 500mw sets*

The Prime Minister said that she was very keen on nuclear power and believed that we would only come close to solving our problems in energy supply when we had a substantial ^{contribution} ~~production~~ ^{to overall supply} of electricity from nuclear power. She would very much like to see the CDFR project proceed. She was not in the least worried by the ^{The} Three Mile Island incident and ~~was sure that when such~~ ^{had no doubt that UK} reactors came to be constructed in this country our engineers would not cut corners in a way that might expose us to similar dangers. She noted with regret that the French ~~nuclear~~ programme in fast reactors ^{had overtaken our early lead} which had once been behind ours was now ahead of us. She noted that the Government was committed to a

asked why the industry had decided to move from 500 to 660mw sets, when it was obvious that better technology was available with 500mw sets

She was looking for a night of to look for her last moment at 3 AM

with not much more to say?

major public enquiry on the CDFR but would like to see ~~this~~ ^{the project} move ahead as fast as possible within that constraint. She noted the desirability of ensuring that all engineering problems ~~were~~ fully worked out before relevant construction work commenced, as had not happened with the first AGR programme.

She felt that all of those concerned should be making great efforts to present nuclear power ^{to the public} in a positive light and commended a lecture ⁱⁿ which Sir John Hill ^{had} ~~had given which~~ remarked that a critical analysis of the use of coal as a fuel, had it been performed before the exploitation of coal became commonplace, would certainly have condemned such a dangerous and messy power source. If we were to have adequate supplies of energy for the future this re-assurance by the Government of the need ^{for}, and fundamental acceptability of, nuclear power was essential.

She remarked on nuclear waste that she had been ^{concerned} ~~horrified~~ by the volume of waste which was produced. She hoped that some more efficient way of dealing with such a large quantity of material could be found, ~~and that we would not hesitate to purchase foreign technology for this purpose.~~

Gas

The Prime Minister hoped that the price of gas would not be increased for reasons of energy policy alone. She noted that the new Government had inherited a great many inflationary pressures which would have to be allowed to work their way through the system. She would not wish to see unnecessary additions to these.

ENOC

The Prime Minister made clear that she saw no value in having another commercial oil company. She noted that there were real restraints on a ~~re-assessment of~~ ^{radical restructuring of} ENOC ~~role in~~ ^{from} its existing contracts and commitments which would have to be respected. She saw no advantage of selling off a public interest in ENOC, on the lines of BP, and would prefer to dismember it. The equity interests could be sold off, subject to any ~~provisions~~ ^{altering} required to retain an ~~appropriate~~ ^{appropriate} UK ~~share~~ ^{share} interest in the UKCS or to retain Government control. She was not convinced that having oil in the hands of ENOC put the Government in any stronger position in ~~effecting~~ ^{evading} EEC restrictions than ~~it~~ ^{obtain} would ~~be~~ in the absence of ENOC.

International negotiations

The PM said that the UK should take a hard line in international

negotiations to ensure that the UK is not disadvantaged in the event of a crisis over the oil supply.

to national interest should be protected

MR. PATTISON

cc. Mr. Wolfson
Mr. Ryder

The Prime Minister intends to visit Departments, as she did last week to the Department of Energy. She has agreed, however, that over and above these visits she will from time to time undertake visits farther afield into activities and locations for which a particular Department is responsible. Thus, she might visit in a particular location a hospital, an old people's home, a local authority social work unit and a social security local office, as a basis on which to have a Ministerial meeting with the Secretary of State for Social Services.

I should be grateful if you, in consultation with the others concerned in the office, would take on the responsibility for preparing a series of Prime Ministerial visits of this nature. Having discussed this with Mr. Wolfson, I think the best way to proceed might be if you were to work out, say, a dozen one-day programmes of this kind which we could then show the Prime Minister and, subject to any views she may have, pick them off at the rate of, say, one every three or four weeks over the course of the next year.

I have already initiated with MOD a one-day visit to a Polaris base, and I should be grateful if you would work that into your programme.

K.R.S.

21 May 1979



SECRETARY OF STATE FOR ENERGY
THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ
01 211 6402

T P Lankester Esq
Private Secretary to the
Prime Minister
10 Downing Street

17 May 1979

Dear Tim,

Thank you for your letter of the 16 May. I attach a list of those whom the Prime Minister will meet tomorrow, and their responsibilities. I have added a top level organisation chart which may be helpful.

Two senior officers who are abroad and will be unable to meet the Prime Minister are Mr David Jones, Deputy Secretary in charge of international affairs and home oil policy, and our Chief Scientist, Sir Hermann Bondi.

I am copying this letter to Martin Vile and to Sir Kenneth Berrill.

*Yours sincerely,
John Arnott*

John Arnott
Private Secretary



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17 MAY 1979

DEPARTMENT OF ENERGY STAFF PRESENT AT DISCUSSION, MAY 18

<u>Sir Jack Rampton</u>	Permanent Under Secretary
<u>Mr John Liverman</u>	Dep. Sec., oil production, offshore supplies and gas.
<u>Mr Brian Tucker</u>	Dep. Sec., coal, electricity and nuclear energy.
<u>Mr Philip Jones</u>	Dep. Sec., finance, energy policy, conservation, economics and statistics.
<u>Mr Christopher Herzig</u>	Under Sec., petroleum production.
<u>Mr Robert Priddle</u>	Under Sec., home oil policy - domestic market and North Sea oil exports.
<u>Mr Jasper Cross</u> ✎	Principal Establishment Officer (Under Sec.).

* Mr. Cross was one of two UK officials who were kidnapped by the Quebec separatists 10 years ago.

12.

DEPARTMENT OF ENERGY STAFF WHO WILL BE PRESENT AT TEA MAY 18

<u>Alan Blackshaw</u>	Under Secretary COAL Division, formerly Director General OFFSHORE SUPPLIES OFFICE. Distinguished Mountaineer and skier.
<u>G C Campbell</u>	Under Secretary FINANCE AND NATIONALISED INDUSTRIES Division.
<u>Bernard Ingham</u>	Under Secretary, CONSERVATION*
<u>I T Manley</u>	Under Secretary ATOMIC ENERGY Division.
<u>N J Smith</u>	Director General OFFSHORE SUPPLIES OFFICE (Glasgow) - seconded from Baring Bros.
<u>P H Agrell</u>	Assistant Secretary PETROLEUM PRODUCTION - North Sea oil policy, royalties and taxation. Chairman FDA Branch.
<u>Mrs D E F Carter</u>	Assistant Secretary OIL POLICY - oil market problems.
<u>G W Thynne</u>	Assistant Secretary COAL - coal policy and NCB Finance.
<u>Cdr S A Warner</u>	PETROLEUM ENGINEERING Division - Senior Diving Inspector.
<u>E G Bevan</u>	Senior Principal Scientific Officer ENERGY TECHNOLOGY - energy R & D.
<u>Lloyd Crump</u>	Chief Press Officer INFORMATION.
<u>Mrs T I Neville</u>	Principal Scientific Officer ENERGY CONSERVATION.
<u>L M Palmer</u>	Principal - OIL POLICY. Chairman Departmental Staff Side.
<u>M F Reidy</u>	Principal PETROLEUM PRODUCTION - BNOG policy. Lately Branch Chairman SCPS.

C H K Williams Economic Adviser - ECONOMICS & STATISTICS.

Miss M McKinlay Administration Trainee - OIL POLICY.

Mrs M Evans Senior Personal Secretary

Miss J A Wood Personal Secretary

Mrs R M Crampton Clerical Assistant - Assistant Secretary
CPSA Branch.

*Former head of **I**nformation.

Private Offices
Bill Burroughs

Sir Hermann Bondi

Energy Technology Division
Leonard Leighton
Offshore Technology Unit
Roger Heathcote

Brian Tucker

Electricity Division
George Monger
Coal Division
Alan Blackshaw
Atomic Energy Division
Ivor Manley

Philip Jones

Finance & Nationalised
Industries Division
Graham Campbell
Energy Policy Division
Graham Kear
Energy Conservation Division
Bernard Ingham
Economics & Statistics
Division
Tom Kennedy

Permanent Under Secretary
Sir Jack Rampton

Establishments Division
Jasper Cross

John Liverman

Gas Division
Stephen Spain
Petroleum Production Division
Chris Herzig
Petroleum Engineering
Division
Henry George
Offshore Supplies Office
Norman Smith
Ronnie Custis

David Jones

Oil Policy (Home) Division
Robert Priddle
Community and International
Policy Division
Chris Lucas

Information Division
Ian Gillis

Legal Advisers
Philip Ashcroft

Parliamentary Branch
Anthony Munn

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PRIME MINISTER

VISIT TO THE DEPARTMENT OF ENERGY

You are due to visit the Department of Energy at 1430 tomorrow. We have set aside 2½ hours for the visit. I have arranged for you to have a meeting with the Secretary of State, Mr. Lamont (Mr. Hamish Gray and Mr. Moore are unable to be present), the Permanent Secretary and six other senior officials. This meeting could continue as long as you wished, but I have arranged for you to meet a cross-section of more junior staff over tea from 4 o'clock onwards. The meeting will be in Mr. Howell's room, and the tea in the room of the Permanent Secretary (Sir Jack Rampton).

I attach:

Flag A - a note from Mr. Howell outlining the main energy issues facing the Government.

Flag B - a note by Sir Kenneth Berrill which raises a number of questions.

Flag C - a note from the Cabinet Office.

Flag D - Sir John Hunt's original briefing note.

Flag E - a list of the people whom you will meet.

I think you will find Mr. Howell's note pretty thin, and it fails to set out a clear timetable - which we had asked for - for bringing the various issues forward for collective consideration. You will want to ask Mr. Howell to expand on the issues in his note; and you will then no doubt want to question him and his officials. Ken Berrill's note provides a very useful quarry for such questioning; his note and the Cabinet Office note at Flag C suggest that the Department needs to concentrate its mind fast and clearly on a number of key issues. It would

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/be good

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- 2 -

be good if you could establish a suitable sense of urgency in the Department, and make it clear that you want papers on all the issues mentioned by Mr. Howell - as well as the interest relief grant issue mentioned in the Cabinet Office brief - to be considered by Ministers collectively; and all this before the summer recess at the very latest.

12.

17 May 1979

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Covering CONFIDENTIAL

Qa 04102

To: MR STOWE

From: SIR KENNETH BERRILL

1. I understand that the Prime Minister is due to visit the Department of Energy tomorrow afternoon to discuss the work of the Department and the problems inherent in United Kingdom energy policy. I have seen the brief which the Secretary of State for Energy sent to the Prime Minister in preparation for this visit.
2. I attach a note from the CPRS on the main questions which the Prime Minister might wish to have in mind, some of which are not covered in the Secretary of State's brief.
3. I am sending a copy of this to Sir John Hunt and to Mr Hoskyns.

17 May 1979

Att

KB

CONFIDENTIAL

THE PRIME MINISTER'S VISIT TO THE DEPARTMENT OF ENERGY
FRIDAY, 18 MAY 1979

Brief from the Central Policy Review Staff

1. In what follows we pinpoint some critical issues which the Prime Minister may wish to raise in her visit to the Department of Energy.

Overall Policy

2. The United Kingdom's main aim in the energy field is to achieve security of energy supply at minimum cost. Viewed in this light the previous Government's energy policy was (a) over-protective towards the coal industry; (b) half-hearted in its commitment towards the nuclear industry; (c) committed to maximum State involvement in the North Sea; (d) unco-operative in energy matters in the EEC. Redress of the balance is needed.

Oil and Gas

3. The Future of BNOG. How can one combine reduced State involvement in the North Sea with continued safeguarding of the national interest?

It is vital that oil companies do not find means of escaping tax on a large scale. BNOG is building up expertise on North Sea operations, costs, and profit. Will this continue? *What measures are needed to safeguard the national interest without BNOG?*

4. Future North Sea Exploration and Activity. Doubts are growing about the level of North Sea production in the late 1980s. Are these doubts valid? Is a new assessment required on depletion policy for existing fields and encouragement policy for new fields? *IL*

*This is a
matter of
drafting the
conclusions*

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5. Petrol Shortages this year. The Iranian revolution and its aftermath have left the world with lowered stocks and supplies some 5 per cent short. It has also led to increases in oil prices for marginal sales greater than was expected only a month or two ago. There is a 'conventional view' that markets can take a 5 per cent shortfall but anything much more than that leads to black markets, panic buying, etc. - as we have seen in California. There is every likelihood that, following the Budget and the rising world price, the United Kingdom motorist will be paying over £1 per gallon on his summer holiday. But will he be able to get petrol? Is the Department confident that the United Kingdom market shortfall will not get worse? What monitoring/assurances do they have from the companies? What leverage does North Sea oil give them?

And what contingency plans do we have for rationing?

Coal

6. The National Coal Board. The main problems facing the National Coal Board are (i) to close non-economic pits much faster than they have managed to do so far; and (ii) to open up highly productive pits in new areas (e.g. Selby and the Vale of Belvoir) ^{No.} much faster than the present environmental constraints allow.

7. National Coal Board Financing. The Board's disturbing unprofitability is due largely to a small number of very uneconomic pits. The worst 10 per cent of NCB production creates directly a £150m. per annum loss but indirectly more than this because of the effect on NCB's total price/demand position. The previous Administration was (understandably) reluctant to press the NCB to accelerate closures. What are the intentions now?

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8. NCB's Long Term Plans. The tripartite approach to planning has led to wildly optimistic assumptions on the future market for United Kingdom coal and NCB's ability to meet it. What plans are there for reappraisal of the plan, the investment programme, and the case, at the margin, for United Kingdom domestic production rather than imports.

9. Coking Coal. British Steel Corporation wants to import more foreign coking coal (cheaper and better quality than domestic). NCB is building up stocks of expensive coking coal it cannot sell. How fast should NCB reduce its coking coal output? Meantime, how far should British Steel be encouraged (required?) to use NCB's stocks?

10. Next Winter's Coal Stocks and possible trouble with the miners. NCB's very expensive productivity bonus scheme has meant relatively buoyant output and rising stocks. Enough, on the face of it, to allow the increased coal burn in power stations needed to meet our IEA 5 per cent cut in oil consumption. Total coal stocks early next winter may be adequate but will there be enough transport to see that they are at the right place (power stations) rather than still at the pit head, and what proportion will be usable (i. e. not too old or too wet)?

Nuclear - the Fast Breeder

11. The first commercial sized demonstration fast reactor might cost £2 bn. It will take a long time to plan, design, build. How soon can one decide on the form of the necessary public enquiry(ies) (they might take five years)? What steps can one take, meanwhile, on technical studies (possible international collaboration)?

Power Plant Industry

12. Rationalisation in the industry is long overdue. How can it be brought about? Can the current ordering programme (the two new AGRs) be used to achieve this?

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Energy Conservation

13. Energy conservation is essential. The United Kingdom moved some way on publicity, exhortation, and financial incentives. We have done little so far on mandatory energy saving requirements, largely for fear of the extra burdens it would place in the short run on United Kingdom industry. Should we do more? By far the most important energy conservation measure is the correct use of the market, i. e. correct pricing. In the United Kingdom the main aberration is gas prices - with gas being sold at well below its long run cost of supply. The forthcoming Budget is bound to raise indirect taxes to allow relief on direct tax. Is there a good case for taxing gas to relieve the tax increases on other goods and services? **No**

International

14. We need to take a long term view in our fight for a share of the world's sea bed riches. (We failed to get all we might have done out of the North Sea where a difference of one yard in the dividing line between ourselves and our Continental neighbours proved to be worth millions.) We are currently in dispute with the Irish, Danes, Icelanders, Chileans and Argentina over seabed areas in the Atlantic and Antarctica which might yield oil in significant quantities before 2000. Is the Department of Energy satisfied that the FCO is pursuing our claims with adequate robustness and vigour?

17 May 1979

CONFIDENTIAL

P.03

MR STOWE

cc: Mr Mountfield
Mr Vile

THE PRIME MINISTER'S VISIT TO THE DEPARTMENT OF ENERGY

You already have Sir Kenneth Berrill's brief for the Prime Minister's use when she visits Department of Energy tomorrow, which supplements the Department's own material. You may also find it useful to look out Sir John Hunt's initial brief on energy issues of 4 May.

2. It may nevertheless be useful if I supplement these with a rather more atmospheric note. Briefly:-

(a) The Department faces a whole range of difficult and complex problems with substantial financial and political implications.

(b) For understandable reasons, not much progress was made on some of these under the last Administration.

(c) Partly because of this delay and partly because of their nature, some of these problems have now to be tackled urgently.

(d) In terms of money, and political difficulty, the financial mess of the Coal Board is the most urgent. Mr Howell was invited by Cabinet this morning to produce a paper quickly. He is not likely to find his colleagues very receptive to the thought in his own brief that the coal industry may be making "substantial claims on the contingency reserve" this year. If the position is to be salvaged, urgent and intensive action is inevitable.

(e) Mr Howell's brief omits altogether reference to our interest relief grant dispute with the Commission. But legal action is

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* The Commission want us to stop subsidising
the offshore equipment industry
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CONFIDENTIAL

threatened in six weeks' time. Again a sense of urgency would seem to be in order.

(f) Mr Howell's brief leaves on me the impression that he (or the Department) still fights shy of inter-Departmental discussion of their problems. The historical reasons for this are no longer with us. And you cannot sensibly deal with nuclear power or coal or oil without bringing at least the Treasury, the Scots and sometimes the Departments of Employment and Industry into the reckoning. Of course I know, as an ex-member of the Department, how frustrating it is to find your major preoccupations disappearing into commission. But it is a fact that other legitimate interests exist and must be taken into account.

U 3. In short, if the Prime Minister's visit were to result in the Department's coming back into the mainstream of Whitehall, and instilling a proper sense of urgency, it would pay handsome dividends.



P Le CHEMINANT

Cabinet Office

17 May 1979

Exped to Energy, May 1979
(Energy Policy)

PRIME MINISTER

I attach notes setting out the main issues, with an indication of their possible timetable, on which I expect early collective discussion will be necessary. You may wish to have a brief discussion on some of these when you visit the Department on Friday.

I am sending copies of the note to Geoffrey Howe, Keith Joseph, Lord Carrington, Michael Heseltine, John Nott, Jim Prior, George Younger, Nicholas Edwards and Sir John Hunt.

DA.


Secretary of State for Energy
16 May 1979

INTERNATIONAL OIL SHORTAGE

As a result of the Iran crisis the world oil situation is extremely tight. There were little or no oil exports from Iran between Christmas 1978 and the beginning of March 1979. Iranian output has since recovered but is unlikely to exceed about two thirds of its pre-crisis level - a shortfall of 2 m. barrels per day or about 6% of internationally traded oil. Some OPEC countries which had increased output while there were no Iranian exports are now cutting back to pre-crisis levels. Local shortages are beginning to appear and more serious ones can be expected next winter.

2. The member countries of the IEA at the beginning of March committed themselves to reduce demand for oil on world markets by 5% by an unspecified date. The European Council at its March meeting agreed that the Community should reduce oil consumption by 25 m. tonnes or just under 5% in 1979. Some progress has been made: but the decisions are slow to take effect and it is not clear that the full reductions will be achieved. The question of continuing demand restraints into 1980 will arise in the coming months.

3. The UK has been partly insulated from the pressures by North Sea oil, but export commitments cannot be redirected into the UK except in a full emergency, when our obligations under international oil-sharing arrangements (IEA, EEC) would come into effect. Supplies this quarter are expected to be about 2½% below demand at present prices. Most companies are now allocating supplies to regular and contract customers at or below last year's level and declining to take on new business. Customers without contracted supplies are finding it hard to get enough at prices they are at present prepared to pay. The CEEB at the request of the Government is reducing oil consumption in the six summer months by 1½ to 2 mill. tonnes and a vigorous oil saving campaign was launched by our predecessors throughout the public sector. But further measures including fiscal ones may well be needed.



4. The most serious result of the Iran crisis is that it has enabled OPEC countries to increase prices substantially. After taking account of the premia which most OPEC countries except Saudi Arabia are charging, prices at the end of April were nearly 25% higher than at the end of 1978, though in real terms only restored to 1974 levels. Since then Iran has increased prices by a further 60 cents a barrel or 3.6%. This may produce a ratchet effect and make it difficult for Saudi Arabia to hold her prices at levels lower than those of the other OPEC producers. The OPEC increases have not yet been fully reflected in the UK partly because of the strength of sterling. But further retail price increases are inevitable. Petrol prices must be expected to rise by 4p to 5p over the next few months even with no change in fuel tax.

5. Policy hitherto in both the IEA and EEC has been to try and tackle this situation by encouraging a better balance between supply and demand through demand restraint. But a number of countries are now urging the introduction of formal allocation systems or of new measures to influence prices through Government action. The UK has been cautious about these suggestions. (We doubt whether they are either practical or in our interests given our North Sea oil).

6. It has to be remembered that, though in 1980 we may produce the equivalent in tons of our domestic oil needs, we have to export a lot of our light sulphur free oil and import other producers heavy oil to meet our product needs.

CONFIDENTIAL

REVIEW OF ENOC

A quick review of ENOC has been set in hand with the aim of putting recommendations to Ministers in June. The review will cover all the Corporation's activities: how far each of them is essential to secure the national interest: and the compatibility of such activities with a commercial operation. Urgent consideration is being given to a new financial structure/ separate from the National Oil Account (which will require legislation), and the removal of ENOC's special position on assignment of licences. The Corporation should certainly be made subject to PRT (Petroleum Revenue Tax), a change which the Chancellor could embody in the Finance Bill together with any changes in PRT that might be agreed.

2. The review of ENOC will include the future of their participation agreements with oil companies. It will also cover possible changes in the financial structure to permit private ownership and mixed finance and/or the outright disposal of assets to private buyers.

CONFIDENTIAL

COAL STRATEGY AND NCB FINANCES

We expect to submit in mid-June papers on policy for the coal industry, and on the financial position of the National Coal Board, which is likely to require legislation in the late autumn.

2. The changed outlook and steep price increase for oil in 1973/74 transformed the future prospects for coal and led to the adoption of a substantial programme of investment - some £500 million a year - designed to reverse the industry's previous decline. Current energy forecasts confirm the longer-term need for a larger, more efficient coal industry at which the investment programme is aimed, but suggest the possibility of exportable surpluses in the medium term. Substantial cost increases, aggravated by losses from keeping in production old and uneconomic collieries and the burden of unfructified investment costs, have eroded coal's competitive advantage. The NCB's current five year plan forecasts large losses and heavy reliance - some £375 million in 79/80 after a second coal price increase in the summer - on public expenditure throughout the period with substantial claims on the contingency reserve. No

3. A review of the industry's present planning objectives and its financial position is in hand. Decisions will then be needed on general coal strategy on measures to set the industry on the road of financial viability the future financial regime of the NCB and statutory powers of grant aid to the industry, and the handling of a number of specific problems, such as the heavily loss-making coalfields. These include South Wales, on which there is a published report which the previous Secretary of State prepared in conjunction with the Board and the mining unions, under the tripartite consultative arrangements set up by the previous Administration. The future of these arrangements also needs to be considered.

CONFIDENTIAL

ORGANISATION OF THE ELECTRICITY SUPPLY INDUSTRY

The last Government prepared a Bill to set up a new Electricity Corporation in place of the Electricity Council, the CEGB and the 12 Area Electricity Boards in England and Wales, and to provide for the internal structure of the industry below the main board of the Corporation to be determined in future by secondary legislation. The Bill was published but not introduced; it was however the subject of "pre-legislative hearings" by the Select Committee on Nationalised Industries last year which highlighted a number of controversial features of the proposals, but endorsed the general framework and argued the need for early legislation.

2. Decisions are required on whether or not to proceed with the reorganisation of the industry and, if so, whether on a centralised or devolved basis. A report on this including the legislative implications will be submitted as soon as possible.

CONFIDENTIAL

PROSPECTS FOR THE TURBO-GENERATOR INDUSTRY

An early report will be submitted on the prospects and scope for early rationalisation of the two turbine manufacturers.

2. Related to this question is the allocation by the Central Electricity Generating Board and the South of Scotland Electricity Board of the orders for the turbo-generators for the two AGR power stations at Heysham and Torness which the previous Government approved. Design contracts, which will in practice determine the ultimate destination of the manufacturing orders, are due to be placed soon and the Generating Boards are expected to consult the Government before notifying the manufacturers of their intentions. Other Departments will need to be consulted. Collective discussions by Ministers may be necessary.

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ORGANISATION OF THE NUCLEAR INDUSTRY

The present structure of the nuclear industry, based on the National Nuclear Corporation (NNC) and its operating subsidiary the Nuclear Power Company (NPC), was devised in 1973 and intended to operate as a partnership between Government and General Electric Company (GEC). The arrangement has not worked satisfactorily, and changes have been under discussion for the last 15 months. There is a consensus that GEC should cease their supervisory management of NPC, that the present two-tier structure (NNC and NPC) should be replaced by one single Company directly responsible for all its activities and that the NPC's management should be strengthened. Other more fundamental proposals about NPC's long-term role, structure and membership have been raised but left unresolved. There is an urgent need to end the uncertainties and settle on a sensible structure which will meet present and future needs. There will be early ~~disc~~ discussions with the parties mainly concerned with the aim of bringing forward proposals for limited interim changes to resolve the immediate uncertainties before the Summer Recess.

CONFIDENTIAL

THE ROLE OF NUCLEAR POWER

Ministers will need to give careful consideration to their attitude towards nuclear power. The recent incident at Harrisburg in the United States has prompted widespread concern about nuclear safety. However, the general safety record is good and at present there seems little prospect of our being able to satisfy, without a significant nuclear contribution, our future energy requirements, particularly as oil and gas supplies become scarcer and increasingly expensive. It will be important therefore to maintain and develop our nuclear option. But public confidence will need to be strengthened in the safety of nuclear operations.

2. Nuclear, in particular safety aspects, and general energy policy will be reviewed to arrive at a considered and balanced view. A number of specific issues will arise for decision in the coming months, though it is not possible at this stage to say whether or when they may call for collective consideration. They include policy on the further development of the fast reactor, possibly under international collaborative arrangements, and related issues; the choice of licensor for work on a PWR design for possible introduction in this country; expanded arrangements for assessing the safety and security of civil nuclear power, possibly - again - international arrangements, and our position relative to various questions which arise on Euratom and the competence of the Community.

CONFIDENTIAL

NATIONALISED ENERGY INDUSTRIES PRICING AND FINANCIAL TARGETS

Proposals to increase domestic prices for gas and electricity by 8 - 9%, and to increase service charges in the gas industry, are being considered by the Price Commission. The proposals (together with increases in non-domestic prices, which have gone ahead) were put forward by the industries to enable them to achieve their financial targets for 1979/80 (6½% on turnover, after interest, for gas; 10% on net assets before interest for electricity (England and Wales)). The Price Commission reports are due in June.

2. Ministerial decisions to overrule the findings of the Price Commission and to allow the price increases to go through may be necessary to allow the industries to achieve their financial targets, and to operate within their cash limits; there may need to be a second electricity price increase later this year because of rising costs (see paragraph 4 below) and lost revenue from the current delay to price increases.

scope for
w/ need
efficiency?

3. Industrial coal prices were increased in March by 9%; domestic prices are to go up in the autumn. The NCB's cash limit set for 1979/80 assumed a further industrial coal price increase this summer. The Board now estimate that the additional revenue required is £133m. requiring an average increase of about 6%. The most likely date would be 1st July. If Ministers wish to intervene a decision would be needed by early June.

4. A further coal price increase would need to be passed on in higher electricity prices. The consequential increase would be about 2 - 3%, if there were no other factors involved, but may need to be higher (see paragraph 2 above).

5. Decisions will also be needed in the summer in the nationalised industries' financing and investment review on measures to eliminate the nationalised energy industries' bids

for additional public expenditure in the years 1980/81 - 1983/84 as a result of their forecasts of higher external financing requirements. This could involve higher prices for gas and electricity, colliery closures and reductions in investment programmes. Decisions on gas and electricity prices will need to be reflected in the setting of medium-term financial objectives for the gas and electricity industries, from 1980/81 onwards, which will determine the industries' future price levels. Energy policy, public expenditure and counter-inflation will be relevant considerations.



cc: Miss Stephens.

Energy

10 DOWNING STREET

From the Private Secretary

16 May 1979

B/F 17.5.79

This is to confirm the arrangements for the Prime Minister's visit to your Department on Friday at 1430.

The Prime Minister will first have a meeting with your Secretary of State, Mr. Lamont (I understand that Mr. Gray and Mr. Moore are unable to be present), Sir Jack Rampton, and the four Deputy Secretaries. I expect that the Prime Minister will want to have a wide-ranging discussion, and I anticipate that the note on the main energy issues facing the Government, which Mr. Howell will be sending the Prime Minister later today, will provide the basis of an agenda.

The Prime Minister would then like to meet a number of other staff informally. We agreed that she could do this over tea, which I understand Sir Jack Rampton intends to lay on in his room at about 1600 hours. We have set aside 2½ hours for the whole visit.

I would be grateful if you could let me have a note by close of play tomorrow giving the names, and their responsibilities, of the people whom the Prime Minister will meet.

I am sending copies of this letter to Martin Vile (Cabinet Office) and Sir Kenneth Berrill (CPRS, Cabinet Office).

T. P. LANKESTER

W. J. Burroughs, Esq.,
Department of Energy.

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PRIME MINISTER

VISIT TO THE DEPARTMENT OF ENERGY

When commenting on Sir John Hunt's brief on energy issues, you said that you would like to visit the Department of Energy before the Whitsun Recess. We have fixed this up for Friday afternoon and have set aside one-and-a-quarter hours for the visit.

What kind of visit would you like? I would suggest that you spend the time going through the main issues which are likely to be coming up with Mr. Howell and his other Ministers and the Permanent Secretary and his four Deputy Secretaries. There are four Ministers, of whom Mr. Hamish Gray will - I understand - be unable to attend because of a prior engagement in Scotland. So this would make for a meeting of about eight people, plus yourself. This should be just about manageable in terms of getting a reasonable discussion. The Department will be sending us an aide memoir setting out the main issues which will be coming up in the energy field, together with a timetable. The meeting could go through this aide memoir, and I will ask the Cabinet Office - in consultation with Sir Kenneth Berrill - to provide you with some further briefing. Shall I tell the Department that the meeting should proceed on these lines?

If you would like to meet a larger number of people, we could perhaps spend an hour on the issues in the aide memoir; and then you could perhaps spend ten minutes meeting the dozen or so Under Secretaries. But on the whole, I think you should maximise your time at the one meeting.

14 May 1979

(I should like to
meet a number of
the staff
as
info-rich as
well.
Can the visit be
extended by
1 hour?

Original on:
Energy: Policy



10 DOWNING STREET

Power File
i. ~~Carbon~~ - can we do.
arrange x
2. CF
3. BE T.L. R
18 May 8/5

8 May 1979

From the Private Secretary

The Prime Minister has given some preliminary consideration to the various energy issues which the new Administration will have to tackle. She would be grateful if your Secretary of State, in consultation with interested colleagues, would let her have an early note setting out the main issues which will have to be dealt with and also setting out a timetable for bringing them forward for collective consideration. The Prime Minister has herself picked out two issues on which she would like reviews to be got underway as soon as possible: firstly, she would like to have a review from your Department and the Department of Industry on the prospects, and scope for early rationalisation, of the two turbine manufacturers; secondly, she has asked for an urgent review of BNOC and its possible future role. Linked to the question of BNOC is the future of the existing participation agreements with the private oil companies, and the Prime Minister has asked for advice in due course on what the Government attitude should be to them - taking into account the point that there appears to be some doubt about their legal validity.

x I As I have already mentioned to you, the Prime Minister would like to pay a visit to your Department before Parliament rises for the recess; we will be in touch with you to arrange a suitable time and date.

I am sending copies of this letter to Tony Battishill (Treasury), Andrew Duguid (Department of Industry), Tom Harris (Department of Trade), Paul Lever (Foreign and Commonwealth Office), Eric Sorensen (Department of Environment), Ian Fair (Department of Employment), Kenneth MacKenzie (Scottish Office), George Craig (Welsh Office) and Martin Vile (Cabinet Office).

Bill Burroughs, Esq.,
Department of Energy.

T. P. LANKESTER

PC

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Ref. A09465

PRIME MINISTER

Energy Issues

The free world uses about 7,000 million tonnes of coal equivalent of energy a year. About 50 per cent of this is oil, about 20 per cent coal, about 20 per cent natural gas, about 7 per cent hydroelectric power and about 3 per cent nuclear. Most of the non-oil energy is consumed near the point of production. Oil is the balancing fuel. About 45 per cent of the free world's oil is produced in the Middle East and 90 per cent of this enters international trade.

2. With the exception of the United Kingdom, Norway and Canada, the industrialised Western countries are all heavily dependent on imported oil to maintain their economies. The USA imports 40 per cent of its supplies and takes nearly 20 per cent of the oil moving in international trade - mostly from the Middle East. The EEC countries import something over half of their combined energy requirements, again mostly oil and mostly from the Middle East. Japan imports 90 per cent of her energy - once again mostly as oil and mostly from the Middle East.

3. The United Kingdom has an especially favoured position among Western nations in terms of energy supply. By next year we should be producing as much energy as we consume - though because our oil is mostly valuable high-quality crude, and two-thirds of our requirements can be met adequately by cheaper low-quality crude, we will remain substantial international traders in energy.

4. The heavy dependence of the Western industrialised countries on Middle East has become a point of danger. The price-fixing activities of the OPEC cartel have imposed very heavy burdens on the Western economies and have threatened the stability of the world financial system. The vulnerability of the West to interruptions in oil supply has been underlined by recent events in Iran. But Iran provided only about 10 per cent of the world's oil consumption. Saudi Arabia produces nearly twice as much.

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5. Against this background energy issues loom large on any Government's agenda. Internationally we are joined, through our membership of the International Energy Agency, in a joint effort with the industrialised West to cut oil consumption. Nationally we are seeking to save energy and need to devote a substantial effort to the production of our own energy supplies.

6. As three (coal, gas and electricity) of our energy industries are in national ownership and the fourth (oil) has a considerable public stake (BNOC plus the Government's share in BP and the necessary Government involvement in the regulation, licensing, taxation and control of the North Sea) a good many energy issues inevitably come to the Government for decision. The Department of Energy is of course in the lead in these matters but other Departments, notably, but not exclusively, the Treasury, the Foreign and Commonwealth Office and the Scottish Office have a locus, and a high proportion of the necessary decisions require to be taken by Ministers collectively. The following paragraphs describe briefly the main issues which you and your colleagues may face on energy matters over the coming months.

Issues

7. Oil consumption: In order to achieve the target 5 per cent reduction in oil consumption to which we have committed ourselves in the IEA and to accommodate to a rather similar EEC decision, we have now embarked upon the policy of increasing the burning of coal in power stations through the summer months. But our ability to continue the effort next winter is in doubt, partly because the hard winter has run down our coal stocks and partly because of uncertainties about coal production - and transport capacity - next winter. You will want to satisfy yourself that continued increased coal burn can be accommodated at a reasonable cost and without reducing coal stocks to a dangerous level (and thus affecting the Government's bargaining position with the miners). Among other matters this raises the difficult question of coal imports. An early situation report is needed from the Department of Energy.

*We must
try to keep
coal stocks at
a high level.
For 1975-76 that
is more important
than cutting
oil consumption
des.*

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8. Coal: Linked with this is the dreadful financial position of the National Coal Board (NCB), with a prospective loss of around £300 million in 1979-80. To keep within the cash limits will probably require either cutting back heavily on investment or closing uneconomic pits, together with a substantial further increase in coal prices in the autumn (perhaps to levels which affect the NCB's ability to keep its market share). In simple economic terms the choice is clear, but pit closures will not be easy. Imported coal is substantially cheaper than that of our marginal pits and you will wish to consider what place imports should have in our economy. A particularly important case is fuel for the steel industry as further imports of coking coal have recently been the subject of licensing controls. These fundamental questions will arise naturally over the next few months when the Government come to consider the long-term coal policy review on which officials are now working.

9. Nuclear energy: We are at present committed to building two new advanced gas-cooled reactors (AGRs) and to proceeding with design and development work on a pressurised water reactor (PWR). The organisation of the nuclear construction industry is in disarray. There is a general wish to change the structure of the National Nuclear Corporation, ownership of which is currently vested partly in the public and partly in the private sectors and in which GEC have the management contract. GEC were strong protagonists for the PWR and since the decision was taken to go ahead with additional AGRs, they have indicated their wish to pull out of the business. The uncertain future of the industry has led to the loss of key staff and continuing low morale. You will need therefore to consider quite quickly what needs to be done to prevent the industry drifting further and to remove uncertainties about its future. Decisions are also needed fairly soon on our policy towards Fast Breeder Reactors (FBRs). In particular a decision is needed on whether we should go ahead with a first commercial FBR and, if so, whether it should be built on the basis of international collaboration. This is likely to be a difficult decision not least because of the great

→ We are committed to an enquiry into the 100% of costs started 100% of cost

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uncertainties of what will necessarily be a very expensive project. There are those who would advocate not proceeding with an FBR at all, relying on thermal reactors (AGRs or PWRs) until such time in the 21st century when fusion may provide virtually unlimited low-cost energy. But either route involves a highly risky gamble. Department of Energy are in the lead and you will want early proposals from them over the whole nuclear field.

10. Interest relief grants: Interest relief grants under the Industry Act have been used for some years as a means of stimulating the United Kingdom offshore supplies industry. They are currently under attack from the EEC as a distortion of competition and there are growing doubts in Whitehall whether they still represent value for money. There is a strong possibility that the EEC Commission will initiate legal proceedings against us over these grants and a very early review of their effectiveness will be needed.

11. Taxation of North Sea Oil: Your Party is now committed to making the changes in Petroleum Revenue tax proposed by the previous Government. As world oil prices rise the possibility of extracting yet further Government revenue from the North Sea will present itself. This is a matter for the Chancellor of the Exchequer in the first instance, but you will want to keep the possibility in the back of your mind.

12. British Gas Corporation profits: The British Gas Corporation is highly profitable, partly because it enjoys some very favourable supply contracts from the earlier North Sea fields and partly because its prices to the industrial consumer are related to the price of oil and rise with it. As a result the Corporation is actively and massively repaying its debts to the Government. You will want to consider whether there is a case for clawing back some of this profit in a more direct way. This, too, is primarily a matter for the Chancellor but again you will want to bear the possibility in mind.

13. North Sea Oil and Gas Depletion policy: So far the exploitation of oil and gas from the North Sea has been on the basis of maximum exploitation for maximum short-term benefit to the economy. The time may however be approaching when we need to assess anew the balance between short-term gains and the possible longer-term advantages of spinning out our reserves. No

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immediate decisions are needed because the sixth licensing round has just been completed and there is a legacy of past promises to those holding earlier licences. Nevertheless future decisions on licensing and to an extent production from existing finds require to be based on a view of the most nationally advantageous profile of future production. The Department of Energy keep these matters under regular review and you might care to ask for a paper to come forward later in the year.

14. Electricity: Decisions in the nergy sector are characterised by long lead times, none more so in electricity generation where power stations have to be ordered 7-10 years ahead of forecast need. Past decisions mean that we have a good deal of apparently spare capacity in hand or on order. Current demand on the power plant industry is therefore low and it is desperately short of work. It is difficult to believe that the two turbine manufacturers - GEC and NEI(Parsons) - can both stay in the business and early rationalisation may be inevitable. There are substantial regional employment implications and you may wish to commission an early review from the Departments of Industry and Energy as a basis for later decisions.

Yes please on

15. The Role of the BNOC: BNOC is at present a producer and trader in oil, adviser to the Government on oil matters and an important instrument in carrying out the previous Government's participation policies. You will want an early review here so that the future course of the BNOC can be charted in ways acceptable to you. Linked with this is the future of the existing "participation" agreements with the private oil companies. Views about their real importance vary and there is some doubt about their legal validity. The Department of Energy should be asked for advice.

urgent pls

16. BP: The Government is the major shareholder in BP and its relations with that company are of prime importance. You will want to consider whether the Government prefers to reduce its shareholding (remembering that 17 per cent of the Company's shares are held by the Bank of England as a result of the Burmah rescue operation and their ownership is currently a matter of legal dispute).

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17. Disposal of North Sea Oil: The previous Government erected three non-statutory guidelines for the disposal of oil from the North Sea. These guidelines covered the proportion of North Sea oil which it was felt desirable to refine in the United Kingdom; the maximum length of contracts for the sale of North Sea oil; and the restriction of North Sea oil imports to member countries of the EEC and the IEA. The issues are complex and link with foreign policy, not only through the IEA and the EEC but also through the recurring questions of the possible supply of oil to Israel and South Africa.

2 You will want an opportunity to confirm, alter or abandon the guidelines.

18. Energy Conservation: The Iranian situation showed clearly how vulnerable was the world in general and the West in particular to even a marginal and temporary interruption in oil supplies and it jolted the IEA countries to make further immediate efforts towards energy savings. By international standards our present policies are reasonably good, but there is no doubt that more can be done. A number of proposals are in preparation by officials. As some involve extra Government spending you will want to take decisions in time for them to be reflected in the public expenditure review.

19. Energy Prices: Soundly-based energy prices are the key to energy conservation, to the financial health of the energy industries and to the Government's tax take or expenditures on energy supply. Oil prices are set externally by the world market and you presumably would not wish to seek to hold down our domestic oil prices artificially. The price of coal and natural gas follow oil prices (not always very closely) and there is no national economic advantage to be gained by seeking to interfere in this process. Electricity prices follow from the costs of the primary fuels used and the very heavy capital costs incurred in providing new generating capacity. Given the strength of the OPEC cartel it is likely that energy prices will in any case tend to rise in the long run faster than prices in general. More immediately a substantial increase in coal prices seems inevitable in the autumn which will have a consequential effect on electricity prices. In the normal course of business both of these decisions would come to Ministers for endorsement.

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There are however two underlying energy price issues which you may also care to have examined. The first relates to gas prices where those for domestic supplies, unlike industrial sales, are currently below the oil-related price. Should they be increased in the interests of conservation? Both the coal and electricity industries will argue that they currently suffer unfair competition in their domestic sales from gas. ^{They will then compare their own efficiency} The other issue relates to current cost accounting. The BGC's accounting practices already come close to full CCA depreciation. But the depreciation practices of both the NCB and the Electricity Supply authorities fall well short of this. The effects of full CCA depreciation could be particularly dramatic for electricity. You may think that Ministers should be presented with the arithmetic so that they can take a conscious decision on the issue.

Conclusions

20. The energy sector will present your Administration with a series of challenging and complex problems of great national significance. It would be well worth while asking the new Secretary of State for Energy, in consultation with interested colleagues, to let you have quickly a full list of the main issues that need to be tackled together with a considered timetable for bringing them forward for collective consideration.

I will visit
the department before
we visit for the
news
mt.
4/5
John Hunt

There must be great
potential for increased
efficiency and competition
in the electricity industry. Also
imposed research on the
efficient conversion of fuel
& transmission losses.
mt.





END

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