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PREM 19/244

11 ● Raynes Programme.

Promotion of Efficiency and Wastes

● The Scrubbing Programme

Part 6.

GOVERNMENT MACHINERY

Part 1: May 1979

Part 6: June 1980.

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
5.6.80.							
6.6.80							
18.6.80.							
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PREM 19/244

Material used by
official historian
DO NOT DESTROY

PART 6 ends:-

S/S Env to S/S Defence 24.11.80

PART 7 begins:-

Prentley to MAP 26.11.80

Papers removed from file

Date 13-11-80

Buckley (ASD) to NJS

12-11-80

Papers removed from file

Date

4-11-80

on filing

~~3-11-80~~

~~Strong A6 Report 3/10~~

~~Ragner to PM 23.10.80~~

~~MAP to PM 24.10.80~~

RTA to MAP A03331 28.10.80



✓
MAD

Groot Mach

2 MARSHAM STREET
LONDON SW1P 3EB

My ref: H/PSO/18690/80

Your ref:

24 November 1980

De brain

PSA ADVISORY GROUP

Thank you for your note of 12 November. It is helpful to have your support for what I am proposing.

I entirely take your point that the Group would benefit from the inclusion of someone with knowledge of Service requirements. We have already discussed with Mr Mobbs such a possibility and think that, were he willing to serve, Admiral Sir Peter White, formerly Chief of Fleet Support, would be a good candidate. I hope you will agree that he will be suitable.

Copies go to the Prime Minister, the Lord President and Chief Secretary, and to Sir Robert Armstrong.

yes am

MICHAEL HESELTINE

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25 NOV 1980



cc D/I

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Sir DR

Gork Mach

10 DOWNING STREET

From the Private Secretary

24 November 1980

cc Dowdson

PSA Advisory Group

The Prime Minister has seen your Secretary of State's minutes of 4 and 21 November, and those of the Secretaries of State for Industry and Defence.

The Prime Minister recognises that a look at the policies, procedures and role of the PSA is important, but she is not ready to agree to the setting up of the proposed Advisory Committee at this stage. She feels that any Advisory Group's rationale, composition and role would be better determined after decisions on Sir Derek Rayner's proposals on repayment, which she understands will shortly be brought forward for Ministerial consultation.

She would not, therefore, wish your Secretary of State to make any announcement at this stage.

I am sending copies of this letter to Ian Ellison (Department of Industry), Brian Norbury (Ministry of Defence), Jim Buckley (Civil Service Department), David Wright (Cabinet Office) and David Allen in Sir Derek Rayner's Office.

M. A. PATTISON

David Edmonds, Esq.,
Department of the Environment.

277



470
10 DOWNING STREET

From the Private Secretary

MR. ALLEN,
SIR DEREK RAYNER'S OFFICE

Thank you for your minute of 17 November reporting progress on the scrutiny covering administration of private woodland grants and control of felling. The Prime Minister is grateful to be kept informed of progress. She hopes that Ministers will be encouraged by results like these to examine areas of work like this on their own initiative.

M. A. PATTISON

24 November 1980

B



PRIME MINISTER

PSA ADVISORY GROUP

Keith Joseph sent me a copy of his minute to you of 11 November.

His proposals raise of course much bigger issues than we have so far considered for the future of the PSA. Obviously any such radical proposals would in any case take time to implement. I still have a major management task in a large specialist agency. Effectively, I am changing the members of the existing Advisory Board that has long since existed. But in practice the quality of the people I will recruit and the nature of the way I shall use them will help me to continue the streamlining process that I am undertaking and which any future organisation will need. I am closing no options, but I cannot achieve my manpower and public expenditure targets without continuing the process I have begun. I now need more specialist advice and commercial experience as the rundown throws up its inevitable problems, and as I am now past the easier and earlier stages.

I am glad that Keith agrees that Nigel Mobbs will make an excellent chairman.

I hope, therefore, that you can agree to my proceeding on the lines set out in my earlier minute.

I am copying this to Keith Joseph, Francis Pym, Christopher Soames, Geoffrey Howe and to Sir Robert Armstrong.

MH

MH

21 November 1980

PRIME MINISTER

Here is Sir Derek Rayner's advice on Mr. Heseltine's proposed PSA Advisory Group. You were unhappy about the proposal, and Keith Joseph has argued strongly that it would only ossify the present PSA arrangements at a time when a more radical approach was needed.

Derek Rayner argues that the Group is premature. Ministers should first reach decisions on the repayment approach - which you have already endorsed in principle. He suggests that, once repayment has been established, the time will be right to ask whether Departments should be forced to buy through a PSA monopoly system or whether they can have some of these services "untied", thus assuming a greater responsibility for getting value for money.

Content that we should record your views along the lines suggested in the draft at Flag A? Mr. Heseltine's original proposal is at Flag B, Sir Keith's comments at Flag C, and a comment by Mr. Pym on the defence angle at Flag D.

MAJ

Mr Heseltine has now put in a further note, in response to Sir Keith, which is also at B.

21 November 1980

I am very much
opposed setting up this
advisory committee at this
stage. By the way
ministers
not

PSA ADVISORY GROUP

1. You asked for comments on the Secretary for the Environment's proposal to set up a group of a dozen or so people, drawn from outside Government, to advise him on the activities of the PSA.
2. Without sight of the full terms of reference of what seems to be rather a large Group it is difficult to be certain of its success in advising on "the policies and procedures of the Agency [and] the role the Agency should be playing in relation to the functions that have to be carried out". I would think that a Group drawn from outside Government would be more suited to advise on procedures and the efficiency with which PSA carries out its responsibilities (drawing upon private sector experience) than on "policies" and "role".
3. In any case, I think that the Group's rationale, composition and role would be better determined after decisions on the proposals I shall be putting to you shortly on repayment for PSA Services. I am still waiting upon the Secretary of the Environment's views on these before bringing them forward to you for collective consideration - he had to cancel a meeting at the beginning of October and I have been unable to secure another one.
4. If these proposals are accepted by the Government they will mean that Civil Departments will bear the cost of accommodation and related services consumed by them. (The military estate in MOD and the overseas estate in FCO are left for separate study.)
5. The PSA will remain responsible for running the estate as a whole and for new capital works, maintenance and the precise location of departmental accommodation.

6. This is not because I have concluded that the present shape of PSA, its estate management function and its relationship with departments are right - I have not studied them - but rather because I believe the first priority in achieving economies is to let the costs of accommodation fall where they arise.

7. I regard this as the beginning, not the end of the road. Having established exactly how the new financial relationship between PSA and departments under repayment should work, the next steps should be to consider such issues as:

- whether PSA, as presently constituted, can meet departmental demands economically and efficiently;
- how the repayment system can be further refined;
- the extent to which Departmental Ministers can be given a bigger say in getting their accommodation right for the taxpayer and right for themselves;
- whether and how far Departments can be "untied" from PSA and what functions should be left with a central Agency for the purposes of efficiency and economy;
- the need for PSA to be established as a Trading Fund, as is already the case for PSA Supplies.

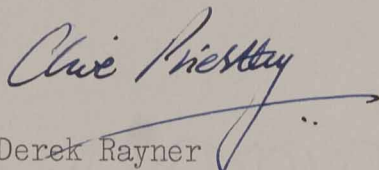
8. The first priority will be to get a decision on repayment. That will then become the point of departure for further work. A step by step approach is important if one is to ensure a consistent and robust package of change.


9. I had it in mind to recommend setting up an "Implementation Group" (under PSA chairmanship) to do the practical work of introducing repayment and to advise on

those longer term issues identified above. Its members would be Civil Servants - those on my repayment group did an excellent job - but they would call on advice inside and outside Whitehall. Given the Secretary for the Environment's proposal it will be for consideration how the Groups' work should inter-relate.

10. Against this background I think that the Secretary for the Environment will be in a better position to define the Advisory Group's purposes and objectives once it is clear what is to happen following my proposals on repayment.

11. I have taken the liberty of suggesting in the attached draft letter a possible reply to the Secretary for the Environment.



 Derek Rayner
20 November 1980

(Prepared by Sir Derek Rayner in Hertfordshire and signed on his instructions.)

Enc: Draft letter to Mr Edmonds, DOE

DRAFT OF 20 NOVEMBER 1980

D A Edmonds Esq

PSA ADVISORY GROUP

1. The Prime Minister has seen your Secretary of State's minute of 4 November and those of the Secretaries of State for Industry and Defence.
2. She has said that while a look at the policies, procedures and role of the PSA is important, she feels that the Advisory Group's rationale, composition and role would be better determined after decisions on Sir Derek Rayner's proposals on repayment. These are to be brought forward shortly for Ministerial consideration.
3. She has asked therefore that your Secretary of State should not make an announcement at this stage.
4. I am copying this to Ian Ellison (Industry), Brian Norbury (Defence), Jim Buckley (CSD), David Wright (Cabinet Office) and David Allen (Sir Derek Rayner's office).

[Private Secretary]

mf

21 NOV 1980





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

20 November 1980

The Rt. Hon. Michael Heseltine, MP
Secretary of State for the Environment,
Department of the Environment,
2, Marsham Street,
LONDON. SW1P 3EB

A handwritten signature in dark ink, appearing to read 'Michael Heseltine'.

PSA ADVISORY GROUP

I have seen John Biffen's copy of your minute to the Prime Minister of 4 November suggesting the establishment of a small group under Nigel Mobbs to advise you on the activities of the PSA. I have also seen Keith Joseph's minute of 11 November and Francis Pym's of 12 November.

I certainly have no objection to the establishment of the group which you propose, nor to the sort of role it might have. Equally I see merit in Francis Pym's suggestion that it should include someone with experience of customers' requirements.

Keith Joseph goes further than this, however, in suggesting the establishment not only of a system of repayment by customer Departments to PSA, but then some kind of trading fund and, eventually, it seems, liquidation.

I myself am in principle in favour of repayment, and I support in principle the proposals by an Inter Departmental Group to Derek Rayner recently in this matter, on which I understand he will shortly be advising the Prime Minister. I also have sympathy, again in principle, with the idea that in due course the PSA might be financed by way of a trading fund or similar "commercial type" framework - e.g. possibly a company incorporated under the Companies Acts. But it is clear to me that such developments must wait on the introduction of an effective repayment system. I note that the Inter Departmental Group included, among possible further developments of the system they proposed, the eventual

/ preparation



preparation of a balance sheet for PSA and the introduction of full commercial type accounting - which would make possible a trading fund or similar. But the first step is to get repayment going, and I hope we can get on with this as fast as possible.

Keith Joseph also refers in paragraph 4 to the need to find someone, eventually, who is dedicated to the liquidation of the Agency. So far as reducing the role of the Agency through privatisation and greater "untying" of Departments in respect of works, supplies and services go, then I am in favour of this - always provided it can be done efficiently and without adding to public expenditure. A proposal to get rid of PSA's functions in respect of accommodation services, and let Departments make their own arrangements in this area, may be less sensible and worthwhile. Does there not have to be some kind of central entity which holds and runs at least the common user estates on a professional basis? But it might be possible for that agency itself to be privatised.

In any case once again it will surely be necessary to get a repayment system going before there can be much development on this front. Departments must become accustomed to meeting their own accommodation and service costs, even if they only pay them to the PSA, before they can be expected to start taking their own decisions. So again this points to getting on with repayment.

I am copying this to the Prime Minister and other recipients of your minute.

A handwritten signature in dark ink, appearing to read "Geoffrey Howe", with a horizontal line underneath.

GEOFFREY HOWE



20 NOV 1980

cc ✓ Mr Pattison

Mr GAFFIN

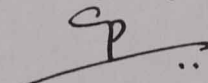
MA

TV EYE

1. Sir Derek Rayner, who is out of London this week convalescing, has seen a copy of Mr Jarman's minute to you of 10 November.
2. It is probably too late for anything to be done in response to the point Sir DR has asked me to convey to you, but you should know that he thinks that one of Mr Russell's ASs, Mr Good, would come across very well in any programme which included a piece on the contribution which CSD is making to increase efficiency.
3. Mr Good is responsible for such matters as Service-wide functional studies; is assisting with the scrutiny of departmental running costs: and is (as you probably know) taking the lead for the Lord President on the small exhibition on Civil Service costs which is being prepared for mounting in 10 Downing Street next month or in January.

NEWSWEEK

4. Mr Allen here had a call last week from Mr James Hogan of the BBC. A programme on the Civil Service is in preparation, due for showing on 5 December. The theme is, "How to bring about a more efficient, effective and streamlined Civil Service".
5. Mr Hogan told Mr Allen that they would like to include an interview with Sir DR, covering such questions as how he saw the Civil Service, what were fair criticisms and what were not, what exercises he was engaged in and how they were going. An interview had already been obtained with Mrs Shirley Williams and one was expected with the Director of the RIPA.
6. Sir DR felt that he was unable to undertake this interview. His recent accident had left him feeling very tired and he did not want the extra bother. However, he told me yesterday that his convalescence is going very well and that he feels greatly restored. He would be willing to do the interview now if there is still a slot for him - and I think there would be. He imagines that using a programme like this would be in line with the general authority given him by the Prime Minister earlier, that he should take useful opportunities, especially when there was something to say. On this occasion he would be able to say something constructive about the tendency of the 1980 scrutiny programme and of the statistics review.
7. We ought to get back to Mr Hogan quickly and I should therefore be grateful to know today or tomorrow whether there is any objection to our doing so.


C PRIESTLEY
20 November 1980



2 pps
2 MARSHAM STREET
LONDON SW1P 3EB

My ref: H/PSO/18159/80

Your ref:
19 November 1980

Den Christopher

Thank you for your letter of 27 October about the PSA programme.

I am still considering how the cuts required in PSA's programme can best be assimilated with least damage to Department's operational efficiency. The Chessington computer requirement is retained in the latest list of starts for 1981/82 but I am afraid that there is now virtually no provision for schemes intended primarily to relieve overcrowding and improve working conditions - except as an incidental benefit from schemes needed for operational purposes.

I am copying this letter to other members of the Cabinet, including the Ministers of Transport and to Sir Robert Armstrong.

yes
Michael Heseltine
MICHAEL HESELTINE

Lord Soames
Lord President

20 NOV 1980



Mr Pattison

Prime Minister

4.

Another useful scrutiny,
where Ministers have agreed
to act on the findings. We now
need more Ministers to do more
such studies on their own initiative.

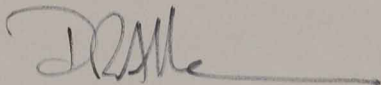
THE SCRUTINY PROGRAMME: ADMINISTRATION OF PRIVATE WOODLAND
GRANTS AND CONTROL OF FELLING

MP 17/11

1. The Prime Minister asked to be kept in touch with progress (your minute to Mr Priestley of 16 July). This followed sight of Sir Derek Rayner's letter to Lord Mansfield of 10 July (copy attached for convenience).
2. The large part of the Gwynn Report's recommendations have been accepted by Scottish Office Ministers and the Forestry Commissioners.
3. This includes such radical changes as:
 - remove small blocks of isolated woodland from felling licensing;
 - charge a fee for felling licences to recoup administrative costs;
 - improve effectiveness of enforcement of licence conditions, with less administrative effort, through use of "guarantee bonds".
 - replace the "small woods scheme" and "dedication scheme" with a simpler to administer "unified grant scheme".
4. The likely savings are £375,000 pa in basic staff costs, additional income of £140,000 pa from licence fees and significant reductions in legal costs which are at present running at £90,000 pa. These are in line with those identified in the report.
5. Most of the savings (£275,000 pa deriving from the new grant system) will take a few years to materialise as there will be costs associated with introducing the new scheme and running down the old.
6. The timing of implementation is affected by the "forest year" (which begins in October each year) and the Parliamentary timetable. There will also need to be consultations and preparation.
7. Thus the earliest date for introducing the new grant scheme, where the greater part of the administrative savings arises, is October 1981, though applications for the old scheme will be closed in July 1981.
8. It may be possible to start charging for licences from October 1981 but this depends on whether time can be found in the 1980/81 Parliamentary Session - otherwise it will be October 1982.

9. Implementation of the other recommendations, expected to generate significant savings in staff costs, may also have to wait until 1982 because of the Parliamentary timetable.

10. Sir Derek Rayner has told Lord Mansfield (copy attached) that he is glad that so much of the Gwynn report has found acceptance and that he recognises the logistical problems of implementation. He has not challenged the timing of implementation but has urged Lord Mansfield to make as much use as possible of the Forestry Bill (to be considered in the 1980/81 Parliamentary Session) as the vehicle for change.



D R ALLEN
17 November 1980

Enc: Copy letters to Lord Mansfield, 10 July and 17 November.



CABINET OFFICE

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

17 November 1980

The Earl of Mansfield
Scottish Office
Whitehall
London SW1

Dear Minister,

ADMINISTRATION OF PRIVATE WOODLAND GRANTS AND FELLING CONTROLS

1. Thank you for your letter of 31 October enclosing the Action Document, which I found admirably clear and precise. A report has been made to the Prime Minister.
2. I am glad to see that so much of Mr Gwynn's excellent report has found acceptance and that you will be moving to implement the recommendations quickly.
3. I fully recognise that the timing of implementation is affected by the "Forest Year" and, in some instances, by the Parliamentary timetable. On the latter I am sure that you will be pressing for time in the 1980/81 Session where possible, though I understand the difficulties. I would particularly hope that full use could be made of the Forestry Bill as a suitable vehicle for change.
4. I note that the proposed review of consultative procedures is due to start "as soon as possible". I think it would be helpful to fix a definite timetable.

Yours sincerely,

Clive Kistley

~~11~~ Derek Rayner



VIA ERs

CABINET OFFICE

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

The Lord Mansfield
Minister of State
Scottish Office
Whitehall
LONDON
SW1

10 July 1980

ADMINISTRATION OF WOODLAND GRANTS AND FELLING CONTROL: THE GWYNN REPORT

1. It is only now that I have been able to read Mr Gwynn's interesting and very readable report on this subject. I am sorry about this as I am conscious that if changes in the system are to coincide with the start of the next 'forest year', which the report regards as necessary, time is important.

Qualification

2. As with most scrutinies in which I have only a general interest, I have not had an involvement with the work throughout. Coupled with my lack of knowledge of the forestry industry this is an important constraint on my understanding of the facts and issues.

Commentary

3. The analysis of current arrangements suggests that change is long over due. The present felling control and grant aid systems are variously described as out of date, costly and complex with over-intensive supervision and excessive consultation.

4. The cost of issuing a felling licence looks high at £110 and the costs of administering the grant schemes (£91 for every £100 paid under the Small Woods Scheme and £39 for every £100 paid in dedication grants) seem extraordinarily so. Any system in which the administration costs are so high in proportion to the grant paid must be open to question.

5. I am also particularly struck by the fact that although the original purposes of the Forestry Commission's involvement in these areas has changed dramatically, the rules have not been adjusted in response. The controls governing the felling of trees, for example, were introduced during the second world war "as a measure to control the supply of a raw material vital to the war effort" (Paragraph 60). Today the controls are exercised "in the interests of landscape, nature conservation and general amenity" - all admirable - but the statutory controls, not least of those governing exemptions, have remained virtually unaltered.
6. The recommendations for change contained in the report would have a big impact on the problems identified. The savings are a measure of this: £426,000 a year on administration costs (35 per cent of the total), £88,000 a year on legal expenses and £141,000 a year income from fees for licencing. In addition there are some areas of reform where the savings are not quantifiable but thought to be significant eg changes in the enforcement conditions (Paragraph 152) and increasing the minimum size of tree requiring a licence (Paragraph 146).
7. The proposed new Forestry Grants Scheme would appear to be simpler to administer, with a much reduced involvement of Forestry Commission staff through fewer inspections. I am not technically competent to comment on the detail of the proposed scheme, not least on whether the report goes far enough in reducing the administration costs as a percentage of grant paid. I would not like to second-guess Mr Gwynn on this, but take heart from the fact that he is recommending the abolition of the "dedication scheme" which as long ago as 1956 was regarded by the experts as entailing an excessive amount of inspection and calculation (Paragraph 90).
8. I do wonder however whether there is some scope for further easing the burden of administration as a percentage of total grant paid either by raising the lower limit of eligibility (currently 0.25 hectare) or by easing some of the controls and checks on such penny parcels.
9. I note that prior approval, whereby no planting shall be carried out before proposals are approved, is retained. The main reason for its retention is that the consultative procedures, whose objective is to ensure that "the requirements of land use, agriculture, amenity, recreation and nature conservation are taken into account", would otherwise be by-passed. If one accepts the need for consultative procedures then the case for the retention of prior approval seems inescapable. I am glad to see however that the report recommends a thorough review of these procedures with a view to trying to establish more modest consultation requirements. I hope that such a review could be pressed ahead quickly not only for the purpose of achieving the possible savings identified but also to reduce the appearance of bureaucracy which is so vividly described in Paragraph 122 et seq of the report. If a way could be found in that review to exempt certain planting altogether (especially very small woods) then additional savings might be had by the elimination of prior approval in such cases.

10. The recommendations on felling control seem logical, Mr Gwynn having sensibly taken the analytical route of saying that if the purposes have changed then the rules and regulations, not least of those covering exemptions, should be brought into line. The savings that would ensue (47 per cent of costs) are substantial. I am also particularly attracted by the idea that a fee should be charged for felling licences, with the income from such fees covering the administrative costs of licencing.

11. With regard to the enforcement of licence conditions, a change in the procedures is clearly necessary. I note that it can sometimes take 10 years to persuade a licensee to comply with the conditions of a licence (Paragraph 79) and that even then enforcement is never achieved in half the cases. Against such a background the very existence of the licencing system must be called into question. The idea of a guarantee bond (like those used by the National Coal Board), backed up by tougher fines, would seem a sensible way of giving the licensees the necessary incentive to comply with the conditions.

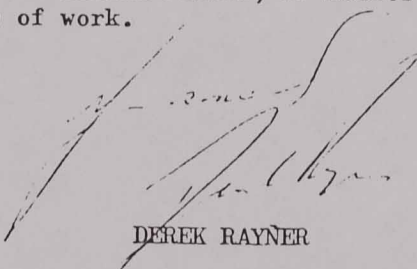
Implementation

12. I recognise that forestry is a sensitive area and that foresters are a powerful lobby. Implementation is thus not likely to be easy. I hope therefore that in going out to consultation on the proposals you will feel able to give the report your strong backing. The case for change is to my mind indisputable on the evidence presented and the recommendations seem eminently sensible, at least to the layman like myself.

13. I understand that Forestry Ministers have recently been reviewing forestry policy as a whole. The recommendations made by Mr Gwynn bear upon the administration costs within the existing framework of a system of grants. However the costs of administration are affected by policy decisions eg the lower limit of 0.25 hectare on grant applications. Moreover even under the proposed new grant system administrative costs will still appear as a significant percentage of grant paid. I would think it sensible therefore for this report to be considered alongside the broader policy proposals.

14. I see from Mr Gwynn's letter to Mr Priestley that you have limited the circulation of the report. I should therefore let you know that, as with all scrutiny reports, I sent copies to the CSD, Treasury and CPRS.

15. I am copying this letter to Sir William Fraser, Mr Holmes and Mr Gwynn whom I congratulate on a good piece of work.



DEREK RAYNER

177 NOV 1953





From the Private Secretary

✓ MAP

Gork Mach

Civil Service Department
Whitehall London SW1A 2AZ
01-273 4400

17 November 1980

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

Dear Mike,

IMPROVEMENTS IN EFFICIENCY AND ELIMINATION OF WASTE

You wrote to me on 7 November about this.

The Lord President agrees that it would be useful to make a progress report on the improvements in efficiency which the Government has made. He is also content for it to take the form of a White Paper in the early part of next year.

We have accordingly put in hand the necessary drafting.

I am sending a copy to Clive Priestley (Sir Derek Rayner's Office).

Yours sincerely,

Jim Buckley.

J BUCKLEY

17 NOV 1980



NOTE FOR THE RECORD

This is just a very short note to record the main points which came up at the meeting which the Prime Minister had with Mr. Ian MacGregor at Chequers on Saturday 15 November. Sir Keith Joseph, Mr. David Young and Mr. David Wolfson were also present.

They discussed:-

i) The BSC corporate plan and the problems of the private sector. Mr. MacGregor said that he would be putting forward various options for BSC, including the "lower case" capacity of 8 million tons liquid steel. He was also actively pursuing the idea of hiving off certain BSC plants to jointly-owned BSC/private sector companies. (There are minutes on the file from the Department of Industry recording recent meetings between Sir Keith and Mr. MacGregor which set out these proposals in more detail).

ii) Gas Gathering Pipeline. Mr. MacGregor said that he thought the pipeline should be wholly financed by the private sector, and also that BGC's monopoly as buyer of the gas should be broken. He would prefer the pipeline to be owned by a consortium of private users. If this were done, the price of the gas would be lower, and this would help stimulate the chemical industry.

iii) Mr. MacGregor described a number of ideas he had for financing public sector projects without adding to PSBR. These included self-financing public works - and he suggested, in particular, the construction of a Channel tunnel based on EEC and private financing with "only" a comfort letter (in this connection, he showed the Prime Minister a pre-feasibility study which BSC had helped to finance); production payments in advance of production by BNOG, BGC, the NCB and the CEGB; and tax exempt financing. He left behind the attached letter to Mr. Ryrie in the Treasury. The Prime Minister suggested that Mr. MacGregor should have a further meeting with Mr. Ryrie and that Mr. Young should attend also to discuss these proposals; she would consider seeing Mr. Ryrie (and possibly the Financial Secretary) as well.

/ iv)

iv) Trade Unions. Mr. MacGregor said that the privileges of our trade unions were without parallel in the industrialised world. He hoped the government would take further action/^{to}rein them back.

v) Management Education. Mr. MacGregor said that the quality of management education in this country was abysmal, and most of the management schools were run by people who did not believe in private enterprise. That was partly why management in the UK was of a generally low standard. But another major problem was that there were not enough people with a scientific or engineering background on company boards: they tended to be full of people with accountancy and legal backgrounds, who were unable to form a judgement on production problems.

vi) Micro-electronics. Mr. MacGregor said that micro-electronics was the critical technology of the future. It was essential to maintain a high level of research in solid state physics if we were to maintain our position as an industrial power, and we needed more people in industry with a solid state physics background.

vii) Money Supply. Mr. MacGregor said he could not understand why the authorities here had such difficulty in controlling bank lending. Even taking into account the openness of our financial markets and companies' access to Euro sterling, he felt sure we could control lending if we had a proper definition of reserve assets; he also did not see why the Bank could not enforce reserve requirements of overseas subsidiaries of UK banks. He thought Mr. Volcker would have a lot to teach us, and offered to ask him to come over to talk with the Prime Minister.

After Mr. MacGregor and Sir Keith had left, Mr. Young stayed behind to discuss the new towns disposal programme and also certain ideas he had in respect of the PSA. He left the attached note on the disposals programme, and promised to let us have a further note on this and also one on the PSA to provide the basis for a discussion between the Prime Minister and Mr. Heseltine. Pending this meeting, the Prime Minister said that she did not wish the PSA Advisory Board

/ to be

CONFIDENTIAL

- 3 -

to be set up as had been proposed. (In fact, we had already told the Department of the Environment that the Prime Minister did not wish this to be set up for the time being).

12

25 November 1980

Mtg held on 15/11/80

CONFIDENTIAL



718

10 DOWNING STREET

From the Private Secretary

MR. PRIESTLEY

I mentioned to you recent Ministerial exchanges about the PSA. Mr. Heseltine proposes to set up an Advisory Group. Sir Keith Joseph argues for a more radical approach to changing the function of PSA. Mr. Pym has come in to the discussion to support Mr. Heseltine's scheme, with an addition to take care of his defence interests.

The Prime Minister believes that Sir Derek Rayner is already working towards the objectives cited by Sir Keith, and she therefore assumes that Mr. Heseltine's proposal is in no way incompatible with the intention to move to a repayment system for accommodation costs. She will, however, be reluctant to see another large advisory body created.

The Prime Minister would therefore like to see Sir Derek's comments on these exchanges before she replies.

M. A. PATTISON

13 November 1980

sh

MO 21/8/5



Mike

New PP

A.J.

SECRETARY OF STATE FOR THE ENVIRONMENT

PSA ADVISORY GROUP

Thank you for sending me a copy of your minute to the Prime Minister of 4th November proposing to set up a small advisory group on PSA activities.

2. My personal view of the PSA is that it has undoubted faults, but that because of the unduly wide scope of its tasks and the variety of its customers it will always be impossible for it effectively - and cost effectively - to fulfil its responsibilities however hard it tries. For that purpose I welcome the idea of the review you propose, even on the restricted basis you envisage. I can see how helpful it will be for the group to have members who can give independent professional assessments over the whole range of PSA activities; but, reflecting my anxieties, I suggest that the team would be strengthened by a member able to reflect customer requirements in a similarly broad way. As the Ministry of Defence makes by far the most use of PSA resources it might include someone whose experience includes some knowledge of Service requirements or at least awareness of the customer end. If you agree, we could perhaps decide on someone with the requisite qualifications.

3. Copies go to the Prime Minister, the Lord President and the Chief Secretary; and to Sir Robert Armstrong.

A large, stylized handwritten signature, possibly 'J.P.', written in dark ink.

Ministry of Defence

12th November 1980

13 NOV 1980





C

PRIME MINISTER

PSA ADVISORY GROUP

I asked - because of a long-standing interest in changing the centralisation of the management of Government property - to see a copy of Michael Heseltine's minute to you of 4 November. In this he proposed the establishment of a small group to advise him on the activities of the Property Service Agency and the nomination of Nigel Mobbs of Slough Estates and Charterhouse as its Chairman.

2. Nigel Mobbs would do an excellent job; he has a good reputation and would obtain experienced volunteers in the various professions who would help him build up the advisory group. What I do question, however, is the concept that Michael is proposing. I understand that the PSA was originally intended to be independent of any Department. This was changed; many functions were added to its role and its budget is now carried in the Department of the Environment vote. The result is that the true cost of the accommodation occupied by Departments in Whitehall, and elsewhere, is concealed and Ministers in charge of individual Departments have little incentive to effect economies. Indeed, my own work on the current Rayner exercise has shown me that it is difficult even to identify the cost of the accommodation occupied by this Department.

3. I understand that Derek Rayner is proposing that, from



the start of next year, all costs of accommodation should be charged to individual Departments. This would bring home to Ministers and Permanent Secretaries the real cost of the accommodation they occupy and the services they obtain. I think we should go further than Derek suggests and convert the PSA into a trading fund. This would make it independent of the Department of the Environment's vote and would ensure both that it would obtain reimbursement of all its costs by charging Departments and that its accounts were produced on a basis which permitted comparison with outside bodies. I would expect individual Department heads to be reluctant to pay the full overhead costs now involved in the provision of PSA services and to bring about a reduction in the number of Civil Servants engaged on property management activities. This could produce even more widespread benefits than Michael's own vigorous management can achieve.

4. Against this background, I hope that you will take an opportunity to discuss Michael's proposals with Derek Rayner before reaching your decision. If it is decided to make the changes which Derek has in mind and if we can agree to convert the PSA into a trading fund operation, then the Chairman we require is one who is dedicated to the liquidation of the Agency; it may be unfair to ask Nigel Mobbs to do this.

5. I am copying this minute to Michael Heseltine,

/Francis...



3.

Francis Pym, Christopher Soames, John Biffen and to Sir Robert
Armstrong.

KJ

K J
11 November 1980

Department of Industry
Ashdown House
123 Victoria Street
LONDON
SW1E 6RB



17 NOV 1968

Plan - not another advisory
group of 12 members.

PRIME MINISTER

I agreed Derek Rayner's proposal -
which I thought was indicated to Ministers
and

Michael Heseltine told you in the summer about a proposed advisory group on PSA. In his minute at flag A, he formalises his proposal, and tells you that Nigel Mobbs has agreed to serve as Chairman.

Keith Joseph (flag B) argues that Ministers should be aiming to change the nature of PSA, and to ensure that Ministers and Permanent Secretaries are made properly aware of the cost of the accommodation they occupy. He thinks that Michael Heseltine's proposal will simply entrench current PSA practice. He suggests that you should at least talk to Derek Rayner about all this before approving Mr. Heseltine's approach.

p Derek Rayner is already working towards the purpose which Keith Joseph has in mind. Would you like to see Derek Rayner's comments on these two minutes before you respond?

MP

11 November 1980

MR PRIESTLEY

cc Mr Pattison *MA*
Mr Green
Mr Colman
Mr Jarmany

TV EYE

Your minute of 5 November.

2. I have now received the attached letter from Jon Blair of TV Eye.
3. On the proposals in his letter:
 - i We shall certainly not recommend the Prime Minister to allow him to film at the reception later this month.
 - ii Ditto any session in which Sir Derek and examining officers are reporting back to the Prime Minister.
 - iii As for filming "the scrutineers and Sir Derek going about their various activities within a chosen Department" - this falls very firmly within the category of 'Fly on the Wall', a technique that has few supporters within Government these days.
4. All this seems terribly negative and I shall certainly try to inject some positive ideas into the discussion when I talk to Mr Blair. As a start, I shall have a word with Sir Ian Bancroft's office about 'Fly on the Wall' filming and pursue the possibility of involving the MSC.
5. You will already have seen Mr Jarmany's minute of 10 November about the programme and the suggestion that CSD would have something to contribute to it. This is another point I shall bear in mind in discussion with Mr Blair. We might also try to ensure that the programme - if one eventually emerges - is filmed to follow the next announcement of achievements.
6. Finally, Sir Derek himself will want to consider whether or not he would want to be interviewed on the programme if a request is forthcoming.
7. I expect to speak to Mr Blair in the next day or two and should be grateful for any further comments and/or suggestions.

NG
NEVILLE GAFFIN

11 November 1980.

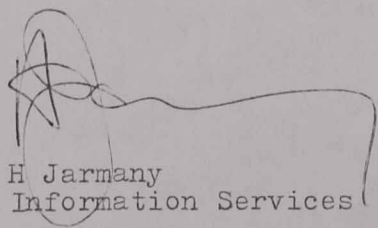
cc - Mr Priestley ✓
Mr Pattison ✓
Mr Green
Mr Colman

Mr Gaffin

TV EYE

I share Clive Priestley's reservations about this programme's proposal to film the PM's reception for examining officers next week. Let us by all means have these civil servants filmed going about their job. If the programme does that and wants to include a little footage showing them receiving the accolade of a personal chat with the Prime Minister, all well and good. But the reception should not be the focus of their attention. That should be their job of work.

Since the programme is at least in part about economy and efficiency in Whitehall, it might be a good idea if you suggested they had a word with us about all the work that is going on alongside and in co-operation Sir Derek Rayner to achieve the Government's aims. I am thinking in particular of the work being done by our Functions and Programmes Division under Sandy Russell. It would be wrong - and I am sure Sir Derek Rayner would agree with this - to give the impression that he is alone in fighting the battle for improved efficiency in Whitehall. I think it is important from the Government's point of view to show that this message has now been well and truly received by all Government Departments. It so happens that CSD is involved in co-ordinating a number of "efficiency" studies across Whitehall and it is for that reason that I think it would be worth drawing this programme's attention to our activities.



H Jarman
Information Services

10 November 1980

11 10 NOV 1980





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Sermach

10 DOWNING STREET

From the Private Secretary

7 November 1980

~~BF 12.11.80~~

The Prime Minister approved the attached draft answer submitted to her in reply to a Parliamentary Question from Robert Dunn, M.P. She has however commented that she is unhappy about the increase in expenditure which it reveals for CSD. In her view, the CSD ought to be setting an example to other Departments when we are trying to bring about economies elsewhere.

I think that it might be helpful if you could let me have a note explaining how much of the rise in expenditure between 1979/80 and 1980/81 is accounted for simply by salary increases for the staff of the Department, and how much of it is due to other causes.

u
Could you please let me have something by close of play next Wednesday, 12 November?

N. J. SANDERS

Jim Buckley Esq
Lord President's Office.

GB



file 1/1

10 DOWNING STREET

From the Private Secretary

MR. BUCKLEY,
LORD PRESIDENT'S OFFICE.

IMPROVEMENTS IN EFFICIENCY AND ELIMINATION OF
WASTE

The Prime Minister has recently had an opportunity to take stock, with Sir Derek Rayner, of progress made on efficiency within Central Government.

She would like to be able to report to Parliament about what has been achieved, and what is in hand. Although there has been some press coverage of individual improvements, the Prime Minister feels that a more comprehensive statement should not be too long delayed. She has it in mind that a White Paper might usefully be produced in the early part of next year. This could take account of the first two rounds of the scrutiny programme, of progress on manpower control and of the examination of major individual items like the organisation of central Departments and the Government's statistical services.

If the Lord President is content that a suitable statement of progress should be commissioned, I should be grateful if you could have this put in hand. You may like to have a word about timing when you have had a chance to consider this.

I am sending a copy of this minute to Mr. Priestley (Sir Derek Rayner's Office).

M. A. PATTISON

7 November 1980

1/6

010
cc for information

✓ Mr Pattison
Sir Derek Rayner
Mr Green
Mr Colman
Mr Jarman

Mr GAFFIN

TV EYE

1. I have had a visit from Mr John Blair, producer and Miss Avril Ward, researcher, in connection with a programme in the above series. (I understand that it is broadcast at 8 30 pm on Thursdays.) Mr Blair was particularly interested in the Rayner exercises as he is planning a programme on public expenditure cuts with particular reference to the size and efficiency of Whitehall and Town Hall. He wants to compare achievement with the Manifesto commitment in the light of two main questions, "Have they done it? Can they do it?" My understanding is that the programme would give some emphasis to the Rayner exercises - what is being done now, what is planned to do in the future and "philosophical background".
2. I explained the background to and purposes of the Rayner exercises and referred my visitors to the evidence given by Sir Derek Rayner to the Treasury and Civil Service Committee earlier this year, in particular to his Notes of February and July.
3. Mr Blair explained that he was thinking of a programme for broadcasting in January or February. He would like to include some film sequences of Rayner examining officers at work and possibly of Sir DR at work with examining officers or out on a visit. He was particularly interested in reports of the PM's strong personal commitment to efficiency and to the Rayner exercises and said that it would be splendid from his point of view if he could capture this by film of the PM's next reception for examining officers.
4. Mr Blair understood that I could make no commitments on anyone's behalf. I explained that there were now very few scrutinies actually in progress; the only one that seemed at all likely to provide filmable sequences was that in the MSC (of the organisation of the Training Services Division). I mentioned the precedent of the BBC Newsweek programme in February this year and said that, all else being equal, I doubted whether there would be an objection in principle to the filming. But the staff side was a consideration, of course.
5. Things were left on the footing that Mr Blair will produce a programme plan as the basis for a more formal discussion. This may well come to you or Mr Ingham. You may like to be prepared for an immediate request. Mr Blair does not know the date of the PM's reception, but does know that it is taking place over the next few weeks. I myself am rather

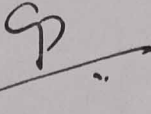
doubtful whether it would be a wholly good idea for a film of numerous Civil Servants plus wives/husbands knocking back food and drink in No 10 but you are a better judge of that than I am. I would have thought, on the whole, that it would be better for something more basic to be filmed, eg work in a local office.

6. There are also questions of timing and the reputation of the programme (which I have not seen). Both Mr Blair and Miss Ward seemed intelligent and well disposed but, here again, you will be much more au fait than I am. On timing, we should by January/February be into the next wave of scrutinies. But that is less important than the possibility of some publication by the Government of its achievements and intended achievements in the field of efficiency and management. The PM referred to this as a possibility at the DE/DHSS presentation/Monday evening and it is the subject of other papers.

< on

7. Finally, I have entered into no commitment as far as Sir DR and this office is concerned. I think that Sir DR would want to be helpful if he could but not to waste his time beating the air.

8. I you want a word about any of this, I am at your service.


C PRIESTLEY
5 November 1980



4 November 1980

PRIME MINISTER

PSA ADVISORY GROUP

You will remember that I mentioned to you before the recess that I proposed to set up a small group to advise me on the activities of the Property Service Agency. I have in mind that it should look particularly at the scope for making greater use of private sector experience, either by transferring work from the PSA, or by adopting a more private sector approach within the Agency. The terms of reference for the group will be wide enough to ensure that it can look not only at the policies and procedures of the Agency, but also at the role the Agency should be playing in relation to the functions that have to be carried out.

I am glad to say that Nigel Mobbs of Slough Estates and Charterhouse has agreed to serve as chairman; I have discussed with him the sort of names that might make up the dozen or so members of the group, and who will need to cover finance, ~~estate~~ estate and building management, design, contracting and so on. We are very much at one on the names we want; I am confident we will have a very worthwhile group.

The Chief Executive of the PSA has for some time had arrangements for obtaining outside advice on the Agency's activities. To ensure that there is no risk of duplication or even overlap, I have asked him to integrate these arrangements properly with the new Group and make sure that the advice he needs is obtained from its members. Thus I intend the membership of my new Group to provide all that is needed in the way of high-level outside advice for the Agency.

I would be grateful for your agreement to my announcing both my intention to set up the group, and the names of the chairman. Thereafter I will approach the other possible members. I hope the group can start work within a few weeks.

I have in mind to make the announcement through an inspired written PQ.

I am copying to Francis Pym, in view of the importance to the Ministry of Defence of the PSA's operations; and to Christopher Soames, John Biffen, and Sir Robert Armstrong.

mobbs
MH



10 DOWNING STREET

From the Private Secretary

MR. PRIESTLEY

The Prime Minister was grateful for Sir Derek Rayner's submission of 23 October, reporting on his work to date and offering a forecast of work going forward in the near future.

A number of these points may be covered in Sir Derek's conversation with the Prime Minister next week. She has however taken a firm view already on some of the points raised.

The Prime Minister has confirmed that she finds the service provided by Sir Derek to Ministers excellent. She wishes him to give as much time to it as he feels able. She recognises that he needs to reduce the amount of time he devotes to it in the near future, and she is content that he should now arrange for his office to be strengthened in whatever way he considers necessary. As you know, the Prime Minister had already made this clear. She has no objection to the complement proposed in paragraph 27 of his minute.

The Prime Minister agrees that it would be useful to mount an exhibition on running costs of Departments. It may prove more convenient to do this in the passage connecting our Front Hall with the Cabinet Ante Room, but we can settle these details later. I am sending a minute to Mr. Buckley along the lines you suggested.

The Prime Minister would in principle still like to visit the forms exhibition if time allows.

The Prime Minister has noted Sir Derek's view that the Statistics Report, and the Report on Repayment for Property Services, need to come to Ministers for collective endorsement. She has also noted his recommendation that there should be a White Paper on progress so far in efficiency issues. She has not yet taken a view on this. This is one point which Sir Derek might like to pursue with her next week.

MAD

27 October 1980

B

PERSONAL

cc for information

Mr Buckley (CSD)

Mr Pattison

CAW to see - esp MOD point

*✓ RWL
28th*

*MAJ
27/X.*

Two points which you may find helpful.

Select Committee on the Treasury and Civil Service

2. Mr Hennessy told me on the 'phone today that he has it on good authority (presumably Mr Richard Shepherd) that Mr Sheldon's Sub-Committee on the Treasury/CSD issue intends to invite the Prime Minister and the Lord President to give evidence. No comment!

MOD expenditure

3. I understand that the Secretary of State will be briefed to say inter alia, when he meets the Prime Minister, the Chancellor and Lord President that he has done more Rayner projects and scrutinies* than most Ministers.

4. This is true. Moreover, Defence Ministers have carried out numerous other studies. But - as the Prime Minister knows - Sir Derek Rayner believes that scrutinies should now deal with substantial blocks of expenditure, especially in the big spending departments. He would therefore expect MOD, despite his consciousness of their co-operative attitude so far and his genuine respect for Sir Frank Cooper, to come up with several much more sizeable subjects than those undertaken to date.

5. You may like to remind the Prime Minister of Sir DR's minute of 21 December last. Building on that, possible subjects for scrutiny might be as follows;

- How much "regimental" extravagance is now justified (para. 4)?
- The cost of Triplication (paras. 5 - 10)✓
 - of Technological perfection (paras. 11 & 12)✓
 - of readiness for action (para. 14)
 - of duplicated quality assurance (para. 15)✓
 - of mixed civilian/military manning (para. 17)✓

✓ These would be good candidates. (A retired Naval officer has

* On food supply: secondary education for children overseas; assisted travel schemes; economy in major building projects; and arrangements for efficiency audit. The Bath Maintenance Economy Review (PSA) is also relevant.

PERSONAL

just sent Sir DR a submission arguing strongly against mixed manning and other MOD business practice on the grounds that much of it appears - at the working level - nugatory and unproductive.)

6. It helps to get arguments that different working and business methods are not acceptable into a correct focus to recall the scale of some of the relevant expenditures (Supply Estimates, 1980-81):

	<u>£000m (net)</u>
Civilian pay	1,015
Accommodation services, stores, plant & machinery and contract repair	138
Fuel and utilities	480
Lands and buildings	89
Telecommunications, postage and monitoring	66
Stationery, printing etc	37
HQ administration, Defence Procurement	49
Defence Accommodation Services	642

CP
C PRIESTLEY
24 October 1980

PRIME MINISTER

cc: Mr. Whitmore
Mr. Wolfson

1.
ms.

This is a report from Derek Rayner on his work to date and his work in hand. He also seeks guidance for the future.

You will have an opportunity to talk about his future on 3 November, after the unemployment benefit presentation, but you may find it helpful to read through the submission, and comment on specific points as you go. Sir Derek Rayner's main questions are:

1. Are you content with the direction of work in hand under his auspices?
2. Would you like a progress report to Parliament in a White Paper, early next year?
3. Sir Derek has to reduce the time he is spending on his government assignment. Would you be content for him to continue to supervise this work, reducing the time he spends on it, so that he would concentrate on the main themes? The consequence is that he will need to strengthen his office (for which you gave authority last week). Alternatively, he could be replaced, if you would prefer that.

Yes
Yes
Sir Derek also reiterates his invitation to you to visit his forms exhibition. He further suggests that he and Lord Soames might arrange an exhibition on running costs of Government Departments, to be set up in the ante-room here for a couple of days so that Cabinet Ministers and others attending meetings would see it. If you like this idea, we can write to Lord Soames' office as suggested at Flag B.

Yes please ms
MFD

24 October 1980

Sir Derek's personal note of those who help and those who hinder should come next week. MFD

PERSONAL

PRIME MINISTER

EFFICIENCY AND WASTE IN CENTRAL GOVERNMENT

1. This minute offers a brief progress report; notes that I shall be submitting further reports to you this autumn; and consults you about the future level of my work.

2. If you agree, perhaps we may discuss it when we meet on 3 November, but I suggest that an exhibition of departmental running costs (para. 8 below) might be commissioned now. If time is not available on 3 November owing to the presentation on the DE/DHSS scrutiny, perhaps your Private Secretary would convey your response to me or my office.

Progress report

3. I invite you to take note of the attached summary of progress (Annex A).

4. On Forms, I was grateful for the message you sent me on 16 September via Mr Pattison. I expected the chances of your being able to visit the exhibition that day to be slim given the pressures on your time and I am pleased that you thought of including it in your programme at all.

5. The exhibition will remain in being for some weeks yet. I should be delighted to show it to you if there was another opportunity. I have in the meantime written to Mr Channon on how best to take matters forward.

Action reports this autumn

6. I invite you to note that I intend to offer you reports on the following:

- a. Rayner projects, 1979: A brief updating report. For you only in the first instance.

- b. Pilot scrutiny programme, 1980: An interim report on the results so far. Plus recommendation that the scrutiny programme should now be made permanent, if you and your Cabinet colleagues agree.
- c. Statistics report: A report on the results of separate departmental studies and on inter-departmental issues.
- d. Repayment for Property Services: The report of the study you commissioned following last year's Rayner project on Maintenance in the Bath Works District. It will recommend repayment for the common user estate.

All these reports should come to you in November. The last two will require endorsement by Ministers collectively, if you agree; Repayment may be controversial; I am considering tactics with Mr Heseltine.

7. I invite you to note also that - apart from the Lord President's progress report to Cabinet on the size of the Civil Service (an issue which may well be relevant to the future content of the scrutiny programme) - you or Cabinet will be receiving other material as follows:

- a. Annual scrutiny of departmental running costs: First report to Cabinet by the Chancellor and the Lord President, November.
- b. Efficacy of management review: Report by me, following the ODA and MAFF reviews. For you only in the first instance. It will not take much of your time.
- c. Organisation of CSD and Treasury: Report by Sir Ian Bancroft, helped by Sir Douglas Wass and me, probably early November.

8. When they have the report on running costs (and also repayment for Property Services), I think that the Cabinet might be much helped by a small exhibition in the ante-room, perhaps mounted on a few free-standing panels. With repayment for HMSO supplies, the cost of services once provided free is coming home as never before. One department was amazed recently

PERSONAL

to get a bill for £11m, of which on enquiry £5m turned out to be for warehousing stocks of forms. Such costs can be presented graphically. I suggest that you should ask the Lord President and me to arrange for such an exhibition. In case you agree, I attach a draft minute which your Private Secretary might send us soon (Annex B).

The Government's record

9. The Government's achievement on efficiency is important and promises to be substantial.

10. It is not easy for Parliament, the public or the Service to grasp it all. I think that a White Paper or some similar publication early in 1981 would be a useful and welcome statement, both as an instrument of management and as a public record of where the Government has got to and intends to go. I suggest that a statement should be commissioned.

Future level of my work

11. I explained in July that I should have to ask you to allow me to reduce the time I am spending on Government business, say at the turn of the year. We had a useful word about this when the Lord President and I saw you on 15 October, but it would be helpful if we might now agree formally on how you would prefer my assignment to be shaped in future.

12. I think there are two key questions:

a. Am I providing the sort of service you and your colleagues want?

Yes - excellent.

b. How much time should I give to it?

As much as you can.

13. It is of course for you to say whether I am doing what you want, but you may find these observations helpful.

14. I think that the "value added" by my work could be increased. Much depends on what Ministers do with the advice

PERSONAL

they receive. I commented on this when we met on 15 October; I will send you a separate note on it (and on officials). No less important is the question whether I am directed at the right targets.

15. On the whole, I think that the project/scrutiny technique has proved its value. It has produced both savings and reform in many of the areas studied and first-rate spin-off exercises in the shape of the reviews of Government statistics and of repayment for Property Services. I am discussing with CSD a possible second Service-wide review, this time of supporting services in R&D Establishments.

16. But an important purpose of the scrutinies was to exemplify both a method of working and areas of government activity where efficiency could be improved. I think that the effect on Ministers themselves has so far been less than it should be. For the future, I am certain of three things:

a. We should not accept for the programme subjects which are either comparatively trivial or likely to be frustrated by policy changes known to be in the offing. The subjects put up by the Department for National Savings (Premium Bond record computerisation) and the Home Office (procedures for naturalisation and registration) are examples.

b. We should aim for expensive areas of administration. The good but comparatively small-scale subjects so far selected in the Inland Revenue suggest for example that there is much manpower-intensive and cumbersome administration waiting for examination.

c. Some subjects already tackled are going to need fairly intensive follow-up and input from me. The obvious example of this is the highly promising joint scrutiny by DE and DHSS (also involving the MSC) of the delivery of unemployment and supplementary benefits to the unemployed, now in train, and on which you will receive a presentation on 3 November.

PERSONAL

17. On lasting reforms, the pressures on my office and me have been such that I have made slower progress with some - notably the managerial authority of Ministers and Permanent Secretaries - than I would like. But the programme as a whole, for parts of which the Chancellor of the Exchequer and Minister of State, CSD, are responsible, is coming along well and I do expect to see substantial benefits. These are of a somewhat intangible kind as far as the man in the street is concerned, but are capable of producing radical changes. I would like to stay with and increase my input to that programme, not least in respect of work with Permanent Secretaries, individually and collectively.

18. On time, the heart of the matter is how much I can make available.

19. I do not work on a "so many days a week in Whitehall" footing. The work does not arise like that and I could not simply block two days a week out of my M&S diary. I estimate that overall I give about 40% of my "working hours" to Government business, supplemented by work in the evening and at the weekend.

20. I now believe that I should step back somewhat and that I should concentrate more fully on things that are really important. You will have views, and permutations are possible, depending partly on your decisions on the CSD/Treasury and "Inspector-General" issues.

21. I should be much happier about my future work if the CSD and Treasury were merged. The same applies, but less so, to the appointment of an "inspector-general", as I now tend to see this coming along at a later stage. I regard the merger - and the right people in the right jobs - as among the most important requisites of the success of your efficiency/waste policies.

PERSONAL

22. I myself see the choices as broadly two:

a. I withdraw pretty fully to an advisory and consultative role, although quite frankly I would not expect the track to my door to be one of the most heavily beaten in Whitehall.

b. I withdraw a little, dropping all marginal work. I would concentrate on the really important things:

- the scrutiny programme;
- chasing up projects and scrutinies to action;
- lasting reforms;
- difficult subjects needing an extra push because they are unlikely to be brought to the best possible conclusion if simply left to the department/s concerned, eg major scrutinies (like that now involving DE/DHSS/ MSC), of which I think there should be more, and the review of the length of the hierarchy;
- highlighting and getting management action on possible economies exposed by the examination of departmental running costs;
- providing such counsel to Ministers and their departments as I can.

No 23. There is of course a third choice, which is to replace me with someone else; I do not mean to preclude this. If you preferred the second choice I should have to ask you to allow me to reinforce my office. I have so far kept it very small*, but I have arranged provisionally with Sir Ian Bancroft that, subject to your agreement, he should let me have a Higher Executive Officer (A) from CSD.

24. My assessment is that my office (which you kindly indicated on 15 October should continue to report to you, so securing its independence and objectivity) should now be staffed so as to reduce the burden of the day-to-day work on Mr Priestley and me, allowing us to spend more time on the

* Mr Priestley (US), Mr Allen (Economic Adviser), Miss Holmes (Executive Officer) and Miss Sullivan (Personal Secretary)

PERSONAL

big targets, on taking initiatives myself and on helping others, notably the Treasury and CSD (with their Ministers' agreement), with important work.

25. The HEO(A) and someone at Principal level (now Mr Allen) would cope with the day-to-day work, notably the oversight and analysis of scrutinies. You have already kindly indicated that I might take on two Assistant Secretary level posts. Subject to your agreement, I should like these posts to be constituted as follows, although the borderline between them need not be exact:

✓ Post (1): A determined, tenacious officer to stick with the follow-up to scrutinies generally and things that some might prefer to soft pedal, eg repayment for Property Services, the statistics review, forms, the hierarchy review and any big scrutiny subjects such as the current DE/DHSS/MSD one (paras. 2 and 16c above).

✓ Post (2): An officer who would help departments get their running costs down ("good housekeeping").

26. I should like Mr Allen to fill Post (1) on promotion but to keep the question of Post (2) in reserve until we can see the outcome of the scrutiny of departmental running costs and can identify the skills needed to bring costs and possible economies home.

27. The result would be an office consisting of 1 Under Secretary, 2 Assistant Secretaries, 1 Principal, 1 HEO(A), 1 EO and, say, 2 (not 3) Personal Secretaries. The cost of my operation would be increased, from £7,900 a month to £16,500. (This is on a "full cost" basis, including in addition to salaries and national insurance an average cost for telephones, postage etc and an amount for superannuation, accommodation etc provided as an allied service. I should remind you that you told Mr Arthur Lewis MP on 31 July that there was "no need to make additional appointments at present to Sir Derek Rayner's staff".)

PERSONAL

Summary

Paragraph
reference

3 & 6

28. I ask you to

note the summary of progress at Annex A and that I shall be submitting certain reports later (projects, scrutinies, statistics review, PSA repayment);

7

note that other reports will be relevant (size of Civil Service, departmental running costs, management review, CSD/Treasury merger);

8

invite the Lord President and me to arrange a small exhibition for Cabinet in connection with departmental running costs;

10

consider whether a statement of the Government's efficiency achievements and intentions should be published early in 1981;


13

indicate whether I am doing what you want;

23 & 25

subject to that, agree that I should reinforce my staff first by the addition of an HEO(A) from CSD and then of two Assistant Secretaries.

29. I am copying this to Sir Robert Armstrong only.



Derek Rayner
23 October 1980

Annexes

- A. Summary of progress, September 1980
Appendix: Scrutiny of departmental running costs,
Department of Energy
- B. Draft letter to Mr Buckley, Private Secretary to the
Lord President

SUMMARY OF PROGRESS, SEPTEMBER 1980

1. FORMS

Exhibition prepared by Mr M J Connolly (M&S) moved from Baker Street to CSD, August. Proposals from Minister of State, CSD, awaited; likely to concentrate on volume, intelligibility and control of forms. Submission to Prime Minister, Autumn 1980.

2. RAYNER PROJECTS, 1979 (29 exercises)

Data on decisions taken, savings achieved etc being sought from departments with a view to updated report to Prime Minister, mid to late November. (Main savings (social security payments) now likely to be about £40m pa.)

3. SCRUTINY PROGRAMME, PILOT RUN 1980 (39 exercises)

29 reports received; eight more to be completed this year; last two early in 1981. The 29 reports, prepared at a cost of £0.3m, identify potential savings of £20m pa. Percentage savings range from 10-100%. But biggest exercise - on services for the unemployed (joint DE/DHSS) - likely to increase this substantially. Interim report to Prime Minister, November.

4. GOVERNMENT STATISTICS REVIEW (22 departmental exercises plus inter-departmental exercise)

21 reports received; last expected shortly. Identify potential savings of £12.5 pa at a review cost (so far) of £0.2m. Savings range from 4%-33% (with an average of 17.5%) because some departments have identified major potential economies. Departmental reports with Ministers. Inter-departmental report, to be submitted to Prime Minister at end-November, will cover work on the Central Statistical Office, cross-Whitehall issues arising from departmental reviews (eg work of the Office of Population Censuses and Surveys) and such common themes as future control of statistical work and pricing of publications.

5. REPAYMENT BY DEPARTMENTS FOR PROPERTY SERVICES

Inter-departmental official group (Treasury, CSD, PSA Rating of Government Property Department) has submitted report. Sir Derek Rayner will now discuss with Mr Heseltine, with a view to Cabinet submission later in Autumn; report will recommend repayment for "common user" estate and supplies. Explanatory minute to Prime Minister before Cabinet submission.

6. ANNUAL SCRUTINY OF DEPARTMENTAL RUNNING COSTS (PILOT RUN, 1980)

Ministers are sending Minister of State, CSD, data on their running costs. Summary will be put to Cabinet later. Analyses so far received have identified major increases in costs in several areas. The analysis for the Department of Energy is appended as a typical example. Central action is needed to enable Ministers and their Permanent Secretaries better to reduce such costs. Sir Derek Rayner believes that he and Mr David Young, Sir Keith Joseph's Industrial Adviser, who has interested himself in this subject, could do much to help here.

7. MANAGEMENT REVIEW

The Prime Minister asked for a report on the efficacy of management review in the light of the two exercises in 1979-80, on the Ministry of Agriculture and the Overseas Development Administration respectively. The ODA exercise is complete, MAFF nearly so. Sir Derek Rayner will report as soon as he can. (CSD Ministers have no plans for a management review of the established type in the immediate future.)

8. LASTING REFORMS

- (a) Management of resources in departments (Sir Derek Rayner in lead): Less progress made than hoped for owing to pressure of other work. Aiming at submission later in the Autumn on the authority of Ministers and officials covering inter alia Accounting Officers, Principal Finance and Establishment Officers and line management.

- (b) Management of resources at the centre (Chancellor of the Exchequer or Sir Ian Bancroft in lead): Sir Derek Rayner's contributions to annuality and cost-effectiveness of safety etc regulations completed. Work on purposes and methods of central control and on the financial framework for management still in hand. Work of study team on CSD/Treasury organisation and "Inspector-General" in progress, to progress, to produce report to Prime Minister, end-October/-early November.
- (c) Culture of Whitehall (Minister of State, CSD, in lead): CSD is consulting departments and Sir Derek Rayner on "succession to key management posts" and is at work on pay* and promotion and helping staff to give of their best. DHSS, at Cabinet's request, in keeping a record of the cost of Parliament.

* CSD is at work on a proposal to initiate "merit pay" (a principle including penalties as well as bonuses) at the Under Secretary level.

Appendix: Scrutiny of annual departmental running costs,
Department of Energy

APPENDIX TO ANNEX A

Scrutiny of annual departmental running costs,
Department of Energy



Post Office Box 100
 Bank London SW1P 4DU
 Telephone Energy London SW1

Telephone Direct Line 01-211 0000
 Switchboard 01-211 3000

*File Rayner Scrutiny
 Departmental Review
 Costs.*

J E Pestell Esq
 Civil Service Department
 Whitehall
 LONDON
 SW1A 2AZ

Your reference

Our reference *£ 52/0*

Date *7 October 1980*

Dear Mr Pestell,

RAYNER SCRUTINY OF DEPARTMENTAL COSTS

I enclose a copy of the completed pro-forma for the Department of Energy. This has been submitted to our Secretary of State with a commentary drawing his attention to those classes of expenditure over which he has most influence as a departmental minister. The Secretary of State noted the figures and agreed that any further break-down of the figures - e.g. by divisions - would not be useful.

I imagine that you will be drawing up a comparison of the figures by Departments. We should be particularly interested to know how our expenditure on telecommunications and on office machinery, stationery, photocopying and printing and publications compares with that of other Departments of our size.

The notes to the pro-forma explain unusual items of expenditure, or variation in the rate of spending. In a number of cases, the percentage changes shown on the pro-forma tend to mislead because like is not being compared to like, and it is therefore vital that the notes are read in conjunction with the pro-forma itself.

*Yours sincerely,
 P A Boys*

Sir Derek Rayner

To see, especially A// above.

*CP
 9.X.80*

TOTAL DEPARTMENTAL COSTS

	Penultimate Year (Actual) Gross	Last Year (forecast Outturn) Gross	This year (Estimate) Gross	Last year - This year	
				Increase/ Decrease + or -	% Change + or -
A. Staff					
1. Average Numbers of permanent staff	1305	1270	[1240] 1305	[- 30] + 35	[- 2.4] + 2.8
2. Costs	£'000	£'000	£'000	£'000	
Wages and Salaries (including Insurance contribution)					
i. Permanent Staff (UK based)	7711	9127	[11400] 12691	[+ 2273] + 3564	[+ 24.9] + 39.0
ii. Overtime	88	106	154	+ 48	+ 45.3
iii. Casuals	included	under 2(i)	[135]	[+ 29]	[+ 27.4]
iv. Period Appointees; staff on loan from outside bodies (paid for by the department)	91	107	113	+ 6	+ 5.6
v. Staff locally engaged overseas	0	0	0	0	0
vi. Employers' super- annuation contri- butions	3	10	11	+ 1	+ 10.0
vii. Other pay costs	13	23	41	+ 18	+ 78.3
3. Pension and gratuity liability (1)	1351	1594	[1989] 2224	[+ 395] + 630	[+ 24.8] + 39.3
TOTAL WAGES AND SALARIES	9257	10967	[11089] 15234	[+ 2722] + 4267	[+ 24.8] + 38.9
B. Other Services					
1. GIRO and other banking services	0	1	2	+ 1	+ 79.4
2. Post Office Agency charges	2882	2967	209 ^(b)	- 2758	- 93.0
3. Other agency charges, cost of staff employed by contractors, consultants and fee paid staff	2468	3618	5711 ^(c)	+ 2093	+ 57.8
[Note: this item is intended to include the employment of contract labour eg cleaning staff but not the direct labour element in government contracts]					
4. Payments to other departments for 2 services provided (d) <i>Mostly to DoI.</i> (eg establishments or common support services)	5	68	526	+ 458	+ 673.0
[specify each department separately]					
TOTAL OTHER SERVICES	5355	6654	6448	- 206	- 3.1

(1) National expenditure only.

				Last year - This year	
	Penultimate Year (Actual) Gross	Last year (forecast Outturn) Gross	This year (Estimate) Gross	Increase/ Decrease + or -	% Change + or -
	£'000	£'000	£'000	£'000	
C. Personnel overheads					
Travel	782	918	1035	+ 117	+ 12.7
Subsistence					
Entertainment	18	28	37	+ 9	+ 33.8
Removals	87	100	136	+ 36	+ 36.0
Catering Subsidies	23	25	30	+ 5	+ 22.4
Protective Clothing, Uniforms etc	3	2	5	+ 3	+191.0
External training, seminars etc	30	51	88	+ 37	+ 73.6
TOTAL PERSONNEL OVERHEADS	943	1124	1331	+ 207	+ 18.4
D. i. General Office Accommodation Costs					
Equivalent market rents (1)		1829	2488	+ 659	+ 36.0
Rates (2)		434	492	+ 58	+ 13.4
Heating, lighting(2)		210	320	+ 110	+ 52.4
Maintenance (2)		396	486	+ 90	+ 22.7
Furniture and fittings (2)		93	137	+ 44	+ 47.3
ii. Other Accommodation Costs					
Rates (2)					
Heating, lighting(2)					
Maintenance (2)					
Furniture and fittings (2)					
Capital Costs - New Construction (2)					
TOTAL ACCOMMODATION COSTS		2962	3923	+ 961	+ 32.4

(2) Expenditure borne on other departments' Votes (also applies to stationery, printing, office machinery and administrative computers before 1980-81).

	Last Year-This Year				
	Penultimate Year (Actual) Gross	Last Year (forecast outturn Gross	This Year (Estimate Gross	Increase/ Decrease + or -	% Change + or -
	£'000	£'000	£'000	£'000	
<u>Office Services</u>					
Carriage, freight Transport-own depart- ment (inc. vehicle maintenance)(3)	2	25	27	+ 2	+ 7.7
Transport-PSA(2)(3)	1	3	2	- 1	- 33.3
Telecommunications (3)	-	90	100	+ 10	+ 11.1
Postage	342	344	529	+ 185	+ 53.8
Office Machinery(5))	18	142	26	- 116	- 81.7
Stationery)	408 ^(h)	399 ^(h)	573	+ 174	+ 43.6
Photocopying) ^(f)					
Printing & Publi- cations (5))					
Publicity and advertising (2)(3)(i)	84	58	128	+ 70	+120.7
Library Services	-	-	-	-	-
Administrative Computers (3)	256 ^(h)	443 ^(h)	845 ^(j)	+ 402	+ 90.8
Minor Administrative Expenses [separately annotated where substantial]	24	43	57	+ 14	+ 33.5
TOTAL OFFICE SERVICES	1135	1547	2287	+ 740	+ 47.8
<u>Other Non-Office Expenditure</u>					
<u>i. Capital Expen- diture</u>					
Land					
Plant & Equipment					
Vehicles					
<u>ii. Running Costs</u>					
Land					
Plant & Equipment					
Vehicles					
<u>iii. Other Current Costs</u>					
	12	17	24	+ 7	+ 41.2
TOTAL OTHER EXPENDITURE	12	17	24	+ 7	+ 41.2
TOTAL EXPENDITURE A-F inc on own Votes	14687	17783	[21690] [23000]	[+3907] [+5217]	[+ 21.0] [+ 29.3]

	Penultimate Year (Actual) Gross	Last Year (forecast outturn) Gross	This Year (Estimate) Gross	Increase/ Decrease + or -	% Change + or -
TOTAL EXPENDITURE A-F borne on other depts! Votes (2)	£ 664	£ 2065	£ 1535	£ - 530	+ 25.7
TOTAL EXPENDITURE A-F which is notional only (1)	1351	3423	[4477] 4712	[+ 1054] + 1289	[+ 30.8] + 37.7
GRAND TOTAL A-F	16702	23271	[27102] 29247	[+ 4431] + 5976	[+ 19.0] + 25.7

- (1) Notional expenditure only
- (2) Expenditure borne on other departments' Votes (also applies to stationery, printing, office machinery and administrative computers prior to 1980/81).
- (3) Please separate expenditure between Capital Costs and Running Costs where possible.

- Notes:
- (a) Pension and Gratuity Liability is to be calculated on the latest rates notified by the Treasury [currently 19% for Non-Industrials and 16% for Industrials].
 - (b) Substantial costs will also need to be subdivided by organisational units (eg locations, functions, Under Secretary Commands etc). The precise nature of the breakdown will need to reflect the internal organisation of the department itself. All staff costs will require this treatment; the separation of other costs will depend upon a number of factors eg practicability, materiality and whether cost control will be facilitated.
 - (c) Expenditure figures should be shown gross. A separate note analysing receipts may also be required in order to present a full picture.
 - (d) Current year figures should be reconcilable with those shown in Supply Estimates after allowing for notional items. Figures for last year should be as near as possible to the final appropriation account figures. Penultimate year figures must be exactly reconcilable with that year's Appropriation Accounts.
 - (e) Any goods or services provided free to the department on allied service terms should be marked. The expenditure to be shown under these items should be obtained from the relevant allied service department.
 - (f) The contact points in these departments are as follows:

Property Services Agency: Mr P B Overton,
20 Albert Embankment, London SE1(211 3254)

Central Office of Information: Mr D J Etheridge,
Hercules Road, London SE17(928 2545 ext 8)

Rating of Government Property Department: Mr P S Mewes,
69 Notting Hill Gate, London W
(229 9841 ext 46)

HM Stationery Office: Mr P Jefford, Sovereign House,
Botolph Street, Norwich (0603 22211)

Central Computer and Telecommunications Agency: Mr D Fowler, Riverwalk House,
157-161 Millbank, London SW1 (211 0527)

NOTES

A STAFF

- a) Scrutiny guidelines call for costs in terms of Estimate provision. Figures in square brackets [] reflect current forecast outturn.

B OTHER SERVICES

- b) Reduction due to discontinuation of the Electricity Discount Schemes.
- c) Includes Estimate provision of £1.023m for BNOC's handling fee for Royalty oil.
- d) Except for an estimated £21,000 due to the Welsh Office and £7,000 due to the Scottish Office in 1980/81 all other payments are to the Department of Industry.

- B3 | As no clear guidance has been given on the treatment of agency charges the entries under B.3 comprise the following:

(£'000)

	<u>1978/79</u>	<u>1979/80</u>	<u>1980/81</u>
ETSU (UKAEA)	1488	1917	2729
MATSU (UKAEA)	535	1015	1137
BNOC - Management of Pipe- lines and Storage system	195	402	433
BNOC - handling fee for Royalty oil	-	-	1023
Miscellaneous consultancies etc.	<u>250</u>	<u>284</u>	<u>389</u>
	<u>2468</u>	<u>3618</u>	<u>5711</u>

C PERSONNEL OVERHEADS

- e) No breakdown of costs between Travel and Subsistence available

D ACCOMMODATION

No figures were provided for 1978/79 by the PSA.

E OFFICE SERVICES

- g) No reliable detailed breakdown of costs available.
- h) Borne on other Departments Votes.
- i) Excluding expenditure by the COI on behalf of the Department of Energy's energy conservation publicity.
- j) Including £510,000 capital expenditure.

RECEIPTS

As requested the proforma is compiled in gross terms. The attached Table summarises the Department's receipts.

TABLE 1

Department of Energy: Major Revenue Earning Activities

	£k (at outturn prices)		
	1978-79 (Actual)	1979-80 (Actual)	1980-81 (Estimated)
1 Testing of Electricity Meters (a)	416.2	407.7	509.3
2 Testing of Gas Meters ^(a)	764.6	808.2	791.7
3 Gas Examining (a)	693.8	848.0	939.9
4 Recoveries of Staff Costs (from HSE)	245.0	310.0	302.0
TOTAL	2119.6	2373.9	2542.9

a) Memorandum Trading Accounts are prepared annually for these activities.

*Minute*DRAFT OF 23 OCTOBER 1980J Buckley Esq
Civil Service Department

ANNUAL SCRUTINY OF DEPARTMENTAL RUNNING COSTS

The Prime Minister ^{looks forward to receiving} ~~thinks~~ that when Cabinet receives the first summary of returns made by Ministers in a few weeks' time ^{she believes that, once these are available to colleagues,} there would be much to be said for a visual demonstration of both the sum total of administrative expenditure and particular items within it.

2. This would help bring home the rate of increase in the total and the opportunities for reducing costs when they arise. The Prime Minister understands, for example, that the cost of a single telephone extension in Old Admiralty Building is £224 a year and that the cost of Post Office services for the average desk officer is £500 a year.

3. Such costs and others (eg photocopying and accommodation services) might be illustrated by means of a small exhibition ^{in the ante room, perhaps mounted on free standing panels} ~~in the ante room, perhaps mounted on free standing panels.~~ ^{where in No 10, which Ministers could examine when they assemble for meetings.}

4. The Prime Minister would be grateful if the Lord President of the Council and Sir Derek Rayner would arrange for such a demonstration to be prepared for her approval. ^{The precise format will have to be decided in the light of the space available here. I should be glad to have a word with whoever will be putting the}

5. I am copying this ^{minute} to John Wiggins (HM Treasury) ^{and} Clive Priestley (Sir Derek Rayner's Office). ^{Administration.}

[Private Secretary]

800

cc for information

Mr GAFFIN

CAW km
NJS

May like to see

ra

MA 24x

- ✓ Mr Pattison
- Mr Buckley
- Mr Green
- Sir Derek Rayner
- Mr Colman
- Mr Jarman

Grant Mack

Mr Peter HENNESSY

1. Mr Hennessy rang me yesterday in connection with the Bath Maintenance Economy Review, conducted as one of last year's "Rayner projects".
2. He had a copy of the report and subsequent action document, supplied by the Secretary of State for the Environment to Mr Richard Shepherd, MP in response to the latter's round-robin to all Ministers.
3. He outlined quite an attractive article, which he thought would appear in next Monday's TIMES (two days before Sir Derek Rayner is due to give evidence to Mr Sheldon's Sub-Committee on the merger of the Treasury and CSD). However, he wanted some help and, in view of the importance of the subject, I thought it right to agree to his request for a briefing, but of a background rather than an "on the record" kind.
4. Mr Hennessy accordingly visited me this morning, when I placed the Bath MER in its context as an unusual component in the "Rayner project", 1979, and as related to two wider issues mentioned in Sir DR's memorandum for the Select Committee of 1 July, namely the provision of departmental running cost data and the question of repayment for PSA goods and services.
5. He said that he intended to begin the article by referring to Mr Turtle, the PSA SEO responsible for the Bath MER (who is an alumnus of Mr Leslie Chapman's original MER programme and is mentioned in Your Disobedient Servant), and to the capacity of civil servants to do good work. His ideas on the exact shape of the article were as yet imprecise, but he gave me a clear impression, which I welcomed, that he intended to write a piece encouraging to Ministers and the Service.

SP

C PRIESTLEY
22 October 1980



11 12 1
3 4 5
6 7 8

22 OCT 1980

ADMINISTRATION IN CONFIDENCE



From The Minister of State
Douglas Hurd CBE MP

Foreign and Commonwealth Office

London SW1A 2AH

21 October 1980

Seen
MODBA may like
to see.
thump
MFD

Sir Derek Rayner cc Mr. Parkinson

Nearly the end of the story! These letters, which are in the main phrasitically robust, really show the weight of different policies bearing down on this issue.

Dear Keith,

FCO RAYNER PROJECT: OFFICIAL TRANSPORT AT DIPLOMATIC SERVICE POSTS OVERSEAS

22.X.80

Thank you for your letter of 18 August about the Rayner Report on our transport overseas.

Although Ford may have a preference for our orders to be processed via the Ministry of Defence, they are the only company to have expressed this reservation and we feel certain that they would not allow this to stand in the way of further business with the FCO.

As you know, the inevitable administrative delays involved in our ordering through your Department, which were referred to in detail in the Report, are the main reasons why we wish to order our vehicles on our own behalf. It is no exaggeration that when the need arises we can usually get a car from the manufacturers and have it on board a ship in less time than it takes for the paperwork between our two Departments to be completed. Delays in providing vehicles can be very expensive as well as operationally harmful at posts overseas.

We shall, of course, need to work out how the cars we order can be added to your totals so that they may count in favour of the overriding discount which a certain volume of cars would attract; but this is a minor detail and I am sure that it can be left to our officials to work out.

A copy of this letter goes to Sir Derek Rayner.

Conner,

Douglas.

Keith Speed Esq MP
Parliamentary Under-Secretary
of State
Ministry of Defence
Main Building
Whitehall



Foreign and Commonwealth Office

London SW1A 2AH

21 October 1980

From The Minister of State
Douglas Hurd CBE MP

Dear Tom,

RAYNER SCRUTINY: DIPLOMATIC SERVICE TRANSPORT

Thank you for your letter of 26 August. I am glad that you found it an interesting and useful document. We have already begun to implement those parts which are of internal interest only.

We shall, of course, be glad to continue the system, already in operation for some years, whereby our officials consult those in your Department well in advance before departing from the general policy of 'buy British' in so far as the pool cars at posts overseas are concerned. We agree entirely with your view, and that expressed in the report, that flag cars should be British except in the most exceptional circumstances.

I agree that in Diplomatic Service terms the 12 months 'in service' rule used by the Ministry of Defence, and the question of servicing facilities, is not suitable and would severely limit options for British cars. We shall wish to assess each projected purchase on its merits.

✓ I accept that it may be inappropriate for your Department to fund the supply of a British car to a post where a foreign car is cheaper both to purchase and to operate. I would expect, however, the British manufacturer to provide some incentive for us to run his vehicles in countries where, until he has penetrated the market in some depth, it is otherwise expensive and inefficient for us to do so. What form this support would take would be subject to negotiation with the company concerned. It could, for example, mean an accelerated delivery of the vehicles or special pricing.

A copy of this letter goes to Derek Rayner.

The Viscount Trenchard MC
Minister of State
Department of Industry

Lowery,
Douglas.



Foreign and Commonwealth Office

London SW1A 2AH

21 October 1980

From The Minister of State
Douglas Hurd CBE MP

Dear Cecil,

RAYNER SCRUTINY: FCO TRANSPORT AT OVERSEAS POSTS

Thank you for your letter of 22 September and your comments on the Rayner report.

You will see that the report does not differ greatly as regards consultation with your Department and the Department of Industry. Our practice has long been to consult and seek the views of both Departments on the few occasions when we propose to buy a car that has not been assembled in this country for use at our overseas posts, as well as to seek the comments of British manufacturers through the Department of Industry.

✓ For the future we shall aim to have closer contacts with the industry to see how best we may support their export efforts. On occasion, however, we have been asked to spearhead an attempt to penetrate a new overseas market rather than support the makers' own efforts. We shall wish to seek your Department's guidance when such an approach is made to us by manufacturers and at the same time would expect them to offer special price, delivery and maintenance conditions appropriate to the country in question. We shall be happy to follow your guidelines on this but I hope you will agree that, in the case of a special effort of this kind, we should not need to seek your Department's specific agreement for individual purchases unless the car in question is outside the guidelines.

A copy of this letter goes to Derek Rayner.

Louise

Douglas

Cecil Parkinson Esq MP
Minister for Trade
Department of Trade
1 Victoria Street



Foreign and Commonwealth Office

London SW1A 2AH

21 October 1980

From The Minister of State
Douglas Hurd CBE MP

Dear Paul,

RAYNER SCRUTINY: DIPLOMATIC SERVICE TRANSPORT

Thank you for your helpful letter of 20 August commenting on the Rayner report on our transport overseas.

I am glad to have your agreement that, subject to the setting-up of satisfactory records and inspection procedures, the FCO should assume control of official transport for our diplomatic and consular posts overseas.

We have gone some way towards devising a new system of records for our vehicles overseas, and as soon as we have completed this our officials will be consulting with your Transport Economy Unit.

We are also reviewing the question of mileage allowances for the use of private cars at overseas posts, and we shall also be contacting your officials on this in due course.

A copy of this letter goes to Derek Rayner.

Lawson

Douglas

The Rt Hon Paul Channon MP
Minister of State
Civil Service Department
Whitehall



Foreign and Commonwealth Office

London SW1A 2AH

21 October 1980

From The Minister of State
Douglas Hurd CBE MP

Dear John,

RAYNER SCRUTINY OF FCO OFFICIAL TRANSPORT OVERSEAS

Thank you for your letter of 10 September.

I have carefully examined your comments and think that we should be able to operate on the lines we want within the existing Government accounting rules as you have explained them. Clearly, this will not provide the flexibility that the report was seeking to give us, and in some cases it may not be possible to forecast car values and exchange rates some six to eighteen months ahead. We will, however, submit a supplementary estimate if necessary, as you have agreed, if we want to use extra receipts on additional purchases.

I have noted your comment on the possibility of operating a single fleet abroad and agree that it does merit further study, although past studies have shown that this seems to be a particularly difficult thing to do.

A copy of this letter goes to Derek Rayner.

Yours

Douglas

The Rt Hon John Biffen MP
Chief Secretary to the Treasury
Parliament Street
London SW1

23 OCT 1980



MR. PRIESTLEY

Thank you for your minute of 15 October reporting progress on the disposal of surplus assets identified in the Bath Maintenance Economy Review.

The Prime Minister was grateful to be reassured that the disposal is going ahead. She has, however, noted that in some cases the disposal decisions have apparently been limited to a proportion of the surplus identified in the study. She hopes that your office will keep up the pressure.

M A PATTISON

21 October 1980

CS

Prime Minister

2.

Mr PATTISON
mm

You wanted to be kept
informed of follow-up to this
Rayner study - to be sure
that it was not consigned to a dusty shelf.
Action is going ahead. MAP 16/x

cc for information

Privates Secretaries to
Lord Strathcona (MOD)
Mr Finsberg (PSA)

BATH MAINTENANCE ECONOMY REVIEW: DISPOSAL OF SURPLUS ASSETS

1. The following is an account of action by the Ministry of Defence and Property Services Agency, as requested in your note of 30 May.

A. ACTION BY MINISTRY OF DEFENCE

RAF Hullavington: Buildings and Land

2. Decision taken (in March) to dispose of 6 out of 16 hangars.

3. Decision since taken to dispose of 2 more hangars.

4. Decision taken (in March) to give up 155 acres, over 20% of total site.

5. Review of future parachute training requirements - on which MOD's consideration of land within the airfield perimeter track and the future location of the Bannerdown Gliding Club and the University Air Squadron summer camps depends - still in progress at mid-September. Subject to its conclusion, further disposal may be necessary.

RAF Colerne: Land

6. Decision now taken that the airfield is no longer to be designated for emergency use. Airfield lighting will therefore cease to be maintained.

7. Fifty acres of the airfield will be released, about 25 now and 25 when redevelopment of the remainder of the airfield as a training area is complete. This accounts for 7% of the total acreage.

RAF Keevil

8. Decision now taken to dispose of 177 acres, over 40% of the site.

9. Final disposal, in another month or so, will depend on how soon the area can be declared free of explosives.

Married Quarters

10. Decision taken (in March) to dispose of 249 Army MQs at Colerne and Chippenham.
11. By mid-September 103 MQs at Colerne had been passed to the PSA; 92 more scheduled to be passed by end 1980.
12. MOD also seeing whether it can lease to the local authority a number of houses occupied by civilians pending clarification of the future housing needs of Servicemen.
13. Decisions taken (by March) to dispose of 76 empty RAF MQs at Chippenham and Melksham. Five more are to be transferred to MOD Police. Remaining 20 will be sold when the present occupiers have finished their tour.

B. ACTION BY PROPERTY SERVICES AGENCY

14. So far PSA have been asked to dispose of 30 surplus MQs at Chippenham and of the 100 at Colerne. The latter are located on two estates, where about a third of the MQs have not yet been declared surplus to MOD requirements. It would ease PSA's task in disposing of these MQs if all the houses on each estate were available for disposal; MOD are considering whether this can be done.
15. PSA expect work of disposal to be complex - for example, because road on both estates must be brought up to standard before the local authority will adopt them - but they are used to this kind of problem and are giving it priority.
16. Other properties will be passed to PSA over the next few months for disposal. PSA will then get them on to the market as soon as possible. (They sold about £60m worth of MOD property in 1979 and expect to do the same this year; the disposal machinery works well once it has properties in its hands.)

9p
C PRIESTLEY
15 October 1980

116 OCT 1980



070

Govt Mach

MR PATTISON

BATH MAINTENANCE ECONOMY REVIEW: DISPOSAL OF SURPLUS ASSETS

This is just to let you know that I am agreeing a report on this as requested in your minute of 30 May with both MOD and PSA. It should be with you in the next day or so.

P

C PRIESTLEY

Please forgive the wasteful use of paper!

13 October 1980

13 OCT 1980



CONFIDENTIAL

MR. PRIESTLEY

Thank you for your minute of 6 October about the scrutiny on the Administration of Private Woodlands Grants and Control of Felling. We are content to await a progress report at the end of the month.

M.A. PATTISON

13 October 1980


217

B/F to MAP
on 13/X

Mr Pattison

The Scrutiny Programme: Administration of Private Woodlands Grants and Control of Felling (Forestry Commission)

1. In your minute of 16 July, you asked for the Prime Minister to be kept in touch with progress.
2. According to the Scottish Office, the Forestry Commission are unable to supply an "action document", detailing those recommendations that have been accepted and the likely timetable of implementation, before the end of this month.
3. The main reason is that the scrutiny's recommendations are being considered alongside the Forestry Policy Review and an interdepartmental study of the relationship between forestry taxation and grants. This is reasonable and was recognised by Sir Derek Rayner as necessary when he first commented on the report.
4. I do not propose to press the Forestry Commission to advance their timetable for drawing up the action plan. Lord Mansfield has told Sir Derek Rayner that he is in broad agreement with the scrutiny's findings and Sir Derek Rayner, in reply, has put up the necessary marker against the Prime Minister's interest on the subject and the need for action.
5. If you think that the Prime Minister will be content to receive the progress report at about end-October, I shall write to Lord Mansfield's office saying that we are prepared to wait but urging them to press on.


C PRIESTLEY

6 October 1980



UNITED STATES DEPARTMENT OF JUSTICE
OFFICE OF THE ATTORNEY GENERAL

Washington, D. C. 20530

Dear Sir:



RECEIVED
JUN 12 1968
U.S. DEPT. OF JUSTICE
-6-2071 (1968)

Reference is made to your letter of June 10, 1968, regarding the matter mentioned in the captioned subject. The Bureau has advised that the information furnished to it by the State Department is being reviewed and that a report will be submitted to you as soon as it is available.

Very truly yours,
Attorney General

Enclosure

Very truly yours,
[Signature]

CF - file?

Govt Machinery

NOT for us
9 thru 12
ADJ. 11/9/80

cc for information

✓ Mr Pattison

Sir Derek Rayner

Can we have pps in GR or ~~is~~?
na on Rayner file
MA 28/1x

THAMES WATER AUTHORITY

1. You suggested to Mr R R Bolland of Staines in response to his letter that I should see him on your behalf. He called on 1 September. This is a summary of the main points he made.

Limits to your interest

2. I repeated what you had said in your letter to Mr Bolland, namely that you are not in a position to mount investigations of such authorities as Water Authorities but that you would be interested to hear what Mr Bolland had to say about TWA as a contribution to your understanding before reading the report of the scrutiny of DOE's financial control over Water Authorities. Mr Bolland understood and accepted this.

Mr Bolland's interest

3. Mr Bolland is a cheerful man of about 60. Although white-haired, he has a healthy, alert look and a pleasing brown face. He worked for the old Thames Conservancy for over 40 years as a middle grade administrator but says that he is well known up and down the river, about which he has written and broadcast.

4. He retired in 1973 at the earliest possible date and emphasised that his view of the TWA was not that of a disappointed candidate for office, since he had not applied for anything on re-organisation. He has an "antiques and junk" shop in Egham, which he very much enjoys.

5. He described himself as having something of a reputation locally with regard to TWA but I believed him when he said that although he was a trial to TWA there was nothing personal either in his attitude to them or their attitude to him. He mentioned that he had been on the BBC TV programme Nationwide last January.

6. Mr B appears to be intellectually but not emotionally obsessed with TWA. He was careful to say that his understanding of TWA was limited to certain things in which he had interested himself and that he had no reason to fault them on a number of matters into which he had not enquired. Nonetheless, he held very firmly to the thesis that:

- a. TWA's regime for routine financial control was weak;
- b. officials dominated appointed representatives;
- c. senior officials had privileges which were offensive to consumers;
- d. the balance must be redressed by Ministers.

The thesis explained

7. Mr B's interest in TWA had been stimulated by rumours. As a result of these, he had over the years taken a particular interest in aspects of financial control, following these through the accounts. This had given him a close acquaintance with the Audit procedures but having unsuccessfully taken several cases to the District Auditor, he had concluded that the way in which the Audit Act 1972 and the Water Act 1973 operated debarred the District Auditor from the kind of effective scrutiny which had been so much feared and respected by local government and similar officers before the re-organisation.

8. The sort of things in which Mr B was interested were these:

- the cost of taking Directors to and from work
- unnecessary privileges for senior staff
- the cost of conferences, especially abroad, and travel
- unnecessary commercial activity by TWA, especially in agriculture and recreation.

9. Mr B made a practice each year of submitting questions to the District Auditor, to enable him to decide whether to make a formal objection. The sort of thing he was after this year was whether it was appropriate for directors to have American Express Cards for charging up expenses.

10. One of his main contentions was that administration was slack. For example, in the first year he had approached the District Auditor he had objected to the fact that, in his view, no proper authority had been taken for two staff privileges - first, commitment to a heavy expenditure on getting five senior officials to and from work (Mr B says that this costs £80,000 in the current year for the drivers alone, ie basic wages plus overtime) and, secondly, a cheap rate mortgage scheme for certain staff. Both these "decisions" were later ratified by the TWA retrospectively.

11. Mr B claimed that they were "contrary for law for want for authority", but at the hearing the District Auditor had indicated that, whereas before the 1972 Act he could not have accepted retrospection, he had no option now but to accept such ratification as valid.

12. The second main part of Mr B's thesis was that officials dominated appointed representatives. He was not interested in a regime which specified authority and accountability too narrowly, but in a commonsense interpretation of delegation. He felt that this would include some specification of what was required of representatives and of officials. He thought it extremely important that no significant act, especially one committing resources, should be taken by officials without properly recorded sanction by the Authority. In the TWA case, he thought that administration was deplorable, partly for want of a director of administration and partly because even a good appointed representative found it very difficult to do his job properly. He felt that the absence of party politics in the operation of an authority meant, curiously enough, an absence of

"opposition" and that appointed representatives tended, quite unconsciously, perhaps, to close ranks with the officials "agin the public".

13. Examples of defective administration quoted were:

- decisions are made by officials but not minuted
- the minuting itself is difficult to understand and authority is wrongly derived from simple reports in committee minutes of "papers received"
- the full budget (usually agreed by the Authority in 45 minutes) constituted a blanket approval for each division to spend for the whole year which, in his judgment, very much reduced the opportunity and motivation to abandon expenditure no longer needed.

14. Along the way, Mr B threw in the suggestion that privileges had been given to senior staff quite unnecessarily. The general argument on cars etc was that they were needed as part of the emolument in order to attract people of the right quality. His own impression was that there had been no want of candidates at the beginning, nor was there now.

15. He added an interesting point about delegation. He said that the power to hire and fire had been pushed down to Divisional Manager level. This meant that DMs had an excessive authority and power over the individual; this in turn could produce demoralisation because staff felt that they were in the power of their manager. As far as he knew, no decision on the personnel management regime operated by DMs had ever been minuted, which he thought yet another example of incorrect assumption of authority by officials.

So what?

16. I wished Mr B well in his continuing efforts on behalf of the consumer and said that his perspective on TWA was an interesting and useful one for us to have on the point of considering the DOE Water Authority scrutiny. There is certainly food for thought here about the respective responsibilities of the Secretary of State; appointed representatives; senior officials; and the functions of audit.

CP

C PRIESTLEY

4 September 1980

Govt. Mail RB

PRIME MINISTER

You may have seen a recent article by Chapman Pincher in which he made much of an exhibition of forms assembled by Sir Derek Rayner at Marks and Spencer.

Sir Derek has now moved this into the Old Admiralty Building. It occurs to me that you might be interested to have a glance at the exhibition, which demonstrates the range of statistical material required from Government. Paragraph 6 of the attached note from Mr. Priestley spells out the messages that come from it.

If you are interested in this, you would need about half an hour, and I would arrange for Derek Rayner to show it to you some time the week after next. It might be worth publicising your interest.

M. A. PATTISON

3 September 1980

610

Govt Machinery
MAP
MA

The Answer was

in the PM's own words!

MS
15/8

MR PATTISON

SIR DEREK RAYNER'S STAFF

Sir DR was interested to see the Answer given by the Prime Minister to Mr Arthur Lewis on 31 July, that there was no need to make additional appointments to his staff at present.

2. This is simply to let you know that Sir DR had notified Sir Ian Bancroft that this office is under extreme pressure and that he might need to seek some augmentation of staff. Both he and we would be very reluctant to do this.

3. As a stop gap during Mr Allen's absence on leave, Sir Ian Bancroft is lending us a Principal, Miss C Morrison, who will come here on 26 August and stay until the end of September overlapping Mr Allen's return by 2 weeks.

CP

C PRIESTLEY
14 August 1980

020
MR GAFFIN

Gut March
MAP
cc Mr Pattison ✓
Mr Green ✓
Mr Colman
Mr Jarmany

INTERVIEW WITH MR KELLNER

Sir Derek Rayner gave Mr Kellner an interview on 12 August with a view to a "profile" in the Sunday Times at some future date. The interview followed a preliminary briefing given by me on 6 August at Mr Kellner's request.

Checking of Quotations

2. The attached copy letters exchanged by Mr Kellner and me yesterday will show you what Mr Kellner appears to think might provide a useful quarry for an article, possibly appearing in the ST next Sunday.
3. You will see that I have specifically asked him not to use material on village Post Offices.
4. Mr Johnston is the DE official leading the joint DE/DHSS scrutiny of services for the unemployed. Before getting Mr Kellner's letter we had established with Sir Patrick Nairne that he would be content for Mr Johnston to give an unattributable, off-the-record briefing to Mr Kellner, provided that Sir Ian Bancroft agreed. Although chary of Mr Kellner, Sir Ian has expressed himself content, provided the 2 Secretaries of State concur.
5. I am in fact going to let the matter rest for the moment. Top management in DE has plenty of other things to think about at the moment and, as I have said to Mr Kellner, I really feel that he has had enough of my time to be going on with.

Coverage of the Interview

6. The quotations give you a reasonably good feel for some of the things said at the interview, but you may like to know that the ground covered (in the order of Mr Kellner's questions) was as follows:

- Contacts with the Conservative Party leadership before the General Election in 1979.
- Political affiliation
- Degree to which the "Rayner project" had been mapped out with Sir K Joseph before hand
- Why unpaid and questions of definition and status related to this
- Implications for work at M & S
- Account of "Rayner project" initiation and methodology
- Local offices

- Extent of co-operation by Whitehall
- Lasting reforms
- Contacts with PM
- CSD/Treasury question

7. Sir DR's style at this interview was to answer the questions put. He was not favourably impressed by Mr Kellner but does appreciate his courtesy in sending him the quotations for checking.

Sp

C PRIESTLEY
14 August 1980

Encs: Copy letters from and to Mr Kellner plus quotations

14 AUG 1980
11 12 1
13 14 15
16 17 18
19 20 21
22 23 24
25 26 27
28 29 30
31

14 AUG 1980

BF ✓ 26/VIII

Good Head

MR COLMAN

cc for information:

- Mr Pattison ✓
- Mr Gaffin
- Mr Wright (CO)
- Mr Unwin (CSO)
- Mr Pearce (CSD)

MR CHAPMAN PINCHER'S ARTICLE IN EVENING NEWS, 13 AUGUST

Following a brief call from Sir John Boreham yesterday afternoon, I spoke to Sir Derek Rayner's office at M & S. I then gave you a quick briefing. Sir DR himself rang me at home last evening; he is going on a short holiday today.

2. Sir DR has written to Sir John Boreham and I will circulate copies of that letter as soon as it is to hand.
3. Sir DR told me that he felt he had been taken for a ride by Mr Pincher and that the article (copy attached) was full of "garbage"
4. The origin of the affair was that he had met Mr Pincher at a party given by his Chairman, Lord Sieff, when Mr Pincher had said that he would like to do a general profile of Sir DR. This was not by any means specifically about the Whitehall side of Sir DR's working life. Indeed, the interview was set up by and at M & S and I had no knowledge of it until Sir John Boreham's call.
5. Sir DR went on to explain that the interview had indeed turned out as it had been described in intention. References to Whitehall had been comparatively fleeting but he had referred to the forms exhibition which he had shown Mr Pincher. Sir DR said that the comparatively low importance he himself attached to this point in the encounter with Mr Pincher seemed to him confirmed by the fact that Mr Pincher took no notes on it.
6. Sir DR has it in mind when he returns from his holiday to write to Mr Pincher, saying that he regards the article as an abuse of the occasion and that he particularly resents the way in which the presentation of some of his remarks gives an entirely false impression of what he had been saying.

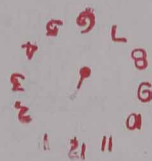
The Forms Exhibition

7. I understand that arrangements are being made to move this exhibition from its present location at M & S to the Old Admiralty Building. Sir DR would be very grateful if these arrangements can be expedited. He would indeed be grateful if the transfer could be effected by the end of next week. *
8. I am sending copies of this minute to Miss Eunice Green, Sir DR's assistant private secretary at M & S (935 4422 Ext 367), and to her colleague Mr Connolly who put the exhibition together and who is in contact with Mr Pearce's staff.

GP

C PRIESTLEY
14 August 1980

* I understand this is happening next Monday, in fact.



14 AUG 1980

WILL SIR DEREK'S GREAT WASTEPAPER SHOW
SAVE BRITAIN FROM THE BUREAUCRATS?

Forms, damned forms, and statistics...



IN A mews flat behind the headquarters of Marks and Spencer in Baker Street senior civil servants have been brought face to face with some of their grosser follies.

It houses a very private exhibition displaying all the consequences once a blank form has been posted from a government office.

Hardened bureaucrats have been staggered by the costs eventually generated. They have had to concede that the Government is fully justified in its drive to save £80 million a year in Whitehall, taking bureaucracy off the people's backs in the process.

Ingenious

It is not by chance that this ingenious display, soon to be moved to Whitehall for wider viewing, is located behind Marks and Spencer.

The man who devised it is Sir Derek Rayner, the M and S joint managing director seconded, at Margaret Thatcher's request, to advise on putting government operators on a business basis.

Though forms-mania is only one symptom of the deadly Whitehall syndrome the treatment of it demonstrates what I call Rayner's Fork — a two-pronged attack to skewer both waste and over-manning.

"In business terms so much of this collecting of information is like something out of an unreal world," Sir Derek said, as he showed me round. "Statistics have run riot. It is quite absurd."

Most of the forms have the force of law behind them and demand information on every subject — even the precise national output of toilet paper graded into "soft crepe," "heavy crepe" and "hard."

For years civil servants have been amassing detailed returns from builders "employing less than seven people." There are about 60,000 of them and many are one-man concerns with a tiny turnover. Statistics are duplicated.

The Department of Trade and Industry and Environment Department demand the same information on separate forms instead of sharing it. Customs and Excise are the worst offenders.

Many forms are several pages long so the initial cost



Report by
**CHAPMAN
PINCHER**

of concocting them, involving months of thought and many meetings by high-grade statisticians, is high.

Time taken by employees to look up all the details required and enter them can be expensive but it is when the forms are returned to government departments that the costs begin to soar.

The information has to be extracted, tabulated and statistically analysed. Computers may be used but many returns, such as PAYE, are still all done by hand.

Then a great chain of work creation is set off. Findings are circulated to other departments for study and comment and finally codified into leaflets and glossy booklets with heavy printing and distribution costs.

They're no better than holes dug in the ground for others to fill in

The original material is filed in expensive storage space or computers. Leaflets and booklets—often out of date because of the long time consumed in producing them—take further time and space when sent to businesses, though many are quickly committed to rubbish bins.

There are 520 Government statisticians and hundreds of the forms they have concocted are no better than holes dug in the ground so others can fill them in.

Sir Derek said: "I am told the various trade associations

find the glossy booklets useful. So do academics at universities. In that case let them amass their own and pay for them!"

MPs who request unnecessarily detailed information in Parliamentary questions can expect to get the same treatment.

"I am only an adviser but clearly much of this has got to go. Some figures are essential for the business of government but much of this is ridiculous."

The grossly overmanned Statistical Service is just one of the many areas of government on which Rayner has fixed his withering eyes.

Human

Understandably civil servants squirm each time Rayner's Fork is raised — but not as vigorously as might be expected.

They know this 54-year-old bachelor is backed to the hilt by the Prime Minister and he reports to her regularly. Any lack of co-operation in Whitehall is smartly noted at the summit—and dealt with.

Though quiet in manner Rayner, who believed himself destined for the Church, is determined to succeed in whatever he undertakes.

He reached the board of Marks and Spencer only 14 years after joining the exacting firm as a management trainee. Now a close friend of the chairman, Lord Sieff, he knows the value of good human relations in any business.

He has been astute enough—some would say cunning—to pass the responsibility for suggesting where cuts could be made to the civil servants themselves.

He has selected a young "high flier" from each Whitehall department, told him

the area to be investigated and given him 60 days to come up with recommendations.

If these are acceptable to Rayner the Minister in charge then makes the decisions. Mrs. Thatcher's personal interest remains vital at this stage because many Ministers are easily "captured" by civil service chiefs.

With human relations in mind Rayner, who is jovial by nature, has no wish to be ruthless. "One man's Government waste is another man's living," he says. So cuts are being made as painlessly as possible.

One man's Government waste is another man's living

By the same token he has ensured the careers of those middle-level civil servants working for him will not be prejudiced by senior men who oppose cuts. One has already appeared in the honours list.

Progress may seem slow but much has already been accomplished and many more cuts will be announced later this year. One of them may be the abolition of the Civil Service Department set up in 1968. Many of its 5,000 staff are under-employed.

More than 27,000 posts have already been eliminated and Rayner is in no doubt the target of a reduction of 100,000 civil servants by 1984 will be achieved.

By that time he will have handed on the Fork to a successor for he sets such store by his M and S career that he took on the task only if he could do both jobs. No man can stand such pressure for long and lack of exercise is already showing in an over-ample figure.

Hopefully he will continue in some overseer capacity for, as his past experience at the Defence Ministry showed when he was called in to streamline the huge purchasing department, civil servants are brilliant at snakes and ladders in reverse — turning everything back to Square One.



THE SUNDAY TIMES

P.O. Box 7 200 Gray's Inn Road London WC1X 8EZ Telephone 01-837 1234 Telex 22269

13 August 1980

Dear Clive,

I enclose a selection of quotations from my meeting yesterday with Sir Derek Rayner. I shall not need them all, but these are the ones from which I should like to make a selection for my article. I have attempted to tidy up the grammar and syntax in a few places; otherwise I hope you feel the quotes reflect accurately what Sir Derek said. But please tell me if I have done violence to his thoughts.

There is a possibility that the Sunday Times will want to publish my article this week, so if there is a chance of your checking the quotations by tomorrow (Thursday) afternoon, I should be very grateful.

My request to see Mr Johnston still stands. If it is not possible to see him before this article is published, I know I shall still find it valuable for the future -- not least in preparing for the paperback edition of 'The Civil Servants'. But there is a good chance that if I can see him late this week or early next week, it will be in time for the current article: I would put the chances of a story appearing this week at 50-50.

Meanwhile, very many thanks for all your help.

Yours sincerely,

Peter Kellner.

Mr Clive Priestley,
Cabinet Office.

TIMES NEWSPAPERS LIMITED
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Reg. No. 894646 England



CABINET OFFICE

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

Peter Kellner Esq
The Sunday Times
PO Box 7
200 Gray's Inn Road
LONDON
WC1X 8EZ

13 August 1980

Dear Peter,

This is a hasty response to your letter of today, which Derek Rayner saw before going on leave this evening.

Rayner is grateful to you for giving us an opportunity to comment on the quotations. He has been through them himself and so have I, comparing them with my own notes. I am rushing to catch the post to meet your deadline, so have not been able to have the quotations retyped, but the enclosed will at least quickly identify for you the changes I have suggested.

The piece on sub-Post Offices on p 4 is potentially very troublesome and Rayner asks that you should NOT use it. The issues are subtle and complex and he thinks some harm could be done by this compressed and - to some readers whose interests are genuine and respectable - needlessly provocative presentation.

Dealing with this has taken a lot of time this afternoon and I have not had an opportunity to pursue the Johnston point. However, you have had my undivided attention for several hours now, so the cause of "openness" has (I suggest) been reasonably well served.

Yours sincerely,

Cecil Priestley

C PRIESTLEY

Enc:

QUOTES FROM SIR DEREK RAYNER

Permanent Secretaries' Wednesday meetings: "When I go, I go for a reason -- ^{basically} usually to explain what I am attempting to do and the kind of support I need from them or because I feel I need to say something applying to more than one, ^{I maintain a close contact with P.Ss. on a one-to-one basis} or to explain the principles behind what I'm trying to do" ^{or where I want to do a "salesman" job}

[PR: This was in the context of explaining why the project on Tsy. registry arrangements appeared in round one.]

^{the argument for}
"In government, ~~staffing and~~ the handling of paperwork is very costly, and tedious to those who do it. It leads to inefficiency and to a high turnover of staff."

"In the first round of projects there was not too much argument about their content. But in the second round I had to ask some ministries to change their mind about the projects they put up, ^{because the subjects were not big enough or were repetitive.} and ^{as well as officials} sometimes I saw the Secretary of State, to get this.... I would sometimes say, 'I don't feel I know anything about this subject and cannot contribute anything. It may be a very good idea, but it can't be called a Rayner project.' One of the important things in these discussions is that I have the strong ^{and that of her senior colleagues} backing of the Prime Minister, and they all know it."

"The failures are no more than you would expect when you pull someone out of a hierarchy and ^{get} ^{to work} give them responsibility on their own. About five per cent have been what I mean by failures -- but that doesn't necessarily mean they have been failures in their own ^{or their department's} eyes."

At the start of a round of exercises: "We have a meeting collectively;
 we underline that we are here to help ^{brief them and} them; and they ^{and advise} must ^{can} come here if
 they need help. We tell them they should find a friends inside the ministry --
 for example, a deputy secretary ^{If they can't get one, we} who will give them fatherly advice ^{here}."

"I can't go unannounced into local offices in the way I can and do with
 Marks and Spencer shops. ^{But that's right as} I'm not their boss [and there would be problems
 with the staff associations.]. When I go, it's not a "State visit" ^{I don't think}
 an entourage. I want to sit at desks and talk to staff about what they are doing

for a "General's
 Inspection".

What struck Sir Derek about Hoxton: "The complexity of the rules under
 which the staff work. ^{I think they are incomprehensible by ordinary people. Each}
 client is an individual case, remember. ^{Secondly,} They are impossible to interpret by an ordinary
 human being. ^{and because of the lack of experienced staff and} because it is so complicated, an enormous amount of checking
 is needed. ^{In some offices, not all.} This is inefficient and bad for morale, and you get high

high staff turnover,
 client is an individual case, remember.

turnover -- which means you have more inexperienced staff whose work
 needs checking anyway, and so on. It's a very difficult ^{for the manager.} managerial
 environment. ^{would make a great difference.} There was no attempt ^{at} simplification, which ^{could have covered say}
 70 per cent of cases. The staff was very dedicated, ^{and successful in keeping the operation} but working in poor ^{going}
 conditions. There were two old printing machines for printing out giro

would make a great difference.

cheques -- both broke down while I was there. What ^{I thought} was extraordinary was
 that most claims were having to be met with two cheques, because ^{of an upper limit} the Post
 Office refuses to accept cheques for more than £30, and most payments are
 for more than this. So you would see one cheque for £30, and another for
 two or three pounds."

X

[Handwritten scribbles]

[A: This is also in fact a reference to the Proj. regarding project.]

paper handling may produce

"In some government offices ~~the rules are so complicated that you~~ filing get two systems working in parallel -- the official system, which tries to keep to the rules, and an unofficial personal system that people actually use."

X

local

depending on what they have to do

work to be done may be much increased

"Government offices come in all shapes and sizes. *It's the unevenness and expense that concern me as a manager. The difficulty of the* of the facilities ~~that is shocking~~. Conditions are often made worse by the accretion of little things, *like the old printing presses* like the ~~old printing presses~~ *addition of rules and regulations* ~~at~~

Hexten. Conditions can only be changed by the intervention of someone senior enough to see that something is wrong and ~~then be able to do~~ *This does happen, but not everywhere.* something about it. *In Marks and Spencer stores, when I go around unannounced, I carry weight. There is not a week in my life when I don't go into an M&S store and ask questions. I'm in a position to take action. It doesn't happen like that in government offices. Wherever I've been, the staff have been full of ideas on how to improve conditions -- for themselves and for the public. But by the time their ideas have worked their way up the system the momentum, and often the idea, has been lost."*

How can things been improved in local offices? "Motivation is important. Promotion should come by being good at the job. And an example must be set from the top. If you want people to come to their office early, you must get in early yourself. It's no good relying on regulations saying staff should be in on time. I would *also* like to see more local

When you're handling out money according to national rules, the amount of initiative is less apparent.

Of course, it depends somewhat on what the local office is free to do. For example, you can give scope to ↑ and to the maximum possible. initiative encouraged; it is already beginning to happen in Job Centres. There Rules should be simplified, and There should be much more initiative in handling staff -- such as flexibility in hours of work and the jobs staff do. In one office I found that work was organised into three parts. One was heavily overloaded, while the other two were underloaded; but the manager didn't have the freedom to reorganise."

[The SD DR would much prefer this NOT to be quoted.]

^{Social Security}
"The way we pay out supplementary benefits is an antique piece of administration. Only we and the Irish do it our way. What our project tried to do was to modernise but also to please the customer. [It's not true that village life would suffer; it's an illusion that all villages are the same. I know places where there is one shop, a little supermarket, and I am sure that the shopkeeper would be happy to pay out benefits. In any case, most people live in towns, and draw their benefits from main post offices. It would cost very little if you simply ^{compensated} reorganised all sub-post offices for their lost business."]

"What we've been dealing with so far have been the effects of the way the government works. We must now get down to the causes, if we are not ^{to achieve} lasting reforms. ~~to be ground down into the dust so that in ten years time everyone has forgotten us.~~ We are now looking at some of the things in management that can only come about if ministers take an interest in management. We're not talking about Great Britain Limited, but ^{about} helping good ministers to be good managers -- and some, like Michael Heseltine with his management background, will be very good indeed. But I don't make the mistake of arguing that ministers are chief executives."

quotes

5

We're trying to suggest how ministers might take a practical interest, for example by scrutinising the cost of ~~their~~ running their dept.

and the drift of how money is being spent.

"At the moment it is impossible to look at a single set of management accounts to see how a department spends its money. If the electricity bill goes up 200 per cent, somebody should clearly do something about it. But once I was told in a case like this, 'oh, it's none of ^{our} my business, that sort of thing is looked after by the PSA.' "

I'm very concerned about a divided HQ.

On CSD/Treasury split: "I have never heard of any organisation dividing its control of resources through two separate commands. What are the instruments of power open to the CSD, apart from patronage? ~~Two~~ ^{Three} things are needed for any central department to succeed: the backing of the Prime Minister, ^{and the right instruments of power.} and a heavyweight minister in charge. It would make more sense ^{to me} to run the Civil Service under the direction of a ~~strong~~ Chancellor, ^{who is naturally in a strong position.}

Q: Does this all apply?

[If CSD and Treasury were reorganised: "I would always hold myself ready to help."]

"You can't lead people successfully when they lack enthusiasm. There are plenty of good people, talented people in the Civil Service, but too often they are frustrated."



✓
MAD

CABINET OFFICE

With the compliments of

Lynne Holmes

70 Whitehall, London SW1A 2AS

Telephone 01 233-8550.

MINISTER OF STATE, CSD

cc Mr J G Colman

CHARGING FOR CERTAIN CIVIL SERVICE COLLEGE COURSES

Thank you for your minute of 7 August.

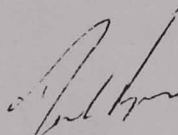
2. I am of course sorry that you are not yet able to take a decision in favour of repayment, although I quite accept that it would not be a decision that you would want to try and impose unilaterally and that you would want instead to consult Ministerial colleagues in other departments first.

3. Perhaps I may make two points about consultation.

4. First, I imagine that your approach to your colleagues will be at least neutral in tone if not positively in favour of repayment. (You will recall the interest expressed by the Prime Minister in this matter, Mr Pattison's minute of 1 February to Mr Green in your office.) I should be glad to contribute to the drafting of your letter, if you thought that might be helpful.

5. Secondly, there is a question of timing. The last thing I would want to do would be to hold up consultation with your colleagues, of course. But if you were to approach them early in the autumn, as I assume you would want to, I think it might be prudent to say something about the impending and much larger question of PSA repayment.

6. You might think it a good idea for our two offices to have a word on the tactics of all this. On present intentions, the PSA repayment study group should produce a draft report towards the end of September. I shall want to have a word with the Secretary of State for the Environment about it and also, if Sir Ian Bancroft agrees, with the Permanent Secretaries. There might be merit in floating both issues with the Permanent Secretaries at the same time but this is a matter on which others may be able to take a clearer view than I can.


DEREK RAYNER
11 August 1980

Miss Hines

Please copy these pp. to Mr. Pattison and put away.

CP

12. xiii. 80

Item 4

MANAGEMENT IN CONFIDENCE

SIR DEREK RAYNER

CHARGING FOR CERTAIN CIVIL SERVICE COLLEGE COURSES

In my minute of 27 February I said I wanted to consider carefully the views which had been put to me on the question whether to move to departmental repayment for certain Civil Service College courses, and return to the basic question when we had the results of certain further work which was desirable with or without repayment.

2. I have now been able to consider the whole matter carefully. I have a strong belief in repayment in principle. I am, however, impressed by the argument that the investment in management efficiency represented by the relatively small proportion of training now done by the College is in a different case from the central co-ordination and provision of consumable supplies and services. I have strongly promoted repayment in other cases, including cases within my own Ministerial responsibility, for example the COI.

The College has a different job to do in developing the skills and attitudes needed for efficient management. I cannot ignore the possibility that, in the circumstances of the next few years, departmental repayment could undermine that work and might well leave us with no College at all, for reasons which do not reflect the relative costs and benefits involved. It may be that the very merits of repayment in other contexts could have a perverse effect in the peculiar circumstances of this particular case. Certainly, there are others who apply the repayment principle to their operations but nevertheless regard their investment in training for efficient management as too important to be placed away from the centre.

Uptil now we have taken April 1981 as the earliest date for a change, subject to examination of the necessary machinery. The consultants' report makes it clear that the necessary machinery could not be got into place for repayment, if decided on, to operate before April 1982. We must press on with establishing that machinery. It is the critical path to repayment, and it is also necessary without repayment. On that timing, however, we need not reach a final decision on the extent and nature of departmental repayment in the summer rush. Small as this issue may seem, I believe our decision on it is of considerable importance for government work as a whole. I therefore propose to consult departmental Ministers about their interest in it.

G. Rogers
(Private Secretary)

PAUL CHANNON
7 AUGUST 1980

*Approved by the Minister of State and signed
in his absence*



14 AUG 1980

600
MR GAFFIN

Gant Mack
✓
YAD
cc for information:

Mr Pattison ✓
Mr Wright
Mr Green
Mr Colman
Mr Jarman

INTERVIEW WITH MR HENNESSY

1. Sir Derek Rayner gave Mr Hennessy an interview on 8 August with a view to an article in the Times on 19 August. This is a summary of the "on the record" points made.

Value for Money

2. Mr H said that he would like to begin the interview by behaving as if he were a Rayner scrutineer wanting to establish whether the Rayner exercise gave value for money. Sir DR said that this depended on whether he and his office were attacking the right priorities, which he listed as follows:

- the scrutiny programme as it now is, including preparing for the next round
- taking the lessons learned from round one and applying them across the board: (a) he was in the lead on statistics, on which 22 officials were working under the leadership of two in CSD/CSO; (b) CSD follow up of items in their court
- spending enough time to think through and develop the strategies necessary for the future to ensure that the desired effects were achieved, eg development of managers and award systems.

3. Sir DR also said that it was important for him to develop personal contacts with people in departments who had expressed a willingness to receive help.

4. He thought that "value added" could be found in every scrutiny but emphasised that he himself had not discovered any of the things to which he attached importance. All the projects came out of departments, who presumably knew what they were doing in selecting the subjects for study.

5. If there was a defect in his operation, it would be making the mistake of getting diverted into side issues. For example, the correspondence he receives is helpful, but he could not possibly run with all of it.

Cost of Whitehall

6. At Mr H's request Sir DR commented on the cost of his own office and on the annual scrutiny of departmental running costs.

Committee on the Treasury and the Civil Service

7. Mr H commented that Sir DR regarded the Committee as an ally and asked him what he would advise them to do next session.
Sir DR said:

Follow up the projects and scrutinies, especially lessons to be derived from them

Praise officials who did a first class job of work

Go into the questions which bear on the development of effective civil service management, including, for example, the development and training of those who should be PFOs/PEOs

Seek out examples of good management, eg MOD equipment projects.

Departure of Sir DR

8. Asked how long he would stay, Sir DR said that he could not go on indefinitely, although it was not his intention to disappear instantly. He wanted to give help and advice, but the time must come when he should draw back from the extent of his present commitment. This was about 40% of his time and exerted much pressure on his spare time. He speculated briefly on the need to "work out a successor-type organisation".

Methodology

9. Sir DR said that this had not changed. It was important for him to take the advice of the Service as at the very beginning. The only change he thought worth noting was that, in the scrutiny programme, he had spent rather more time than in the Rayner project on "the/difficult projects", notably the DE/DHSS one.

/more

CSD

10. Mr H drew attention to the reference to a "generally" good working relationship with CSD in Sir DR's letter to Mr duCann of last month.

11. Sir DR said that the adverb was correctly stated. CSD was very helpful in taking some of the weight off him and had been unstinting in doing so. He quoted the work being done by Mr Wilson on the GSS review as an example of this. He also mentioned that he was being lent an officer to see him through the summer season.

It was inevitable, and quite right, that CSD and he would not see eye-to-eye on everything. There were bound to be differences of pace, priority or perspective on some issues.

CSD/Treasury Merger

12. Sir DR said that CSD was doing very useful work for the Government but that his own view was that central management must consist of a unified command of money and people. In a business setting, he could not see that one could organise the control of separate resources separately, especially as manpower consumed "enormous resources".

13. Mr H revealed that he had made a very informed guess at what was going on, volunteering the opinion that the PM had sought advice from a small group of Permanent Secretaries on the organisation of the centre.

Permanent Secretaries

14. Sir DR said that he had access to the PSs, by his own and at their request. He did not attend all the Wednesday morning meetings.

Lessons for M & S

15. Sir DR said that there were no "on the record" lessons he would mention. Off the record, his earlier time in Whitehall had made him very sensitive to how bureaucracy works. He now finds that he could identify bureaucratic practice in M & S earlier than he had been able to without that experience.

CP
C PRIESTLEY
11 August 1980



12 AUG 1980

020

Gov 2
Mest

Prime Minister

Rayner scrutinies
have produced
worthwhile results in
the Revenue.

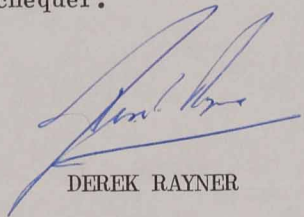
PRIME MINISTER

In the light of the concluding remarks in paragraph 10 I thought you might like sight of the attached letter to Lord Cockfield. The Deduction Card scrutiny is in any case one in which you asked me to take a particular interest on your behalf.

MAD
25/1/80

I am copying this and the enclosure to the Chancellor of the Exchequer.

ml.


DEREK RAYNER

24 July 1980

mf



CABINET OFFICE

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

The Lord Cockfield
Minister of State
HM Treasury
Parliament Street
London SW1

Yours R. S. H.
SCRUTINY PROGRAMME: PAYE DEDUCTION CARD PROCEDURES

1. I read with interest Mr Hodgson's 2 reports on this subject. He is to be congratulated on the thoroughness and excellence of his work.
2. The analysis of present procedures suggests a system which is outmoded, duplicative and wasteful of staff resources and confirms some of the impressions that I formed on my visit to the Bermondsey Tax Office.

Commentary

3. In reading the reports I was particularly struck by the following -
 - a. The original purpose of issuing Deduction Cards to employers has been demonstrably overtaken by events. For the large majority of cases they would seem no longer to serve the three-fold purpose of tax code notification, in-year recording and end-year reporting. Instead, with the advance of pay-roll technology, the notification purpose now dominates the rest as employers increasingly use their own documents which are more compatible with their own systems.
 - b. The purpose of notifying unchanged tax codes to employers - which accounted for 18 million of the 27 million Deduction Cards issued in 1980, and expected to increase in the future - seems to derive mainly from an Inland Revenue concern to guide the employer through every step of his PAYE duties. Yet the Inland Revenue has been prepared to shed this protective attitude in other areas, notably since 1973 in trusting the employer to amend codes following an increase in Personal Allowances announced in the budget.
 - c. Each year Tax Offices work their way through some 25 million tax payers' records to identify changed codes to be notified to employees and then, a month or two later, repeat the process in order to notify the employers.
4. Although I am not in a position to comment on the technicalities and the intimate detail, Mr Hodgson's recommendations to rejig the forms such that they are more in line with employer needs and uses, to abandon altogether the notification of unchanged codes and to combine the processes of employer and employee notification fit together as a sensible package. I do not believe that it can be efficient or right to continue to operate the system in its present form which is expensive in its use of staff (900 units) but whose original purpose has long passed.

5. The advantages to the Inland Revenue of going along the road that Mr Hodgson recommends are clear: savings of at least 750 staff (around £4.0 million a year) which represents 80 per cent of present staff effort, plus reductions in the possibility of Tax Office error. Moreover the operation of a system which avoids the present readily apparent duplication of effort should be more satisfying to the staff who have to do the work.

6. The extra effort which the employer will be required to put in seems, on Mr Hodgson's calculations, trivial eg an extra 10 to 15 minutes a year on average and perhaps a couple of days in extreme cases through abolishing the notification of unchanged codes. In any case the fact that in the majority of employee cases employers already of their own volition incur this extra work through the use of substitute documents is some indication that it is not a great burden when set against the other benefits.

7. The estimated extra 200 staff that the DHSS might need as a result of the possibility of increased National Insurance record errors is clearly a problem for them at the present time. But I do not think that this should be an argument for delay. Rather it is for DHSS management to consider ways of neutralising that effect through changes in their own procedures. Mr Hodgson proposes one way in which the effect could be partially off-set (namely by allowing employers to quote the date of birth on Deduction Cards). I hope this will be accepted. This year's scrutiny in the National Insurance area should also help.

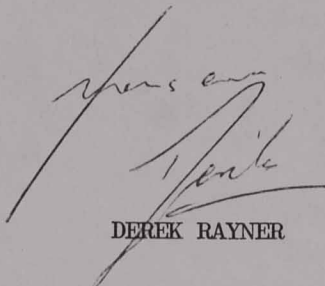
8. I note that the recommendations have implications for the work which the Inland Revenue does for the Department of Employment as an input to the New Earnings Survey and that it would mean employing 50 staff to do a special run through employee records. I agree with Mr Hodgson that the two Departments should review urgently ways of reducing the costs of running the survey. There is of course a review of statistics already going on in the Department of Employment and Inland Revenue officials should talk soon to the Department of Employment project official, Mr Brimmer.

9. I hope that you will be able to agree to the proposals with a view to implementation, as recommended, by April 1981. I recognise of course that as this is a scrutiny concerned primarily with internal organisation and procedures it will be necessary to provide Staff Side with an opportunity to express their views before an action document is prepared. I hope however that this will not adversely effect the timetable and that the Inland Revenue will not halt the necessary preparatory work whilst such consultations take place.

Concluding Remarks

10. I have now read 4 reports which make recommendations for a substantial streamlining of Inland Revenue procedures. I have been impressed by the talent and enthusiasm of the project officials and am heartened by the results. They demonstrate to me that with the right determination the Civil Service is very capable of reforming itself. In this respect I am grateful also to yourself and to Inland Revenue management who have so willingly committed resources to the task. I hope that this determination and enthusiasm will continue especially in the run-up to computerisation after which there is a risk that procedures will become "untouchable".

11. I am copying this letter to Sir Lawrence Airey and Mr Hodgson.


DEREK RAYNER

24 July 1980

FILE



Post no
Machinery

10 DOWNING STREET

From the Private Secretary

MR. PRIESTLEY
CABINET OFFICE

BF 15-9-80

Thank you for your minute of 11 July, about the forestry Commission scrutiny. The Prime Minister was most interested to see this, and encouraged to learn of the findings.

As Sir Derek Rayner hints in his letter, this could well prove to be a scrutiny where well-organised interests regard themselves as threatened by the proposals. The Prime Minister would, I think, be interested to hear what progress is made in implementing the recommendations.

M. A. PATTISON

16 July 1980

Mr PATTISON

THE SCRUTINY PROGRAMME: FORESTRY COMMISSION

This scrutiny is one in which Sir Derek Rayner intended to take a general, rather than a particular interest.

2. However, he was invited by the examining officer, Mr Gwynn to comment on the report and has now done so to Lord Mansfield (Scottish Office).

3. Sir Derek Rayner thought that while it was needless to bother the Prime Minister with either the report itself or indeed a summary of it, she might like to see the attached copy of his letter to Lord Mansfield. The letter is complete in itself; Sir Derek offers it to the Prime Minister not as evidence of how clever he is but of the value of the scrutiny method and the extent of the need for it.

C
C PRIESTLEY
11 July 1980

Enc: Copy letter to Lord Mansfield



CABINET OFFICE

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

The Lord Mansfield
Minister of State
Scottish Office
Whitehall
LONDON
SW1

10 July 1980

John Lord Mansfield

ADMINISTRATION OF WOODLAND GRANTS AND FELLING CONTROL: THE GWYNN REPORT

1. It is only now that I have been able to read Mr Gwynn's interesting and very readable report on this subject. I am sorry about this as I am conscious that if changes in the system are to coincide with the start of the next 'forest year', which the report regards as necessary, time is important.

Qualification

2. As with most scrutinies in which I have only a general interest, I have not had an involvement with the work throughout. Coupled with my lack of knowledge of the forestry industry this is an important constraint on my understanding of the facts and issues.

Commentary

3. The analysis of current arrangements suggests that change is long over due. The present felling control and grant aid systems are variously described as out of date, costly and complex with over-intensive supervision and excessive consultation.

4. The cost of issuing a felling licence looks high at £110 and the costs of administering the grant schemes (£91 for every £100 paid under the Small Woods Scheme and £39 for every £100 paid in dedication grants) seem extraordinarily so. Any system in which the administration costs are so high in proportion to the grant paid must be open to question.

5. I am also particularly struck by the fact that although the original purposes of the Forestry Commission's involvement in these areas has changed dramatically, the rules have not been adjusted in response. The controls governing the felling of trees, for example, were introduced during the second world war "as a measure to control the supply of a raw material vital to the war effort" (Paragraph 60). Today the controls are exercised "in the interests of landscape, nature conservation and general amenity" - all admirable - but the statutory controls, not least of those governing exemptions, have remained virtually unaltered.
6. The recommendations for change contained in the report would have a big impact on the problems identified. The savings are a measure of this: £426,000 a year on administration costs (35 per cent of the total), £88,000 a year on legal expenses and £141,000 a year income from fees for licencing. In addition there are some areas of reform where the savings are not quantifiable but thought to be significant eg changes in the enforcement conditions (Paragraph 152) and increasing the minimum size of tree requiring a licence (Paragraph 146).
7. The proposed new Forestry Grants Scheme would appear to be simpler to administer, with a much reduced involvement of Forestry Commission staff through fewer inspections. I am not technically competent to comment on the detail of the proposed scheme, not least on whether the report goes far enough in reducing the administration costs as a percentage of grant paid. I would not like to second-guess Mr Gwynn on this, but take heart from the fact that he is recommending the abolition of the "dedication scheme" which as long ago as 1956 was regarded by the experts as entailing an excessive amount of inspection and calculation (Paragraph 90).
8. I do wonder however whether there is some scope for further easing the burden of administration as a percentage of total grant paid either by raising the lower limit of eligibility (currently 0.25 hectare) or by easing some of the controls and checks on such penny parcels.
9. I note that prior approval, whereby no planting shall be carried out before proposals are approved, is retained. The main reason for its retention is that the consultative procedures, whose objective is to ensure that "the requirements of land use, agriculture, amenity, recreation and nature conservation are taken into account", would otherwise be by-passed. If one accepts the need for consultative procedures then the case for the retention of prior approval seems inescapable. I am glad to see however that the report recommends a thorough review of these procedures with a view to trying to establish more modest consultation requirements. I hope that such a review could be pressed ahead quickly not only for the purpose of achieving the possible savings identified but also to reduce the appearance of bureaucracy which is so vividly described in Paragraph 122 et seq of the report. If a way could be found in that review to exempt certain planting altogether (especially very small woods) then additional savings might be had by the elimination of prior approval in such cases.

10. The recommendations on felling control seem logical, Mr Gwynn having sensibly taken the analytical route of saying that if the purposes have changed then the rules and regulations, not least of those covering exemptions, should be brought into line. The savings that would ensue (47 per cent of costs) are substantial. I am also particularly attracted by the idea that a fee should be charged for felling licences, with the income from such fees covering the administrative costs of licencing.

11. With regard to the enforcement of licence conditions, a change in the procedures is clearly necessary. I note that it can sometimes take 10 years to persuade a licensee to comply with the conditions of a licence (Paragraph 79) and that even then enforcement is never achieved in half the cases. Against such a background the very existence of the licencing system must be called into question. The idea of a guarantee bond (like those used by the National Coal Board), backed up by tougher fines, would seem a sensible way of giving the licensees the necessary incentive to comply with the conditions.

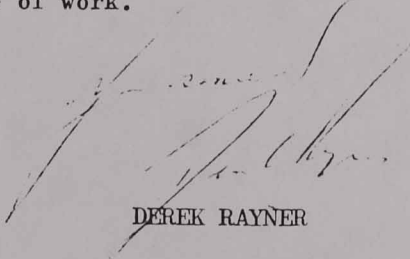
Implementation

12. I recognise that forestry is a sensitive area and that foresters are a powerful lobby. Implementation is thus not likely to be easy. I hope therefore that in going out to consultation on the proposals you will feel able to give the report your strong backing. The case for change is to my mind indisputable on the evidence presented and the recommendations seem eminently sensible, at least to the layman like myself.

13. I understand that Forestry Ministers have recently been reviewing forestry policy as a whole. The recommendations made by Mr Gwynn bear upon the administration costs within the existing framework of a system of grants. However the costs of administration are affected by policy decisions eg the lower limit of 0.25 hectare on grant applications. Moreover even under the proposed new grant system administrative costs will still appear as a significant percentage of grant paid. I would think it sensible therefore for this report to be considered alongside the broader policy proposals.

14. I see from Mr Gwynn's letter to Mr Priestley that you have limited the circulation of the report. I should therefore let you know that, as with all scrutiny reports, I sent copies to the CSD, Treasury and CPRS.

15. I am copying this letter to Sir William Fraser, Mr Holmes and Mr Gwynn whom I congratulate on a good piece of work.



DEREK RAYNER

12 JUL 1980



Civil Service Department,
Whitehall,
London, SW1A 2AZ

✓ M.A.D.

With the Compliments
of the
Private Secretary
to the
Lord President of the Council



Govt Mail

Civil Service Department
Whitehall London SW1A 2AZ
01-273 4400

From the Private Secretary

18 June 1980

Don Brereton
Private Secretary to the Secretary of State
for Social Services
Department of Health and Social Security
Alexander Fleming House
Elephant & Castle
LONDON SE1 6BY

Dear Don,

DHSS ACTIVITIES IN SUPPORT OF HEALTH CARE EXPORTS

1. Thank you for your letter of 5 June: I am sorry we did not meet your deadline.
2. CSD agrees very much with the main thrust of the scrutiny report that responsibility for activities in support of health care exports should be shifted from DHSS to the industry. This adds support to the initiative which the Minister of State in the Civil Service Department, is taking in following up the points which the Secretary of State for Trade raised with the Prime Minister and which Cabinet discussed on 1 May about the scope for reducing the numbers of staff engaged on industrial sponsorship activities. Your Secretary of State will have seen a copy of the Minister of State's letter of 9 June about this to the Industry Secretary.
3. In this context, we noticed particularly the scrutiny team's comment in paragraph 2.3 of the report -

"We have not found another example of exports, or industrial sponsoring, activity to equal that of DHSS. No other Government Department, apart from Defence Sales where special arguments apply, centralises its effort into an exports branch or provides the same degree of support for home industry; and no other country conducts similar activities."
4. We see the arguments for trying to reinforce industry's own organisations to assist exports, but very much agree that any assistance should be limited in amount and should not go beyond 3 years as the report proposes. I see that the Secretary of State for Trade has doubts about the scale of assistance proposed. We also fully support your Secretary of State's intention to encourage the industry to take the activity on for itself but to curtail DHSS's activity even if the industry does not.

5. Your proposals for handling the report seem fine. Consulting the Departmental Staff Side at the same time as outside interests would be consistent in this case with the general understanding reached with the Unions on consultation with staff sides. Publication of the results of the scrutiny would also be consistent with the arrangements set out in the letter of 10 March from the Minister of State, CSD to the Chancellor of the Duchy of Lancaster.

6. CSD need not be represented on the proposed new strategy making and liaison team.

7. I am copying this letter to the recipients of yours.

Yours sincerely,

Jim Buckley.

J BUCKLEY

0961 NMF 614
19 JUN 1960



CONFIDENTIAL



*3ppp ✓ MRP
Gut March*

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

17th June 1980

Don Brereton Esq.
Private Secretary to the
Secretary of State for Social Services

Dear Sir,

DHSS RAYNER SCRUTINY OF HEALTH CARE EXPORT ACTIVITIES

Thank you for your letter of 5 June to John Wiggins enclosing a copy of the report of the Rayner scrutiny of DHSS activities in support of health care exports.

The Chancellor fully endorses the main thrust of the report, that responsibility for export promotion should be handed over to the industry, and welcomes the manpower and expenditure savings which are expected to accrue when the recommendations are implemented.

He is, however, anxious that the right balance should be struck so far as continuing public involvement goes. Obviously there will be a role for DHSS to play during the transitional period, but the extent of this role for the future, both as to finance and manpower, ought to be kept strictly under review in the light of changing circumstances and the benefits which arise. It will be important to avoid drifting back into a situation such as we have at present.

Subject to this general point, the Chancellor is content for your Secretary of State to proceed with consultation on the report, and implementation of the action plan.

I am sending copies of this letter to the recipients of yours.

Yours,

Richard Tolkien

R.I. TOLKIEN
Private Secretary

CONFIDENTIAL

1960 JUN 18

18 JUN 1960

✓ MAD 4PPS



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

17 June 1980

D Brereton Esq
 Department of Health & Social
 Security
 Alexander Fleming House
 Elephant & Castle
 London SE1 6BY

Dear Don,

SSone at Flab

My Secretary of State is grateful for the opportunity to comment on Sir Derek Rayner's survey of the administrative arrangements to support health care exports.

The general approach of putting industry unequivocally in the vanguard for identifying and pursuing export opportunities is one that my Secretary of State fully shares, and we would be very ready to join in the strategy and liaison that is mentioned.

There are, however, special problems in major projects, not least because the order of risks and timescale is longer, as compared with the sale of individual products. This Department and DOT will shortly be merging our interests in the field of major projects, principally with an eye to being better able to integrate all the possible avenues of backup available. This new Division will clearly need to liaise with the new organisation for health care exports, and we shall arrange for this to be pursued within the action timetable that your Secretary of State has in view.

I am copying this to the recipients of your letter.

Yours ever,
 Peter Stredder.

PETER STREDDER
 Private Secretary

Chancellor of the Duchy of Lancaster

2 PP
✓ MA
17 June 1980

Dear Don,

Thank you for your letter of 5 June enclosing a draft scrutiny report on DHSS activities in support of health care exports.

The Chancellor of the Duchy of Lancaster has no comments on the main arguments of the report and, subject to the views of other colleagues, would be content for your Secretary of State to proceed on the lines indicated in your letter. Mr Jenkin will no doubt consider the most appropriate way of letting interested MPs know what is happening and making copies of the document available to the House at the same time as they are made available to the press.

The Chancellor of the Duchy also assumes that your Secretary of State and the Lord President are satisfied that publication of the report in this form is consistent with the general policy regarding the publication of these Rayner scrutinies suggested in the letter he received from the Minister of State, Civil Service Department, on 10 March about the disclosure of documents to Select Committees arising out of the request by the DES Committee to obtain copies of a staff inspection report.

I am copying this letter to the recipients of yours.

Yours ever,

Robin

R A BIRCH
Private Secretary

Don Brereton Esq
Private Secretary to the Secretary
of State
Department of Health & Social Security
Alexander Fleming House
Elephant & Castle



0861 NDF 47





✓ M.A.

CONFIDENTIAL

From the Secretary of State

D Brereton Esq
Private Secretary to the
Secretary of State for Social Services
Department of Health and Social Security
Alexander Fleming House
Elephant and Castle
London, SE1 6BY

17 June 1980

Dear Don

RAYNER SCRUTINY

Thank you for your letter enclosing a copy of the draft report of the Rayner scrutiny of DHSS activities in support of health-care exports. We very much welcomed the opportunity to comment.

Our main comments on the policies in the draft report are set out below and some more detailed comments are set out in the Annex to this letter. These comments come with the endorsement of my Secretary of State and take account of the views of the Chairman of the BOTB which Mr Nott decided to seek at this stage on a confidential basis.

On the basis of the analysis in the report the proposal to pass to industry responsibility for much of the present export promotion activity of your Department makes a lot of sense. We think it right to concentrate the Government's role in exporting upon those things which Government is uniquely capable of providing and then encouraging industry to organise its own efforts more effectively. The primary functions which your Department carries out do give it some unique ability to support the health care industry's export efforts (eg purchasing policies, training, provision of staff etc) and we are glad to see that the draft report gives a full encouragement to the provision of that support.

We can understand the desire to ease the transition as far as possible both from the point of view of the industry and from the point of view of the Department. Nevertheless we would suggest that the right yardstick for gauging the scale of any financial support is not so much the saving as compared with existing expenditure as what would be judged appropriate in other comparable cases. We and the BOTB have some experience in this because we do have to consider from

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From the Secretary of State

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time to time launch aid or other types of financial assistance for export councils - including, of course, the BHEC itself. We doubt whether we and the BOTB would have supported an application from BHEC for assistance of the scale which is contemplated in the draft report. It is high in relation to what we judge appropriate for other industry bodies; after all, the full-range of official BOTB administered services is available to health-care companies. It is high in relation to the expected income from industry into the BHEC and has no tapering provision. You might care to consider the risk that an unduly large scale of activity would be built up making it difficult for you to disengage from continuing financial support following the conclusion of the transitional period. Assistance through the secondment of staff from DHSS is obviously a good idea and we would suggest that in the public's version of the draft report only that possibility is referred to in specific terms leaving yourself the freedom for manoeuvre to aim for either no separate financial support or some sum considerably smaller than that which stands in the existing draft.

We suggest that it would be unwise to risk sparking off a chain of specialised claims from export councils etc for financial support and to risk weakening the Government's control by proliferating the number of Government Departments administering export promotion money. This Department has, through the BOTB's budget hitherto handled all aid to export councils and should continue to do so.

The Rayner Report on our services to exports endorsed the services provided to industry as a whole by the Overseas Projects Group. Following on from that we have agreed with the Department of Industry a rationalisation measure to prevent duplication of effort between the two Departments over the provision of support for overseas projects and in matters such as trade and aid. The Projects and Export Policy Division in the Department of Trade acts as a focal and co-ordinating point in Whitehall for Government support of British bids for major overseas projects. Obviously this Division will want to work closely on project matters with the BHEC and DHSS in the same way as it does with other industry export groups and other sponsor Departments. But it would run counter to the current direction of policy for the BHEC to separate itself altogether from this central project facility as seems to be suggested in the draft report. We would see embarrassment if now a report were published under the Rayner heading which suggested an independent role for BHEC on overseas projects work.

I am copying this letter to the Recipients of yours.

Yours sincerely,
Stuart Hampson

S HAMPSON
Private Secretary

CONFIDENTIAL

11 12 1
2 3 4 5 6 7 8 9

17 JUN 1964



DEPARTMENT OF TRADE
1 Victoria Street
London SW1H 0ET

Telephone Direct Line 01-215
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With the Compliments of

the Private Secretary

to the Secretary of State

*Please attach to
Stuart Hampson letter of
17 June to D. Brennan
(D438). Re Payne's Scrutiny.*

CS 57A

N. Mackay

We have a number of detailed comments which can be set out most conveniently under the paragraph numbers of the draft report. We should like these comments also to be considered in relation to the preparation of the draft report for publication.

Paragraph 1.8.2

Paragraph 3.28.1

We welcome the suggestion that a Department of Trade official should be co-opted to the health care export team. It is crucial that the health care exports strategy should be developed on a basis which takes full advantage of what the BOTB and the Department can offer thus avoiding the risk of costly duplication.

Paragraph 3.7.2

We do not fully grasp what is envisaged in relation to the Export Intelligence Service. In order that our ability to give a good service and levy a reasonable charge for that service is not impaired we have stuck to the policy that representative bodies should not be allowed to act as dissemination points for passing on to individual exporters "hard" information on export opportunities and prospects. Perhaps this part of the report should be amended to avoid any suggestion that efficiency and charging policies should be so threatened.

Paragraph 3.13

Many may choose to read this paragraph as a reference to possible resort to bribery by exporters to obtain overseas business. That may not be the intention but we would suggest that the risk were not worth running and therefore that the paragraph could well be dropped. There is also the point that with regard to major overseas projects it is already the policy to provide Government support under the overseas projects fund for one British bid only and this policy is used to make every reasonable effort to ensure that there is not wasteful competition between British contenders for such projects. If the BHEC can help in that, we would welcome it.

Paragraph 3.21

While we would expect the FCO to have some comment on this paragraph we would question whether its inclusion is justified on the basis of anecdotal evidence. Instances could be quoted of major contracts which have been obtained through the strong support given to the British bidders by British Ambassadors.

Paragraph 3.21.2

We are not clear about the significance of the word "legal" before "credit terms" and the last part of this paragraph following the semi-colon conveys a misleading impression that hitherto ECGD have not explained their services to UK exporters. We should like to see this last part of the paragraph re-worded "and they are always ready to provide speakers at meetings of UK exporters to explain their full range of services and deal with particular problems".

Paragraph 3.21.3

This requires updating and the last two sentences might read:

"The Government have reviewed their aid policy to give greater weight in the allocation of aid to political, industrial and commercial considerations. It is for DHSS to make its case in this respect on behalf of the health-care industry to the Department of Trade".

Paragraph 3.30

As indicated earlier in this letter we shall wish to discuss and establish appropriate working relationships between the DOT/BOTB and the DHSS Health-Care Team to ensure that there is no wasteful overlap or duplication of effort.

Paragraph 3.32.1

For the reasons set out at the beginning of this letter we would not wish to see a reference to financial assistance for BHEC in the published draft report, still less an indication being given of the level of this assistance.



2 pgs

With the compliments of
P. Day
**TRADE RELATIONS AND
EXPORTS DEPARTMENT**

**FOREIGN AND COMMONWEALTH OFFICE
LONDON SW1A 2AH**

✓ MAA



Foreign and Commonwealth Office

London SW1A 2AH

16 June 1980

Dear Don,

Thank you for the letter which I received on 5 June enclosing the draft report of the Rayner Scrutiny, on DHSS activities in support of health-care exports.

My Secretary of State supports the general conclusion of the report, namely that industry should be persuaded to take the lead in deciding on its own export strategy and the markets it wishes to tackle. He does not think that the new arrangements will put an excessive burden on our posts; indeed they should lead to an improvement in the support given to British exporters in this field.

I understand that the passage which criticises the support given by our posts to British exporters (3.21.1) is being redrafted following discussion with our Trade Relations and Exports Department.

(G G H Walden)
Private Secretary

D Brereton Esq
PS/Secretary of State for Social Services
Dept of Health and Social Security
Alexander Fleming House
London SE1 6BY



09-01-1980
11-11-1980

Govt Machinery ✓

M/D

cc for information

- ✓ Mr Pattison
- Mr G E T Green
- Mr Colman
- Mr Jarmany

Mr GAFFIN

SIR DEREK RAYNER AND THE MEDIA

1. The Prime Minister agreed in April that - partly because "projects" are the property of Ministers and partly because decisions remained (and still remain) to be taken on the large DHSS and MSC projects - the best publicity strategy on projects would be for individual Ministers to announce results separately. She also agreed that "Rayner" should be used as little as possible to qualify either "projects" or scrutinies".
2. That formal position on projects is part of a wider strategy for Sir DR, namely that the gradual emergence of results, coupled with his occasionally seeing the press, would help generate a greater awareness that the Government is active on the efficiency/good management front.
3. Sir DR has now asked me for advice on the press and media, because he thinks that it would be prudent for him to get something solid into the record for the press to quarry from.
4. There are two main reasons for this request. First, BBC tv's Nationwide have asked, via Baker Street and he has agreed, to discuss the possibility of a profile. Secondly, in the wake of the Kellner/Crowther Hunt book, THE CIVIL SERVANTS, and of the recent articles by or about Mr Chapman in the Spectator, the Daily Mail and the Sunday Times, which appear to suggest that Rayner does not cut much ice, Sir DR thinks it necessary to demonstrate the importance he attaches to the scrutiny programme, to the extent of the other work in which he is engaged and to the vigour and capacity he encounters at the junior level of the Service. (Mr Chapman has told me recently, incidentally, that he has been asked by the Daily Telegraph to write three articles for them.) An additional reason is similar, namely the expected report of the Select Committee on Social Services, which Sir DR does not expect to be sympathetic to DHSS on the payment of social security benefits.*
5. I see no reason to discourage Sir DR from agreeing to a filmed profile for Nationwide.
6. On the press and media more generally, we have a fairly constant level of interest from Messrs Davidson (FT), Hennessy (T), Mrs Judd (O), Lord (DT), Norton-Taylor (G) and Schreiber (E). We also have outstanding requests for interviews from:

- Mrs Harcourt (Birmingham Evening Mail)
- Mr Kemp (Sun)
- Mr Kusseff (Accountancy Age)
- Mr Quigley (FW)

* Now available and better than expected.

Mr Sapstead (United Newspapers)

Mr Simon (ITN)

7. The diary will not take interviews with individuals, so what I have in mind is a general briefing at which Sir DR would take those present through

- project/scrutiny programme
- the review of the Government Statistical Service
- the scrutiny of departmental running costs
- the "conventions" or "lasting reforms" exercise, as far as it is possible to do so.

8. The venue would be Baker Street and a possible timing would be mid-June - mid-July.

9. The only hard news on the Rayner front in the next few weeks (apart from what the Select Committee may say) is likely to be in the "conventions"/"lasting reforms" area.

/Civil

10. The Minister of State CSD, intends to write to the Council of/Service Unions in the foreseeable future, indicating what work is in hand here and saying that he and Sir DR are willing to meet the Unions to talk about if they wish. It is possible but not certain that the Minister's letter will be accompanied by a version of Sir DR's letter to the PM on this subject. At the very least, the letter will outline the main points made by Sir DR. Some of these the Unions will no doubt think controversial. There is accordingly the possibility of slanted publicity by or on behalf of the General Secretaries.

11. I should be glad if we could have a word about this minute.

Sp
C PRIESTLEY
5 June 1980

5 JUN 1980





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

AO
 I Ellison Esq
 Private Secretary
 Department of Industry
 Ashdown House
 123 Victoria Street
 LONDON SW1

5 June

Dear Sir,

I enclose for the comments of your Secretary of State a copy of the draft report of the above mentioned scrutiny, which has been seen and approved by Sir Derek Rayner. The Prime Minister asked Sir Derek to take a special interest in this scrutiny on her behalf and accordingly Sir Derek has sent her a copy of the Report's summary of conclusions and recommendations (paragraphs 1.7 and 1.8, pages 307) together with his letter of approval.

My Secretary of State fully supports the main thrust of the report. He intends to seek the views of the main representative bodies of the exporting Companies concerned and the Department's Staff Side on its detailed recommendations, and at the same time to make available copies of the report on request by other interests - including the Press. But first he would very much welcome the preliminary views of your Secretary of State on the main thrust of the draft report and his intention to proceed towards the implementation of its recommendations in the following ways.

My Secretary of State proposes to put the report to the British Health-Care Export Council (BHEC), the Association of the British Pharmaceutical Industry (ABPI), the Proprietary Association of Great Britain (PAGB) and the British Consultants Bureau (BCB). These bodies would be invited to liaise together as appropriate and to seek, from other representative bodies or individual exporting Companies, whatever other views they judged essential and to meet officials from this Department as urgently as possible to discuss their emerging ideas and agree detailed proposals for action. The following are some of the main issues on which we would aim to seek particular views from Industry:

- the main thrust of the Report, to shift responsibility to Industry;
- the establishment of a small strategy making and liaison team, on which your Department might well be represented (paragraphs 1.8.1-1.8.4)

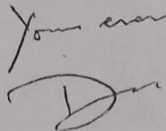
- the formation of a new working partnership between DHSS/NHS and Industry, with industry taking on much more of the lead role to which Government would be expected to respond (paragraphs 1.8.5 and 1.8.7)
- the expansion of the BHEC and/or the BCB, assisted by staff seconded and financed and other support from DHSS/NHS, to help to devise an overall export strategy for the health care industry and to accept responsibility for many of the tasks - including information gathering overseas and selection of UK firms to compete for overseas contracts - at present performed by DHSS (paragraph 1.8.6)
- the phasing out of present DHSS activities in support of health care exports, as a new working partnership with industry is developed (paragraph 1.8.8).

My Secretary of State thinks it will be important to make it clear to Industry that, if they will not take this on they must not expect to enjoy the continuation of the status quo; the Department proposes in any case to reduce its direct involvement in export promotion.

In order to keep up with the tight timetable required by the Rayner process and this scrutiny in particular, and to avoid premature disclosure of the contents of the report, my Secretary of State would like to have the views of your Minister by 16 June. Subject to these views, he would then propose immediately to consult the representatives of industry and the Department's Staff Side (and make available copies of the report to the Press and other interests), with a view to firming up the main points in the action plan (Part 4 and Appendix XI in the draft report) before the Summer Recess. The remainder of this financial year would then be taken up with the necessary transitional arrangements designed to bring the new, industry-led arrangements into effect during 1981/82.

It may assist you to know that the official in your Department who liaised with our scrutineer for this scrutiny was Mr Christopher Benjamin.

I am copying this letter and the draft report for comments to Private Secretaries to the Secretaries of State for FCO and Trade and the Chancellor of the Exchequer, the Lord President of the Council and the Chancellor of the Duchy of Lancaster, and I am sending a copy also to Sir Derek Rayner and to the Prime Minister's Office.



D BRERETON

- 5 JUN 1960



CONFIDENTIAL

Department of Health and Social Security

RAYNER SCRUTINY

DHSS ACTIVITIES IN SUPPORT OF HEALTH CARE EXPORTS

DRAFT REPORT BY SCRUTINY TEAM

21 April 1980

Scrutiny Team: C GRAHAM
MISS E SHIELLS

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THE SCRUTINY : ITS CONDUCT AND SUMMARY OF RECOMMENDATIONS

1.1 Terms of Reference. We were asked, with effect from 2 January 1980:

"to examine, in consultation with the bodies concerned outside Government, and with the other Government Departments involved, DHSS activities (except the Pharmaceutical Price Regulation Scheme) in support of health care exports, with reference to the adequacy of these activities, and their cost, efficiency, and effectiveness."

Our remit was not just to find ways of saving staff time and general administrative expenditure but also to ensure that DHSS activities in support of health care exports were both efficient and adequate to meet the identified requirements of Industry, Government and Overseas interests.

1.2 Approach. We have tried to be reasonably comprehensive in our coverage of DHSS activities, including links with Whitehall, Industry and Overseas interests. DHSS activities directly involve at least 6 Government Departments, over 500 companies and 100 overseas Posts. We have concentrated on asking:

- 1.2.1 what activities are being undertaken at present, and why?
- 1.2.2 what costs and benefits flow from present activities?
- 1.2.3 could the same (or less, or more) expenditure be differently deployed to achieve better value?
- 1.2.4 what are the needs of industry, and other, customers and how effectively do present activities meet these needs?
- 1.2.5 what should be the role of Government, looking wider than DHSS and including any international comparisons?
- 1.2.6 what are the main strengths and weaknesses of present activities, including activity within DHSS?

- 1.2.7 what alternative arrangements might be considered, for example no more help from DHSS, transfer of DHSS responsibilities to other Government Departments, a levy on trade secured with DHSS assistance, government grants to export associations etc? In considering possible future arrangements our basic test has been "if we were starting from scratch, what activity would we now wish DHSS to engage in?"

We also explored the impact of DHSS and NHS policies for the home market in industry's export effort, although in the limited time available no detailed conclusions in this very complex area could be formulated.

- 1.3 Method. We soon discovered that there is little statistical information on which to base conclusions and recommendations for action. We therefore relied on the "Rayner guideline": "talk around, don't write around!". We have discussed all these questions with representatives of all the main interests concerned; from the smallest companies, operating from a shed in a back garden, to the largest multi-national companies; from a branch in the Industries and Exports Division to the Foreign and Commonwealth Office (FCO); from Bognor Regis to Edinburgh; and from Oldham to Kuwait. (See Appendix I for further details.)
- 1.4 Staff Interests. We informed the Departmental Staff Side of the scrutiny at the outset and invited them to let us have their views on the subject of our study plan, and also to suggest any further action they would like us to take in furtherance of consultation with the Staff Side. We have not so far received any comments. All DHSS Headquarters staff were informed of the scrutiny and of the contents of the study plan, and were invited to send us their views : so far we have received 2 replies suggesting further discussion, which we accepted. We made ourselves available to local Staff Side representatives during our initial enquiries within DHSS.
- 1.5 Involvement of senior management. The Parliamentary Secretary for Health (Sir George Young), the Permanent Secretary and other senior officers were kept informed of our thinking as it developed. We discussed our conclusions with Sir George Young and the Permanent Secretary before finalising our draft report.

1.6 Cost of the scrutiny. We estimate this to be:

Salaries of scrutiny team:	£13,000
Travelling and subsistence:	£ 300
Time of people consulted:	£ 2,000
	<hr/>
Estimated total cost:	£15,300
	<hr/>

1.7 Conclusions

- 1.7.1 The present DHSS exports activity is largely conducted through two Branches - Industries and Exports Division, Branch 2 (IED2) and Works Group Branch, Health Building Overseas (HBO). The cost of their effort is, at the minimum, £600,000 per annum but, taking associated resource use into account, could be as much as £1m per annum.
- 1.7.2 DHSS effort impinges on a large number of organisations - FCO overseas Posts, Industry, the NHS, foreign Governments, trade and professional associations. Few agree that it is essential to their purpose. Most are agreed that, while useful and helpful, DHSS activities are fragmented, not all directed to the main problems and may be inimical to meeting the true needs of industry, in some respects, by competing with and confusing their own activities.
- 1.7.3 We think that the business of exporting is for industry. A central capacity deployed in support of individual companies is more likely to be deployed in a way which is attuned to the needs of companies if it is run by BHEC than if it is run by DHSS.
- 1.7.4 We conclude, therefore, that DHSS activities should be reorientated to form a contribution to a differently planned joint industry/Government strategy to expand and enhance the health care exports effort of the country. In this strategy, the main thrust - the striking force - should be industry, as represented by the British Health-Care Export Council (BHEC), and Government's part should be to provide pointed help, specialist expertise, finance and encouragement.
- 1.7.5 In general, DHSS should retreat from overseas activity, leaving Government input here to FCO Posts and industry itself, and should concentrate on building an export-orientated element into its activities - ranging much wider

than IED2 and HBC - in the home (NHS) market; and ensuring that DHSS (and NHS) activities are geared to providing relevant, specific and rapid information and specialist expertise as and when industry or FCO Posts or overseas Governments or interests call for it. DHSS should provide an effective "door opening" mechanism to link the home based activities of UK exporters in the health care field (and NHS) to the health care requirements identified by FCO Posts or overseas Governments and interests, whilst still maintaining the traditional neutrality and impartiality required of the UK Government by overseas Governments.

- 1.7.6 From these conclusions we deduce that DHSS (and NHS) exports effort should not be diminished in scale but radically reorganised and redirected so as to build on the past 20 years investment by DHSS. If this is done, the country will provide a much more effective service for its exporters, at less cost for more input from DHSS (and NHS), because each partner will be doing the job for which it is suited. Industry will provide the entrepreneurs and executives and Government will provide the health care policies and expert back up to support the entrepreneurial action.
- 1.7.7 We recognise that our recommendations will require at least as great a change of attitude and organisation from industry as from Government; and we frankly admit that change in industry will almost certainly be more difficult to achieve than the comparatively straightforward redeployment of Government activity we envisage - given the staff changes which have already taken place or which will be required over the next few years as long serving DHSS staff retire and career planning takes its effect.
- 1.7.8 Such promotional activity can at best only provide marginal help so far as the export performance of the health care manufacturing industry is concerned. The industry earns overseas about £1000m, and even £1m of DHSS/BHEC expenditure must remain on the margin of such activity. Industry must produce the right goods at the right price and be prepared to sell them aggressively in the right place at the right time. Otherwise DHSS/BHEC efforts, past and future, will continue to pale into insignificance in the face of wider international events, such as recent events in Iran and Afghanistan; or domestic constraints, such as an overvalued pound and the erosion of the home market volume by NHS spending cuts.

1.7.9 But we believe that it is now an appropriate time for industry to formulate its strategy for the 1980s, in the face of its urgent requirements in respect of overseas trade, alongside a Government which is also having to re-think its strategy for the use of its limited resources in support of industry's health care effort. We state this for the following main reasons:

- this Rayner scrutiny requires a full consideration of the issues directly affecting health care exports and provides a useful peg on which to hang the necessary wider discussion;
- Whitehall is already enquiring into related areas - through a parallel Rayner study into the Department of Trade's general support for exports, a re-examination of the requirements of FCO Posts and the Department of Industry's reconsideration of industrial strategy;
- Industry has recently embarked on a process of change, through the amalgamation of various trade associations in the British Health Care Trade and Industry Council (BHTIC) and the development of a new constitution and committee structure for BHEC;
- DHSS is already engaged in a process of change affecting the home market, through the creation of the Supply Council and the amalgamation of the Supply Division and the Industries and Exports Division;
- DHSS Works Group, including HBO, is to be the subject of a staff inspection; and senior staff in LED2 have retired or been transferred without replacement, pending the outcome of this Rayner scrutiny, and further retirements and other staff changes can be expected over the next few years.

It therefore seems most appropriate to use the opportunity created by all these separate but related events to draw up a new strategy for the support of health care exports, by industry and the Government.

8 Recommendations.

We therefore recommend:

- 1.8.1 A health care exports team should be established within DHSS to assist industry to draw up a strategy for the support of health care exports in the 1980s, in consultation with the British Health-Care Export Council (BHEC), other Government Departments, the NHS and overseas Governments and interests.
- 1.8.2 The team should comprise two full time members from DHSS, at Assistant Secretary level (say drawn from Industries and Exports Division and Works Group, with one to be nominated leader) and should have the authority to co-opt more members as necessary - drawing from DHSS Scientific and Technical Branch, from the NHS, from FCO, from the Department of Industry, from the Department of Trade, from the Defence Sales Organisation, and from outside industry.
- 1.8.3 The team should report to DHSS Deputy Secretary, Regional Group, in his role as Chairman of DHSS Exports Steering Group; and the membership of the Steering Group should be broadened to reflect Personnel, Finance, Regional Liaison and Health Services Development interests.
- 1.8.4 DHSS Supply Division, Scientific and Technical Branch ((STB), International Relations Division, Finance, Health Services Development, Personnel, Regional and Works Groups and Medical and Nursing Divisions should each identify a focal point, within their existing resources, to respond to the exports team and to the requirements of the health care exports strategy for the 1980s.
- 1.8.5 BHEC should be expanded to take on more, specific, health care export functions on behalf of industry, including most of those at present undertaken in DHSS by IED2 and HBO, the British Consultants Bureau, the Overseas Projects Group in the Department of Trade and individual Trade Associations; and should provide the channel from industry (pharmaceuticals, equipment, supplies and works) to Government on those exports activities which require a partnership between the DHSS exports team and BHEC.

- 1.8.6 DHSS should assist BHEC with this reconstruction, for a transitional period not exceeding three years; by seconding to BHEC one Principal and two Executive Officers from IED2; and, by providing financial assistance, up to a limit of one quarter of the existing headquarters administrative cost of IED2 and HBO, to fund specific functions identified in the exports strategy for the 1980s. In addition DHSS should make available suitable space, surplus to NHS requirements - preferably in a London teaching hospital, to house a new working administration and NHS display centre to support industry's long term health care exports effort.
- 1.8.7 The Association of the British Pharmaceutical Industry (ABPI) and the Proprietary Association of Great Britain (PAGB) should be encouraged to extend more of their exports activities to include representatives from DHSS and BHEC; and to work more closely with each other and with DHSS and BHEC in BHEC's development of a health care exports strategy for the 1980s.
- 1.8.8 DHSS should gradually phase out its present activities in support of health care exports, including the present branches - IED2 and HBO - as the health care exports strategy for the 1980s is developed and implemented and BHEC and DHSS gradually build up their new roles. The aim should be to make significant headway by the end of 1980 and to complete the transition by mid-1982, when only the two full time team members (supported by focal points and their Divisions and the BHEC) might be required in DHSS.

The financial effect of our recommendation is to save eventually about £500,000 a year. The major changes should be implemented by mid-1982 and should involve no net increases in public expenditure in any one financial year.

Part 2

THE PRESENT DHSS ACTIVITIES IN SUPPORT OF HEALTH CARE EXPORTS : A DESCRIPTION AND COMMENTARY

The scale and nature of exports activities

- Whitehall

- 2.1 Selling the British way of health abroad is big business. Exports of pharmaceuticals, medical equipment and hospital building and engineering construction and consultancy services currently bring in about £1000m gross, or about £600m net allowing for imports. DHSS at present spends about £600,000 in direct promotion and support of this activity, or about £1m, if it is assumed that each DHSS officer engaged directly on export activities also uses indirectly the time of one other public servant. DHSS effort goes mainly into the medical equipment and hospital design field. (See Appendix II for trade figures and Appendix III for details of DHSS organisation and costs.)
- 2.2 DHSS activities form part of a much wider Whitehall effort. The Export Credits Guarantee Department provides export credit insurance; the Foreign and Commonwealth Office operates most export promotion services overseas and the Department of Trade those in the UK itself; the Treasury is involved in export credit insurance and export policy through its concern for the balance of payments and public expenditure; and the British Overseas Trade Board is involved in the direction of export promotion services. (See Appendix IV for some details of Government Export Promotion Services.)

- DHSS

- 2.3 We have not found another example of exports, or industrial sponsoring, activity to equal that of DHSS. No other Government Department, apart from Defence Sales where special arguments apply, centralises its effort into an exports branch or provides the same degree of support for home industry; and no other country conducts similar activities. DHSS does so because of its main functions: it is, via the NHS, a major consumer of the health care industry; and, as a sponsoring department, it is responsible for furthering the economic well-being of the industries and firms with interests in health care. Thus DHSS maintains a close relationship with producers and is able to assess their export potential and international competence.

2.4 DHSS routinely sends 12 officers (4 Principals, 3 SEOs and 5 Works Professionals) overseas to conduct health care market reconnaissances; to identify particular areas of health care need; to exchange information on British and overseas health care services; to assess purchasing methods and make professional and commercial health care contacts. As specialist Government officers, they have access to places and people not so readily open to exclusively commercial concerns. The resources currently used on this exports activity are relatively greater than those used by the DHSS for support of the home market (through branch IED1), or its operation of the Pharmaceutical Price Regulation Scheme (through branch IED3), or its design consultancy relationship with the NHS (through Works Group), or its work on wider international relations (through IR Division). (See Appendix III for details.)

- Industry

2.5 The health care industry has many components - pharmaceuticals companies, medical equipment manufacturers, building and engineering construction contractors, building and engineering design consultancies, general service companies and management consultants. There are some 2,000 firms manufacturing drugs, medicines, medical equipment and all other similar requirements of the modern health service. A modern hospital buys about 90,000 separate items excluding drugs and food. The industry manufactures about 100,000 products. It is represented by over 20 Trade Associations. Manufacturers range from small firms, employing less than a handful of people if any at all, to multi-national companies. Some have exclusively health care interests, such as the leading surgical instrument manufacturers. Some are health care divisions or off-shoots of large corporations. Some very small firms manufacture important equipment of high quality: others produce scientific equipment with an essential but not exclusively, health care application. Few are of a size comparable to their foreign competitors and foreign ownership is increasing. Most British firms are well equipped technically but weaknesses in organisation and management expose many to take over by larger groups, which are able to provide a firmer base for the exploitation of scientific and technical skills and overseas markets. And there is a growing number of firms specialising in hospital management and administration, on a "service package" basis.

2.6 The British Health-Care Export Council (BHEC) has been in existence in one form or another since 1964. It was formed to assist in the promotion of the design, construction and equipment of hospitals overseas using British goods and services. The original aim was to facilitate a broader based, package deal approach to health care exports; but in practice, as for DHSS activities, most BHEC attention has gone to the smaller medical equipment manufacturers. BHEC is not a Trade Association: the membership stands at around 250 companies (including 190 medical equipment manufacturers), producing a subscription income of £46,000 and a total budget of about £75,000. A three year grant from the British Overseas Trade Board (£38,000 over the period 1976-1978) has now expired. BHEC has recently drawn up a new constitution and executive committee structure, designed to improve its effectiveness and attract more exporting companies. The post of full time Director of the BHEC has been vacant since its creation in 1978, apart from a period of 6 months in 1979. (See Appendix V for further details.)

DHSS exports organisation and objectives

- Industries and Exports Division : Branch 2

2.7 IED2, which has been in existence in one form or another for the best part of 20 years, is nominally under the day-to-day management of an Assistant Secretary and a Senior Principal (posts currently vacant pending the outcome of this scrutiny). The main task of the Branch is to promote and support health care exports by British firms, particularly of medical equipment, through a programme of visits abroad and personal contacts with overseas governments and health care agencies. The "Territorial Overseas Officers" (TOOs : 4 Principals and 3 SEOs - supported at home by 2 HEOs, 5 EOs, 1 CO and 2 CAs) visit individual countries on average once every 2-5 years, to follow through on overseas enquiries with British firms, and provide advice on market strategy. (See Appendix VI for figures on the scale and cost of some recent travel programmes.)

- Health Building Overseas : Works Group Branch

2.8 Over a period approaching 30 years DHSS and NHS have built up a considerable body of professional expertise in all aspects of health facility planning and provision, which is conceptually of interest to overseas Governments and agencies. "Health Building Overseas"(HBO)

was formed in 1977 (although works services have been provided overseas for much longer), nominally under the management of an Assistant Chief Architect, supported in overseas travelling by the Director of Works Development/Chief Architect, a Superintending Architect, Superintending Engineer, Principal Architect and Principal Quantity Surveyor - with staff support provided by 1 HEO, 1 EO, 1 CO and 1 CA. The main task is to offer the services of these officers to co-operate in health service development on a Government to Government basis; and, by this means, to open the door to overseas business for British commercial and professional firms. In general, the pattern of work adopted by HBO parallels that already described for IED2. (See Appendix VI for further details, including figures on the scale and cost of some recent travel programmes.)

Main Benefits claimed for present DHSS Activities

- 2.9 Despite detailed enquiries within DHSS and outside, it has not proved possible to estimate the commercial benefits resulting directly from DHSS export activities. This does not mean there has been no such direct benefit : it means that it is usually impossible to say whether, in any particular case, an export order would not have been won if it had not been for DHSS support. There is no existing method by which we could quantify such possible benefits in the time available.
- 2.10 Many proxy measures have been suggested to us by those concerned outside the Department. But, in the absence of either quantified benefits or an accepted method of linking such benefits to DHSS input, we have decided to rely on the expressed commercial judgment of those in industry whom the DHSS sets out to assist by its export activities. In general, those in industry to whom we have spoken tend to feel that probably sufficient benefit has accrued to UK exporters to justify the past DHSS expenditure. But we doubt whether industry would be prepared to meet the full cost of present IED2/HBO activities if they were asked to pay for the service.
- 2.11 Nonetheless we have tried to go a little further. We have summarised in Appendix VII some recent, roughly quantified, benefits as supplied to us by IED2 and HBO. If these facts are accurate, and there seems no ready means of checking them centrally, then they would tend to support the view that the past DHSS expenditure could be justified on this basis. In some cases IED2 and HBO both seem to claim the same benefit for their separate activities. HBO have emphasised

that, since they have only been in existence for 3 years, some of their recent ventures have not yet come to fruition, given the long lead times in health care building. For this reason, we doubt whether HBO is cost effective at present; and this doubt seems to be shared by industry, as we explain below.

2.12 However, those concerned directly with DHSS export activities have emphasised that it is not their primary objective to make or be involved in actual sales : their aim is to provide an information base, ^{and the making of contacts,} which will assist British exporters to increase their overseas sales. The DHSS information identifies broad commercial opportunities and the overseas decision takers; and it avoids the need for every commercial representative going overseas to do his own research. DHSS has ready access to information, about the embryonic health plans of overseas Governments, and contacts, identifying the overseas decision takers in the health procurement field, not normally available to commercial representatives or embassy officials. But the completion of a contract or large sale overseas is often a long drawn out process, to which many people contribute, and it is clearly impossible for DHSS to claim complete credit for any particular successful transaction.

2.13 On this basis, the following more intangible - but more important - benefits have been claimed for present DHSS activities:

2.13.1 DHSS officers clearly represent HM Government and have health care expertise, or access to such expertise, that is highly regarded both in the UK and overseas;

2.13.2 DHSS officers are readily received by overseas Governments, by Ministers and officials;

2.13.3 as Government Servants, DHSS officers expect (and usually get) more assistance from overseas Posts than they would expect to give to non-Government bodies;

2.13.4 overseas Ministers regard DHSS officers as non-commercial, and this view is fostered by the DHSS (and NHS) on occasion offering to assist them at cost;

2.13.5 senior officials and Ministers overseas are frequently doctors, and a high percentage are UK trained which tends to leave them with a high regard for the NHS and persuade them to listen to DHSS;

- 2.13.6 overseas Governments clearly welcome the combination of Government Servant and health care expert presented by DHSS officers;
- 2.13.7 the market reports disseminated by the exports branch and the health care building and engineering guidance provide UK exporters with a much valued, free commodity.
- 2.14 Over and above all this, however, we have been made aware of the special role played by DHSS in the support of industry over the past 20 years. At the beginning there can be no doubt that IED2 officers were instrumental in dragging a reluctant UK medical equipment and supplies industry into overseas markets: without such encouragement many British companies would not now be in the exports business and our overseas trade would have suffered accordingly. In recent years, as many more companies became aware of the commercial opportunities overseas and developed the means of exploiting them, DHSS attention turned to the development and strengthening of the representative bodies : without continuing encouragement and assistance from IED2 officers it is doubtful whether the BHEC would exist today, and the BHTIC would probably not have got off the ground; and the continued support and assistance of DHSS over the next few years will be most important if the BHEC is to make the fundamental changes necessary to face the challenges we have identified. Throughout this whole period there can be no question that DHSS officers have played a significant part in assisting industry to gain specific items of export business on the lines of those examples listed in Appendix VII. This could provide more than enough justification for past DHSS activities, without necessarily requiring a continuation of these activities in the future. In commenting so freely on these activities and supporting the need for change for the future all concerned, including the scrutiny team, are most anxious to pay full tribute to the hard work, dedication, and professionalism undertaken over many years by the DHSS officers presently engaged in these activities. In proposing change now we are not attempting to devalue the efforts of the past, or provide a "smart Alec" solution for the future : we are simply recognising the wider importance of the activity they have been engaged in and suggesting more cost effective ways of building on their past investment in order to meet different challenges in the future.

Some Less Satisfactory Features of Present DHSS Activities

- 2.15 But it is not a case of roses, roses all the way. In general, those we have consulted feel the present DHSS activities have outlived their usefulness. For example, there are many important features of the present DHSS activities which do not seem to find favour inside or outside DHSS, as follows:
- 2.15.1 There has been insufficient direction of activity. The absence of well defined and explicitly stated and accepted strategy, for the use of DHSS resources in support of industry's specifically stated commercial requirements, leads to some loss of direction and wasted effort within and outside DHSS.
- 2.15.2 There is unnecessary duplication of activity. The overlapping activities within and between IED2 and HBO, the Department of Trade, FCO Posts overseas, British Overseas Trade Board and British Health-Care Export Council (to say nothing of the separate activities of individual companies and trade associations) leads to inefficiency and wasted energy and resources, particularly within DHSS. The presence of two separate, and almost autonomous, units within DHSS also creates some confusion in the minds of FCO Posts and overseas Governments.
- 2.15.3 There is no routine recording or measurement of the outcome of DHSS activity. The absence of defined criteria in keeping with an agreed strategy (by which to determine the priorities for DHSS export activity, monitor performance and measure outcome and effectiveness) means that DHSS cannot direct its efforts to the best effect.
- 2.15.4 There has been insufficient management in recent years. At Branch and Division level in IED2 there have been many staff changes, after almost 15 years of no change; and for the first time export activities have been divided between the Regional Group and the newly created Works Group. This has led to a noticeable lack of management at Branch level. At the top of the office, whilst there has been full and continuing commitment in recent years by Ministers, the Permanent Secretary and

Deputy Secretaries, there appears to have been some conflict between the requirements of exports activities and the objectives and commitment of professional divisions, for example in the deployment of top professional staff (in DHSS and NHS) in support of the export effort overseas. As a result exports activities have not attracted the full attention of all those concerned at the top of the office, for example through discussion in the Permanent Secretary's HPSS Strategy Committee or its predecessor bodies.

2.15.5 Industry has not yet taken on its proper role, mainly through its own fault. But BHEC will remain in a relatively weak position as long as IED2 and HBO first determine their own travel programmes and work priorities and then seek the views of Industry, through the BHEC as its representative body, and continue to undertake functions which Industry should perform. Industry needs to do more at the strategic level, even though past attempts by IED2 to encourage this have drawn no real response from industry; for example, Government should consult, and be influenced by, Industry in selecting potential overseas markets well before a travel programme has been drawn up and agreed within Government.

2.15.6 There exists no agreed method by which the need for and benefits of the activities can be identified and, where possible, quantified. The absence of such a method, or tangible benefits, could lead to the conclusion that the DHSS activities may be marginal, and as such should be dispensed with.

2.15.7 Other HQ Divisions, Government Departments and the NHS are not sufficiently involved in export activities. Only one of the present officers in IED2 has come direct from one of the policy divisions on the Health Side of the Department; only one Post is available to be filled from outside DHSS; and, there is no regular linkage with the NHS, within or outside DHSS. But IED2 and HBO are still expected to represent overseas the general policies of the Government, DHSS and NHS.

2.15.8 The Pharmaceuticals companies now see a need for DHSS to take more account of their special needs. Almost all the present IED2 and HBO activities are taken

up with the requirements of the small medical equipment companies and health care design consultancies, which taken together probably produce about half the earnings of the pharmaceuticals companies in overseas markets. This does not mean that the pharmaceuticals companies require the same kind of assistance as the other UK health care exporters : in general they can provide this for themselves or for each other.

But it does mean that they could benefit from a more efficient bureaucracy, in terms of exports documentation and regulatory controls, which DHSS could only provide by increasing its present level of administrative expenditure or by using IED2 and HBO resources to supplement those deployed on this work in DHSS Medicines Division.

2.15.9 For reasons which we need not go into here, the policies of DHSS and the NHS in relation to the home market have not been as helpful as they could be to British companies seeking to export. The buying policies and practices of the NHS, and the structure of the health care manufacturing industry at home, should be re-examined with a view to encouraging the identification and support of export activity (and import substitution) by British firms and inward investment by overseas firms. In short, there needs to be a closer linkage between home market activities and the exports activities of IED2 and HBO.

2.15.10 Government and Industry do not project a single minded approach to obtaining health care business abroad. It has been argued strongly to us, by anecdotal reference which we have not had the time or the detail to follow up, that the Government can and should do more to encourage and present a more single minded approach to export activity - as happens in France, Germany, Italy, Japan and Eire. Whilst recognising the social and cultural differences between countries, most UK exporters we have spoken to seem to think that, at a tactical level, Government and Industry could present a sharper, national approach to getting business; and, at a strategic level, it has been argued that the Government might encourage the development of a Government/Industry health care exports "total package" organisation on the lines of those existing in France, Germany and Scandinavia.

2.15.11 Many of the market reports of the Territorial Overseas Officers do not seem to be required by Industry. Most exporters we have spoken to claimed not to use the reports for commercial purposes; and some expressed themselves most strongly about the apparent waste of taxpayers money in producing such reports. The larger companies either have their own organisations or representatives on site, or they hire a market research firm to obtain the specific market information they require. The smaller firms, particularly in the medical equipment industry, may on occasion find the general contents of the reports of greater value; but they, too, require the same specific market information as the larger companies if they wish to engage in export activity.

2.16 We were so concerned about the apparent difference of opinion between those in DHSS responsible for producing the reports and those outside receiving them, (especially as so much of the present time and effort - and therefore expenditure - of IED2 goes into this activity) that we decided to arrange a more objective assessment. We asked PA Management Consultants Limited to take a random sample of the DHSS reports they happened to have on hand in their market research library and let us have their assessment of the content and format of the reports; the method used to collect the information; and, the commercial value that might be placed on this information. We are very grateful to PA for responding so promptly (within a week) to our sudden request; and we repeat their warning that their first, quick impressions need to be treated with caution (pending further examination, assuming DHSS decide to follow up this initial enquiry), particularly as the reports examined by them at random may themselves have been follow up reports. Their detailed analysis is contained in Appendix VIII. This concludes that 85% of the content of the reports could be provided within a week without leaving London; that the remaining 15% might prove too costly to collect through overseas travel (they would charge about £3,000 each for the present reports); and that the "dead information" generally contained in these reports in their experience rarely stimulates action. This preliminary assessment, which

would need to be followed up in more detail if it were to be acted upon, gives strong support to the views expressed to us by Industry about the DHSS reports, Therefore we believe DHSS should stop providing such reports. For the record, a full list of all DHSS market reports is at Appendix IX.

Some Conclusions on the Present

2.17 Whilst recognising and supporting the comments made about past DHSS activities, we conclude from the above that the present activities have outlived their usefulness. Industry and Posts have now learned how to play the game, and DHSS can resort to a more traditional central government role. In making this change we believe that DHSS should pay particular attention to the following aspects of the present system which we think ought to be changed:

2.17.1 there appear to be too many staff engaged on these activities;

2.17.2 there is not enough co-ordination of effort, or tapping of other available resources elsewhere in DHSS, NHS, Whitehall and overseas Posts;

2.17.3 present activities are not pointed enough to industry's specific needs for the 1980s;

2.17.4 there is too much, unco-ordinated, overseas travel at too low a level;

2.17.5 in some respects, DHSS activities may in fact be inimical to meeting the real needs of industry; and,

2.17.6 the present practice of producing Country visit reports should be discontinued, with greater reliance on the parallel practice of passing specific, "commercial in confidence" information direct from Posts to particular UK exporters.

PROPOSALS FOR FUTURE DHSS ACTIVITIES IN SUPPORT OF HEALTH CARE EXPORTS

The Case for Change

- 3.1 The questions identified in Part 1 and remaining for answer relate to the requirements of industry, the role of Government and the nature of any alternative arrangements.
- 3.2 All those consulted, outside and within Whitehall, have welcomed the opportunity to express their views direct to the top of Government through this Report. We should like to record our thanks to them for the courtesy of their attention, the clarity of their understanding and the wisdom of their judgment. Their general conclusion is that change is required.

- Duplication of effort

- 3.3 There is a natural reluctance, within both IED2 and HBO, to accept adjustments which fundamentally affect the status quo : in general people feel that they have been doing a good job, however demanding in terms of the heavy overseas travel programme; that home industry and overseas interests value their efforts; and that they make a worthwhile contribution to the country's earnings from exports. But we have to record that senior officers within IED2 and HBO have argued equally strongly that all the present activities should cease. Many people point to duplication of effort in the presence of two units within one Department.

- Fragmentation

- 3.4 There exist at present no working links between IED2 and other DHSS HQ divisions other than Supply Division and the Scientific and Technical Branch; or, between HBO and other HQ divisions other than the Works Group, Supply Division and the Scientific and Technical Branch; or, between both branches and the NHS. Closer and more effective links between IED2 and HBO and other parts of the DHSS and the NHS would probably reveal duplication of effort and expertise which if properly organised and exploited could lessen the demand for specialist officers and actually increase the effectiveness of DHSS activities in support of health care exports. For example, essential overseas visiting could be undertaken outside IED2/HBO as an extension to other, similar DHSS or

Whitehall activities; and, the arrangement of programmes for overseas visitors to the UK, and general briefing of Ministers, could be undertaken by International Relations Division as part of its present activities in this respect for other HQ Divisions.

- lack of direct benefit overseas

3.5 FCO, faced with the prospect of change under the pressure of public expenditure constraints and staff cuts, clearly have no wish to urge changes in DHSS which might increase the demand for or pressures on commercial officers and other embassy staff overseas. FCO rightly point to the support given in principle to DHSS export activities in the recent CPRS report on FCO Overseas Representation; and to their own wish to continue to second an FCO officer to IED2 for career planning purposes. But they accept that they could take on the mainstream of DHSS export activity, if asked to do so in the absence of such specialist help from DHSS in the future; although interestingly, they have, pointed out that they would not necessarily be able, or see the need, to organise it and carry it out along present DHSS lines. In practice the burden of the FCO work in this respect is carried by the Commercial Posts Overseas. We sought the views of a representative selection of Posts on DHSS activities.

3.6 The general FCO view emerging from their replies is that DHSS officers are respected for their expert knowledge and useful reports. But little measurable benefit has flowed from such activity. There have been few concrete opportunities uncovered which could be published through the Department of Trade's Export Intelligence Service. UK exporters have not been particularly responsive to the promotional activity of IED2 and HBO. Posts therefore acknowledge the general usefulness of visits by IED2 and HBO officers, and the value of their reports as background information; but there seems to be general agreement that they could get by without this service and yet still maintain their entrée to buyers and their export promotional efforts on behalf of the UK health care industry. A summary of all the replies is in Appendix X; and the points made by the New York Development Office and the embassies in Japan and Zurich provide a particularly telling commentary on future requirements and possibilities.

7 This suggests that the status quo in respect of DHSS export activities should not be maintained and that Posts should take on a more involved role as DHSS activities are phased out, provided:

3.7.1 the roles of the BHEC and the other representative bodies of industry are strengthened, so that Posts can respond direct to industry on specific commercial enquiries;

3.7.2 the existing Export Intelligence Service, operated by the Department of Trade and the British Overseas Trade Board is adjusted so that BHEC can provide a more specific service for all member companies;

3.7.3 closer liaison is established direct between overseas Posts, UK exporters in the health care field, the BHEC and other representative bodies and the Export Intelligence Service;

3.7.4 DHSS undertakes to respond to Posts wherever specific health care enquiries arise on which they need Government - as opposed to Industry - support, in the form of information or visits from DHSS or NHS specialist officers.

3.8 This more limited DHSS approach would probably cause little difficulty to Posts in those territories which have already been well covered on earlier visits by DHSS officers. More extensive DHSS support might be necessary where new territories were being explored, although such support would probably be better given by the policy and professional divisions, or by NHS officers, expert in the specific health care issues expected to arise.

- home market priorities

3.9 Relations between the Department of Trade and DHSS have not always been smooth, mainly because of the way in which DHSS has gone about its specialist business. In consequence, we perceive unnecessary duplication between the two Departments in the following main areas:

- 3.9.1 routine visiting of firms in the home market;
 - 3.9.2 direct contact with overseas Posts and Commercial Relations and Exports Divisions in the Department of Trade;
 - 3.9.3 provision (usually in market reports : BOTB charge for this service, DHSS do not) of details of foreign importers, distributors and agents;
 - 3.9.4 advising British firms about the use of official services;
 - 3.9.5 contacting British firms direct about export opportunities;
 - 3.9.6 responding to British firms' requests for information about overseas markets (including tariffs and technical standards);
 - 3.9.7 maintaining statistical and other data about home industry's export trade.
- 3.10 We fully accept the Department of Trade view that DHSS should spend much more time assessing the requirements and capabilities of home industry, as a basis to more selective DHSS export activities in response to industry's specific requirements in defined overseas markets; and much less time travelling the world to drum up export business from the overseas end. DHSS has already embarked on this course through its home market activities, including the creation of the BHTIC and the proposals for a Supply Council. An adjustment in the roles of IED2 and HBO would serve to strengthen these developments.

- pharmaceutical companies priorities

- 3.11 In one respect we have been asked to press for more administrative expenditure by DHSS, if necessary at the expense of present IED2 and HBO expenditure. The pharmaceutical companies would like DHSS Medicines Division to speed up and simplify registration of UK product licences (say from the present 6-9 months to 4 months maximum) to boost sales in overseas markets; to process export certificates within a working week (instead of 3-4 weeks as at present); and, to reconsider the requirements to show current UK retail prices, instead of a commercially viable retail

price for the overseas market, on export certificates. They also see a need for more Government help in resolving problems of interpretation of local regulations, especially licensing procedures; in standardising and simplifying documentation requirements internationally; and, reporting on recent and proposed changes in medicine legislation and registration requirements.

- supporting industry at home

3.12 DHSS exports activity in respect of medical equipment should be grounded in a more secure home market base. The aim should be to strengthen this base by encouraging more selective buying policies for the NHS and fostering more co-operative ventures between companies; and to identify and improve the real capability of industry at home - including its ability to compete against foreign importers. To this end DHSS could (through IED1) profitably engage in more desk work for industry, at the expense of the present commercial travelling (by IED2). Most of the present information which results from an overseas visit could and should have been provided before the event; and much clearer objectives, against the background of an agreed strategy, need to be established before a trip is undertaken by Government or pressed on industry.

3.13 But first there is a gulf to be bridged between the psychology of the Government Servant and that of the commercial exporter - for example:

"as a senior civil servant, I consider that if other Countries want to gain contracts by cheating, I would prefer that we did not get into the same dirty game";

"as a UK exporter, I consider that it is all about getting a signature on the contract, and the money in the bank to promote further UK business - using fair means or foul: if we do not export, we do not sell; if we do not sell we go out of business; if we go out of business, Government cannot be paid for";

"as an academic observer, I note that the French and the Japanese always present a national co-ordinated team to fight for the contract, whereas the British often have two or more competing firms advised by competing merchant

banks: those in the City and Whitehall most involved with the problem of competing for contracts overseas do not see that this present drill needs to be changed; whereas those in outside industry consider the orgy of self congratulation, of those who constantly lose us contracts because of present arrangements, nauseating".

- 3.14 This suggests the need for DHSS to arrange earlier consultation with those affected by its activities. Industry would welcome, and indeed expects, explanation and consultation before the cement sets on Government thinking well before the event and the earliest possible opportunity to de-brief DHSS officers after the event. But, in return, Industry (and BHEC) would need to be much more responsive than it has been in the past.

- undermining industry abroad

- 3.15 We found that most criticism of present DHSS activities related to the work of HBO. Most consultants welcome promotional work on behalf of British expertise, which they think can only be helpful. But many doubt the need for the present, separate HBO organisation; and question what they see as a "leading from the front" posture adopted by HBO. Some consultants are nervous that HBO will not be able to adhere to its statements not to offer competitive services and feel they have already seen some evidence of such competition. They are uncomfortable about the criteria on which the DHSS exercises its undoubted powers of patronage in hospital building : some consultants have been supported more than others, and no systematic or acknowledged criteria are known of. These consultants seem more concerned about the prospect of possible "blackballing" than of "favouritism"; but, above all, everyone seems to be in the dark about what actually goes on. And DHSS cannot know at all times exactly which consultants and companies are bidding for what work overseas.

- 3.16 No one we spoke to outside DHSS could identify any major "money in the bank already" - contract which had come to British firms as a result of HBO activity; and everyone consulted doubted whether a major hospital project (planning, design, building and equipment) would ever come the way of British firms. In general,

building contractors are judged not really to be interested in such business overseas; and there are doubts about the capability or inclination of Government to back firms all the way. HBO officers accept that their case is still to be proved; and have admitted that if such major work did not in the event come to British firms then it would be difficult to sustain the case for HBO. But they would like another year or two to prove their case.

- 3.17 HBO officers have emphasised to us their commitment to actually undertaking risk taking, commercial activity, as opposed to the traditional Government position, adopted by LED2, of simply assisting industry to undertake commercial activity including the necessary risks. It is this very approach which seems to be worrying consultants and companies most: it can very easily lead to taking the bread out of the mouths of UK firms; and welcome, initial enthusiasm can too often lead to unrealisable objectives through commercial naivety.

Within DHSS and outside

- 3.18 /we have received strong criticism of the present, separate, HBO organisation, expenditure and cost effectiveness (duplication of activities; poor diplomacy; excessive and unrealistic travelling arrangements). Industry expects Government to confine its activities to supporting British industry at home and responding to industry's call overseas when commercial judgment determines that the time is right for Government intervention.

- 3.19 On this basis, we could not support the continuation of a separate HBO organisation.

Some Conclusions on the Case for Change

- 3.20 Industry clearly welcomes the support and expert interest of the DHSS; and gets on very well with the DHSS officers concerned. But most people we have spoken to accept the case for change; provided we can build on this spirit of collaboration and acquired expertise, and enhance the essential DHSS function of assisting British health care exporters to realise their full potential in overseas markets. In short:

- 3.20.1 very few people we have spoken to in DHSS and in Industry argued unequivocally for the status quo in respect of present DHSS activities;

- 3.20.2 many influential sectors of industry have argued to us strongly that the present DHSS activities should be abandoned;
- 3.20.3 there seems to be an overwhelming body of opinion, amongst those we have spoken to in industry, in favour of fundamental change; and,
- 3.20.4 in general the representative bodies we have spoken to have acknowledged the need to adjust the present dividing line between DHSS and industry, so that industry and its representative bodies take on more of present DHSS exports activities.

Some international comparisons

3.21 We were asked to pay particular attention to any international comparisons so as to guide Ministers on what they might best do to meet the complaints of British exporters that the Government never seems to do as much for them as overseas Governments do for their competitors. Despite repeated questioning of those we have spoken to, and other enquiries we have undertaken, we have not been able to proceed beyond the anecdotal reference - which quite often does not itself stand up to closer examination. But some general factors have been drawn to our attention in many places, as follows:

- 3.21.1 Diplomatic Support: It is frequently claimed that in other nations' diplomatic posts, all staff, irrespective of their formal function, are ready to support commerce; whereas in British posts, other departments such as Chancery consider that involvement in commerce would prejudice their political work. Cases have been quoted of foreign ambassadors involving themselves personally in seeking projects, where the British Ambassador declined to intervene; and of the use of the cultural exchange programme for exports intelligence purposes.
- 3.21.2 Credit: there seems to be little doubt that some of our foreign competitors are frequently able to put up better credit terms. This is usually attributed to better facilities for government credit cover and aid from the relevant governments; but it often seems simply to be due to better service by the overseas banks, as in

Germany. The Export Credits Guarantee Department have told us that they are confident that no other country is offering a more favourable total package for legal credit terms than the UK: they are prepared to check on particular examples alleging more favourable treatment overseas; and they would like to arrange a special display for UK exporters to explain their full range of services and deal with particular problems.

3.21.3 Aid: we were frequently told that other countries have obtained business by the use of Aid. There is no question that overseas contracts can be obtained by Aid tied to Trade but that is detrimental to the balance of payments. The Government are undertaking a review of the "aid/trade" scheme, so as to give greater weight in the allocation of Aid to political, industrial and commercial considerations. It is for DHSS to make its case in this respect on behalf of the health care industry to the Department of Industry; and now is the time to press claims for 1983 and beyond.

3.21.4 Major Contracts: a major contract can only be signed by a company that is "credit-worthy" to the extent of the contract and there are only a few British companies in this league, mainly the major building contractors. With such a company heading a consortium, everything else will be attracted like iron filings to a magnet. Without such a company, all are wasting their time. But such companies are, in general, reluctant to take on hospital building contracts and they are frequently criticised for not taking risks. Their reluctance has been investigated by the DHSS and, in depth, by the Overseas Project Group of the Department of Trade. There appear to be a number of explanatory factors, which include:

- any building contract with various consultants (architects, mechanical and electrical engineers etc), has problems at the interfaces. In hospital building this friction is particularly marked, because of the high content of mechanical and electrical engineering;

- other types of building contract are substantially for "concrete-pouring": a hospital is a complicated engineering complex with walls around it: the main contractor has to take responsibility for other contractors; and construction contractors are reluctant to take responsibility for M & E contractors, whom they sometimes suggest should be in the lead;
- in Middle Eastern countries, building contracts produce enough problems without the special problems posed by hospital contracts;
- the client often wants a fixed price contract and this is hazardous, particularly for hospitals, and with bid bonds and performance bonds creates an unacceptable risk;
- if a client goes to international tender, to six or eight firms, the cost of producing a bid (anything up to £100,000) is not justified by the odds against success;
- British contractors prefer to go for other contracts and so long as they can keep busy, why bother with hospitals: the DHSS should be careful about pushing contractors towards hospitals, if they can get more profitable work in other fields;
- German contractors who, apart from being very efficient, have their own consultants (architects, engineers, etc) and can produce a complete "in-house" proposal, whereas the British contractors have to form consortia with the risks already described;
- many of the contracts taken on by foreign contractors are not yet completed and it has been suggested that these contracts may not in the event prove profitable; for example on the recent Middle East experience of Belgium and Italy.

3.21.5 Joint Marketing: it is possible that some of the British problems, eg in USA, could be helped by Joint Marketing schemes. This has often been discussed by DHSS and one or two small schemes have been started; but British industry does not respond well, and indeed may not be structured to do so.

3.21.6 Servicing: one of the stock criticisms of British companies is their failure to provide adequate servicing; and this is probably also true of foreign competitors. Some major foreign companies can provide servicing from their "corporate" depots; but in the UK the medical equipment offshoot is often on its own and there is no corporate presence in spite of the huge resources of the parent company. DHSS have arranged several meetings of BHEC to discuss the problem and, while no joint effort was possible, two firms have offered to supply servicing: so far little has resulted.

3.21.7 Import Substitution: in pressing for greater support in the home market for British products, there is the obvious risk that giving the home industry a captive market will take away initiative and competitiveness, resulting in a poorer and more expensive product for the home market with the company priced out of the export market. But more inward investment, directed at foreign companies expressing a willingness to re-export, offers a way forward and is part of the IED1 philosophy.

3.22 Nonetheless, most of those we have consulted believe that we are losing out unnecessarily to our overseas competitors, and this view has been supported by the conclusions in a recently published report by the National Economic Development Office on "The UK's performance in export markets ..." (this report is concerned with British industry at large) which concludes that:

- too many companies have treated exporting as a marginal activity, rather than integrating it fully into their operations;
- companies have devoted insufficient effort to increasing competitiveness in non price terms. Foreign firms seem to have paid more attention to this aspect of exporting;

- UK firms have spread their exporting effort too widely over different geographical markets. They need to concentrate more on key markets and try to match their competitors in the resources devoted to exporting to them;
- improvements in non price competitiveness have played an important part in the West German approach which may now provide a particularly appropriate lesson for the UK and its industrial companies.

In short, UK companies have been relatively unsuccessful, compared for example with France, West Germany and Japan, in those markets offering the biggest opportunities for export sales and with the most rapidly growing potential in which UK performance was relatively good to start with. These conclusions in respect of the UK's share of world exports of manufactures seem to apply with equal force to health care exports, a field in which non-price factors - such as skilled personnel and acquired expertise in the DHSS and NHS - could be exploited much more in support of a more selective and concentrated exports drive.

Specific proposals for change

3.23 All of this suggests an urgent need to bring closer together the attitude of mind and actions of the Government Servant, the British exporter and - through Ministers - the country; so as to develop and present to our competitors, at all levels, a much more selective and single-minded approach to the tough business of earning our living abroad and to provide for our basic requirements at home. The following specific proposals for change are designed with this end in mind.

- a health care exports strategy for the 1980s

3.24 DHSS needs to encourage industry to draw up an outline strategy, to guide its activities in support of health care exports in the 1980s, in close consultation with other Government Departments concerned and overseas Posts and interests and the NHS. In devising this outline strategy industry's aim should be to:

3.24.1 Specify the health care objectives for export purposes: eg

- to market the acquired professionalism and expertise of the NHS and DHSS;
- to boost UK sales in overseas markets;
- to strengthen the home market for export purposes;
- to concentrate on "susceptible" markets, "winner" companies and "assured" products;

and determine the main steps necessary to achieve such objectives.

3.24.2 Clarify the main constituents of the UK health care product: eg

- training and education programmes for key professional groups;
- identification of health care needs and plans to meet them, including methodology to guide resource allocation;
- prevention and primary care programmes, including disposable supplies;
- professional macro-planning and design of health care facilities;
- construction of health care facilities;
- equipment of health care facilities;
- disposable supplies for health care facilities;
- commissioning health care facilities;
- staffing health care facilities, in theory and in practice (seconding key NHS/DHSS staff on site overseas);

- organisation and day-to-day management of health care facilities;
- maintenance and upgrading of health care facilities;
- continuing supply of drugs and dressings and other disposable supplies;
- identification of need for changes in health care plans and provision to meet changing health care needs;

and identify and categorise those constituents on which to concentrate for exports purposes. Some constituents, eg training and education programmes, may produce no immediate benefit or may simply cover their costs, but may result in the longer term benefits reflected in other constituents. Some may prove to be inappropriate.

3.24.3

Establish the capability of home industry to deliver the UK health product in overseas markets: eg

- categorisation of home industry through professional assessment of its strengths and weaknesses, and potential for growth in the export markets;
- identification of particular product strengths in overseas markets;
- identification of particular companies to deliver the UK health care product, in whole or in part - singly or in consortia;
- assessment of the potential for structural change in home industry, and its representative bodies, for export purposes;

and identify the key steps necessary to improve export performance.

3.24.4

Identify the overseas markets most susceptible to penetration by UK health exporters delivering the UK health product: eg

- those where there is a history of the UK approach or where there is no established counter-UK system;
- those where the market conditions - especially non-price factors - favour the UK approach, or where the overseas Government is prepared to override the normal market conditions on a Government to Government basis;
- those where price factor could work in favour of the UK product;
- other potential new markets, with money to spend on the UK product;

and determine the priority to be attached to the exploitation of particular markets.

3.24.5

Specify the Government 'cement' needed to hold together the main elements of the strategy: eg

- Government statement on the importance of exports and the approach to national single-mindedness;
- London Teaching Hospital "Shop Window" for British health care industry and its products;
- Government backed, industry run, "quality assurance" system - ie "approved exporter by appointment to DHSS and NHS";
- Government to Government "back to back" contracts;
- Government finance to back health care export drive;
- DHSS and NHS personnel, and their professional bodies, encouraged to make themselves available to assist the export drive in overseas markets;

and assess the priority to be attached to particular aspects.

3.25 Industry's outline strategy would need to be tested against:

- 3.25.1 Government policy on general support for export activity; promotion of activity in support of home industry; Aid/Trade relationships; the net added value of production in UK; and, priorities for attention by identified Ministers.
- 3.25.2 FCO/ODA Country assessment reports on general economic and political requirements most in need of Aid/Trade assistance.
- 3.25.3 Trade/Industry market survey report identifying specific overseas markets for UK to penetrate; and, specific home markets for UK to support and promote.
- 3.25.4 Wider Health requirements which are the specific concern of other Government Departments such as environmental health provisions, pure water supplies, sewage disposal, clean air, chemical etc control, food hygiene and health and safety at work.
- 3.25.5 DHSS Ministers' views about main priorities to be observed.
- 3.25.6 Industry/Consultancy views about the role of Government in health export promotion, and home industry sponsorship and support - as a major consumer and production department; the needs of the market; and, the capability of Industry.
- 3.25.7 NHS views about major user, consumer and production department practicalities in the context of buying for the NHS; and overseas activities of NHS personnel which might be used in support of export drive;
- 3.25.8 Defence Sales Organisation views about the possible links between their sales promotion activities and those required for health care exports; and about how the organisation of DHSS/BHEC activities might benefit from the Defence Sales example.

3.26 In reporting the case for change as seen by all those we have consulted we have tried to deal fairly with the present system, and at the same time to identify the main points required in the new approach we propose to overcome the observed weaknesses in present arrangements. We now intend to go further and indicate how we propose those concerned should move from the present system to what we recommend for the future. Our main recommendation is to dismantle the present DHSS organisation, as represented by IED2 and HBO, and to replace it with arrangements more suited to present and future needs, at some saving in cost and with greater efficiency and effectiveness, while at the same time ensuring that the DHSS continues to support an exports effort which must be spearheaded by industry.

- a merger of functions within DHSS

3.27 There is clearly a need both to merge the main export activities in DHSS, and to bridge the gap between industry's specific commercial needs and DHSS and NHS expertise. But this must be done in a way which provides essential Government support for industry's exports strategy without compromising the traditional impartiality of the British Government in the eyes of overseas Governments and interests; and without giving undue emphasis to particular UK companies or products. We believe that we can best achieve this objective by adopting the team approach to the task of assisting industry to develop a more explicit strategy for health care exports; and to deploy DHSS' limited resources more effectively in support of this strategy. The function of the team would be to attract the confidence of industry as their guide to the use of DHSS and NHS expertise in pursuit of overseas trade, in keeping with the requirements of the agreed strategy. The team will need to be kept small, and dynamic; with a constantly changing membership through the co-option of particular specialists, within DHSS and the NHS and across Whitehall (depending on the specific requirements of industry's strategy or overseas Governments and interests and the needs of an individual contract at any one time). It needs to be small, so as to ensure both that it cannot arrogate to itself jobs which industry should do, and that it must work closely with and depend on industry's representative bodies. This close partnership with industry should then serve to give the team authority within DHSS and Whitehall; and it will relieve all those others concerned in

DHSS from qualms of "commercial contamination" by providing an official filter. Its overriding aim should be to ensure that all aspects of DHSS exports activity are conducted within a single framework of strategy and tactics in support of industry's spearhead. In short, it will replace a plethora of freelancers by pointed, improved, control.

3.27.1 We therefore recommend that a health care exports team should be established within DHSS to assist industry to draw up a strategy for the support of health care exports in the 1980s, in consultation with the British Health-Care Export Council (BHEC), other Government Departments, the NHS and overseas Governments and interests.

3.28 We cannot possibly specify the precise organisation of functions within DHSS, in advance of the production of the proposed strategy and without having the time or authority - within our terms of reference - to examine the other Groups in DHSS and in other Government Departments which might be affected by such a strategy. But we are clear that we do not need nearly so many people as are directly employed on these activities at present; and that the present, divided, organisation needs to be replaced by a single, new, small, authoritative exports team to provide an interface with industry, Whitehall and overseas interests. The team must be of sufficient standing, and be afforded adequate power and speedy access to top management and Ministers, so as to ensure that industry, and overseas Governments and interests get results from approaches to DHSS, NHS and Whitehall.

3.28.1 We therefore recommend that the health care exports team should comprise two full time members from DHSS, at Assistant Secretary level (say, drawn from Industries and Exports Division and Works Group as representatives of present interests, with one to be nominated leader) and should have the authority to co-opt more members as necessary - drawing from DHSS Scientific and Technical Branch, from the NHS, from FCO, from the Department of Industry, from the Department of Trade and from the Defence Sales Organisation, and from outside industry.

- Involvement of Top Management

3.29 At present senior management exercises control of DHSS exports activities through the Exports Steering Group, representing Supply, IED, Works, Medical and Nursing Divisions interests, broadly at

Under Secretary and Deputy Secretary level, under the Chairmanship of the Deputy Secretary Regional Group. We think this Group should continue to provide the right forum for the consideration of strategic issues and the exercise of senior management functions. The Group's membership will need to be broadened to reflect the other Divisions and Groups in DHSS with an interest in exports activity and overseas interests; and the main thrust of its activities should be supported explicitly from time to time by all interests at the top of the office and by Ministers, for example through periodic discussion of the exports strategy by the Permanent Secretary's Health and Personal Social Services Strategy Committee. At this stage, pending the development of industry's strategy and the identification of the particular elements and interests requiring DHSS support, we do not think it appropriate to place the team in a strict, line management relationship in any particular DHSS Division or Group; and, we believe that the team will gain more strength in partnership with industry if it continues to be seen as free of the bureaucracy with reasonable authority to act speedily and unconventionally on its behalf in keeping with an agreed strategy.

- 3.29.1 We therefore recommend that the Health Care Exports Team should report to the Deputy Secretary, Regional Group, in his role as Chairman of DHSS Exports Steering Group; and the membership of the Steering Group should be broadened to reflect Personnel, Finance, Regional Liaison, and Health Services Development interests.

- Liaison and support within DHSS

- 3.30 To provide an effective co-ordination point for health care exports activity within DHSS and across Whitehall, and develop an authoritative interface with industry and overseas Governments and interests, the health care exports team will need to develop strong working links with the main Divisions and Groups within DHSS. For this purpose, each main Division or Group likely to be affected by industry's strategy will need to identify, within their existing resources, focal points; to provide a channel through which their specialist divisions can make available DHSS and NHS expertise in response to specific requests from industry, Whitehall and overseas Governments and interests. These focal points would not be called upon themselves to undertake exports

activity: their function would be to ease the path of the health care exports team in making the essential contact, quite often against tight deadlines, between available specialist expertise in the DHSS and NHS (including the consultancies and companies these bodies normally deal with) and UK exporters, representative bodies, Whitehall departments and overseas Posts, Governments or interests requiring such assistance, in keeping with industry's agreed strategy for the support of health care exports. Equally, the team would not be expected to engage in overseas travel or undertake specific exports activity on the present pattern: team members would clearly need to "get their feet wet" and establish the necessary contacts in selected overseas markets, or ensure that such expertise was available within the team at any one time; but, in general, their role would be to support industry, overseas Posts and the DHSS/NHS "specialists" identified by focal points, in such activity. For example, a Works Group focal point would be responsible for identifying quickly at the request of the team specialist works professionals in DHSS, NHS or approved private firms to meet the specific requirements of the particular exports activity. Supply Division and Scientific and Technical Branch focal points would carry similar responsibilities for identifying and conveying specialist information or assistance from the home market - private firms, the NHS and the Supply Council - for similar exports purposes; and for securing a much closer relationship between a strengthened home market base and exports activities. An International Relations Division (IR) focal point would provide the necessary link for exports purposes to wider international relations across Whitehall and between Governments, and the international bodies in the health care field; and would serve to avoid some of the present duplication and overlap between the activities of IED2 and HBO and IR, eg in arranging DHSS and NHS programmes for inward missions or overseas visitors and in briefing Ministers and the top of the office on the international relations aspects of exports activity. A Regional Group focal point would be responsible for bringing NHS interests much more into the act in support of the exports effort; and for conveying to the NHS a much clearer line on industry's exports strategy and DHSS activities in support of this strategy, including the general relationship between NHS buying policies, the home market base and exports activity.

3.30.1 We therefore recommend that DHSS Supply Division, Scientific and Technical Branch, International Relations Division, Finance, Health Services Development, Personnel, Regional and Works Groups and Medical and Nursing Divisions should each identify a focal point, within their existing resources, to respond to the exports team and to the requirements of the health care exports strategy for the 1980s.

- Involvement of Industry

3.31 The general thrust of the case for change is that industry, through its representative bodies, should be encouraged and assisted to take on the role of spearheading the exports effort, at the expense of much of the present DHSS activities. But we have had expressed to us doubts about the capability of industry to put its present house in order let alone take on more, demanding responsibilities from Government. There seem to be two main arguments against any such shift in the burden of responsibility for supporting health care exports. The first is that the BHEC has failed to take on this task in the past and has not the ability, inclination or resources to take it on in the future. It is argued that companies will not cede to it more power, or subscribe more money, until BHEC demonstrates that it can deliver more of the goods; and that BHEC cannot provide such a demonstration until it has more power and substantially increased resources and facilities. The second argument against such a change is that the present DHSS activities are seen to be undertaken in a neutral and impartial way on behalf of Her Majesty's Government, without favour to individual companies and without commercial influence on overseas Governments and interests, and BHEC would tend to be seen as a commercial organisation promoting the special interests of those companies represented on its governing bodies. Our view, based on full discussion of these issues with those industrialists at present in charge of the BHEC and those others who might be described as driving forces in industry, is that it is time to face industry and BHEC with the challenge presented by such a proposed shift in the burden of responsibility for exports activities; and that there are sufficient people of authority in industry ready to accept the challenge and see the necessary changes through.

Especially, as bigger challenges are already being faced up to by industry at home in the shape of the creation of BHTIC and the Supply Council. But if, despite Government assistance during a gradual period of transition, the worst fears of the critics are confirmed and BHEC is unable, for one reason or another, to play the role on behalf of industry that we believe it should, then either DHSS would have to revert to its present role or other avenues would have to be explored. The neutral and impartial role of DHSS could not be taken over lock, stock and barrel by BHEC, since it can never become a department of Government; but DHSS, Whitehall and overseas Posts could, over time, do much to assist BHEC to assert and establish its impartiality in the eyes of overseas Governments and interests, especially as the proposed DHSS exports team would be working to an agreed industry strategy in close partnership with BHEC. We are clear that if industry, and its representative bodies, is to succeed in this it must reorganise itself to take on these new functions and demonstrate to all concerned the effectiveness of its new role, as the spearhead for health care exports in close partnership with Government. But since similar attempts have been made in the past to assist BHEC to strengthen its role, for example through the recent grant from the BOTB, and the Government is now re-examining all such aid and cutting down on "Quangos", it will be most important for DHSS and BHEC to be quite specific in advance about the new functions which BHEC will have to take over from DHSS. For example, overseas travel and outward and inward missions and country visit and market reports pointed specifically to the requirements of industry.

- 3.31.1 We therefore recommend that BHEC should be expanded to take more, specific, health care exports functions on behalf of Industry, including most of those at present undertaken in DHSS by IED2 and HBO, the British Consultants Bureau, the Overseas Projects Group in the Department of Trade and individual Trade Associations; and should provide the channel from Industry (pharmaceuticals, equipment, supplies and works) to Government on those exports activities which require a partnership between the DHSS exports team and BHEC.

- Transitional help from DHSS

3.32 It has been put to us that although British firms accept the need for Industry and its representative bodies to do more, they are unlikely to cede more power to, say, the BHEC or accept a significant increase in its subscriptions unless they first see precisely what will come to, or be expected of, them in return. We can understand this natural reaction given the fragmented nature of the industry and its many disparate elements, from which it both draws its basic strength and suffers its major weakness relative to Government. But the general view of those we have spoken to suggests that the long term aim should be for industry, in parallel with the action proposed for Government through the health care export team, to create a non profit making agency designed to encourage the necessary restructuring of industry at home and from this strengthened base to boost export activity by British firms and provide a shop window for potential clients and others from abroad. Such an agency would need to be self financing, free of and yet collaborate fully with Government and able to take an objective view on behalf of Industry free from individual company pressures. We believe that it is for Government to encourage Industry to move in this general direction by assisting it to take the first steps. But, as explained above, it is important that such transitional help from DHSS should be seen as the most cost effective way of transferring functions from DHSS to BHEC, so as to achieve the longer term savings in DHSS expenditure and the strengthening of a free-standing BHEC, and not as further general grant aid to a "Quango".

3.32.1 We therefore recommend that DHSS should assist BHEC with this reconstruction, for a transitional period not exceeding three years: by seconding to BHEC one Principal and two Executive Officers from IED2; and by providing financial assistance, up to a limit of one quarter of the existing headquarters administrative cost of IED2 and HBO, to fund specific functions identified in the exports strategy for the 1980s. In addition, DHSS should make available suitable space, surplus to NHS requirements - preferably in a London teaching hospital, to house a new working administration and NHS display centre to support industry's long term health care exports effort.

- pharmaceutical exports

3.33 We have reported above the suggestions of the pharmaceuticals companies for a more efficient bureaucracy, in terms of the requirements of the medicines legislation and exports documentation. These companies have recognised, quite fairly, that, given current constraints on public expenditure and civil service manpower, DHSS might only be able to act on their suggestions by reducing expenditure on present activities elsewhere in the Department - such as IED2 and HBO. But the pharmaceutical companies also recognise that they would be more able than other companies in the industry to cope with such a switch in DHSS priorities, since in general they do not use the services of HBO and they do not rely very much on the exports services of IED2. In general, the pharmaceuticals companies rely heavily on the services of the branch responsible for operating the Pharmaceutical Price Regulation Scheme - which is outside our terms of reference - (IED3), and Medicines Division, which concentrates on the legislative and regulatory requirements of these companies. They are therefore not directly affected by our exercise. But we think the representative bodies for the pharmaceuticals companies (the Association of the British Pharmaceutical Industry - ABPI - and the Proprietary Association of Great Britain - PAGB) should consider re-assessing their priorities in the light of the changes we propose for BHEC and DHSS, with a view to forging closer links with BHEC and DHSS as part of a national exports drive. For example, at the tactical level the ABPI and PAGB might consider extending their joint exporters meetings to cover the members of the DHSS health care exports team and BHEC representatives from other parts of the industry. At the strategic level, the ABPI and PAGB might consider, in partnership with DHSS and BHEC, what they could do to influence the main constituents of industry's proposed strategy in the light of their relatively wider experience of exports activity. We have seen some detailed work to this end already undertaken by one Principal in IED2, in order to give greater priority in IED2 activities to the requirements of the pharmaceuticals companies, which appears to be welcomed by the PAGB and some member companies of the ABPI; and it might be possible for these bodies to build on this work for their own purposes.

3.33.1 We therefore recommend that ABPI and PAGB should be encouraged to extend more of their exports activities to include representatives from DHSS and BHEC; and to work more closely with each other and with DHSS and BHEC in the BHEC's development of a health care exports strategy for the 1980s.

- The future of IED2 and HBO

3.34 The effect of all these recommendations is that the DHSS should both undertake a lot more and do a lot less. For example, if the BHEC can be reorganised to take over most of the existing activities of IED2 and HBO, then the present DHSS officers could be released for other duties - including those directly in support of the BHEC as identified above. At the same time, DHSS (and NHS) exports effort should be radically reorganised and redirected in keeping with industry's exports strategy for the 1980s; to include the development of the DHSS health care exports team, focal points and specialist experts as proposed above. Meanwhile, as the strategy for the 1980s is being developed, the DHSS could arrange if necessary for appropriate DHSS officers travelling abroad on other health care business to make themselves more aware of the exports objectives of DHSS and Industry (eg the health care exports team should provide them with a document distilling the essential elements of the exports strategy for the 1980s). We have seen a list of overseas visits by 61 DHSS officers approved during one month by the International Relations Division. This suggests that it might not prove impossible for DHSS to find sufficient, appropriate DHSS officers travelling abroad on other health care business each year to undertake some of the commercial fact finding and contact making activities at present undertaken by the 12 IED2/HBO travelling officers; if this became necessary during the transitional period or, even, as part of industry's longer term strategy. If a similar list could be produced showing the overseas travel programme of the NHS, it is likely that even more such activity would be revealed with a potential for exports promotion activity either by DHSS/NHS or BHEC. All this would therefore make it possible for DHSS to phase out IED2 and HBO as the gradual reorganisation and redirection of its effort, through the exports team, focal points and BHEC, gradually takes effect. Thus DHSS, far from reducing its total input in support of industry's exports efforts would actually be able to increase it - through the team and focal points support for BHEC - and yet at the same time make

savings in administrative expenditure - through the salary costs and travelling expenses of IED2 and HBO. And the full cost of the exports team would only be carried for the time it took industry to draw up its strategy, say a year or two - after which the costs of the team would depend on the detailed role it was required to play in keeping with the continuing requirements of industry's strategy - say the salaries and expenses of the one or two full time members and their secretaries.

3.34.1 We therefore recommend that the DHSS should gradually phase out its present activities in support of health care exports, including the present branches - IED2 and HBO - concerned with these activities, as the health care exports strategy for the 1980s is developed and implemented and the BHEC and the DHSS gradually build up their new roles. The aim should be to make significant headway by the end of 1980 and to complete the transition by mid 1982, when only the two full time team members (supported by focal points and their Divisions and the BHEC) might be required in DHSS.

IMPLEMENTATION AND ACTION PLAN

4.1 We think that all the above proposals should be implemented as part of a coherent programme. This will need to take account of existing commitments, particularly the already approved LED2/HBO travel programme for 1980, and the operational and financial constraints under which the DHSS and NHS will be working during the transitional period we recommend. It is important that change should not be rushed and that all concerned - DHSS staff, industry, the NHS and overseas Posts, Governments and interests - should be given the opportunity to comment on and react to our proposals so that the necessary transition can be handled sensitively without damaging essential interests in the continuing, national exports drive. We should not like our proposals to be seen as a destructive comment on the past or a requirement for immediate change: we have already acknowledged fully the expert and demanding roles undertaken by the DHSS officers concerned with exports activities; and it is our intention to build on this past investment and prepare the ground for a necessary new approach by the mid-1980s, when staff changes in DHSS would have in any event pointed to the need for change. For this reason we would like to see our report published as a basis for full and detailed consultation with all concerned in DHSS, Whitehall, Industry, the NHS and overseas interests. We describe below a possible programme, which will need to be filled out in detail separately, to meet the needs of staff, management and the wider interests identified in the report. A more detailed action plan, proposing the first steps likely to be necessary by DHSS to implement our specific recommendations, is at Appendix XI.

4.2 1980-81 : the current financial year would be taken up with:

- 4.2.1 Ministerial decisions on the contents of the report and approximate timescale of implementation;
- 4.2.2 public announcement of main changes to be made and timescale involved;

- 4.2.3 appointment of the health care exports team to direct DHSS operational planning and strategic developments, to secure agreement to a detailed implementation programme and to supervise implementation over the next two years;
 - 4.2.4 feasibility studies : with overseas Posts and interests, to establish how British interests can be advanced against our main competitors; with central departments, to establish a methodology for balancing DHSS exports costs and benefits; with recipients of TOOs' reports to identify the key information required by such a process in the future; and, with BHEC on the practicability of the changes proposed;
 - 4.2.5 consultations with BHEC, PAGB, ABPI and, through them, the representative bodies; within Whitehall; and with overseas Posts and interests ; and with the NHS.
- 4.3 1981-82 : this year would be concerned with implementing most of our major proposals and changing systems to cope with the adjustment in the balance of activities between DHSS and Industry:
- 4.3.1 distillation of acquired expertise and information of IED2 and HBO as part of the handover to BHEC, PAGB and ABPI and overseas Posts;
 - 4.3.2 secondment of IED2 staff to BHEC;
 - 4.3.3 financial assistance from DHSS to BHEC;
 - 4.3.4 establishment of an effective "door opening"/focal point mechanism with DHSS, including a "window on Whitehall", across industry (pharmaceuticals, equipment, supplies and works) and with overseas Posts and interests;
 - 4.3.5 identification of barriers to more successful exporting within Government to be overcome as part of DHSS strategy for 1980s : eg

- status of commerce: commercial awareness programmes for FCO and professional staff;
- finance for exports: covering DHSS, DT, BOTB, BHEC, ECGD and ODA;
- personnel for exports: arrangements for overseas staff secondments to and from DHSS and NHS;
- assurance for exports: provision of "Government cement" at all stages of development and delivery of the British health care product overseas;
- consortium initiation and management: to hold together the British health care product and British firms in overseas markets.

4.3.6 production of BHEC strategy for health care exports in the 1980s, for consultation with all the interests concerned with a view to implementation by mid-1981/1982.

4.4 1982-83: this would be the first year during which BHEC would be expected to begin to play its full new role, with DHSS readjusting its functions accordingly.

4.5 Appendix XII sets out the financial consequences of our recommendations (at 1979 Ready Reckoner of Staff Costs). The total effect, together with staffing consequences is summarised in the following table (a minus sign (-) indicates a saving):

	<u>1981-82</u>	<u>1982-83</u>	<u>1983-84</u>	<u>1984-85</u>
Total Financial Consequences	(-)£0.02m	(-)£0.02m	(-)£0.32m	(-)£0.5m
Staffing Consequences (numbers)	(-)13	(-)24	(-)24	(-)27

METHOD OF WORK

1. Within DHSS, we spoke to every single officer, of whatever level, engaged directly in activities in support of health care exports; to others who have retired or been transferred from these activities in recent years; to colleagues indirectly involved in or affected by these activities; and to the Staff Inspectors who recently completed an inspection of IED2.
2. We consulted those concerned with DHSS export activities in the Foreign and Commonwealth Office, the Department of Trade (and the British Overseas Trade Board), the Treasury, the Civil Service Department, the Exchequer and Audit Department, the Department of Industry, the Overseas Development Administration, the Export Credits Guarantee Department and the Defence Sales Organisation.
3. The FCO invited written comments on our Study Plan from the Heads of UK Commercial Departments in Abu Dhabi, Algiers, Budapest, Caracas, Dubai, The Hague, Kuwait, Lagos, Milan, New York, Oslo, Tokyo, Bangkok, Cairo, Jakarta, Mexico City, Sydney and Zurich. These Posts were selected so as to provide a representative sample of all Posts, whether or not they have experience of DHSS activities overseas.
4. We spoke at length by telephone to the Commercial Departments in Egypt, Kuwait, Oslo and Zurich, to follow up their written comments, and to a commercial officer in Israel.
5. We visited professional and trade associations - the Association of the British Pharmaceutical Industries, the Proprietary Association of Great Britain, the British Consultants Bureau, the British Health-Care Exports Council, the Export Group for the Constructional Industry, the British Health Care Trade and Industry Council, the British Surgical Exports Group. We consulted individual members of their governing bodies; and also representatives of individual companies who are members of the governing bodies of other professional and trade associations.

6. We spoke to the managing directors, Partners, marketing directors, or export managers of over 50 companies and practices - including pharmaceuticals, medical equipment and supplies, and building and engineering contractors and consultants - and including all those recommended by those within DHSS directly or indirectly concerned with export activities, as well as some chosen at random by us and recommended by others inside and outside DHSS.

7. We consulted the National Economic Development Office about their paper - "The UK's performance in Export Markets ..."; and to representatives from City University who have recently held some City/Industry/Whitehall seminars on exports activity.

UK OVERSEAS TRADE STATISTICS

1964 - 1979

Unit : £1m

Source : HM Customs & Excise

Appendix II

	<u>Pharmaceuticals</u>			<u>Medical Equipment</u>			<u>Total</u>		
	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance
1964	59.1	7.1	52.0	13.9	8.6	5.3	73.0	15.7	57.3
1965	66.8	11.2	55.6	16.0	9.8	6.2	82.8	21.0	61.8
1966	73.1	14.6	58.5	16.0	10.4	5.6	89.1	25.0	64.1
1967	78.4	15.8	62.6	17.3	12.7	4.6	95.7	28.5	67.2
1968	96.1	19.4	76.7	20.5	14.9	5.6	116.6	34.3	82.3
1969	117.7	25.4	92.3	24.6	15.8	8.8	142.3	41.2	101.1
1970	139.7	33.7	106.0	31.9*	20.7*	11.2	171.6	54.4	117.2
1971	168.4	37.6	130.8	36.3*	24.3*	12.0	204.7	61.9	142.8
1972	180.7	43.5	137.2	42.3	27.8	14.5	223.0	71.3	151.7
1973	221.1	66.6	154.5	55.6	41.2	14.4	276.7	107.8	168.9
1974	301.4	91.8	209.6	81.5	54.4	27.1	382.9	146.2	236.7
1975	373.0	97.1	275.9	126.5	70.0	56.5	499.5	167.1	332.4
1976	452.5	139.3	313.2	155.9*	98.4*	57.5	608.4	237.7	370.7
1977	554.6	173.7	380.9	239.9	122.2	117.7	794.5	295.9	498.6
1978	654.5	200.9	453.6	212.9	152.7	60.2	867.4	353.6	513.8
1979	658.7	232.8	405.9	233.5	177.6	55.9	872.2	410.4	461.8

* Figures not strictly comparable with previous year

NB No separate figures are available covering overseas trade in hospital building construction and building and engineering design consultancy : amounting to say £300m balance per annum

DHSS EXPORT ACTIVITIES : ADMINISTRATIVE COSTS 1979-80

(source Department of Trade "Export Promotion Budget")

	<u>Proportion</u>	<u>Unit Cost*</u>	<u>Cost</u>
		£	£
Under Secretary	23/60	33,899	12,994
Directing B Grade	4/5	30,354**	24,283
Superintending Grade	2	27,780**	55,560
Assistant Secretary	13/4	27,487	48,102
Principal Professional and Technology Officer	11/2	22,220**	33,330
Senior Principal	12/100	24,886	25,383
Principal	41/10	22,286	91,372
Senior Executive Officer	3	19,024	57,072
Higher Executive Officer	3	16,306	48,918
Executive Officer	6	13,053	78,318
Senior Personal Secretary	23/60	10,701	4,102
Personal Secretary	247/60	9,041	25,164
Clerical Officer	2	8,177	16,354
Clerical Assistant	3	6,914	20,742
			<u>541,694</u>
Travelling/subsistence [†] :		IED	33,665
		Non-IED	14,000
			<u>47,665</u>
		Total	<u>589,359</u>
Total Activity by Sub Programme	%		<u>Cost</u>
			£
(i) Collection and dissemination of overseas information	35		206,276
(ii) Trade Promotion	10		58,936
(iii) Other assistance to individual UK exporters	25		147,340
(iv) Assistance to non-Government organisations	5		29,468
(v) Information and publicity about UK industry and products directed at overseas markets	15		88,403
(vi) General advice and encouragement to UK exporters, including Award schemes		deminimis on annual basis	
(vii) Joint Commissions	10		58,936
			<u>589,359</u>

*Basic staff cost + accommodation + common services - 1978 figures, updated to include 1 April 1979 salary increase and 15% inflationary fig.

**Basic staff cost + accommodation + common services - 1978 figures, updated to include national 16% salary increase and 15% inflationary figure.

+1978/79 figures, although expected to be fairly accurate reflection of 1979/80 costs, but not updated to take account of inflation.

The main tasks of LED2 have been summarised as follows:

- preparing the ground: making home industry contacts, collecting market information and liaising with the other Government Departments and agencies;
- visiting the site: travelling to the territory, mainly alone but sometimes as part of a UK trade mission or exhibition, making contacts within and outside the overseas Government and interesting potential agents in the general range of UK products without declaring particular preferences;
- producing a market report: covering general market conditions and advice on health care and trade regulations, health care developments and market possibilities;
- trouble shooting: following up at home overseas enquiries and handling queries arising from consequential contacts with British firms;

The main tasks of HBO have been summarised as follows: (the cost of many of these HBO activities is reimbursed by overseas Governments eg considerable funds in 1979-80 from Egypt, Kuwait, Bahrain: see also reimbursement of travelling costs in Appendix VI)

- planning: covering facilities required for overall health care provision, and training of health facility planners;
- design and construction: covering specific building types, from primary health care centres to high technology hospitals;
- upgrading: development of central planning for extension or remodelling existing hospital complexes, including fire safety issues;
- engineering: general and specific aspects; and the training of hospital engineers;
- cost control: covering budget costs, cost appraisals, cost planning of buildings and cost control of contracts.

GOVERNMENT EXPORT PROMOTION SERVICES

Working in close association with the Foreign and Commonwealth Office, which is responsible for Diplomatic Service Posts (ie Embassies, High Commissions and Consulates General) abroad, and with the Export Credits Guarantee Department (a separate Department responsible to the Secretary of State for Trade,) the Department of Trade

- (a) is primarily responsible through its Commercial Relations and Exports (CRE) Divisions for Government to Government commercial relations which help create the best possible climate for British trade in general and with particular countries. The CRE territorial Divisions are also concerned with the potentialities of overseas markets and the most suitable strategies for supporting industry's efforts to increase exports to them; and
- (b) provides a wide range of services to exporters through the Export Development (ED) and Export Services and Promotions (ESP) Divisions. ESP Division is the main provider of services to exporters, whilst ED Division is primarily responsible for matters of policy and finance. Both Divisions look to the British Overseas Trade Board for direction on the development of their services to exporters.

The Department of Trade works closely with the other Government Departments with industry responsibilities which are concerned with the development of the export capability of their particular industries, and which seek to identify and resolve with the industries concerned constraints upon the improvement of export performance. The Department of Trade also liaises with the National Economic Development Office (NEDO) and its sector working parties.

Within the Department of Trade responsibility for co-ordinating and directing its export promotion services is vested in the British Overseas Trade Board (BOTB). The responsibilities of the Board are:

To advise the Government on strategy for overseas trade.

To direct and develop the Government export promotion services on behalf of the Secretary of State for Trade.

To encourage and support industry and commerce in overseas trade with the aid of appropriate Governmental and non-governmental organisations at home and overseas.

To contribute to the exchange of views between Government and industry and commerce in the field of overseas trade and to the search for solutions to problems.

The Board is composed of businessmen drawn from the public and private sectors of industry and the City, representatives of the Association of British Chambers of Commerce, the Confederation of British Industry and the Trades Union Congress and, finally, of those Government Departments principally involved in export promotion.

BRITISH HEALTH-CARE EXPORT COUNCIL

1. The British Health-Care Export Council (BHEC) is a non-profit making body that exists to assist in the sale and use of British expertise, equipment, supplies and services in health-care projects throughout the world. The council is supported by both commercial and professional organisations and, though independent, enjoys a close working relationship with Government Departments, receiving the very fullest DHSS support.

2. The BHEC (then the British Hospitals Export Council) was formed within the King's Fund Centre building in 1964 as a non-profitmaking organisation to assist in the promotion of the design, construction and equipment of hospitals overseas using British goods and services. It was thought its main task would be centred on helping British architects, consulting engineers, contractors and package deal operators, but in practice the work of BHEC became more orientated towards the manufacture of medical equipment. At the end of 1968 BHEC formed a Hospital Equipment Group and with the help of an annual grant of £3,000 (1969 to 1971) from the British National Export Council, BHEC built up its own staff and membership. The BHEC enjoyed office space and facilities at a nominal charge and was able to function on a fairly modest income from members' subscriptions until 1975 when it was required to find new accommodation. A request for financial assistance was made to the BOTB and £38,000 was provided over 3 years (1976 to 1978) to provide help of a pump-priming nature for export promotion purposes. The subvention was paid in yearly instalments on evidence of need and was conditional on BHEC moving towards self-sufficiency by increasing its income from subscriptions and charges and generally extending its field of influence and activity.

3. Currently, BHEC membership stands at around 250 companies (including 190 equipment manufacturers). Subscription income, scaled (£100, £300, £500, £1000) to the number of employees of individual companies, produces some £46,000, which together with sales of publications and surplusses on promotional activities currently produces a total budget of about £75,000.

4. As an organisation concerned only with the export function, BHEC does not have the responsibility of a Trade Association. Its member companies are represented by over 20 assorted trade associations. Following a recent initiative by BHEC, a British Health-Care Trade and Industries Council was formed by the leading trade association and will represent 2,000 or so companies, who supply equipment for the National Health Service, on "home" matters. Although a number of trade associations undertake export activities in their own right (eg SIMA - Scientific Instruments - and BSTA - Surgical Instruments) BHEC is regarded by industry and Government as the representative body for exporters of medical equipment.

5. Over the past 3 years BHEC has made many changes towards improving its effectiveness and its attraction to exporting companies and a new constitution has been drawn up. The BHEC operates through a number of standing committees which report through an Executive Committee chaired by BHEC's Chairman, Mr W Crossland (a Director of Smiths Industries). The Executive Committee is responsible for matters of general policy and direction. An "Operations Committee" (Chairman: Mr N Ripley, Managing Director of Penlon Ltd) deals with promotional activities and is primarily concerned with the equipment manufacturers' interests; reporting to it are 4 export market sub-committees (Regional Committees) for Europe; Far East; China and N. America. There is also a Finance Committee and a committee concerned with hospital building and projects work (Professionals Committee: Chairman Mr John Weeks, Senior Partner to Llewelyn Davies, Weeks & Partners). Provision is made for special exercises to be dealt with by an ad hoc Strategy Committee (Chairman: Mr J Poole, formerly Managing Director Intermed). Committee members are elected from member companies and receive no remuneration for their services. "Observers" may be invited to sit on committees and both the BOTB (GESB) and DHSS (I & E Division) regularly attend meetings of the Executive and Operations Committees.

6. The BHEC has a permanent Secretariat of 3 full-time and one part-time executives and 5 Secretary/Clerk-Typists. The office is at present run by Mr J Harris (Secretary General). There is a post for a Director (created over 2 years ago) but apart for a period of 6 months at the beginning of 1979, the post has remained vacant.

7. The BHEC is an extremely active body and there are few areas connected with the promotion of the industry's exports in which it is not involved. For example:

- 7.1 sponsor of British groups with Joint Venture support at overseas exhibitions and manning industry information stands (about 18 events each year);
- 7.2 organising BOTB supported missions to overseas markets (about 2 a year);
- 7.3 organising BOTB supported Inward Missions (one or two each year);
- 7.4 running UK Seminars on selected export markets and on special topics - eg Product Liability; US Medical Devices Legislation (about 3 a year);
- 7.5 publication of a Directory of members' products and services (every two years);
- 7.6 publication of a Weekly Bulletin to members containing details of export opportunities (obtained mainly from EIS) and other export marketing information;
- 7.7 distribution among members of market reports produced by IED2;
- 7.8 representing the industry in contact with Government (and others) on export related matters;
- 7.9 advising industry on export matters (with reference to BOTB and DHSS as appropriate);
- 7.10 recruitment of new members.

8. On 28 December 1979 BHEC became incorporated under the Companies Act and is now known as the BRITISH HEALTH-CARE EXPORT COUNCIL LTD. It is intended to hold a special meeting for BHEC Ltd member companies in the Spring of 1980, to initiate election procedures to the main BHEC Ltd committee, as specified in the Memorandum and Articles of Association and Bye-Laws. Meanwhile the present Executive Committee continues to oversee the running of BHEC Ltd and has appointed Mr W Crossland as Chairman of BHEC Ltd and Mr Jack Harris as Secretary of the new company.

OVERSEAS VISITS BY IED2 1975-1980 : GEOGRAPHICAL SPREAD AND
 MAIN PURPOSE (the figures in brackets provide a rough indication*
 of the travel costs involved, exclusive of salary
 costs which have not been calculated separately)

Country	1975	1976	1977	1978	1979	1980
Algeria					A(£331)	
Argentina				B(£403)		
Australia	B	C	B	C(£1000)		
Austria				B(£588)	B(£265)	
Bahrain		A		D(£450)	B(£265)	
Belgium	B			B(£217)		
Botswana						
Brazil	D		C&D	B(£403)		B
Brunei			A		B(£450)	
Bulgaria			D(£333)			
Cameroon						A
Canada	A	B	B	B	B(£1000)	C
Costa Rica			A	B		
China	A&C*			D,C*(£1285)		D
Czechoslovakia						
Denmark		B		B(£536)	B	
Dominican Republic					A(£262)	
Egypt	A	B			C(£737)	B
El Salvador		A	B	B		
Finland	B		B&D(£333)			B
France	D		B(£1348)	B(£425)		
GDR	A				B	
Ghana		A				
Greece			B(£381)			
Guatemala				A		
Haiti					A(£262)	
Hong Kong		B,B	B,C(£432)	B,C(£1026)	C	B

A First Survey, B Follow up, C BHEC Mission, D Ministerial visit

* SIMA *Broad division of the round trip costs between the various countries visited.

Country	1975	1976	1977	1978	1979	1980
Hungary					B(£265)	
Iceland	B					
India					A(£577)	B, C?
Indonesia					B(£450)	B
Iran		D	A	B+C+D (£2893)		
Iraq	C	A+D		C(£384)		D
Irish Republic	A					B
Israel	B, D	D		B(£783)		
Italy		B	B(£777)	B(£950)	B(£800)	
Ivory Coast				A(£904)		B, D
Japan	C	B, B	D		B(£1793)	C
Jordan	C		A	C(£384)		B
Kenya	A				B(£459)	
Kuwait	A+D			D(£450)	B	
Lebanon	C		A	B(£357)	B(£322)	B
Libya				B(£322)	B(£322)	B
Malawi					A(£459)	
Malaysia ≠	B	B	B	C, B(£1136)	B(£1069)	B, B
Malta	B					
Mexico		B				C?
Morocco					A(£331)	
Netherlands	B	B			B	
New Zealand			B			
Nigeria	B	C+B	D+B (£930)	B, B(£3339)	B(£983)	B
Norway		B	B(£640)	B(£742)	B(£875)	B
Oman		A			B(£612)	
Panama						
Paraguay						

A First Survey, B Follow up, C BHEC Mission, D Ministerial visit
 ≠ These include "working" transit stops.

Country	1975	1976	1977	1978	1979	1980
Philippines	A	B,B	B	C		
Poland				C+B(£448)		C
Puerto Rico				A(£1183)		
Qatar		A		B		
Rhodesia						A?
Romania					B(£682)	
Saudi Arabia		B,D	B,B,B,D (£1256)	B,B (£490)	B(£495)	B,D,D
Sierra Leone						
Singapore ≠	B,B	B,B	B,B,B (£432)	C(£366)	C,B (£1069)	B,B
South Africa				B(£560)		
South Korea		C*	B(£432)			
Spain		B			B(£424)	B?
Sudan				A(£357)	B(£322)	
Sweden		B		B(£536)		B?
Switzerland	B	B,B		B(£435)		
Syria	A+C			C(£364)		B
Tanzania					A(£459)	
Thailand	B		B(£432)	B(£366)		B,B
Turkey	A					
UAE		A	C(£1256)	B(£904)	B+C (£1633)	
Uganda						A?
USA	A,D	B	D	B(£1191)	D(£400)	B
USSR			D(£333)	B(£1105)	B	C?
Venezuela	D		B		B,C (£262)	
West Germany	B+C	B+C	B+C (£781)	B+C (£1335)	B+C (£492)	C,C
YAR				A		
Yugoslavia					B(£242)	B
Zambia	A					

A First Survey, B Follow up, C BHEC Mission, D Ministerial visit

* SIMA

≠ These include "working" transit stops

OVERSEAS VISITS BY HBO 1977-1979 : GEOGRAPHICAL SPREAD AND
 MAIN PURPOSE (the figures in brackets provide a rough indication
 of the travel costs involved, exclusive of salary
 costs which have not been calculated separately)

COUNTRY	1977	1978	1979
Bahrain	A,B(£4131)	B,B(£4848)	(-)
Belgium		A (£114)	
Canada		A(-)	
Egypt		A,B(£2258)	B,B(£3432)
Far East		A(£1944)	
France		A,B(£183)	
Iran		A,B(£1077)	
Jordan		A,B(£1949)	B,B(£1268)
Kuwait		A(£305)	B,B(£1124)
Lebanon	A(£815)		
Libya		(-)	
Manila		A(£1986)	
Mexico			
Nigeria		A(£1209)	
Norway			A(£549)
Portugal		A(£469)	
Saudi Arabia	A(£826)	-	B(£625)
South Africa	A(£960)		
UAE	A(£412)	A(£558)	A(£2210)
USA			A(£2115)

A First Survey, B Follow up, (-) No charge

*Broad division of the round trip costs between the various countries visited.

NUMBER OF OVERSEAS VISITORS FOR WHOM PROGRAMME PREPARED BY IED2

Country	1975	1976	1977	1978	1979
Algeria	2				2
Argentina	3	1	1		2
Australia	21	17	26	21	14
Austria				1	4
Bahrain	2	1	1	1	
Belgium		48			
Brazil		2		56	1
Bulgaria			7		
Cameroon					3
Canada	9	4	40	4	2
Chile		1			
China				23	20+
Costa Rica		1	2		
Czechoslovakia		10	2		
Denmark	2	18	2		
Ecuador	1	1	1		
Egypt		2	16	6	1
El Salvador			1		1
Finland		6	2	1	
France	5	1	6		1
GDR	4	5	7		1
Ghana	2	1	3		
Greece		9			1
Hong Kong	1	3	1	3	4
Iceland	1				
Indonesia	3		1	1	
Iran		2	1		
Iraq			2		
Israel		4	13	15	8
Italy		9	50	39	9
Japan	1	8	13		16
Jordan				6	
Kenya				1	
Kuwait		1	1	2	
Lebanon					1
Libya				2	

Country	1975	1976	1977	1978	1979
Malaysia			2	2	2
Malta	1				
Mexico				1	
Netherlands	8	2			
New Zealand	3	5	2		1
Nigeria			3	6	
Norway	8	1	6		1
Philippines		2	1	3	
Poland			1	11	1
Portugal		1	4		
Qatar					2
Saudi Arabia		5	1	3	
Sierra Leone		1			
Singapore	2		6	3	5
South Africa	1	4	2	1	
South Korea		2		1	2
Spain		1	2	2	2
Sweden	1	2			
Switzerland				1	2
Thailand	3	3	1	4	
Trinidad					3
Turkey	1	1			
UAE	2			1	
USA	1	11	4	7	8
USSR	5	1	9	6	3
Venezuela		8		27	5
West Germany	1	7	1		2
Yugoslavia	1	3		5	30

HEALTH BUILDING OVERSEAS - OVERSEAS TRAVEL COSTS FOR 1979
 (Source : DHSS Finance Division Records)

PLACE	TICKETS	NET BY DHSS	NET BY OVERSEAS GOVERNMENTS
KUWAIT	7 x first class (at £996)		£ 6972
CAIRO	4 x first class (at £751)	£ 1502	1502
	1 x econy class (at £426)	426	
BAHRAIN	2 x first class (at £1008)		2016
ADDIAB	4 x first class (at £751)	2253	751
DUBAI	1 x first class (£1101)	1101	
	1 x econy class (£647)	647	
CASABLANCA	1 x econy class (£316)	316	
MANILA	1 x econy class (£1121)	1121	
		<u>£ 7366</u>	<u>£ 11241</u>

NB. APPROXIMATE COSTS ONLY

QUANTIFIED BENEFITS OF DHSS ACTIVITIES

A. A SUMMARY OF SOME IED2 INITIATIVES1. Middle East - ABPI's Annual Report 1978/79 stated:

"A joint industry-DHSS mission to Syria, Jordan, Iraq and Iran took place in April 1978....The mission had excellent opportunities to put to the Health Ministers and other leading figures in all four countries the case for reasonable prices, assured quality and the innovative record of the pharmaceutical industry in the UK. DHSS involvement clearly added considerable weight to our arguments and their support was greatly appreciated..."

2. Nigeria - Shanning, an equipment package company, in 1979 signed a £5m contract to supply equipment for 260 health centres and clinics in Nigeria. DHSS persuaded the Federal Ministry of Health to accept an equipment schedule for the clinics, and a small consortium of British firms to pay for the scheduling to be done by one of their number, so that the equipment list could be forwarded to the Nigerians under the DHSS name.

3. Egypt - Shanning obtained a contract valued at about \$5m to equip a private hospital on the direct recommendation of DHSS.

4. USSR - Portex (Smiths Industries) concluded in 1977 agreements, valued at £1.25m for the supply of plant and technical expertise for the manufacture of medical plastics and at £2m for manufacture under licence in Yugoslavia, resulting from IED2 work on the secretariat of the Anglo-Soviet Working Party on Technological Collaboration of Medical Equipment and Instrumentation.

5. China - Through the close relationship developed between IED2 and the Chinese medical authorities:

5.1 arrangements were made in January 1980 for a senior team from Portex to visit Peking to make a series of technical presentations, as the next stage in negotiations for the erection of a medical plastics plant in China. The team carried personal letters of introduction to a number of senior contacts, and have confirmed that the visit was very successful;

- 5.2 EMI secured a contract worth £1.6m for CT scanners;
- 5.3 a British Medical Technology Exhibition (the largest all-British medical venture ever mounted overseas) was held in Peking in March 1980.
6. Hong Kong - The Hong Kong Government had decided to purchase a Hitachi electron microscope (£50,000). Cambridge Instruments got this order, and possibly another, through IED2 action.
7. Saudi Arabia - The National Guard of Saudi Arabia want the UK to take over the commissioning and subsequent management of 2 (500 beds) hospitals in Riyadh and Jeddah, which with associated construction and other work could go to British companies. MOD and IED2 are examining the possibilities of sub-contracting to commercial companies on a "back to back" basis.
8. Iceland - Envair Ltd, backed by IED2 in the face of a lower bid by Swedish competitors, completed in 1979 a £100,000 contract for clean rooms at the State Drug Co.
9. Malaysia and Singapore - Drayton Castle obtained, in 1979, through IED2 investigations, contracts worth over £174,000.
10. Spain - Prompted by IED2, the Institute Nacional de Prevision decided to buy Spain's first Emiscanner: 25 have now been sold in the country.
11. Italy - The first unit for domiciliary dialysis in Italy was established in Turin on IED2 advice. British machines are now widely used in Italy for both domiciliary and hospital use.
12. France - An Emiscanner was purchased at Lyon on IED2 advice.
13. Irish Republic - The first public hospital to be built for many years in the Republic (at Cork) was equipped by British techniques and largely with British equipment on IED2 advice. It is likely to be followed by others.
14. Ivory Coast - The Ivorian Minister of Health has accepted British participation in the Ivorian hospital building programme. After 2 years involvement by IED2 and a visit by Dr Vaughan in February 1980, a contract was awarded to the UME/Wimpey Group to carry out the feasibility Study/design brief for a turnkey project on a new 450 bed hospital at Man.

15. Kuwait - IED2 recommended and supported a consultant (Allied Medical) to carry out a feasibility study worth in excess of £50,000 for the Kuwait Hospitals stores and supplies organisation.

16. Bahrain - IED2 passed a request for professional assistance to Works Division (before HBO), for a master plan for the Salmania Hospital (DHSS was paid £49,000), which was followed by a design commission for a UK practice.

17. UAE

17.1 In 1976 IED2 nominated and supported Allied Medical for a hospital management contract worth several million pounds a year;

17.2 IED2 arranged for an MSC expert adviser on computers to advise the Director of Medical Services of Dubai about some ICC proposals. ICL got the hardware contract, for about £½m, with a possible overall value of about £1m.

18. Qatar - During one of the Arab wars, the Qataris wanted to provide two mobile operating theatres for Syria and Egypt (£65,000).

IED2 put them in touch with BRM. The Embassy could not evaluate but purchased on IED2 advice.

B. A SUMMARY OF SOME HBO INITIATIVES

19. Nigeria - During a visit by HBO to Lagos an offer was made to MOH that DHSS would prepare a report and outline schemes for Health Centres. HBO assisted Watkins Gray to prepare detailed designs and production drawings for a basic health centre programme in Nigeria (estimated fees: £100,000). This led to an equipment contract for Shanning (£5m).

20. Bahrain - HBO prepared a Master Plan for the Salmaniya Hospital development (fee: £49,000). The first design contract was let to a UK consultant (who did not produce the lowest bid). HBO are updating the Plan (fee: £15,000). If HBO proposals are implemented in full the contract would be worth some £20, with UK having a head start.

21. Egypt - HBO prepared a development plan for a 350 bed Military Hospital (cut fee: £5,000) followed by a more detailed plan (fee: £15,000) HBO might link with IMS to offer a package deal to design and build the main hospital;

21.1 the Director of the Suez Canal University invited HBO to advise on proposals to establish a Faculty of Medicine at Ismalia. HBO visited Ismalia to advise on UK consultants: Percy Thomas Partnership are following up.

22. Kuwait - HBO have employed consultants to assist on Kuwait's main hospital redevelopment: contracts worth some £360,000 have been signed for completion by May 1980. The UK should be well placed to win a substantial share of further projects worth £150-200m.

23. Jordan - HBO have persuaded the Minister of Health to award the design contract for Princess Basma to Hospital Design Partnership: the DHSS Nucleus planning system was an integral part of HDP's submission;

23.1 HBO submitted a Master Plan setting out seven options for development of Al Bashir hospital: substantial parts were incorporated in the international tender; but, following a change of Government, FEAL of Italy may have been appointed.

24. Philippines - HBO learned of the Philippines plans for a kidney centre and arranged for United Medical Enterprises Ltd to follow it up; but the project has been shelved.

25. Thailand - HBO interested Seltrust Ltd in Thai plans to establish a pharmaceutical plant; but the project may have been postponed.

26. Sri Lanka - HBO alerted UK consultants to a turnkey project by a Chairty Foundation wishing to establish a 50 bed private hospital: Poole Dick and Partners are managing the project.

OTHER HBO ACTION

(NOTE: The list below are examples of countries where HBO has taken action by giving costing advice, issuing letters of support, recommending to clients appropriate UK companies, and establishing a single UK consortium).

1. Algeria - Tlemcen Teaching Hospital
2. Bahrain - Military Hospital
3. Cyprus - Limassol and Lanarcar hospitals
4. Egypt - Qatar, Kasr Al Aini and Al Mansourah hospitals
5. Greece - 3 Teaching Hospitals
6. India - Hospital in Bombay
7. Iraq - 2 Teaching Hospitals Baghdad, Maternity Hospital at Basma
8. Jordan - Princess Basma Hospital, Al Bashir Hospital in Amman and Phase I Yarmouk Teaching Hospital.
9. Lebanon - 500 bed hospital in Beirut
10. Nigeria - Several general and teaching hospitals
11. Paraguay - University Hospital
12. Saudi Arabia - Several hospital projects
13. Senegal - Hospital at Dakar
14. Sierra Leone - 500 bed hospital in Freetown
15. St Vincent - Kingstown General Hospital
16. Trinidad - Teaching Hospital
17. UAE - Several Projects.

PA MANAGEMENT CONSULTANTS LTD : COMMENTS ON A REPRESENTATIVE
SAMPLE OF DHSS REPORTS OF TRAVELLING OFFICERS OVERSEAS

TOPICS COVERED	EUROPE AUSTRIA		E. EUROPE HUNGARY		AFRICA MALAWI		FAR EAST MALAYSIA		N. AMERICA USA		S. AMERICA VENEZUELA		MIDDLE EAST KUWAIT	
	DHSS	PA	DHSS	PA	DHSS	PA	DHSS	PA	DHSS	PA	DHSS	PA	DHSS	PA
Summary	x	/	x	/	x	/	x	/FFIQ	x	/	x	/	x	/
Introduction		hpt on visits												
Background	x	/	x	/	x	/	x	/	x	/	x	/	x	/
The Health Services	x	/	x	/	x	/	x	/	x	/	x	/	x	/
Procurement and Supply	x	/	x	/	x	/	x	/	x	/	x	/	x	/
Standards	x	/	x	/	x	/	x	/	x	/	x	/	x	/
Domestic Production	x	/	x	/	x	/	x	/	x	/	x	/	x	/
Pharmaceuticals	x	/	x	/	x	/	x	/	x	/	x	/	x	/
Market Prospects	x	/FFIQ	x	/FFIQ	x	/FFIQ	x	/FFIQ	x	/	x	/	x	/FFIQ
Tackling the Market	x	/FFIQ	x	/FFIQ	x	/FFIQ	x	/FFIQ	x	/	x	/	x	/
Exhibitions	x	/	x	/	x	/	x	/	x	/	x	/	x	/
Austria as a base for East/West trade	x	/	x	/	x	/	x	/	x	/	x	/	x	/
Other sources of information	x	/	x	/	x	/	x	/	x	/	x	/	x	/
Aid														
Health Problems														
Health Education														
Training of Health Personnel														
Hospital Details/Development														
Conclusions/Recommendations														
Laboratory Equipment														
Health Maintenance Org														
National Health Insurance														
Cost Containment														
Difficulties														
Foreign Med. Graduates														
Int. Lending Agencies														
Dentistry														
Support Services														

KEY : FFIQ = Face-to-Face Improves Quality
 x = Covered in report
 / = Could be covered by PA from London
 ** = This topic included in conclusions

APPENDICES: TOPICS COVERED	EUROPE AUSTRIA		E. EUROPE HUNGARY		AFRICA MALAWI		FAR EAST MALAYSIA		N. AMERICA USA		S. AMERICA VENEZUELA		MIDDLE EAST KUWAIT	
	DHSS	PA	DHSS	PA	DHSS	PA	DHSS	PA	DHSS	PA	DHSS	PA	DHSS	PA
Personalities met/identified	x	/FFIQ	x	/FFIQ	x	/FFIQ	x	/FFIQ	x	/	x	/FFIQ	x	PA
UK Import/Export	x	/	x	/	y	/	x	/	x	/	-	/FFIQ	x	/
Imports into country	x	/	-	-	-	-	x	/	x	/	-	-	x	/
Medical Estab. by type	x	/	x	/	x	/	x	/	x	/	x	/	-	-
by owner	x	/	-	-	x	/	-	-	-	-	-	-	-	-
Beds by Dept.	x	/	x	/	x	/	x	/	-	-	x	/	-	-
Causes of Death	x	/	x	/	-	-	x	/	-	-	-	-	-	-
Dealers/Importers of Medical	x	?	x	?	-	-	x	/	-	-	-	-	-	-
Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Manufacturers Pharmaceuticals	x	/	-	-	-	-	x	/	-	-	-	-	-	-
Exhibitions, etc	x	/	-	-	-	-	-	-	-	-	-	-	-	-
Six 'land' profiles	x	/	-	-	-	-	-	-	-	-	-	-	-	-
Medicor - esth.	-	-	x	?	-	-	-	-	-	-	-	-	-	-
products	-	-	x	-	-	-	-	-	-	-	-	-	-	-
Chinoin products	-	-	x	?	-	-	-	-	-	-	-	-	-	-
Hospital profile/s	-	-	x	?	-	-	-	-	-	-	-	-	-	-
Health Personnel	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central Government Finance	-	-	-	-	-	-	-	-	x	/	-	-	-	-
Health/Government Expenditure	-	-	-	-	-	-	-	-	x	/	-	-	-	-
Map - hospitals etc marked	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- geographic	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Organisation chart Min. of	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Aid Programmes	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vital Statistics	-	-	-	-	-	-	-	-	x	/	-	-	-	-
Medical Equipment Requirements	-	-	-	-	-	-	-	-	x	/FFIQ	-	-	-	-
Food & Drugs Admin: Bureau	-	-	-	-	-	-	-	-	x	?	-	-	-	-
of Drugs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Membership of AUDEM	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Hospital Admissions/Outpatients	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dental Statistics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Hospital Projects	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Documents needed for regd.	-	-	-	-	-	-	-	-	-	-	-	-	-	-
a pharm.co. or drug prep.	-	-	-	-	-	-	-	-	-	-	-	-	-	-

? = Cannot be verified until research is in hand

CONCLUSIONS FROM ABOVE ANALYSIS

- the precise purpose of the reports is unclear and the quality and format varies considerably: are they background papers or documents designed to stimulate selling activities;
- the PA assessment of seven recent DHSS reports, includes what was covered in the reports, and what PA could produce - perhaps within a week - working in London;
- a rough estimate suggests that 85% of the contents of the reports is background data of a kind which could be produced by PA working in London;
- some reports contain invaluable information on the local health scene, eg laundry services, methods of information storage, special education programmes; but such comment is minimal and usually appears insufficiently specific to prompt action;
- overall the reports contain insufficient local comment and it should be possible (through, for example, development programmes) both to identify the most useful local information and show how it should be obtained; in particular a fuller assessment of the local political structure would be valuable;
- at present fee rates background data reports of the kind produced by DHSS should normally be provided at a consultancy cost of about £3,000 (excluding VAT) per country; but such reports should follow an accepted pattern and contain fuller information sufficient to stimulate action - "dead" information of the kind presently produced by DHSS rarely stimulates action.

LIST OF 138 IED VISIT REPORTS (DHSS): 1968-FEBRUARY 1980

(Number of reports for each Country shown in brackets)

Algeria (1) 1979;
Argentina (3) 1969, 1970, 1978,
Australia (1) 1973,
Austria (3) 1972, 1978, 1979,
Bahrain (2) 1976, 1979,
Belgium (1) 1975,
Brazil (3) 1973, 1975, 1977
Rio de Janeiro (1) 1978
Bulgaria (1) 1973
Canada & West Coast of USA (3) 1976, 1977, 1978
China (2) 1975, 1978
Costa Rica (2) 1977, 1978
Cyprus (2) 1972, 1973
Czechoslovakia (1) 1974
Denmark (2) 1974, 1976
Dominican Republic (1) 1979
Egypt (2) 1975, 1976
El Salvador (2) 1977, 1978
Finland (1) 1977
France (4) 1972, 1973, 1974, 1978
East Germany (1) 1975
West Germany (1) 1977
Ghana (1) 1976
Greece (1) 1977
Guatamala (1) 1978
Haiti (1) 1979
Hong Kong (1) 1977
Hungary (1) 1971
Iceland (1) 1975
India (2) 1968, 1969
Indonesia (1) 1974
Iran (2) 1976, 1978
Iraq (1) 1976
Israel (1) 1978
Italy (5) 1974, 1976, 1977, 1978, 1979
Ivory Coast (1) 1978
Japan (2) 1973, 1979

Jordan (1) 1977	Qatar (2) 1976, 1978
Korea (3) 1970, 1971, 1977	Rumania (2) 1972, 1979
Kenya (2) 1975, 1979	Saudi Arabia (1) 1977
Kuwait (2) 1975, 1979	Singapore (3) 1976, 1977, 1978
Lebanon (1) 1977	South Africa (1) 1978
Libya (3) 1972, 1978, 1979	Spain (3) 1974, 1976, 1979
Malawi (1) 1979	Sudan (2) 1978, 1979
Malaysia (3) 1974, 1977, 1979	Sweden (3) 1974, 1976, 1979
Malta (1) 1975	Switzerland (3) 1975, 1976(2)
Mexico (1) 1976	Syria (1) 1976
Morocco (1) 1979	Tanzania (1) 1979
Netherlands (3) 1975, 1976, 1979	Thailand (2) 1970, 1971
New Zealand (1) 1979	Tunisia (1) 1969
Nigeria (4) 1975, 1977(2), 1978	Turkey (1) 1975
Norway (4) 1976, 1977, 1978, 1979	United Arab Emirates (1) 1979
Iran (1) 1979	USA (3) 1975, 1978, 1979
Paraguay (1) 1978	USSR (1) 1975
Philippines (1) 1976	Venezuela (3) 1977, 1979(2)
Poland (1) 1978	Yemen Arab Republic (1) 1978
Portugal (3) 1969, 1970, 1972	Yugoslavia (1) 1974
Puerto Rico (1) 1978	Zambia (1) 1975

Summary

1968 - 1	1974 - 9
1969 - 4	1975 - 16
1970 - 4	1976 - 19
1971 - 3	1977 - 19
1972 - 6	1978 - 25
1973 - 6	1979 - 26
24	114

Total Reports 1968-1979 (February) = 138

SUMMARY OF VIEWS OF FCO COMMERCIAL POSTS OVERSEAS ON IED2 AND HBO ACTIVITIESABU DHABI

"In my experience (not only in this post), the service provided by DHSS in the export field is superior to most, if not all, production departments. It is also superior to that given by the relevant section of GESB; but so it should be when one considers the numbers of staff involved! It probably still has a useful role to play in other markets, especially rapidly expanding ones or those with special difficulties. They have been very active in assisting in this market and the relatively small rate of success cannot be blamed on them (well, not entirely!). But you will see that we consider there is now relatively little scope for their services in this area in the immediate future."

ALGIERS

"A good deal of the IED2 information was already available from reports of this Embassy and more could have been obtained if we had been targetted to do so... my conclusion is that the DHSS choose a rather expensive way of obtaining elementary information about Algeria We should not wish the service to continue, though in a small and usually fairly hard-pressed commercial section like ours, I will not pretend that (even if the Algerians would have received us) we should have got round to writing a report of this kind unless we had been kicked very hard! We flatter ourselves however that, had we been better staffed and/or targetted to write such a report, it would have come out somewhat better. The degree of dependence on the Embassy was throughout very high."

BUDAPEST

"The Commercial Department was involved in providing material for inclusion in the final IED2 reportprobablyat least 45% of it originated here... No specific export opportunities were picked up as a result of the visit nor were any entrees provided by it to organisations or bodies in the medical equipment field. The final report prepared as a result of the visit is comprehensive and useful to anyone interested in appraising themselves of the Hungarian health and medical industry scene. But it does not provide any information which we either did not have or could not have obtained... On balance, therefore, we could not assess either the visit or the report as necessary."

CARACAS

"This is a valuable and growing market for medical equipment and the help from the DHSS official undoubtedly increased the assistance we can give appropriate firms. It is difficult to quantify whether the extra assistance, inevitably in part obtained at the expense of other sectors, is justified by results. Our guess is that it is."

DUBAI

"Division of responsibility for different aspects of export promotion between Health Building Overseas Branch and Industries Export Division of DHSS, and, more significantly, the apparent lack of any comprehensive inter-departmental machinery for capitalising on our technical sophistication and expertise in this field, appeared possibly to be hampering our export performance. We are in agreement with Abu Dhabi that any improvement in the DHSS's services would be too late for this market, that is, the United Arab Emirates as a whole. What I would have liked to have seen from our point of view (it is now too late) is an Industries and Exports Division of much greater size and clout incorporating, for more effective co-ordination, the Health Building Overseas Branch (and perhaps similarly situated in Euston Tower) and key personnel from other divisions and branches with an export potential. The head of the division might be aided by two highly-paid, highly-qualified and experienced, full-time contract advisers, one with an export-orientated industrial background within the medical profession, and the other from the NHS."

THE HAGUE

"On looking again at IED2's report it seems to have drawn to a large degree on material available in IED2 archives... We have good contacts with officials and members of the medical profession in the public health sector. But all Dutch business and professional men need to be satisfied from time to time that representatives of the industry are keeping in touch with the Dutch market. IED Officers play a useful role in the information dissemination process."

KUWAIT

"So far as the Kuwait market is concerned, this regular up-dating of the IED reports could have been valuable during the past few years if they had been followed up more systematically and tenaciously by our exporters in the specialised fields of medical equipment, accessories and furnishings. As it is the reports do not seem to have been cost-effective because of

the lack of such follow-up... [A recent IED2 visit] brought to light the fact that the Kuwaiti view of British Medical Equipment is that it is old fashioned and slightly unsophisticated in some areas and that British Medical equipment firms make nothing like enough effort to sell... [and] that British equipment is dated and lacking in innovation... due to the lack of necessity for change in a captive National Health Service market. Others have said that our equipment might be too sturdy and lacking the built in obsolescence which compels a more frequent and profit-making turnover, or which compels local buyers here to up-date their equipment - providing a profit making turnover."

LAGOS

"All in all, we find [IED2's] visits of great use and it is also beneficial to have an "expert" to follow up opportunities with suppliers or potential suppliers in the UK... regular visits certainly help to maintain mutually worthwhile contacts with FMH officials, Nigerian hospitals and other institutions, agents and other organisations involved in the medical and medical equipment trade. I have absolutely no doubt that [IED2's] role is cost effective. If [it] only obtains payment for one EMI scanner; assists a company like Shannings, as [it] did recently in obtaining a £10 million contract; provides evidence to Federal and/or State Health officials that British suppliers could have provided medicare supplies more effectively than the Hungarians with whom the Nigerians had mistakenly signed a contract; learns of plans for new teaching hospitals or similar institutions and provides details of the equipment British firms could supply; any one of these things would repay [their] salary and expenses several times over. It is possible to argue, of course, that this is just the sort of work that we commercial officers should ourselves be doing, and we do of course try; but the additional expertise and the more striking impression created by a visitor sent out from London adds dimensions which we could never achieve."

NEW YORK

"[Support of UK companies in the US market] has, over recent years, occupied many hundreds of man-hours with - as we describe later, precious little result. Such was the interest in the potential that up to 1977/78 we had some five Commercial Officers in the US with both specific responsibility for and previous experience of the health-care market.

But our exports (except in EMI scanners, which constitute a special case) failed to grow in response to this treatment; and they remained at a disappointingly low level in relation to other categories of goods as well as to our total exports to the USA... We now have no 'expert' commercial officers in health care....As a basis for comparison, it may be noted that between 1975 and 1979 UK total visible exports to the USA increased by over 130% to £4.05 billion; and between 1975 and 1978 by 98%. Some 1978 figures for other categories of exports to the US might contribute to a fair perspective: castings and forgings, £26m; metal-cutting machine-tools, £30.8m; record players, £57.9m; power generating machinery and equipment £333.5m.... Overall US demand in the health-care field is of course vast, with total purchases in 1978 in excess of \$7 billion. Imports from all sources accounted for 6% of this, and British imports for less than 0.4%. Penetration of the market is impeded not only by its sheer scale but also by the regulatory traps into which foreigners can fall or be led. But whilst our leading overseas competitors, West Germany and Japan - particularly the latter - have continued to progress, UK exports between 1975 and 1978 stood still in nominal value and fell back in real terms. In this period our share of the import market fell from 9.3% to 6.2% - although with a phenomenal bulge in the middle accounted for by EMI's short-lived scanner success...

at the time when DHSS and we first elected to gear up our joint efforts in this market, it was in the context of an enormous and varied demand for products, a perceived capacity to supply on the part of UK manufacturers, and a DHSS role arising from their specialised relationship with the industry. There are some results to show for this: a number of British companies have established US subsidiaries and are enjoying a modest success; others have gained ground working more traditionally through agents and distributors. In these endeavours they have had close support (eg through visiting and export intelligence activities). But by 1977/78 it had become clear to us that the return on resources and effort invested had fallen short of expectations; and we could see no continuing justification for the official export services to give special attention to the health-care sector. There has been no evidence since then that would cause us to change this view. Our response therefore to your query as to whether, in the light of experience we would wish to see continued the service provided by DHSS must regrettably be negative."

OSLO

"The visits by members of IED have been primarily promotional and self-educating. and... have provided the opportunity for the Embassy to call on hospital management and purchasing officers in company with the IED officer and to be seen to have expert back-up from the DHSS in addition to the DOT."

TOKYO

"I ought to say first that we value the considerable body of knowledge about the Japanese market which has been built up in IED over the years. But knowledge is only as good as the use which is made of it and we do not know to what extent existing or potential British exporters to Japan have used the information available in IED. There has been some duplication with the work of the General Export Services Branch (GESB) of the Department of Trade...We simply do not know, however, whether any British company in the health-care field has decided to enter this market as a result of contact with IED... I do not know whether any of the companies who took part in our recent Medical Equipment Exhibition did so because IED persuaded them... we are confident that we can respond to requests for information and introductions to potential importers. We are also confident that we can seek out and cultivate those who buy if we have a particular reason for doing so. The visits of people from IED have been useful in focussing our attention on particular types of equipment in which we are strong, and in giving us a purpose for developing certain new contacts. I would put the results of these visits no higher than that. But that is a useful supplement to our necessarily unspecialised knowledge....we could get by if IED disappeared. If IED were to be abolished or severely cut back, we greatly hope that the detailed knowledge of this market which IED possess would not be dissipated."

BANGKOK

"No specific export opportunities were picked up....we have told HBO in response to a suggestion that they should pay a further visit the style and general excellence of new medical establishments in Bangkok pay due tribute to the capabilities of local firms in designing, building and running their own hospitals. Moreover, a number of

professions and occupations, architecture among them, are closed to aliens and this would inhibit work in the private sector and indeed in the public sector unless the project to which the work related were aid-financed. We have not had HBO's reply to our consequent question about the type of opportunity they expect to uncover here."

CAIRO

"DHSS' intimate knowledge of British Industry is such that export opportunities which their officials uncover in the course of their visits are usually passed direct to potential suppliers and we cannot recall having issued any specific export notices as a result of these visits...The benefit deriving from our contact with DHSS is reciprocal and we tend to rely on them for a large part of our general market information we use here. During their visits they are able to cover in depth, much more of the medical sector than we can, given our meagre resources; and their subsequent reports are invaluable in that they enable us to exercise greater selectivity (and avoid duplication) when planning our commercial visiting programmes. They have also given useful leads to potential customers and new agents. But on reflection, during a later telephone conversation the Post said, enough work has now been done by DHSS in Egypt and the Post could get by on its own if a responsive service was set up as detailed in the main report above to be activated by the Posts as necessary.

JAKARTA

"Given the nature of the medical services here I would think it a failure in the Commercial Section not to have a sufficient range of good contacts. British companies' agents with whom we are regularly in contact are of course active in pursuing such opportunities as are realistic. It is difficult to justify any claim that their effort requires underpinning by special DHSS inputs."

MEXICO CITY

"No specific export opportunities were picked up at the time nor did DHSS' visit itself give us any particular entrée... I judge it possible that a more frequent visiting programme from the DHSS might well lead

to increased export opportunities with the Mexican State System. It is also possible that DHSS related visitors through the Technical Co-operation System can generate useful contacts and possible identification of export opportunities. I cannot, in the circumstances, produce figures for cost effectiveness which I think relate more to a greater frequency of visits."

SYDNEY

"We are constantly in touch with health officials, agents, distributors and other end users of British health care equipment. It would only be on a comparatively rare occasion that an EIS Notice would directly result from a visit by a DHSS official. On the other hand, the knowledge that such a visitor brings to this market is invaluable in that it assists the commodity officer to understand more fully the industry for which he is responsible.

Such visits do not necessarily give us an entree as we have a continuing relationship with those key persons who matter. However, such a visit does display the interest of the British Government machine in ensuring that the market is provided with up-to-date knowledge of developments and products within the British health system on which the Australian authorities and especially the New South Wales Health Commission heavily rely.

In conclusion we would say that we attach great importance to these visits not only from the point of view of the expertise they bring but for the experience the DHSS have in evaluating health care products in a British setting which has proved to be of great interest in their discussions with local medical specialists at the hospitals and institutions they visit."

ZURICH

"No specific export opportunities or other alerting action was taken as a direct result of visits. The visits were not in their purposes focussed sharply enough on procurement to give our staff an entree to those concerned with the purchasing of goods and equipment or with the appointment of consultants/contractors for health care projects.

The nature of these visits has, as you will gather, been of little direct commercial value to us and we did on one occasion ourselves make this point...Although the visits have not in the past opened doors to purely commercial objectives they could with a little adjustment become more relevant to the needs of identifying immediate and specific export opportunities. From a strictly local export promotion point of view we would not consider the visits to be cost-effective in their present form."

During a later telephone conversation the Post put forward the following approach as an alternative to present arrangements:

- Stage 1 : Post identifies prospect of a potential health care market, general or specific;
- Stage 2 : Post seeks views of Industry and DHSS about the ability and inclination of home industry to exploit this potential;
- Stage 3 : Post prepares a specific market report developing Stages 1 and 2, calling on the expert assistance of DT and DHSS as necessary;
- Stage 4 : Post sends market report to specific sectors of industry identified in Stage 2, supplemented as necessary by a home visit by the Post targetted to these sectors of industry;
- Stage 5 : Post arranges inward mission to UK of potential overseas buyers if this seems worthwhile in the light of Stage 4;
- Stage 6 : overseas sales arranged by Industry, with the assistance of Post, DT and DHSS.

The Post thought this approach would fit in well with the development of a strategy by BHEC and DHSS, which could assist the Post to undertake Stage 1 above.7

DHSS ACTION PLAN FOR SPECIFIC RECOMMENDATIONS

Depending on the outcome of consultation, the following action would be required by the specific recommendations detailed in the draft report (paragraph numbers of recommendations in the report shown in brackets):

1. FORM HEALTH CARE EXPORTS TEAM (3.27.1 to 3.30.1) - BY END SEPTEMBER 1980 : two officers at Assistant Secretary level to be detached from present duties to form a health care exports team, with the following main duties:
 - 1.1 BY END 1980 - suspend IED2/HBO forward travel programme and assist BHEC to draw up an outline strategy to guide health care exports activities in the 1980s;
 - 1.2 BY SPRING 1981 - clear strategy within DHSS, through focal points, with other Government Departments, the NHS and other interests concerned, including co-option of particular specialists to serve on the team as the need arises;
 - 1.3 BY SUMMER 1981 - clear strategy with enlarged DHSS Exports Steering Group in consultation with BHEC;

2. STRENGTHEN BHEC : BY END SEPTEMBER 1980 (3.31.1 to 3.33.1): discuss strategy with BHEC, ABPI and PAGB as a basis for:
 - 2.1 BY SPRING 1981 : transferring specific IED2/HBO functions to BHEC;
 - 2.2 BY SPRING 1981 : providing financial assistance to BHEC, to assist it to undertake these functions;
 - 2.3 BY MID-1981 : strengthening the links between ABPI, PAGB and BHEC;
 - 2.4 BY SUMMER 1981 : seconding IED2 staff to BHEC;
 - 2.5 BY END 1981 : feasibility studies with overseas Posts and interests to establish specific ways of carrying forward the main points in the emerging strategy.

3. PHASE OUT IED2 and HBO : BY MID 1982-83 (3.34.1) : the remaining staff in IED2 and HBO will need to be transferred gradually to other duties, perhaps including those required by DHSS focal points, during 1981 and 1982, with a view to completing the process by mid 1982-83, as BHEC, DHSS and overseas Posts gradually build up their new roles as recommended in the report.

FINANCIAL CONSEQUENCES OF RECOMMENDATIONS

1. Costing our proposals has not been straightforward, in advance of a more detailed action plan. But we have produced table 1 below, based on the Civil Service Department 1979 Ready Reckoner of Staff Costs, by reference to the following assumptions:

- 1.1 only the direct cost of the two full time members of the health care exports team will fall on DHSS, with effect from mid 1980-81;
- 1.2 the DHSS focal points will be found from existing DHSS resources without additional cost;
- 1.3 the cost to DHSS of strengthening BHEC, by secondment from DHSS of 1 Principal and 2 Executive Officers and transfer of DHSS funds - estimated at one quarter of present cost of IED2/HBO (~~1~~£600,000), will cease with effect from 1984-85;
- 1.4 there will be no additional cost to DHSS arising from the proposals for strengthening pharmaceuticals exports;
- 1.5 the phasing out of DHSS will be started in 1980-81 (by not filling two present vacancies in IED2 - Senior Principal and Personal Secretary) and will be completed with effect from mid 1982-83 (with the first full year saving in 1983-84) and that the full cost of 1.1 above will continue after 1983-84;
- 1.6 on a rough calculation, the ultimate saving in staff numbers and costs in IED2/HBO will fall equally between 1981-82 and 1982-83.

Table 1 Financial Consequences of recommendations

£million at 1979 Ready Reckoner Staff Costs (a minus sign (-) equals a saving)

RECOMMENDATION (paragraph number shown in brackets)	1980-81	1981-82	1982-83	1983-84	1984-85
Health Care Exports Team (3.27.1 + 3.28.1)	0.04	0.08	0.08	0.08	0.08
DHSS Focal Points (3.30.1)	-	-	-	-	-
Strengthening BHEC (3.31.1 + 3.32.1)	-	0.2	0.2	0.2	-
Pharmaceutical Exports (3.33.1)	-	-	-	-	-
Phasing out of IED2 and HBO (3.34.1)	(-) 0.04	(-) 0.3	(-) 0.3	(-) 0.6	(-) 0.6
Totals	-	(-) 0.02	(-) 0.02	(-) 0.32	(-) 0.5

PART 5 ends:-

MAP to JOE

PART 6 begins:-

DHSS to Ind 5/6.

