MT

PART 12

Confidential Filing

Economic Strategy

Departmental Briefing for PM's End of Year Interviews ONLY

ECONOMIC POLICY

Part 1: May 1979

Part 12: December 1981

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
— Ends —							

PREM 19/708

Dd 533270 5M 2/78 8362633 JET

PART 12 ends:-

Only End of year Interview Briefing on this file

PART 13 begins:-

11.1.82

2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

4 January 1982

Dear Mike

DOE ACTIVITIES AND ACHIEVEMENTS

I enclose as requested a short note on DOE's activities and achievements in 1981 and the outlook for 1982.

[in box MAP]

You might also like to have as further background on the whole range of DOE activities a paper the Secretary of State has had prepared on DOE achievements from May 1979 to November 1981.

Yours ever
Dick

D A EDMONDS
Private Secretary

Mike Pattison Esq
No 10

2

10 DOWNING STREET

Prime Minister

Here is Mr Heseltine's belated but interesting contribution to the end of year briefing.

MAP
5/1.

mo

cc MAP
Press. H

DEPARTMENT OF THE ENVIRONMENT

1. The Main Departmental Activities and Achievements in 1981

1. Between 19 May 1979 and September 1981, local authorities and new towns in GB completed sales of over 190,000 dwellings. Since October 1980, when the Housing Act 1980 came into force, over 440,000 tenants have applied to buy their homes under the right to buy.

2. In 1981, well over half of authorities pursued one or more of the initiatives under the Government's low-cost home-ownership programme.

3. In IYDP, many of the housing measures we have taken, for example on improvement grants, will be of particular benefit to the disabled.

4. The new block grant has put local government finance on a fairer basis and new controls over capital spending give local authorities greater freedom. Profligate authorities no longer receive grant at the expense of the prudent.

5. The Town and Country Planning (Minerals) Act will help raise environmental standards both during and after mineral working.

6. Development plan and control procedures have been speeded up and charges for planning applications have been introduced to offset costs. Land registers have been set up in 35 districts and are now to exist throughout England.

7. Inner city initiatives have included the setting up of an interdepartmental task force on Merseyside, a group of managers from financial institutions who will look at ways of improving co-operation with the private sector, and Business in the Community, which will encourage firms to adopt socially responsible employment policies. Eleven enterprise zones are being established, ten of which are in operation. Over 50 enterprise zones have been set up.

8. The Wildlife and Countryside Act will promote the conservation of wildlife and habitats and of the beauty and amenity of the countryside.

9. Action has been taken to rationalise and improve the efficiency of water authorities, accountants have been employed to examine their budgets, new limits on capital expenditure improved and financial and performance targets set.

10. New measures have been announced to reduce the potential hazards of lead in the environment.

11. Sales of surplus government property totalled £83m in 1980/81 compared with less than £30m in 1978/79.

12. Architectural competitions are being introduced for major projects: 3 have already been held for public sector schemes.

13. With the aid of a management information system for Ministers (MINIS) and manpower budgetting, staff savings achieved between 19 April 1979 and November 1981 were:-

DOE (Central	15.2%	(11,594 to 9,828)
PSA	18.7%	(38,795 to 31,552)

in the last 12 months to September 1981, local authority manpower was reduced to an all-time record rate.

14. Under the UK Presidency of the Environment Council, good progress was made on a number of issues, including the future development of the Community Environment programme, and a long-standing deadlock was broken to achieve two important directives involving transfrontier co-operation on major accident hazards and control of poisonous substances.

2. Outlook for 1982

DOE (Central)

1. Bring to the statute book legislation to ban supplementary rates and set up the Audit Commission.

2. Consultation on the Green Paper on Alternatives to Rates and formulation of proposals for legislation.

3. Continue pressure on local government to control current spending.

4. Continuation of inner city initiatives in Merseyside and elsewhere, particularly those designed to increase the participation of the private sector, including expansion of the urban programme, the extension of Land Registers, and new measures on the use of derelict land. The Urban Development Corporations will be starting major construction works.

5. Continuation of housing policies to promote low cost home ownership, better use of the existing housing stock and increasing private sector investment in housing.

6. Simplification of building control continuation of ministerial support for construction overseas: the pursuit of opportunities to use pump-priming finance to gear up private sector investment in major construction projects.

7. Make improvements in the controls of imported waste. Establishment of a new advisory inspectorate on hazardous waste.

8. Continue through MINIS and other management tools to improve the efficiency and effectiveness of DOE whilst achieving staff savings designed to meet the CSD target of 8,608 at 1.4.84 (by 1.4.82 the Department will have reduced its numbers from 11,594 to 9,600 - a saving of approximately 17%). Measures will include

implementation of the Joubert report on cost centres for non-staff administrative costs; privatisation of the Hydraulics Research Station; establishment of a Trading Fund for the Ordnance Survey; and the setting up of a new public sector agency to deal with certain executive functions related to the administration of ancient monuments and historic buildings.

PSA

9. Further staff reductions will be achieved by means of increased efficiency and productivity and the extended use of contracting out to the private sector. (By 1.4.84 PSA will have reduced its staff by about 27% since 1.4.79).

10. Maintain the drive on energy conservation: on target to achieve 12% savings on 1978/79 consumption levels on the civil estate by March 1982.

11. The PSA will continue its programme of design competitions, 4 of which are in the pipeline.

3. Major Issues Outstanding

There are no major issues not covered under 2 above.

DOE ACHIEVEMENTS: MAY 1979 - NOVEMBER 1981

CONTENTS

December 1981

INTRODUCTION - MANAGING THE DEPARTMENT

1. A new management information system MINIS has been introduced to assist Ministers in reaching decisions about the most efficient and economic use of the Department's resources. MINIS provides information on the full range of Departmental activities with costs, assessments of past performance and statements of future plans. MINIS statements are published.

2. Further proposals to promote more efficient management of the Department's resources include the introduction of a comprehensive management accounting system based on cost centres and linked with MINIS. Other steps include the development of a co-ordinated programme of management service reviews; Rayner and departmental scrutinies, and employment of private sector consultants .

3. Through MINIS discussions and manpower budgetting in DOE (Central) the following savings were achieved between April 1979 and November 1981

- the total staff has been reduced by 15.2% (from 11,594 to 9828)
- this is equivalent to an annual saving in salary costs of approximately £15m (at current costs).
- senior posts (under secretaries and above) have been reduced from 54 to 43.5 (19.4%)
- the number of directorates (under secretary commands) has been cut from 48 to 38.
- 47 DOE sponsored quangos have been abolished (with savings of £82.8m)
- in addition, plans have been made to reduce the number of central London office buildings occupied by DOE(C) from 11 to 3, and 5 buildings had been given up by the end of November 1981.

In the Property Services Agency

- total staff has been reduced by 18.7% (from 38,795 to 31,552)
- this is equivalent to a saving in annual salary costs of approximately £50m (at current costs).
- in 1980/81 the proportion of design work put to consultants increased to 37%.

A. HOUSING

1. The Government's low-cost home ownership programme. The elements in this programme are:

(i) The sale of council houses and flats: Council tenants, new town tenants and the tenants of non-charitable housing associations have been given the right to buy their houses or flats, and the right to a mortgage. Since the Government was elected, local authorities and new towns in Great Britain had completed the sale of 160,000 dwellings up to 30 June 1981. In addition, at 30 June 1981 more than 389,000 tenants in Great Britain had applied to buy their homes under the right to buy.

(ii) "Starter Homes" and Building for Sale: The Government has encouraged local authorities to release land for starter homes schemes (the receipts then being available to increase HIP allocations), and to enter into partnership schemes with private house builders whereby building for sale is carried out on local authorities' own land. 115 authorities in England plan to sell them to private house builders this year while 106 authorities have partnership schemes planned.

(iii) Improvement for Sale and "Homesteading": In the current year 73 local authorities plan Improvement for Sale schemes under which Government grant is available to local authorities and housing associations who improve rundown dwellings for sale. In addition, the Secretary of State can now give an authority consent to waive the interest payments on the mortgages it grants for homesteading schemes for up to 5 years. 77 authorities have plans for such schemes in the current year.

(iv) Shared Ownership (Part Owning and Part Renting): Local authorities, new towns and housing associations have been empowered to offer shared ownership in addition to outright ownership in all the circumstances where they may be selling a dwelling. A shared ownership model scheme has been issued.

(v) Guarantees for Building Society Mortgages: To help make building society mortages widely available for low-cost dwellings, the 1980 Housing Act empowered local authorities and the Housing Corporation to guarantee Building Society mortgages. Model forms of agreement have been published.

2. The Tenants' Charter: The Housing Act has introduced the first statutory Charter of rights for tenants of local authorities, new towns and housing associations, including the Right to Buy; security of tenure; and the right to improve.

3. Shorthold and Assured Tenances have been introduced to encourage private sector lettings. Other rent act changes include:

(a) ending the system of controlled tenancies under which rents were pegged at 1956 levels;
(b) cutting the period between reviews of fair rents to 2 years;
(c) accelerating the rent registration procedures;
(d) extending the rights of temporarily absent owner-occupiers, servicemen and the owners of retirement homes to regain possession.
(e) making it easier for owner-occupiers who sublet part of their homes to regain possession.

4. Service Charges: The rights of tenants and long leaseholders of flats who pay service charges have been improved.

5. Leasehold Reform: The Government has amended the Leasehold Reform Act 1967 to help long leaseholders of houses.

6. Improvement and Repair: Significant improvements have been made to the home improvement grant system. Local authorities may now carry out environmental works in Housing Action Areas on their own land and the grant has been increased to £400 per dwelling. The Department is carrying out two projects (the Priority Estates Project) to find ways of improving badly rundown council estates.

7. Management Co-operatives: Management Co-operatives have an important part to play in securing greater tenant involvement in the

management of estates. Ten Management Co-operative agreements have so far been approved under the Housing Act 1980 and guidelines setting out model terms of co-operative agreements have been issued to all local authorities.

8. Rent Rebates and Rent Allowances: These have been extended to many groups previously ineligible and the ceiling for the weekly rent rebate or rent allowance payment has been raised subtantially.

9. Housing Associations: are now also able to make a major contribution to low-cost home ownership by carrying out improvement for sale schemes or building for shared ownership.

10. Hostels: The Housing Act 1980 contains the first extensive reform of hostels legislation for many years.

11. The Elderly and Disabled will benefit from the more flexible system of home improvement grants. Priority rates of grant and higher eligible expense limits have recently been applied to adaptations or improvements for the disabled. The 90% rate available to the elderly towards the cost of loft-insultation has also been extended to the severely disabled.

12. A number of measures have been taken to ease mobility including the introduction of the first ever National Mobility Scheme on 1 April 1981.

13. Reform of Local Authority Housing Finance and Housing Project Control: 1 April 1981 saw the introduction of a new system of capital expenditure control, a new housing subsidy system and a drastic reduction in the level of detailed control by Central Government over local authority housing schemes.

LOCAL GOVERNMENT

1. A new system of block grant has been introduced. It includes a more open and equitable means of assessing local authorities' needs, and prevents high spending authorities from attracting an unfair share of the total grant available.

2. The Government has maintained its efforts to reduce local government current expenditure. Individual expenditure targets have been given to local authorities, and the Government has proposed grant reductions for authorities which fail to meet them.

3. Further measures to restrain high spending by local authorities have been proposed to Parliament.

4. Local authority capital spending has for the first time been brought within overall control by a new system that also gives authorities much greater discretion to determine their own priorities.

5. Legislation has been introduced establishing an Audit Commission to strengthen value-for-money audit work and to give the audit function an independent and authoritative public voice. (Local Government Finance Bill 1981.)

6. Codes of practice have been issued covering the information to be contained in local authorities' rate demands, annual reports and quarterly manpower statements. (Local Government Planning and Land Act 1980.) The quarterly Joint Manpower Watch figures, following an initiative by the Secretary of State, now also include individual authority totals.

7. Local authorities' direct labour organisations now have to prove themselves in competition with private firms for much of their work and account for it on a commercial basis (Local Government Planning and Land Act 1980.)

8. Nearly 200 statutory controls over local authorities have been repealed (Local Government Planning and Land Act 1980); a further 100 await a suitable legislative opportunity.

9. The number of Government circulars issued to local authorities annually is now about two-thirds less than in the last year of the previous administration.

C. LAND AND PLANNING

1. To tackle the waste of unused or underused publicly owned land powers have been taken for the Secretary of State to compile registers of such land in designated districts and London boroughs, backed by a power to direct disposal. So far 35 registers have been published, and the remaining 330 districts and boroughs in England have now been designated.

2. All further developments of the Community Land Scheme have been stopped and the Act has been repealed saving £50m p.a.

3. Measures taken to streamline the development control procedures include the removal of overlapping responsibilities, the introduction of voluntary limits on consultation, extended limits for permitted development, and improvements to the appeal system. The Town and Country Planning (Minerals) Act will encourage a further raising of environmental standards both during and after mineral working.

4. Procedures for the preparation and approval of structure and local plans have been simplified and performance has been improved dramatically: prior to May 1979 it had taken on average 37 months to approve the first 25 structure plans, 64 have now been approved by end November 1981 and the average time has dropped to 20 months.

5. The charging of fees for planning applications has been introduced as a means of improving and helping to pay for the development control system.

6. Office development permits have been scrapped, thus eliminating some unnecessary bureaucracy.

7. Regional Economic Planning Councils have been abolished and regional strategic guidance reduced to a minimum necessary for land use planning purposes.

8. The New Towns Programmes have been reviewed and target dates for winding up the Development Corporations have been announced. Between May 1979 and September 1981 the New Towns have sold 8,600 houses to

sitting tenants, representing 10% of the stock in June 1979 and have raised £220 million from the sale of other assets to reduce the involvement of the public sector and their call on government borrowing.

9. Ordnance Survey has been given a new financial and operating remit and a Trading Fund is to be established to enable it to operate as a freestanding trading organisation.

10. In 1980-81 local authorities spent £30 million with the aid of 100% exchequer grant on clearing derelict land. For 1981-82 £37 million has been provided for derelict land clearance as part of the "other services" block for authorities to spend as they decide. Urban schemes accounted for 32% of total expenditure in 1980/81 compared with 6.5% in 1977-78.

11. The Property Advisory Group is completing a short report on the best basis for partnerships between the development industry (including the institutions) and local authorities. A report by the Group on "Planning Gain" has already been published as a basis for consultation.

12. A consultation paper has recently been issued about Special Development Orders. These are now being considered with the aim of relaxing control further in particular areas where there is a general agreement on the need to stimulate housing or industrial development. Their use in connection with architectural competitions is also being considered. But there is no intention of using such orders to make wider relaxations in planning control.

13. In September 1981 the Government-sponsored Commission on Energy and the Environment published a report on "Coal and the Environment" concluding that there were no insuperable environmental obstacles involved in the levels of coal production and use envisaged up to the end of the century and beyond, but with important qualifications concerning disposal of mining spoil, open-cast extraction and the sensitive treatment of areas afflicted by subsidence. The report stressed that a modernised coal industry offered the best prospect of reconciling energy and environmental interests. The Government propose to make a statement in response to the Report by Summer 1982.

14. Improved performance on planning appeals: Decisions issued on planning appeals have risen by 81%, from 705 in May 1979 to 1278 in September 1981, without any increase in the permament staff of the Department's Planning Inspectorate. There has also been a sharp fall in processing times: the proportion of planning appeals following the most streamlined procedure has risen from 64% to 77%, and the median time taken by these appeals has fallen from 23 weeks to 17 weeks, a reduction of 26%.

15. A consultation paper on ways of streamlining the planning appeals system was issued in 1980, and management consultants reported on the Inspectorate early in 1981. Since then new regulations have allowed more appeals to be delegated to Planning Inspectorates for earlier decision; an experiment has begun to permit, in suitable cases, informal hearings to be held rather than formal inquiries; a circular is soon to be issued to local authorities encouraging best practice in dealing with appeals; and a number of reforms have been made to office procedures. Various further changes, some of them substantial, are still under study.

D. INNER CITIES

1. The original list of Inner City Partnership and Programme authorities has been retained, but steps have been taken to get a greater emphasis on economic regeneration and environmental improvemen and greater involvement of the private sector and voluntary bodies. Taking into account the extra funds for UDCs, the total resources devoted to the inner city programme this year are higher than ever before - some £293m.

2. In the docklands of London and Merseyside Urban Development Corporations have been set up to bring life back to thousands of acres of derelict land.

3. Eleven Enterprise Zones are being set up in a number of places to encourage the economy of particularly depressed areas. Their main features include exemption from rates for industrial and commercial premises, 100% capital allowances, no development land tax, the abolition of Industrial Development Certificates and automatic planning/ permission for most development and no need for a detailed planning application. In Corby, half the EZ is already committed for development, and one Company is investing £25m in two new projects there: in Dudley, 300 new jobs will be created at a new factory making high technology products for the US defence market.

4. More ephasis has been placed on getting the private sector and the voluntary bodies working together and giving particular encouragement to Local Enterprise Trusts to help the economy of their own areas and the creation of small businesses. There have been many success stories from bodies such as the London Enterprise Agency, the St Helens Enterprise Trust and others still in the first year or two of their existence. In over 50 different locations talks are taking place about the formation of an enterprise agency or one has already been formed.

5. Following a conference of UK and US businessmen, organised by the Department, the Secretary of State invited Sir Alastair Pilkington to chair a Working Group of industrialists to consider ways in which industry and commerce could become more closely involved in

the community. This Group has instigated the formation, by major national companies, of Business in the Community. An executive unit will seek to persuade more companies to adopt corporate social responsibility policies. It will act as a catalyst to bring companies together at local level so that they can work on community problems.

6. Ministers have consistently emphasised the importance of environmental schemes in making the inner cities places where people will want to live and invest. This theme has been restated in the Urban Programme Guidelines which Ministers sent to the Partnership and Programme Authorities.

For 1981/82 some £24 million was allocated under the Urban Programme to environmental schemes in the seven key Partnership areas. This has gone to improve defined areas - such as the five declared Environmental Improvement Areas in Liverpool - or to assist with specific schemes - such as the conversion of the 18th Century Pease Warehouses in Hull in a set of luxury flats.

7. National Garden Festivals: are a German idea (Bundesgartenschau) whereby derelict inner city areas are reclaimed and a major horticultural and landscaping exhibition is held on the site. An attractive environment remains which provides both recreational space and the basis for a range of possible industrial and commercial development. The Merseyside Development Corporation is to stage the first festival in 1984 and Stoke-on-Trent City Council have been offered a second festival in 1986 subject to agreement on financial arrangements.

8. Merseyside Initiatives: Following the Secretary of State's visit to Merseyside during the Summer, a Task Force has been established in Liverpool comprising representatives from the Department, DI, DTp and the MSC. This is examining, in cooperation with the local authorities and other interested bodies, how resources might best be deployed on Merseyside. It is intended that their conclusions will be extended to other inner city areas where possible.

The Department has also set up a group of managers seconded from some two dozen leading financial institutions. They will be looking at ways of improving cooperation with the private sector on inner city problems. The Group will be concerned with British Cities generally, and not just Merseyside.

E. ENVIRONMENTAL POLLUTION

1. Government controls on smoke control orders and noise abatement zones have been relaxed and air quality standards for smoke and sulphur dioxide pollution have been introduced.

2. New measures to strengthen the existing policy of reducing the potential hazards of lead have been announced, including a reduction in the lead content of petrol from 0.40 grammes per litre to 0.15 not later than the end of 1985 and replacement of lead plumbing in houses with otherwise insoluble problems of lead in drinking water to be eligible for home improvement grants.

3. Precautionary steps have been taken with regard to cadmium and chlorofluorocarbons: studies have been mounted into the practicability of using substitutes for cadmium in pigments and stabilisers and in the plating industries; and by agreement with industry the use of CFCs in aerosols will have been reduced by 30% below 1976 levels by the end of this year.

4. An important screening process for new chemicals was introduced in September 1981 in conjunction with the Health and Safety Executive to require manufacturers and importers of new chemicals to provide information about their possible effects.

5. Regulations have been introduced under the Control of Pollution Act to set up a new and improved system for the control of particular dangerous wastes.

6. Guidance has been published on how to identify and deal with problems of contaminated land - mainly the legacy of past industrial activities. Research has also been commissioned in this area.

7. The Royal Commission on Environmental Pollution published the outcome of a major study of marine oil pollution on 21 October 1981. Pendin Government consideration of this, a new plan for dealing with a massiv marine oil spill affecting the coast was announced in September 1981. A coastal pollution co-ordination centre would be set up by the

Government if local authority resources, even in combination, were unable to cope.

8. A broad picture of the state of the UK environment was set out for the first time in Pollution Paper No 16, published by the Department in February 1980. In a foreword to the document, the Secretary of State said it should provide a better under-standing of the state of the environment and ensure that discussion of future control policies and priorities was better informed. Most of the problems of gross pollution found in the past were well under control. Improvements in air and river quality were among the changes for the better. Continuing vigilance was needed, especially to cope with emerging problems.

9. A vigorous research programme has been mounted into the problems of managing and disposing of radioactive waste (now running at about £10m a year), and substantial work done towards developing a strategy for this kind of waste.

F. THE NATIONAL HERITAGE

1. The National Heritage Memorial Fund has been set up under independent trustees who have begun the work of protecting the national heritage of land and art objects.

It had two significant achievements in its first year. A grant of £1.5m for repairs and an endowment fund has enabled the National Trust to safeguard the future of Canons Ashby. Another grant enabled the National Gallery to purchase the Altdorfer from the collection at Luton Hoo.

2. The Government has sold Heveningham Hall, whose purchaser will both ensure its preservation and allow public access. The proceeds of the sale - over £700,000 - will go to the National Heritage Memorial Fund.

3. The Secretary of State has announced his intention to speed up the national re-survey of listed buildings. Detailed plans are now being prepared for greatly expanding the re-survey programme by involving both the private sector and local authorities, and the aim is to complete the re-survey in the shortest possible time.

4. Parts I and III of the Ancient Monuments and Archaeological Areas Act 1979 have been brought into force. Their effect is to repeal all existing legislation on ancient monuments - some dating back to 1882, and to increase the penalties for failing to observe the provisions of the Act. The Act introduces the concept of "scheduled monument consent" which would be required for works which may affect an ancient monument, and introduces penalties for the use of metal detectors in "protected places".

5. The Secretary of State issued in November a consultation document on proposals for the future administration of ancient monuments and historic buildings in England. The proposals envisage that certain executive functions in the built heritage field would be removed from the Department of the Environment and transferred to a new public sector agency established for the purpose.

6. The Government has participated in the Council of Europe Campaign for Urban Renaissance. At the May meeting of the National Committee the Chairman, the Minister for Local Government and Environmental Services, welcomed the suggestion of an urban renaissance fund. He is considering the possibility of a small fund to assist voluntary groups to formulate and secure support for schemes to improve their local urban environments.

7. The Secretary of State has sought to promote better architectural quality in new buildings. At least 12 public sector architectural competitions will have been started by the end of 1981, compared with four in the previous 18 months. Four private companies have also said they will hold more competitions.

8. The Secretary of State has stressed the importance of developing prime sites in major cities. The scheme for an international conferen centre on the long vacant site opposite Westminster Abbey has been started. The Secretary of State is himself proposing a competition for the "Hampton" site next to the National Gallery in London; and the Housing Corporation have at his request announced a competition for the major site opposite the Anglican cathedral in Liverpool. Meetings have been held with the GLC to establish ways, in addition to architectural competitions, of achieving the Secretary of State's objectives, particularly along the Thames.

G. THE COUNTRYSIDE AND SPORT

1. The Wildlife and Countryside Act has introduced important new safeguards for conservation of animals and plants and their habitats, including provision for the creation of marine nature reserves. It provides for new procedures to assist moorland conservation in National Parks and a management agreement power that will be available to all local authorities for the first time. It introduces special safeguards for National Parks generally and for areas of special scientific intere It amends the law relating to public rights of way, provides for the appointment of wardens for footpaths and bridleways, and prohibits the keeping of dairy bulls on land crossed by public rights of way. The Act fulfils the United Kingdom's international obligations in respect of nature conservation under the Berne Convention (signed in September 1979) and the EEC Birds Directive.

2. The Secretary of State has encouraged legislative proposals to control zoos through a system of licensing: Officials helped Lord Craigton and Mr John Blackburn MP with the details of their private Members Bill, which is now the Zoo Licensing Act.

3. Urban Fringe Experiment: St Helens. The Secretary of State has backed a project mounted by the Countryside Commission to improve derelict and unused land on the fringe of towns, to recreate better environment and landscape, to revitalised the farming and to improve the social atmosphere. The project is being run by a local trust, in which local authorities and private sponsors are taking part.

4. Countryside Conservation: The Department is devising with MAFF, financial guidelines for mangement agreements made under the Wildlife and Countryside Act. The Government has also increased its financial support for moorland conservation on Exmoor from 75% to 90% and has approved grant-aid by the Countryside Commission to the Broads Authori for their work in the Norfolk Broads.

5. The Secretary of State initiated a review of the functions and operations of the Development Commission. Some recommendations have already been implemented: for example, COSIRA loans have been extended to all rural areas and there is now joint financing of

workshops in Special Investment Areas by the Development Commission and local authorities.

At the Government's instigation, the Commission have made arrangements with several financial institutions, which have agreed to lend to small firms in rural areas vetted by COSIRA.

6. At the last meeting in New Delhi of the Washington Convention on International Trade in Endangered Species (CITES) proposals by the United Kingdom for extending the Convention to include additional species were accepted.

7. Following an initiative by the United Kingdome in September 1979, an EC regulation was agreed to prohibit whale products being imported into the Community. Primary whale products are already controlled in the UK but, from the beginning of 1981, the regulation has also restricted secondary products (e.g. leather goods treated with whale oil

8. Waterfowl: In June 1981 the Government designated six sites under the Ramsar Convention on Wetlands of International Importance, making a total of nineteen sites in the United Kingdom. More sites are being considered.

9. Throughout 1981 the Department has been involved in various initiatives to discourage sporting contacts with South Africa. These initiatives helped to secure the reaffirmation of the "Gleneagles Agreement" at the Commonwealth Heads of Government Meeting in Melbourne in October.

H WATER INDUSTRY

1. DoE have acted to improve the efficiency of the Regional Water Authorities by setting financial targets, by employing accountants to review Water Authority budgets, and by following up the Monopolies and Mergers' Commission Report on the Severn-Trent Water Authority. The manpower of Regional Water Authorities has been reduced by 2.8% in the last 12 months, and all Authorities have prepared plans of action to improve their efficiency, and reduce their costs, persuant to the recommendations of the MMC.

2. River quality: over 50,000 Km of UK rivers have been designated, in accordance with the European Community Freshwater-Fish Directive. The 1980 River Pollution Survey confirmed the continuing improvement in river quality: over the last 10 years there has been a 50% reduction in the length of Class IV (grossly polluted) river.

3. Of the 25 coastal waters identified as bathing beaches within the European Community Bathing Water Directive, all but four already reach the required standard, and capital works are firmly projected to bring these four up to the required standard within a few years.

4. The Lawther Committee endorsed the progress made, at DoE's initiative, on the lead-in-water problem and Water Authorities are following up to identify those areas where improved water treatment is necessary: they are giving such improvements priority.

5. Twenty-seven areas of water have been designated in the UK under an EC Directive on the quality of shellfish waters. These waters, totalling some 314 square kilometres in area, are required to meet a range of water quality objectives within 6 years of designation.

6. From 1 April 1982, water undertakings will be precluded, under the Water Act 1981, from charging for water supplied and used for fire fighting purposes or for testing fire fighting equipment.

7. Also from 1 April 1982 water undertakers will be liable under the Water Act 1981 where damage is caused by escapes of water from their mains and communication pipes. Previously it was necessary for the injured party to prove negligence on the part of the water undertaker - a difficult and costly business.

8. The Secretary of State has announced plans for the privatisation of the Hydraulics Research Station. A Shadow Board has been set up under the Chairmanship of Sir Alan Harris to act on behalf of the new organisation, which will be constituted as a company limited by guarantee, registered under the Companies Act.

I CONSTRUCTION INDUSTRY

1. The supply of development land for the construction industry is being boosted by the setting up of land registers, the repeal of the Community Land Act, the streamlining of planning requirements, house building and improvement measures and inner city initiatives.

2. A review of the building regulations and the building control system has been carried out and proposals for legislation were provided in a Command Paper in February 1981. The proposals look forward to new, simpler regulations, and to a system which gives the construction industry more opportunities to regular their own affairs. As a first step, a number of minor operations have been removed from the control, and redundant administrative requirements removed with effect from 1 December 1981.

3. The Department, advised by a specially-appointed Steering Group which represents interested parties within the industry, has commissioned consultants in conjunction with BRE to carry out a study of construction delays.

4. A review of the public purchasing of construction materials and components has been undertaken, and a number of initiatives launched to increase the use of British Standards and independent certification schemes (e.g. the British Standard "Kitemark") in PSA specifications; these initiatives will set an example for other public purchasers to follow.

PROPERTY SERVICES AGENCY

1 ESTATE RATIONALISATION IN LONDON: PSA have developed an Estate strategy for reducing government office space in London as civil service numbers reduce. Over the next few years this will save about £50m a year in rents and running costs. In 1981/82 about 800,000 sq ft of office space will be released.

2 ENERGY CONSERVATION: PSA continued the programme of energy conservation that has achieved energy savings of about 34% by 1979 compared with 1972. Further savings of about 8% have been made towards the current savings target of 12% of 1978/79 levels by 1982. As a result of the energy conservation programme the energy bill on the civil and defence estates last year was about £85m less than it would have been without those measures.

3 MAJOR NEW BUILDINGS: major new buildings (over £1m) completed in the first half of 1981/82 include Crown Courts at Burnley, new Crown Offices at Aberdeen and two in Liverpool (Toxteth and Park Road), new headquarter offices for the Manpower Services Commission in Sheffield, a new Laboratory for MAFF at Lowestoft and major works for the Army in Belfast and for the RAF at Aldergrove, Northern Ireland. New projects started in the first six months include offices in Glasgow for staff dispersed from London, the New Sheriff Court House in Glasgow, new Crown Courts at Maidstone, the new Wayland Prison, and the first stage of redevelopment at Broadmoor. Tenders were invited for the first stage of the new British Library. Commissions for four new prisons were let to consultants.

In the 6 months to 30.9.81, 24 major defence projects (over £1m) valued at £63M were completed. Contracts were let for 18 major projects valued at £79M. PSA's work in the defence area is becoming ever more directly geared to essential operational requirements.

4 Disposal of surplus property: Ministers have given top priority to the disposal of surplus property on the Government estate. Sales in 1980/81 totalled £83M compared to under £30M in 1978/79.

5 Architectural Competitions: The Secretary of State is seeking to promote good design in a number of ways, including design competitions. PSA has held 3 successful competitions for major new works projects in recent months and others are in the pipeline, including one for the important Hampton site adjoining the National Gallery.

6 Awards: PSA has received a number of awards for design and workmanship in the last couple of years. Projects given recognition include the Syncrolift Refit Shop at HM Naval Base, Rosyth; the Submarine Refit Complex at Devonport; the Coastguard Maritime Rescue Co-ordination Centre, Dover and a scheme of repairs and restoration at Hampton Court Palace.

PRIME MINISTER

You have several end year/New Year interviews next week. To help you think about the Government's achievements and prospects, we have commissioned short reports from each Department. They were asked to record highlights of 1981, set out the prospects for 1982, and mention any outstanding problems which did not figure in either of the first two lists.

Most Departments have produced helpful and commendably brief notes. One or two have been a little undisciplined in their responses, but I submit them all in the attached folder.

Bernard will be putting a separate note to you, about the interviews themselves, on the day before the interviews.

MAP

Mr. Heseltine's contribution will not arrive until after Christmas. The Chancellor's contribution will also be delayed.

23 December 1981

A	Home Office
B	Foreign and Commonwealth Office
C	HM Treasury
D	Department of Education and Science
E	Northern Ireland Office
F	Ministry of Defence
G	Ministry of Agriculture, Fisheries and Food
H	Department of the Environment
I	Scottish Office
J	Welsh Office
K	Department of Trade
L	Department of Transport
M	Department of Health and Social Security
N	Department of Energy
O	Department of Employment
P	CSD/MPO
Q	Lord Chancellor's Office
R	Department of Industry

From: THE PRIVATE SECRETARY

HOME OFFICE
QUEEN ANNE'S GATE
LONDON SWIH 9AT

23 DEC 1981

Dear Mike

PRIME MINISTER'S INTERVIEWS

In response to your letter of 17th December to John Halliday, I attach a note on major Home Office activities and achievements in 1981 and the outlook for 1982.

I am sending copies of this letter to the Private Secretaries to members of the Cabinet, to Murdo Maclean (Chief Whip's Office) Michael Parnall (Chief Whip's Office, House of Lords) and David Wright (Cabinet Office).

Yours ever

John Walters

C. J. WALTERS

Mike Pattison, Esq.

HOME OFFICE

MAIN DEPARTMENTAL ACTIVITIES AND ACHIEVEMENTS IN 1981

1. Police, Community Relations and Race

The central feature of police, community relations and race in 1981 was the serious disorder in some inner-city areas: this occurred first in Brixton in April, and then in other cities, notably Liverpool and Manchester, in July. The police were faced by a new level and scale of violence. The reassessment of police methods and capacity for handling disorder, begun after the disorder in Bristol in 1980, was intensified. Very quickly, the Home Secretary announced provision of new protective equipment for the police, and this - together with the organisation, nationally, of rapid reinforcements, and a review of tactics - strengthened the police response.

Lord Scarman was appointed to inquire into the disorders in Brixton. His report was published on 25 November. The Home Secretary has announced his acceptance of the basic philosohpy of policing which Lord Scarman presents, and a wide range of his more specific recommendations: for example, new consultative arrangements, the need for substantial reform of the complaints procedure, and improved training arrangements.

Although the summer disorders were not race riots, the underlying threads of racial tension and disadvantage were clear. In the light of the Report of the Home Affairs Select Committee on Racial Disadvantage, and of Lord Scarman's report, the Government has:

a) re-emphasised its firm commitment to a multi-racial society and to the need to combat disadvantage;

b) emphasised the importance of measuring the extent of racial disadvantage and announced a decision to conduct ethnic monitoring in the Civil Service; and

c) strengthened its policy of meeting special needs: through administrative changes to section 11 of the Local Government Act 1972, and through a £50 m increase in the urban programme.

In advance of this work the Home Secretary had initiated a report by the Home Office on racial attacks (published on 17 November), and the Secretary of State for the Environment, following his extended visit to Merseyside, set up the Merseyside Task Force.

2. Prisons

Many of the recommendations of the May Committee Inquiry into the prisons have been implemented. The Prison Department has been given a greater measure of autonomy within the Home Office, including responsibility in large measure for its own personnel and financial matters. Independent members have been appointed to the Prisons Board. There is now an independent Inspectorate of Prisons.

Short, sharp shock regimes are in operation in four detention centres.

3. Criminal Justice

The Criminal Attempts Act 1981 has reformed the law of England and Wales relating to attempts to commit crime, and abolished the suspected person offence ('sus'). The Indecent Displays Act 1981, a Private Member's measure introduced by Tim Sainsbury MP with the Government's encouragement and support, has made new and more effective provision through Great Britain for restricting the display of indecent matter in shops accessible to people under 18 and in other public places.

Following the lead given by the Court of Appeal in 1980 towards more sparing use of imprisonment, there appears to have been a continuance in 1981 of the welcome downward trend in the average length of prison sentences recorded in the second half of 1980, and of greater recourse by the courts to probation orders and community service orders. In recognition of these developments, the Government is making available to the probation service additional resources (equivalent to some 150 additional probation officers) in 1982 - 1983.

4. Immigration

The British Nationality Act 1981, which replaces our present out of date citizenship laws, received Royal Assent on 30 October. Its provisions will take effect on 1 January 1983.

5. Broadcasting and Radio Regulation

A legal citizens band service was introduced in November 1981; nearly 100,000 people have already taken out licences.

A new Royal Charter was drawn up providing the framework for the continuance of the BBC until 1996. The Home Secretary established the new BBC licence fees, to last for a period of at least three years, thus assisting the BBC to plan ahead and develop financial discipline, and enabling the licence fee system to work in the way it should (in contrast to the debilitating effect of annual increases).

OUTLOOK FOR 1981

1. Police, Community Relations and Race

The main task for 1981 will be to carry forward the work of enhancing police effectiveness and encouraging community involvement and support. In the police field, there will be:

a) a continued strengthening of the police's public order response;

b) a reassessment of the training need in public order, community relations and management, and for new recruits;

c) a review by the House of Commons Select Committee of the complaints machinery; and

d) the production of guidelines on the methods, and content, of police/community consultation.

In the race field, we shall be concerned to continue the battle against disadvantage. We shall commend to local authorities the various recommendations of the Select Committee and Lord Scarman for greater consultation with community interests - the whole community, not just ethnic minorities. We shall strive for better direction of resources in order to combat racial disadvantage, and generally improve conditions in inner-cities. We shall also draw on the experience of the Merseyside Task Force. None of this implies the use of quotas or the grant of special privileges to members of the ethnic minorities.

2. Prisons

A new duty system and improved procedures for dealing with industrial disputes are being negotiated with the POA.

Overcrowding remains the main problem. The Government have announced a very substantial building programme which should produce 5,000 new places in the 1980s. Starts on 9 new prisons - 2 a year for the next 4 years - have been approved. There has also been an important enhancement of the redevelopment of existing prisons, including major reconstruction projects at over 60 establishments which will, among other things, bring much improved access to sanitation.

A Rayner-type enquiry is being put in hand on Prison Service manpower.

3. Criminal Justice

In the spring the Home Secretary will bring into operation section 47 of the Criminal Law Act 1977 which provides power for the courts to pass partly suspended sentences of imprisonment. This will enable the courts while marking the seriousness of the offence by the length of sentence imposed, to limit in suitable cases the period which the offender need actually serve in custody. It will supplement and reinforce the trend towards shorter prison sentences which is essential if our prison system is to avoid breakdown.

The Criminal Justice Bill introduced by the Home Secretary in December will proceed on its way through Parliament. Its aim is to strengthen and make more flexible the powers of the courts, principally in relation to young offenders (and the parents of those under 17) but also with provisions for improving the law on partly suspended sentences, for a general increase in the level of fines, and for enabling the courts to give priority to compensation for victims.

4. Immigration

New Immigration Rules will be laid before Parliament in the course of 1982. They will need to take account of changes introduced by the Nationality Act, and will raise issues about differences in the treatment of men and women under the present Rules.

5. Broadcasting and Radio Regulation

In May 1981 the Home Secretary published the report of a Departmental study of Direct Broadcasting by Satellite (DBS), which was in general favourably received. Early in 1982 decisions will need to be taken on whether this country should embark on DBS, and if so when and on what scale. These questions will in turn raise others regards the implications for broadcasting of developments in the field of information technology.

Foreign and Commonwealth Office

London SW1A 2AH

23 December 1981

Dear Mike,

Prime Minister's End of Year Press Interviews

In response to your circular letter of 17 December addressed to John Halliday in the Home Office, I attach a contribution from the FCO covering the state of play in the foreign policy field at the end of 1981.

To avoid unnecessary duplication, we have not made separate returns for 1981 and 1982, but have sought to cover the three questions illustrated in your paragraph 2 under each of the issues dealt with in the note.

Yours ever,

Frances Richards

(F N Richards)
Private Secretary

M Pattison Esq
10 Downing Street

3. Criminal Justice

In the spring the Home Secretary will bring into operation section 47 of the Criminal Law Act 1977 which provides power for the courts to pass partly suspended sentences of imprisonment. This will enable the courts while marking the seriousness of the offence by the length of sentence imposed, to limit in suitable cases the period which the offender need actually serve in custody. It will supplement and reinforce the trend towards shorter prison sentences which is essential if our prison system is to avoid breakdown.

The Criminal Justice Bill introduced by the Home Secretary in December will proceed on its way through Parliament. Its aim is to strengthen and make more flexible the powers of the courts, principally in relation to young offenders (and the parents of those under 17) but also with provisions for improving the law on partly suspended sentences, for a general increase in the level of fines, and for enabling the courts to give priority to compensation for victims.

4. Immigration

New Immigration Rules will be laid before Parliament in the course of 1982. They will need to take account of changes introduced by the Nationality Act, and will raise issues about differences in the treatment of men and women under the present Rules.

5. Broadcasting and Radio Regulation

In May 1981 the Home Secretary published the report of a Departmental study of Direct Broadcasting by Satellite (DBS), which was in general favourably received. Early in 1982 decisions will need to be taken on whether this country should embark on DBS, and if so when and on what scale. These questions will in turn raise others regards the implications for broadcasting of developments in the field of information technology.

Foreign and Commonwealth Office

London SW1A 2AH

23 December 1981

Dear Mike,

Prime Minister's End of Year Press Interviews

In response to your circular letter of 17 December addressed to John Halliday in the Home Office, I attach a contribution from the FCO covering the state of play in the foreign policy field at the end of 1981.

To avoid unnecessary duplication, we have not made separate returns for 1981 and 1982, but have sought to cover the three questions illustrated in your paragraph 2 under each of the issues dealt with in the note.

Yours ever,

Frances Richards

(F N Richards)
Private Secretary

M Pattison Esq
10 Downing Street

B

Prime Minister's End of Year Interviews

Foreign Policy: State of Play at the End of 1981

General

The world is a dangerous place: East/West tension, Poland; Middle East. British foreign policy in 1981 has been consistent and constructive and will continue on these lines.

East/West Relations: Arms Control

Western Alliance maintained cohesion in the face of the Soviet threat. Determination of the Allies to implement INF modernisation programme has brought the Soviet Union to the negotiating table. UK played a leading part in concerting Western position. Reagan's 'zero option' speech of 18 November defines realistic Western objectives. Modest progress on CSCE, Madrid, cohesion of the Ten made a major impact on the Western position. But the gains of detente placed at risk by Soviet behavious.

Poland

Very grave. Watching closely. Have played our part with Partners and Allies in making possible growth of Polish liberty (debt rescheduling, credits, EC food aid, contingency planning for what the West might do in the event of Soviet intervention). Present situation complex. Totally condemn oppression of the present regime. Considering with Partners and Allies how future help to Poland might best be made conditional on restoration of civil liberties.

Middle East

Outlook uncertain following failure of Arab Summit at Fez and effective annexation of Golan by Israel. Four European States agreed to make modest contribution to Sinai peacekeeping force, to facilitate implementation of Israel/Egypt treaty and return Sinai to Egypt. The Ten remain committed to work energetically for a comprehensive settlement in the Middle East on the basis of the principles set out in the Venice Declaration.

Afghanistan

Lord Carrington to Moscow in July. EC initiative helped to keep Afghanistan at the top of the international agenda. 116 votes against the Soviet Union in the General Assembly. The Ten's proposal remains on the table as a realistic way in which the problem may eventually be solved.

/European Community

European Community

Britain a European power. Future lies in the Community. Ten nations together greater than as individuals. British Presidency widely recognised to have been constructive and effective. Real progress on a range of important issues - some 70 measures adopted, eg environment, energy policy, enlargement and relations with European Parliament. On the Mandate - agriculture and the Budget - a useful start made at the European Council in London. Difficult and divisive issue, but no doubt at all that it will be solved.

Political Cooperation

Major advance reflected in London Report in October following Lord Carrington's speech in Hamburg (eg Middle East, Afghanistan, CSCE, Poland - see above).

Southern Africa

Remains unsettled. The Five Nation Contact Group (UK, UK, France, Germany, Canada) made useful progress towards a settlement in Namibia and negotiation with the Front Line States and the internal parties. Target remains the implementation of Security Council Resolution 435 in 1982.

Belize

Welcomed Belize to internationally recognised independence on 21 September. Remaining difficulties with Guatamala should be soluble. (Antigua independent on 1 November).

Western Europe

Series of bilateral Summit Meetings with Italy, France and Germany continued in 1981. Mitterrand election in May a major event, as was Brezhnev's visit to Bonn in November, and the first inner-German Summit since 1971 in December. Retirement of President Kekkonen (Finland) after 25 years.

Spain

Invited to accede to NATO in December. Calvo Sotelo will be welcomed in London in January. Good prospects for early implementation of the Lisbon Agreement (lifting of Spanish restrictions on Gibraltar).

Cyprus

In Cyprus the resumption of the inter-communal talks give prospects for genuine negotiation in 1982.

/Economic Summits

Economic Summits

Useful series of Summits principally on international economic questions, at Ottawa, Melbourne and Cancun.

Aid Programme

Over £1 billion, two-thirds to the poorest countries, a major contribution to the world's poor despite our own problems.

FOREIGN POLICY ACHIEVEMENTS, 1981.

General

1. High reputation of British foreign policy boosted byZimbabwe settlement and maintained throughout 1981.

Political

2. East/West Relations:Arms control. Western Alliance maintained cohesion in the face of Soviet threat. Determination of allies in implementing INF modernisation programme brought Soviet Union to negotiating table. UK played a leading part in concerting Western position. ''Zero level Outcome'' realistic.

3. Poland. Very grave; watching closely. Have played our part, with allies, in encouraging the growth of Polish liberty, eg. by debt re-scheduling, credits, EC food aid, and in contingency planning for what the West might do in the face of Soviet intervention.

4. European Community. Britain's future lies in the Community. Views of 10 nations together greater than as individuals. Under our Presidency:

i) EC made real progress on a number of importance issues, eg. environment matters, energy policy. No decisions yet on some very difficult issues, including agriculture expenditure and budget, but nearer.

ii) Political co-operation strengthened through the London Report. Examples of political co-operation include:

Afghanistan: EC initiative - Lord Carrington to Moscow - to solve crisis and bring about Soviet withdrawal, helped keep Afghanistan the top of the international agenda. Initiative still on the table.

Middle East: The Ten maintained their proposals for progress towards a comprehensive settlement, agreed at Venice. Also reached agreement on the potentially divisive issue of participation by Britain and 3 others in the Sinai peacekeeping force.

CSCE in Madrid: Cohesion of the Ten made a major impact on the Western position.

UN: EC spoke with a more united voice in New York: record level of joint statements and explanations of vote.

5. Belize. Brought successfully to internationally accepted independence after difficult negotiations.

6. Southern Africa. Remains unsettled. But negotiations between the 5 nation contact group (US, UK, France, Germany, Canada) and concerned parties for a Namibian settlement/once more underway. Still early stages. Negotiations will be difficult. But improved prospects for a settlement.

Economic

7. Ottawa. 7-power summit successful. Broad agreement on vital economic issues facing us, particularly that highest priority should be reduction of inflation and unemployment.

8. Commonwealth Heads of Government Meeting and CANCUN. Successful meetings. Full discussion in both of developing countries' problems and the right approach to them. Encouragingly realistic approach at CANCUN.

9. Aid Programme. Over £1,000 million, two thirds to the poorest countries. A major contribution, despite our own problems, to helping the world's poor.

10. Commercial diplomacy. Steel plants in India and Mexico. Progress on Hawk aircraft to UAE.

FOREIGN & COMMONWEALTH OFFICE

18 DECEMBER 1981

FOREIGN POLICY: PROSPECTS FOR 1982.

Political

1. Much unsettled: East/West tension, especially Poland; Middle East. But opportunities too.

2. East/West relations. Must pursue the dialogue. INF talks continue in Geneva. Welcome Reagan's call for resumption of Strategic Arms Reduction talks. (We welcome ''reduction'' as more positive than ''limitation''). Prospects for agreement on Conference on Disarmament in Europe (CDE) if Soviet Union responds constructively: would be great step forward.

3. Poland. Must be allowed to settle affairs itself. Any intervention by Soviet Union would be major setback to East/West relations.

4. European Community. Must all strive for agreement on outstanding issues. We shall play full part in building a strong and forward looking EC in which Britain can feel at home.

5. Namibia. We shall continue to work hard within the 5 nation contact group for the implementation of the UN plan in 1982, with independence in 1983.

6. Economic. Signs of economic upturn. Oil prices more stable. But must continue struggle against inflation. We shall play full part in next economic summit in France in summer. Will maintain substantial aid programme.

FOREIGN & COMMONWEALTH OFFICE

18 DECEMBER 1981

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

24 December 1981

Mike Pattison Esq
Private Secretary
Prime Minister's Office
No.10 Downing Street
LONDON SW1

Dear Mike,

You sent me a copy of your letter of 17 December to John Halliday asking for notes on Departmental activities and achievements in 1981 and the outlook for 1982. I attach our response.

Yours ever,

John Kerr.

J O KERR
Principal Private Secretary

C

H.M. TREASURY

MAIN ACTIVITIES AND ACHIEVEMENTS, 1981

Activities

The Treasury's principal concern has been to further the Government's two main economic objectives:-

a. a reduction in the rate of inflation; and
b. a sustainable improvement in the competitiveness and profitability of British industry, so as to lay the foundations for better living standards.

2. The main objective of the Budget of 10 March 1981 was to help reduce inflation and aid industry and business through holding down interest rates, shielding businesses as far as possible from additional fiscal burdens, and providing new and additional relief in respect of stock-holding and industrial buildings.

3. Other developments designed to help industry came in an imaginative package designed particularly for small firms - Business Start Ups Schemes, the Loan Guarantee Scheme, and the Business Opportunities Programme. Fuel prices were lowered to bulk users. Ten out of eleven enterprise zones are now in operation.

4. In public expenditure, the planned spending for 1982/83 was increased. Additional provision was made in particular for defence, employment (especially measures to help the young unemployed), and the maintenance of planned nationalised industry investment. The value of retirement pensions has been fully maintained, and spending on the health service has increased.

5. Civil Service numbers are the lowest for fourteen years, down 52,500 since April 1979.

6. Other activities in 1981 included the issue of index-linked gilts, new national savings facilities, and index-linked "Granny Bonds" made available to all. The total of outstanding official

overseas borrowing was reduced by some $4 billion in 1981, and now stands at under $14 billion, compared with $22 billion in May 1979.

Achievements

7. The results of the strategy, stemming not just from activities in 1981, but also from other measures since the Government came to power, have been significant:-

a. Inflation ended the year at 12 per cent, compared to over 15 per cent at the end of 1980, and nearly 22 per cent in May 1980.

b. Recovery has begun. There was a 1½ per cent increase in manufacturing output in the three months to October compared to the preceding quarter, the biggest increase for 2½ years.

c. Productivity in manufacturing industry (output per man) rose by about 10 per cent between the fourth quarter of 1980 and the third quarter of 1981.

d. The level of pay settlements in 1981 has been halved compared with 1980, and our unit labour costs are rising more slowly than the average of our competitors.

e. We are winning back orders from our competitors: engineering export orders over the year ran at a level 20 per cent higher than in the second half of 1980.

Prospects for 1982

8. The prospects are for a further fall in inflation, and further rises in productivity, output, and exports. The key to this lies in the continuation of moderate pay settlements. Unemployment remains a matter of serious concern, but it is now rising less fast than before, and the indications are that the rate of increase should further diminish during 1982. The Government's policy of beating inflation and improving profitability is not an alternative to policies to defeat unemployment: it is such a policy, and the only one likely to bring sustainable success.

24/XII/81.

DEPARTMENT OF EDUCATION AND SCIENCE
ELIZABETH HOUSE YORK ROAD LONDON SE1 7PH
TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

Mike Pattison Esq
10 Downing Street
London
SW1

23 December 1981

Dear Mike,

... Thank you for your letter of 17 December. I enclose as requested notes covering the three topics referred to in your letter.

I am asked to record by my Secretary of State that he was surprised that more notice was not given about this request.

Copies of this letter go to the recipients of yours

Yours sincerely

Peter Shaw

P A SHAW
Private Secretary

D

DEPARTMENT OF EDUCATION AND SCIENCE

A. MAIN DEPARTMENTAL ACTIVITIES AND ACHIEVEMENTS IN 1981

1. The Education Act 1981, which reforms the law on the education of handicapped children to bring it in line with modern practice and to confer new rights on their parents.

2. A new statement of Government policies in relation to the school curriculum, emphasising breadth and preparation for working life.

3. The Assisted Places Scheme began in September 1981.

4. Work with the LEAs to try to secure that necessary contraction of teacher force is managed selectively in the interest of preserving quality so far as possible.

5. Larger numbers of graduates in mathematics and science are applying for teacher-training courses; priority is being given to try to get them into the limited training places and limited jobs available:

6. Within general constraints on public expenditure, working for an efficient planned contraction of higher education. (This has involved much assessment, calculation, work with the University Grants Committee, consultation with local authorities, and treatment of objections from institutions, their representatives and various pressure groups.)

7. Development of new arrangements for the management of Public Sector Higher Education in England. (A Green Paper on alternative long-term approaches was published in July. An interim body for Local Authority Higher Education is now in process of being established).

8. Handling a range of issues within the field of non-advanced further education and in relation to activities centred primarily elsewhere on "training".

9. Completion, under the auspices of the Advisory Board for the Research Councils, of a report on postgraduate education.

10. Launch of review of the Social Science Research Council.

11. Publication of a Report on the legal basis for further education.

B. OUTLOOK FOR 1982

12. Introduction in September 1982 of the new regime for giving effect to parental preference for schools, and much more information about schools. thus implementing the major provisions of the Education Act 1980.

13. Announcement of a detailed scheme for a new national pre-vocational examination certificate at 17+ in schools and colleges.

14. Continuation of work to ensure efficient contraction of the teaching force.

15. Important review of the pattern and scale of initial teacher training to match the prospective needs of the 1980s.

16. Attention will also increasingly focus on the need to foster more and more purposive in-service training, as the teacher force contracts,

17. Both the Burnham and the university pay settlements in April will be important to the financing of those respective services.

18. Continuation of contraction of higher education,

19. The Review of the SSRC should be completed by the Spring of 1982 and will lead to decisions.

20. The report of the Review Group on the Youth Service is due during the Summer.

C. OTHER MAJOR OUTSTANDING ISSUES

21. Review of Schools Council.

22. Publication of the report on Support of University Scientific Research;

23. Re-consideration of student loans;

24. More activity on student behaviour;

25. Continued promotion of post-experience education;

26. Contribution to developing a new pattern of engineering education;

27. Evolution of policies on overseas students;

28. Conduct of a review of sandwich course provision.

From: THE PRIVATE SECRETARY

NORTHERN IRELAND OFFICE
GREAT GEORGE STREET,
LONDON SW1P 3AJ

Mike Pattison Esq
10 Downing Street
LONDON
SW1

23 December 1981

Dear Mike

... I attach notes on Northern Ireland Office activities and achievements in 1981 and the outlook for 1982, as requested in your letter of 17 December.

Yours sincerely

Mike Hopkins

M W HOPKINS

E

NORTHERN IRELAND

ACTIVITIES AND ACHIEVEMENTS

The Government has stood firm against the terrorist campaign in Northern Ireland.

2. The Security Forces have worked unstintingly to bring terrorists to justice; this year more than 850 people have been charged with terrorist offences in Northern Ireland.

3. The Government stood firm against the hunger strike, declining to give in to the demand for political status or to act under duress.

4. Following the Prime Minister's announcement (in March) of a new electricity tariff policy for Northern Ireland, industrial tariffs have been on a par since June with the highest comparable charges in England and Wales, and from April 1982 domestic tariffs will be in the same relationship.

5. Detailed discussions with the Irish Republic are in train on the possibility of a supply of natural gas to Northern Ireland from Kinsale. These discussions are expected to be completed early in 1982.

6. Miscellaneous measures to assist the economy: Government reviewed the organisation of the industrial development institutions in Northern Ireland and is in the process of setting up a new Department of Economic Development which will include an Industrial Development Board; the Business Opportunities Programme was launched in 1981; an Enterprise zone was set up in Belfast; and the Youth Opportunities Programme provided openings for 10,000 young people.

OUTLOOK FOR 1982

7. The defeat of terrorism will continue to be the first

p /...

priority. Sustained determined effort, operating always within the law, rather than dramatic shifts of course are required.

8. The Government will try to make progress next year in providing opportunities for the people in Northern Ireland to have a greater say in the administration of the Province.

9. Priority on public expenditure will continue to be given to the Industry, Energy, Trade and Employment programmes in order to promote the economy; and within the social and environmental programmes, to housing.

10. There will be detailed consultation about a Youth Training Programme (comparable with the GB YPP) to tailor requirements to Northern Ireland's needs.

11. The reorganisation of the Governmental structure in Northern Ireland will continue with the setting up of the Department of Finance and Personnel, and the Department of Economic Development.

NB. The improved relationship between the UK and the Republic could be represented as an achievement during the year, but for the Prime Minister to single it out risks intensifying Unionist suspicions that the discussions are more significant than the Government has claimed and in particular that they are intended to lead to Irish unity.

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB
Telephone 01-218 2111/3 (Direct Dialling)
01-218 9000 (Switchboard)

MO 25/3/4

23rd December 1981

Dear Mike,

You sent me a copy of your letter of the 17th December to John Halliday. I now attach notes on the main MOD activities and achievements in 1981. Given the nature of MOD business we have not attempted to gaze into the crystal ball for 1982.

Yours sincerely

Mick Evans

(N H R EVANS)

M A Pattison Esq

F

ANNEX

Defence Budget and Defence Review

Defence spending continues to grow in real terms in line with NATO's 3% annual target. Government committed itself in July to plan to continue this growth rate until 1985-86. However defence programme review necessary because existing force structures could not be funded even within increased resources, particularly because of rising real equipment costs. Also need to change balance between platforms and weapons. Some reduction in surface fleet numbers and associated measures (dockyard closures) regrettable but inevitable. Surface fleet will remain formidable, but greater emphasis on submarine and maritime air systems. Defence still top priority: major contributions in nuclear field, central front, Eastern Atlantic and defence of home base. Commitment to NATO still total: Allies paid tribute to size and scope of UK effort at a time of severe domestic economic difficulty.

Efficiency

By beginning of April next year number of MOD UK based civil servants planned to be down to 221,000 from 247,000 in 1979. On course for target of 200,000 by 1st April 1984. Major efficiency drive at line manager level to prune inessential activities, question standards and levels of service. Department is, for example, systematically placing cleaning work to firms in the private sector - decisions so far covering over 3000 posts. MOD has made full contribution to Rayner scrutiny programme - particularly important interdepartmental review of support services for R&D Establishments now nearing completion.

Defence Sales

Value of major defence sales contracts signed during first nine months of 1981 totalled over £1000m - almost 40% up on the equivalent for 1980. Notable export successes for Hawk and Rapier during the year. Growing interest in British defence equipment in the United States - good prospects of securing substantial American orders for Rapier, Hawk and the 81 millimetre mortar system. Stand to benefit from joint development of AV8B aircraft. Strong sales links with traditional partners maintained - e.g. UK won £150m contract earlier in the year to assist Saudi Arabian National Guard to develop medical and hospital facilities.

Service Manpower

Continuing improvement in the manpower position of armed forces - considerable shortages which had developed up to 1979 almost entirely disappeared. Due in no small part to the Government's implementation in full of AFPRB recommendations.

Operations and Training

RNs principal operational commitment patrol in North West Indian Ocean begun in 1980 to prevent threat from regional conflict to free passage of merchant shipping in Gulf. Destroyer or frigate also maintained in the Carribbean as Belize guardship and to support dependent territories and assist in disaster relief. RN took part in major Exercise Ocean Venture with 250 ships and 1000 aircraft from 14 NATO and non-NATO nations, held from June to September.

Army presence in Northern Ireland reduced as the RUC assumed greater responsibility for law and order. Further reduction

made in number of major units serving on emergency tours - although Spearhead still deployed in wake of Bradford murder. Task of British Military Advisory Team in Zimbabwe of helping to form integrated national army now virtually complete.

RAF Search and Rescue Units in UK answered over 800 calls during the year, rescuing over 600 people. RAF Hercules deployed to Dakar following attempted coup in Gambia in August. Aircraft flew three sorties into Banjul Airport evacuating over 200 civilians. RAF Red Arrows carried out major and successful tour of Middle East - did much to persuade UAE to purchase Hawk. Tornado crews from UK, Italy and Germany now being successfully trained at Tri National Training Establishment at Cottesmore, set up earlier this year.

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

From the Minister's
Private Office

Mike Pattison Esq
Private Secretary
10 Downing Street
London SW1

23 December 1981

Dear Mike,

Your letter of 17 December to John Halliday asked Departments to prepare brief notes on their main achievements during 1981, and prospects for 1982.

--- I attach a set of notes covering agriculture, fisheries and food, which the Minister has seen and approved.

Yours sincerely

Kate

KATE TIMMS
Private Secretary

G

AGRICULTURE, FISHERIES AND FOOD

I MAIN ACHIEVEMENTS IN 1981

AGRICULTURE

1. CAP PRICE FIXING - The price fixing again struck a fair balance between farmers' needs and the interest of consumers. The CAP now accounts for a smaller proportion of the Community budget than at any time since British accession, and the annual average increase in common prices and in the cost of the CAP have both been far lower under this Government than under its predecessor (prices: 5% compared with 7½%; cost: 10% compared with 20%).

2. UK PRESIDENCY - The Minister has persuaded the Council and the Commission to consider longer-term production targets for Community agriculture and to confront the need for stricter control of national aids.

3. SHEEP - The Community sheepmeat regime has given guaranteed prices to sheep producers 26% higher than under the previous national scheme, together with new annual premiums for ewes, all 100% financed by the Community.

4. POULTRY HEALTH - New arrangements to eliminate Newcastle disease of poultry have been introduced, including a ban on imports from countries with lower poultry health standards.

5. FOOT AND MOUTH DISEASE - The first foot-and-mouth outbreak for 14 years was rapidly and efficiently eliminated.

6. BRUCELLOSIS - The eradication of brucellosis has been completed, increasing cattle productivity and eliminating a risk to human health.

7. HORTICULTURE - Launching aid was given to the "Kingdom" apple scheme and an oil-fuel aid to glasshouse growers facing competition from Dutch growers with cheap fuel.

8. NEW ZEALAND BUTTER - The Government secured an extension for three years of the special import arrangements for New Zealand butter.

9. POLAND - The UK sent nearly half a million tonnes of barley, 10,000 tonnes of butter and 3,000 tonnes of beef to Poland as part of a Community scheme for concessionary sales.

10. CONSERVATION - The Wildlife and Countryside Act furthers conservation of natural beauty, flora and fauna in a way that is compatible with efficient agriculture and based on voluntary partnership, not dictation.

FOOD

11. PRICES - Food prices continued to rise more slowly than the general rate of inflation (9.8% November 1980-1981 compared with a 12% rise in the RPI).

FISHERIES

12. COMMON FISHERIES POLICY - Improvements in the marketing arrangements were agreed and progress made towards a Common Fisheries Policy.

13. FISHERIES ACT - A Fisheries Act was passed to help the industry improve its marketing arrangements, promote conservation of stocks and assist fish farming.

14. AID - In addition to the normal financial assistance of about £14m., a special subsidy of nearly £25m. was provided to help the industry over its difficulties.

II OUTLOOK FOR 1982

AGRICULTURE

1. MILK - Of the 1½p per pint increase in the retail price on 10 January, 1.1p will go to producers to help them meet their rising costs and 0.4p to distributors. A new system for controlling distributive margins is being introduced to protect the continuation of doorstep milk delivery in the interests of the housewife.

2. HILL FARMS - The hill farm subsidies payable from January are at their highest ever level, with total aid to hill livestock farmers running at over £100m.

3. GLASSHOUSE INDUSTRY - Further aid is being given to help glasshouse growers with their fuel bills.

4. MARKETING - The Minister hopes to complete plans for helping the food and agriculture industries to improve their marketing.

5. CAP - The Government will continue to fight for improvements in the CAP, so as to reduce surplus production and the cost of the policy.

FLOOD PREVENTION

6. THAMES BARRIER - The Thames Barrier, to protect London from major flooding, is on

target for completion by end-1982.

FISHERIES

7. CFP - The Government will continue to fight for a common fisheries policy that is fair to the British fishing industry and offers a sound basis for its future prosperity.

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

M Pattison Esq
Private Secretary to the
Prime Minister
No 10 Downing Street
LONDON SW1

23 December 1981

Dear Mr Pattison

In response to your letter of 17 December I enclose notes as approved by my Secretary of State relating to Scottish Office activities and achievements in 1981 and the outlook for 1982. There are no points to which we would wish to draw attention under the third heading in your letter.

Yours sincerely

M. Stewart (Miss)

pp. JOHN S WILSON
Private Secretary

Mr Pattison.

The top copy as promised. Could you pse note there is an amendment on page 3 of the Achievements. 15 January 82

In the 4th para should read 15 February 82.

With the Compliments
of the
Private Secretary

Margaret Stewart.

Scottish Office,
Dover House,
Whitehall,
London SW1A 2AU.

I

SCOTTISH OFFICE: OUTLOOK FOR 1982

Scottish Grand Committee The first meeting of the Scottish Grand Committee in Edinburgh will take place in February.

Local Authority Expenditure In the Local Government and Planning (Scotland) Bill, the Government propose a further extension of their powers to control overspending by local authorities. The Bill contains a power which will enable the Government instead of reducing the grant payable to an authority whose expenditure is excessive and unreasonable to restore some of their rate payments to the ratepayers of that authority.

Jobs The job potential in new investment in Scotland announced by overseas companies is nearly 5,000 jobs in 1982. On further job dispersal there will be 180 or so posts from the Crown Agents established at East Kilbride, and planning is in hand for the move of 1400 MOD staff to Glasgow by 1985

Roads The summer of 1982 will see the completion of almost all the reconstruction between Perth and the Cromarty Firth on the A9 - Scotland's main north-south highway.

Vocational Education Education authorities will receive £3.9m from the Government in 1982-83 to spend on increasing enrolments of 16-18 year olds in full-time vocational further education courses. A Vocational Preparation Unit (jointly funded by the Scottish Education Department and the Manpower Services Commission) is to be set up at Jordanhill, Glasgow, to evaluate and report on schemes of vocational preparation for young people whether at work or unemployed.

Education Curricula and Principles We expect to issue in autumn 1982 a consultation paper on the outcome of the development programme, initiated in March 1980, following the reports of the Munn and Dunning Committees dealing with, respectively, the curriculum and assessment in the final two years of compulsory secondary education. Also for publication in 1982 is an important memorandum by HM Inspectorate of Schools setting out principles for the development of new courses for 16-18 year olds in Scotland.

SCOTTISH OFFICE: ACTIVITIES AND ACHIEVEMENTS 1981

Scottish Grand Committee Improvements were made in the procedures and arrangements for debates in the Scottish Grand Committee (more Matter Days and a guaranteed number of Estimates debates and no "Added Members") arising out of the House's consideration of the report of the Inter-Party Talks on the Government of Scotland which this Administration initiated.

Local Authority Expenditure The Government took powers through the Local Government (Miscellaneous Provisions) (Scotland) Act 1981 to make selective reductions in the rate support grant payable to local authorities whose expenditure was excessive and unreasonable. These powers were used successfully against 3 local authorities in Scotland (in particular Lothian Regional Council) which had budgeted for a large volume increase in spending.

Housing Almost 50,000 tenants of public sector houses have either bought their houses since the Election or have applications under consideration. The Housing Corporation had its biggest ever capital programme in real terms (£79.8 million) in Scotland in 1981-82.

Locate in Scotland Following a report by the Select Committee on Scottish Affairs, new organisational arrangements for inward investment into Scotland were made. This had been a matter of controversy for some time. The new organisation - "Locate in Scotland" - is generally agreed to be working well.

Major Inward Investment in Scotland Investment in Scotland in electronics by overseas companies continued strongly. Major investments were announced earlier by the US Motorola Company and the Japanese Nippon Electric Company.

North Sea Oil and Gas Some 80/95,000 jobs have arisen in Scotland as a result of North Sea oil and gas activities. 1981 saw the inauguration by HM The Queen of Europe's largest oil terminal - at Sullom Voe in Shetland Isles. A new oil terminal at Nigg became operational, the world's first tension leg platform is now under construction in Scotland and in 1981 we also saw further success in the oil sector by the Scott Lithgow and Cammel Laird yards of British Shipbuilders. In addition a number of companies have been able to use the experience they have gained in the difficult physical conditions of the North Sea to secure a foothold in other offshore markets; this export of North Sea expertise augers well for the future.

MossMorran Despite the world wide recession on downstream prospects in petrochemicals, faith in the future has been shown by the confirmation by Shell Chemicals UK and Esso Chemicals that they are proceeding with the new petrochemical complex at Mossmorran in Fife costing around £900m. This followed discussions with Government in which we were able to give clarification on certain vital aspects - clarification already proving helpful to other companies in making their plans for the future.

Oil Related Employment It is estimated that between mid 1980 and mid 1981 Scottish employment in firms in the manufacturing and service industries which were wholly related to North Sea oil, increased by over 3000 jobs to about 50,000. Allowing for short term construction projects and all multiplier effects, overall oil related employment is estimated to have increased from 75,000 - 90,000 to 80,000 - 95,000 over the same period

Torness Construction at Torness began in August 1980, and the project is on timetable and budget targets, with a programme leading to generation from the first unit in March 1987 and from the second unit in May 1988. (A few commercial matters remain to be settled but detailed procedures have been agreed between the National Nuclear Corporation and the South of Scotland Electricity Board). The estimated cost of the station is £1097m at March 1980 prices. About 900 of the 2,200 site labour force have been recruited from East Lothian, the Borders and Edinburgh.

Dispersal The Government are moving ahead with their plans to disperse at least 2,000 posts to Scotland, with 430 ODA staff taking up duty at Abercrombie House in East Kilbride officially opened in November.

Ferry Services Support for Scottish ferry services has been doubled and further support will be given in 1982.

Aid to Fishing Fleet Of £25m of special aid paid out under the Government's scheme recognising the special difficulties of the fishing industry about half went to the Scottish fleet.

Education The Education (Scotland) Act 1981 provided for parental choice ie a new right to parents (including appeal provisions) to request that their children should be placed in a school other than that proposed by the education authority. The new system comes into operation on 15 ~~January~~ February 1982.

Also under the Act, the assisted places scheme made a good start in 1981. Nearly 800 pupils took up assisted places in the 41 participating schools, 70% of these pupils coming from families with an income of less than £6,500 per annum. The scheme provides fee remission for children from lower income families taking up places in fee-paying schools, the required resources being derived from the phasing out of the traditional block grant to the grant-aided secondary schools ie the scheme does not involve any increase in public expenditure.

Thirdly, the Act made extensive new provision (hopefully coming into effect for 1982-83) for the education of handicapped children and young people, with the co-operation and consultation of their parents, moving away from the present system of "ascertainment" which tends to label handicapped children and young people and, instead, making provision not only in special schools and special classes but also in ordinary schools for the whole range of children with special educational needs, including the large number who would not be regarded as handicapped in the normal way but who require some kind of special provision over a shorter or longer period.

Y YDDFA GYMREIG
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switsfwrdd)
01-233 8545 (Llinell Union)

ODDI WRTH YSGRIFENNYDD
PREIFAT YSGRIFENNYDD
GWLADOL CYMRU

WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switchboard)
01-233 8545 (Direct Line)

FROM THE PRIVATE SECRETARY
TO THE SECRETARY OF STATE
FOR WALES

23rd December 1981

Dear Mike

You asked in your letter of 17 December for briefing for the Prime Minister on Departmental activities and achievements in 1981 and outlook for 1982.

The Welsh Office contribution to the briefing is enclosed.

Yours
Carys Evans

MISS G C EVANS
Private Secretary

Mike Pattison Esq
Private Secretary
No 10 Downing Street
LONDON

WELSH OFFICE

J

ACTIVITIES AND ACHIEVEMENTS IN 1981 AND OUTLOOK FOR 1982

INDUSTRY AND EMPLOYMENT

The first Enterprise Zone to be established in the UK, the Lower Swansea Valley, was designated in June. 26 firms, including 5 new ventures, have settled in the Zone.

To the end of November, over 100 offers of Selective Financial Assistance had been accepted with a value of nearly £20m promising 7,100 jobs and safeguarding another 3,700. All these figures are higher than last year. A record total of 283 Government financed factory units had been allocated by the end of November, promising almost 6,100 new jobs.

One information technology centre has been announced in the Principality (for Kelsterton in NE Wales) and more are in prospect.

Currently about 36,000 people are benefiting from special employment measures.

The rate of increase in unemployment in Wales in recent months has been less than half of that at this stage last year. The December unemployment figures show a slight fall in absolute levels (though the underlying trend remains upwards).

The indications are that the trough of recession was reached in the Welsh manufacturing sector earlier this year and that, in common with the rest of the UK, a slow recovery has been in evidence for some months.

WATER

The Welsh Water Authority has been reconstituted from a body of 35 members to an Authority of 13 members appointed by the Secretary of State for Wales, 4 on the nomination of local authorities. The reorganisation will come into effect on 1 April 1982 and should improve the management of the Authority and speed up decision-taking.

ROADS

The last link in the M4 was opened, providing a continuous dual carriageway connection from Swansea to London. On the North Wales Coast Road (A55) two improvement schemes were started, and contracts to a value of £75m let for work which will be underway in 1982 and succeeding years.

LOCAL GOVERNMENT EXPENDITURE

There are separate Rate Support Grant arrangements in Wales, and in 1981/82 Welsh local authorities seem likely to spend in line with the Government's target. This is a gratifying reaffirmation of the traditional willingness of local authorities, whatever their political persuasion, to respect the spending targets fixed by central Government in its role of macro-economic policy making. The Government look forward to the same co-operation in Wales in 1982/83.

LOCAL GOVERNMENT EXPENDITURE (CONT'D)

The Secretary of State announced the capital allocations for Welsh local authorities on 21 December. The performance of Welsh authorities in containing their level of current spending this year meant that the Secretary of State could allocate a sum of £279m for 1982/83. This is an increase of nearly 20% on the previous year.

HOUSING

The response in Wales to the right-to-buy provisions of the Housing Act 1980 has been a good deal heavier than in other parts of the country. By the end of September some 13% of local authority tenants had applied to buy their homes, and more than 4,000 right-to-buy sales had been completed.

HEALTH

The foundations of a new structure for the NHS in Wales were firmly laid in 1981. The new unit structure and decentralisation of financial and managerial responsibilities will encourage local decision making and responsiveness to local need. With this end in mind, preparations were made for the new District Health Authorities to take charge of their own capital programmes after 1983/84.

In 1982, the very substantial health capital programme in Wales (4 new district general hospitals in various stages of construction) will be in full stream. The Secretary of State will launch a strategy for the development of comprehensive services for the mentally handicapped.

EDUCATION

The curriculum review exercise conducted on an England and Wales basis culminated in the issue of the guidelines document "The School Curriculum" in March. A complementary guidance document 'Welsh in Schools' was issued by the Secretary of State for Wales in July. The implementation of both documents by LEAs and schools will be followed up in about 2 years' time.

The future management of public sector higher education in Wales will be determined in 1982, Consultations on Government proposals were in hand at the end of 1981.

WELSH LANGUAGE

1981-82 saw the trebling of Government Assistance for the Welsh language to £2.3 million. This reflects the Government's commitment to support constructive action designed to further the Welsh language - support which will be maintained during 1981-83.

DEPARTMENT OF TRADE 1 VICTORIA STREET LONDON SW1H 0ET Telephone 01-215 7877

From the Secretary of State

Mike Pattison Esq
Private Secretary
10 Downing Street
London, SW1

23rd December 1981

Dear Mike,

Your letter of 17 December to John Halliday asks for brief notes covering the main Departmental activities and achievements. ... I attach such notes covering the Department of Trade, and a ... separate note covering the work of ECGD.

Yours Sincerely,

Jonathan Rees

J N REES
Private Secretary

K

DEPARTMENT OF TRADE

1 Services to Exporters The Department (with the BOTB) has continued to provide a wide range of export services. During 1981 the Department assisted 2,500 participants in over 150 missions to overseas markets; helped over 6000 individual visitors; supported participation by over 7000 exhibitors at more than 300 fairs and exhibitions overseas; and dealt with over 100,000 enquiries from UK exporters.

2 Overseas Ministerial Visits Recognising that the increasing importance to our exporters of state-influenced trade and major capital projects argues for an increased political input, the Government appointed for the first time a separate Minister for Trade. Thus in addition to overseas visits by Cabinet Ministers including the PM, Foreign Secretary and Trade Secretary, Peter Rees and his predecessor (Cecil Parkinson), have travelled more widely and intensively in support of Britain's commercial interests in the last 2½ years than the representatives of any previous administration. It has also become increasingly common for leading industrialists to accompany Ministers on these visits as a useful means of 'opening doors' for exporters.

3 Major Projects A new Projects and Export Policy Division has been created to provide a single focus for co-ordinating the support provided by the Government for industry in pursuing capital projects overseas. While it is not possible to provide a comprehensive total including many of the smaller project successes, it is estimated that firm orders for overseas projects valued at £10 million or more in which the Government has had some involvement have totalled over £5 billion during the last 18 months, with the British content worth about half that total. That compares very favourably with our record in winning large overseas projects at any time in the recent past and will be an important boost to manufacturing employment. (List of major projects won in Annex).

4 Aerospace Exports Our aerospace exports look set to reach a new record level of £2.75 billion this year, while the recent £5-600

million order from the United States for the Hawk jet trainer could generate further giant orders for the industry.

5 International trade issues (a) The UK is pressing for the negotiation of an effective MFA III to control imports of low-cost textiles. (b) The UK is joining in pressure on Japan to open up its own market for manufactures and to control more effectively Japanese penetration of specific product areas (cars, light commercial vehicles, machine tools, consumer electronics, etc). (c) We are continuing to make clear to the United States the problems caused by their claims to extraterritorial jurisdiction. We (and the Commission) have also been impressing on the USA the serious dangers of disruption of transatlantic steel trade threatened by pressures for action against allegedly dumped imports.

6 Competition Measures to strengthen Monopolies and Mergers Commission scrutiny of nationalised industries and the follow-up announced 30 November. Efficiency audits of CEGB and Severn Trent Water Authority published; during 1982 MMC will report on bus undertakings and NCB. Decision taken to end retailing of gas appliances by British Gas. MMC have completed first investigation into an anti-competitive practice (Raleigh Bicycles). Competition in the supply of spectacles and contact lenses to be reviewed by the Director General of Fair Trading. MMC proposals on surcharges in use of credit cards not allowed.

7 Consumers Action during 1981 includes: distribution of a consumer education pack to all secondary schools; greater protection in dealings with estate agents; green papers on streamlining and improving nationalised industries consumers' councils, and on requiring VAT-inclusive pricing in restaurants and hotels; campaigns to reduce hazards caused by blocked flues and fireworks. From 1 January origin marking will be required for most textiles, clothing, footwear, cutlery and domestic electrical appliances. Consultations are starting on making existing consumer safety legislation more effective.

8 Companies Companies Act 1981 makes wide-ranging changes including: reducing burdens particularly on small firms (abolishing Registry of Business Names, greatly reducing accounts information required by Registrar of Companies, easier company names registration procedures); measures to help control and expansion of businesses and discourage fraud; better consumer information about business ownership.

9 Insurance Much work has gone into the draft EC directive on the free provision of non-life insurance, but some major issues and a large number of lesser ones remain for 1982.

10 Copyright and trade marks Green paper on copyright published last July. Negotiations on a Community trade mark system are expected to begin in 1982. Further action will be taken to promote London as the site of the Community Trade Mark Office.

11 Films Funding of the National Film Finance Corporation has been restructured so that it is now independent of Government finance. Burden of quota regulations being reduced. For 1982 it is proposed to make operation of the exhibition levy fairer.

12 Tourism Support continues mainly by financial aid to the British Tourist Authority and the English Tourist Board.

13 Marine Co-ordinated inspection of ships by North Sea states, to ensure safer and cleaner seas, will come to fruition on 26 January. A team to deal with accidents causing or threatening large-scale chemical pollution is being set up. Computer-assisted radar surveillance to improve safety in the English Channel will come into full operation during 1982.

14 Aviation The action started to get EC to liberalise the tightly regulated regime for air fares, and to agree a direction on inter-regional air services, will continue in 1982. The programme for capital expenditure on regional airports is the biggest ever.

ANNEX (Department of Trade)

MAJOR PROJECT SUCCESSES

In October one of the world's biggest ever steelworks contracts was awarded to Davy Loewy for a £1¼ billion steel plant project in India. It was the second billion pound overseas project contract awarded to a British company this year - the first went to GEC earlier in the year for building the Castle Peak 'B' power station in Hong Kong.

Another success for the Davy Corporation was sealed by an agreement I signed with President Portillo of Mexico for a £330 million steel mill in Sicartsa. Other notable successes have included a total of more than £500 million of project business won in Nigeria in the last six months alone; a £250 million bank construction contract won by Wimpey in Hong Kong; a £170 million Trans-Pacific cable contract for STC; a £150 million contract for the construction of a university in Oman by Cementation International; a £140 million gas storage contract awarded to Chicago Bridge & Iron Company in Abu Dhabi; contracts worth over £100 million won by John Brown for supplying generators and spares for the Soviet natural gas pipeline project; and a £100 million motorway contract won by Kier International in Iraq.

In addition the Secretary of State for Trade signed a Memorandum of Understanding in the autumn which should eventually provide some £380 million of new orders from Brazil for leading British companies including British shipbuilders, NEI Ltd, Ferranti and GEC.

The Minister for Trade has also signed a similar understanding for a housing programme in Algiers which could bring contracts worth between £600 and £700 million for UK construction companies, while the third such major agreement, signed with the Egyptian Government in May, provides the prospect of contracts worth well over an initial £150 million for the Cairo Wastewater project.

EXPORT CREDITS GUARANTEE DEPARTMENT

---

1. Activities and achievements in 1981*

a. General. In 1981 the Export Credits Guarantee Department maintained its support for British companies trading overseas. Overall, the total value of exports insured by ECGD topped £17 million for the first time, an increase of 5 per cent over the previous year. In the same period ECGD's system of bank guarantees and buyer credit loans provided British exporters with some £3.3 billion of credit finance at preferential rates of interest - another record figure.

b. Record Claims Payments. The value of claims paid by ECGD to UK exporters totalled £288 million. This was 9 per cent up on the previous year's record total and reflected the continuing impact of hazardous world trading conditions and the effects of world recession. Of the total over £80 million arose from private buyer defaults and some £180 million from "political" causes, notably the continuing effects of events in Iran and currency transfer delays in a number of third world markets. Despite these large claims payments, ECGD continued to operate its credit insurance service at no net cost to public funds.

c. Growth in ECGD support for capital goods exports and project business. There was a marked increase in the year in the support provided by ECGD in the field of capital goods exports and major project business overseas. In particular, the value of ECGD-backed buyer credit loans - the main financing vehicle for project business - rose by 20 per cent to over £2.2 billion. In the same period the cost of the further support provided by the Government through ECGD to make up the difference between the preferential "Consensus" rates charged by the banks to exporters and current domestic interest rates rose by over £100 million to £461 million. The year also saw the introduction by ECGD of a special facility to enable the Department to act quickly in support of British capital goods exporters to counter any unusually "soft" mixed credit terms offered by their overseas competitors.

---

*Unless otherwise stated, figures relate to the financial year ending 31 March 1981.

Finally, in December the Government announced its intention to seek Parliamentary approval to extend for a further year ECGD's cost escalation scheme for capital goods exporters. It is proposed to extend the scheme until March 1983, albeit with a raised minimum contract level; up from £2 million to £5 million.

d. International "Consensus" on Export Credit Terms. The successful outcome of the October meeting of the participants in the international "Consensus" on export credit terms for capital goods ensured the continuance of this important instrument of restraint against the dangers of an export credit "war". A number of changes to the guidelines were agreed, including a 2.25 to 2.5 per cent increase in minimum interest rates for export credit and the introduction of more rigorous requirements for the prior notification of mixed credits. For the UK, the increase in minimum interest rates will produce a substantial public expenditure saving in the cost of supporting these rates.

2. Outlook for 1982

Present indications are that in general the volume of ECGD business is holding up well in 1981/82. In particular, there are signs that the growth in ECGD support for major projects is accelerating. Provisional returns indicate that in the period September to April 1981 the value of new buyer credit signings was - at £2.7 billion - higher than for the whole of 1980/81 and more than double the value recorded for the same six months of 1980. Even allowing for the well-known "lumpiness" of project business, this suggests a continuing record of success for British exporters in the project field, supported by ECGD.

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

My ref:

Your ref:

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

23 December 1981

Dear Mike

You sent me a copy of your letter of 17 December to John Halliday requesting briefing material for the New Year interviews the Prime Minister will be giving.

I attach notes on Department of Transport issues.

- Apologies for the delay in getting this across.

Alice Baker

ALICE BAKER
Private Secretary

EA

GENERAL

Massive investment in transport is building a more efficient and better system for the future; helping to stimulate industrial recovery, improving the environment and creating jobs. Total (central and local) public spending on transport now running at over £2½ billion a year. In national interest to get best value for this by encouraging efficiency; continuing improvements in long-distance coach services and reductions in fares is just one benefit of our policies of increasing competition and involving the private sector. Opposed only to profligate, indiscriminate subsidies which merely encourage inefficiency and build nothing for the future.

DURING 1981:

ROADS - CONSTRUCTION

- £300 million of new road contracts let, which will help industry and economy and improve environment by taking traffic away from 40 communities.

- 50 miles of motorway and 90 miles of other main roads opened to traffic

- top priority to M25 London orbital motorway. Nearly ⅔ of 120 mile route now open or under construction

- by end November '81, work started (or contracts let) on 46 of the 56 schemes listed to start in 1980 and 1981 in the Government's White Paper.

ROADS - MAINTENANCE

- £118m spend by central Government in 1981/82 on maintaining motorway and trunk road network. £517m spend on maintaining local roads by local authorities with Government assistance.

RAIL

- external finance limit (EFL) raised to £920m.

- investment ceiling maintained at £427m (same level in real terms as under previous Government)

- BR investing massive sums, eg in rolling stock (£100m pa), signalling (£60m - £70m pa)

- asked BR to submit programme of schemes for electrification, where returns will justify investment

BUSES

- Government grant-aids £127m of revenue support for bus services (England)

- Express services booming (and Fares much lower), following liberalisation in 1980 (licensing of express services was abolished)

ROAD SAFETY

- new measures to deal with drinking and driving (strengthened police powers)

- motorcycle safety (introduced tougher test, which all learners will have to take, and restricted size of learners' motorcycles)

- 'points system' intrdouced to make traffic law fairer for motorists and ease burden on courts.

LORRIES

- White Paper "Lorries, People and the Environment" proposed more efficient lorry designs meeting higher noise, pollution, safety and suspension design standards, together with bypass construction (see ROADS - CONSTRUCTION). Will help industry and improve quality of life.

PORTS

- special aid for restructuring of London and Liverpool ports, including improved payments for dock workers taking voluntary severance (up to £5,500 top-up of normal severance payment). Manpower substantially cut and Port of London rationalised with closure of Royal Docks without disruption.

PRIVATISATION

- 3 of British Rail's Scottish hotels sold to private investors

- BR hovercraft interests transferred to 'Hoverspeed UK Ltd' (a new private company formed with Hoverlloyd).

- Trunk road design (supervision work transferred from Department's Road Construction Units to private consultants

DURING 1982 (and beyond)

ROADS - CONSTRUCTION

- ¼ of schemes in £800 million programme for next 2 years are bypasses: greatly improve quality of life

- £400 million worth of bypasses in longer-term programme

- provided funds for local authorities to start 35 bypasses in 1982

- continuing progress with M25 (most complete in 1985 and all by 1986) and rest of trunk road/motorway programme

RAIL

- BR to put forward programme of electrification projects

BUSES

- revenue support accepted by Government to increase to £260m in 1982-83 (from £217m in 1981/82)

PRIVATISATION

- National Freight Co (country's largest road haulier) to be sold to consortium of managers and employees

- legislation to permit private capital in National Bus Co and to transfer vehicle testing stations to private sector

- sale of shares in British Transport Docks Board.

TF

DEPARTMENT OF HEALTH & SOCIAL SECURITY

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

Telephone 01-407 5522

From the Joint Parliamentary Under Secretary of State

Mike Pattison Esq
10 Downing Street

23 December 1981

Dear Mike

Your letter of 17 December to John Halliday asked for brief notes for the Prime Minister's use for interviews which she will be giving shortly after Christmas.
I attach some notes, approved by my Secretary of State, covering this Department's interests.

Yours ever,

David

D J CLARK
Private Secretary

M

ACTIVITIES AND ACHIEVEMENTS IN 1981 AND OUTLOOK FOR 1982

(1) 1981

1. The Government has maintained its pledges on NHS spending and has achieved a real growth of 5 per cent over 1978-79, while looking to greater efficiency and more realistic charges for an appropriate contribution. Receipts from land sales have doubled to over £15m in the last two years.

2. We have launched the £1 for £1 scheme to enlist voluntary organisations, help to get mentally handicapped children out of hospital and into the community.

3. The number of doctors employed in the NHS rose in the year to September 1980 by 1,000. The number of qualified nurses and midwives rose by 21,000 in the two years to March 1981. (Some of this increase is due to the reduction in nurses' working week).

4. Hospital waiting lists have continued to fall and by March had fallen by 120,000 from the record level of 750,000 under the previous administration.

5. New hospital developments opened during the year have brought to 19 the number under the present government. Ministers have intervened to prevent the closure of 12 threatened hospitals.

7. The Social Security benefit programme currently costs over £26bn. annually. It is contributing savings of around £1½bn. to the Government's programme for reduced public expenditure. Even so we have fully protected pensioners and paid increases in benefits in November costing over £2 bn.

8. The DHSS has continued to reduce numbers. By the end of 1981 headquarters staff will be down 14% from April 1979 levels, well on target to a 20% reduction by April 1984.

9. During 1981, five Rayner scrutinies were completed, two in the field of NI contributions, and others on unemployment benefit, forms and communications. 4,500 staff savings in DHSS have been identified.

10. The Department has also completed a review of its social security regional organisation, and major staff savings and increased efficiency will result.

(2) 1982

1. The Mental Health Bill, now before Parliament, will provide proper safeguards for mentally disordered people and represents a major piece of social reform.

2. We shall follow up our consultative document "Care in the Community" and seek to transfer resources from hospital to community care.

3. Efforts to improve NHS efficiency will continue, and we shall introduce arrangements to improve the accountability of the NHS for its expenditure.

4. Legislation to introduce the employers' statutory sick pay scheme and unified housing benefit is currently before Parliament. These measures will reduce Central Government interference and achieve significant staff savings.

5. The DHSS will continue its work on efficiency, including a further programme of Rayner scrutinies and the development of computer facilities.

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

01 211 6402

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

22 December 1981

Dear Mike

As requested in your letter of 17 December, I enclose a note on the Department of Energy's achievements in 1981 and outlook for 1982.

Yours ever

David Lumley

DAVID LUMLEY
Private Secretary

N

PRIME MINISTER'S BRIEFING FOR INTERVIEWS

DEPARTMENT OF ENERGY CONTRIBUTION

PROGRESS IN 1981

1 The Department took a number of steps towards increasing the private sector's role in energy supplies. The Oil and Gas (Enterprise) Bill was introduced to transfer the British National Oil Corporation's oil producing business to the private sector company, Britoil; and to enable disposal of BGC's oil assets, the removal of BGC's purchasing privileges and monopoly supply position, and to make provision for the use of BGC pipelines by other gas suppliers. The Bill also contains proposals to extend and clarify the offshore safety regime. In addition, the Government directed BGC to dispose of its stake in the Wytch Farm field.

2 On energy prices, the position of large industrial energy users relative to their Continental competitors improved greatly during the year. The November NEDC Report recognised that this was in part due to the energy price concessions worth some £120m to industry announced in the Budget.

3 With production at some 88 million tonnes, the UK achieved overall self-sufficiency in oil for the first time in 1981. Further exploration was encouraged by the issue of 48 offshore and 15 onshore production licences, together with 31 onshore exploration licences.

4 Following the Government's decision that private sector interests should collect associated gas from North Sea fields, one scheme to bring gas ashore from northern fields and to feed it into the existing FLAGS line has already been announced.

5 Increases in coal prices from 1 November 1981 were held to 7-8%.

6 After years of uncertainty, the electricity industry's nuclear power programme, which offers the main prospect for cheap and plentiful electricity in the future, is getting back on course.

7 New or increased grants are available for homes insulation schemes sponsored by voluntary organisations, particularly those using young unemployed labour, and for Energy Conservation Demonstration Projects. A new national energy conservation schools competition has been launched.

8 The Severn Barrage Committee reported in April; the Government is considering the comments received. Preliminary work is going ahead on the Orkney 3MW aero-generator announced in January, on the Southampton borehole, where there is promising progress, and on the Camborne hot dry rock project.

9 The UK has participated in international discussions within the IEA and EEC aimed at implementing economic energy pricing principles. In 1981 the UK achieved the objectives for 1990 set by Summit, IEA and EC nations to reduce oil use to 40% of energy consumption.

OUTLOOK FOR 1982

10 Subject to progress with the Oil and Gas (Enterprise) Bill, Britoil should be established as an operating concern by the autumn, with a flotation of shares - the biggest ever on the London Stock exchange - taking place as soon as market conditions allow. The Government's shares in Amersham International will be floated in the first half of 1982. BGC will be disposing of its stake in the Wytch Farm oil field.

11 The Government will continue to encourage oil exploration by issuing further onshore licences and considering the opportunities for further offshore licensing.

12 The contribution of nuclear power to our electricity needs will be increased as three new Advanced Gas-cooled Reactor stations come on stream. The electricity industry is preparing for a full public inquiry into the CEGB's application to build a Pressurised Water Reactor at Sizewell in Suffolk. An announcement about the timing of the inquiry will be made shortly.

13 Further engineering and environmental studies will be carried out into the Severn Barrage; site work will begin on the Orkney aero-generator, and more detailed geothermal tests will be carried out at Southampton and Camborne.

OUTSTANDING ISSUES

14 In line with its policy of promoting competition in energy supplies, the Government intends to introduce legislation to enable private sector interests to generate electricity as a main business, when a suitable opportunity arises.

EIP 2

22 December 1981

Caxton House Tothill Street London SW1H 9NF
Telephone Direct Line 01-213 6400
Switchboard 01-213 3000

GTN 213

Mike Pattison Esq
Private Secretary
10 Downing Street
LONDON SW1

23 December 1981

Dear Mike,

In response to your letter of 17 December to John Halliday I enclose short notes on this Department's activities and achievements in 1981 and outlook for 1982.

Yours ever
Richard Dykes

R T B DYKES
Principal Private Secretary

DEPARTMENT OF EMPLOYMENT

INDUSTRIAL RELATIONS

Extensive consultations followed the publication of the Green Paper on Trade Union Immunities (Command 8128) in January.

2. These showed a wide measure of agreement on the issues needing to be tackled and widespread support for further legislation in the current Session of Parliament.

3. In November the Secretary of State for Employment published proposals for legislation inviting comments by the end of the year. The Government intends to bring forward a Bill as soon as possible after the Christmas recess.

4. The proposals are directed (1) to safeguarding the liberty of the individual from the abuse of industrial power (2) to improving the operation of the labour market by providing a more balanced framework of industrial relations law.

5. On the closed shop, it is proposed to increase substantially the compensation for individuals dismissed because they are not members of trade unions; to provide for periodic ballots of existing closed shops; and to ensure that individuals can seek compensation from unions who exert pressure on their employers which results in their dismissal. Practices requiring contractors to employ only union members would also be unlawful.

6. It is also proposed that the unacceptably wide definition of a trade dispute, which largely determines the extent of immunity, should be narrowed. Finally, it is proposed that the immunity of trade unions themselves should be brought into line with the immunity for individual union officials and their members.

MANPOWER

In 1981 the Government continued to work with and through the MSC to improve the efficiency of the labour market and to give special help to those hardest hit by unemployment.

THE YOUNG UNEMPLOYED

2. The new Young Workers Scheme (to encourage employers to take on more young people at realistic wage levels) starts on 4 January.

3. The PM also announced in July expansion of the Youth Opportunities Programme so that in 1981-82 550,000 young people could enter and the MSC would have the resources needed for the undertaking to offer a place to unemployed school leavers by Christmas. By the end of November over 400,000 had already entered YOP since April - more than in the whole of the preceding year - and the MSC were well on the way towards the Christmas undertaking. [MSC will not have precise figures on fulfilment of the undertaking until the New Year, but - not for disclosure - it looks as though they will come very close (within 12-15,000) to meeting the undertaking despite the immense influx of unemployed school leavers.]

4. The PM also announced in July the Government's aim to reach the position where all young people, on leaving school, either move into further education, find a job or are given a chance of vocational training or community service. In pursuance of this the Government announced in December the provision of a full Youth Training Scheme for unemployed young people in the Autumn of 1983 to replace the YOP. Meanwhile, the YOP will be progressively developed towards the new Scheme by including in 1982-83 100,000 places with training of higher quality and longer duration, which will give young people with no experience of work a year's foundation training. In 1983 the new Youth Training Scheme will provide places of this kind for some 300,000 young people throughout the year at a cost of over £1 billion in a full year. All minimum age school leavers who cannot find a job will be guaranteed places.

OTHER SPECIAL EMPLOYMENT MEASURES

5. Temporary Short Time Working Compensation Scheme and the Job Release Scheme have both been extended to March 1984. In November the eligible age for men in the latter scheme was reduced from 64 to 63 and next February will be lowered to 62.

6. In total (including the help to the young) the special employment and training measures are currently (in November) helping some 650,000 people and expenditure in 1981-82 will exceed £1 billion. The numbers of unemployed are estimated to be lower by about 350,000 as a result.

TRAINING

7. The foundations for a more effective organisation of training were laid by passage of the Industrial Training Act in July 1981 and the subsequent decisions to replace 16 statutory industrial training boards by voluntary arrangements. In December the Government published a White Paper which, in the light of the MSC's consultations on the New Training Initiative document, set out a comprehensive programme for the reform and development of training at all levels (including the new Youth Training Scheme).

EMPLOYMENT SERVICES

8. The cost of effectiveness of the MSC's Jobcentres will be greatly improved by the decision announced in July that from October 1982 registration will no longer be a compulsory condition of unemployment benefit. A wider Rayner scrutiny of the service has been instituted and will be completed early in 1982. It has just been announced (December) that the Professional and Executive Recruitment Service is to be made totally self financing. Services provided specifically for the disabled have been maintained and will be reviewed in the course of 1982, in the light of consultations on proposed changes in the quota system.

Management and Personnel Office
Whitehall London SW1A 2AZ
Telephone 01-273 } 4400
GTN 273 }

Chancellor of the Duchy of Lancaster

22 December 1981

Mike Pattison
10 Downing Street
LONDON SW1

Dear Mike,

ACHIEVEMENTS IN 1981 AND OUTLOOK FOR 1982

In response to your letter of 17 December to John Halliday I attach the CSD/MPO contribution.

I have not copied this round Cabinet.

Yours sincerely,

Jim Buckley.

J BUCKLEY

CIVIL SERVICE DEPARTMENT/MANAGEMENT AND PERSONNEL OFFICE

MAIN ACTIVITIES AND ACHIEVEMENTS IN 1981

In 1981, the Civil Service Department produced a White Paper on Efficiency in the Civil Service (Cmnd 8293) which reported progress on improving efficiency in the Civil Service, eliminating waste, and promoting methods of administration which would enable and encourage staff to give the best possible value to the taxpayer.

OUTLOOK FOR 1982

On 9 December the Chancellor of the Duchy announted an efficiency strategy for 1982 to keep up the momentum of the last couple of years by bringing together in a single coherent plan the broad thrust of efficiency work. The four strands to the strategy are:

- a smaller, carefully selected programme of departmental scrutinies;
- reviews of use and control of resources in executive operations;
- reviews of departmental running costs; and
- a personnel review.

The MPO will provide central oversight and co-ordination, with assistance from the Treasury and elsewhere. And the Second Permanent Secretary, Mr Cassels, will exercise general direction over the reviews of resource control, running costs and personnel work.

The Chancellor also announced on 9 December that the Management and Personnel Office will publish early in the New Year an action document setting out what it intends to achieve in 1982/83 and how it intends to achieve it. This will follow a review by the Office in the next few weeks of the tasks lying ahead and the

resources we have to do them.

The MPO will be setting up an experimental scheme for monitoring of ethnic minorities in the Civil Service to establish sound methods of monitoring. The Government wants to give a lead in combating the twin problems of racial disadvantage and racial discrimination. Hopefully other large employers will follow this example.

HOUSE OF LORDS,
SW1A 0PW

23rd December 1991

Dear Mr Pattison,

As requested I enclose briefing material for the Prime Minister's post Christmas interviews.

Yours sincerely,

(TREVOR COOK).

Contempt of Court Act 1981

The Contempt of Court Act, which (apart from certain provisions relating to legal aid) came into force on 27th August 1981, implements, with relatively minor modifications, recommendations of the report of the Phillimore Committee (1974, Cmnd. 5794) and it also brings U.K. law on this subject into line with the requirements of the European Convention on Human Rights. The Act is designed to achieve a better balance between freedom of speech and the need to protect the integrity of the administration of justice.

Financial consequences of divorce

Following the discussion paper (Cmnd. 8041) which the Law Commission issued last year at the Lord Chancellor's request, they have recently published (15th December 1981) a report on the financial consequences of divorce. Amongst other things, the Commission recommend that -

(a) the overriding priority should be financial provision for the children of the family;

(b) greater emphasis should be placed on a divorced wife's earning capacity and on the desirability of both parties becoming self-sufficient; and

(c) in appropriate cases, the court should seek to achieve a "clean break", i.e. a final settlement of the financial issues of the parties at the time of divorce.

The Government is giving consideration to implementing these recommendations.

Briefing for the Prime Ministers' Interviews

Public Record Office Feasibility Study

1. A study of the possibility of concentrating all the records in the custody of the Public Record Office on a single site in Kew was announced by the Lord Chancellor in December 1980.

2. The study has shown that a move to Kew is physically practicable and that a feasible scheme can be devised to provide the necessary accommodation. It has also shown that it would be possible to convert the Chancery Lane Public Record Office into courts. The views of interested parties have been canvassed and are being incorporated in a report which the Lord Chancellor expects to receive around the turn of the year.

3. This is a feasibility study only; no policy decisions have been taken either to concentrate the Public Record Office at Kew, or to re-use the Chancery Lane building for courts.

Briefing for the Prime Ministers' Interviews.

Wilson Committee Report on Modern Public Records

1. The Lord Chancellor published the report of the Committee on modern public records in March 1981. The Committee had been appointed in 1978 by the then Lord Chancellor to review the arrangements relating to the selection of public records for permanent preservation and to their subsequent access by the public.

2. The Lord Chancellor invited comments to be submitted to his department by those interested in the working of the Public Records Acts. The Government's response to the 61 detailed recommendations in the report is being formulated in the light of comments received and the inevitably competing demands on public section manpower and resources. The Government response will probably be given in the form of a White Paper which it is intended to publish in the New Year.

Briefing for the Prime Ministers' post Christmas interviews.

Law and Order

In 1981 new courthouses for the Crown Court were opened at Burnley, King's Lynn, Leicester, and Nottingham, providing a total of 15 new courtrooms. During 1982 new buildings are planned to be completed at Bolton, Chelmsford, Leeds, Portsmouth and Southwark, which will provide a further 44 courtrooms.

Briefing for Prime Minister's interviews

Lord Chancellor's Department

Criminal Business (Crown Court)

1981 In the first half of the year, the backlog of cases in the Crown Court was reduced by nearly 3,000, in spite of a large increase in the number of cases committed for trial. The average national waiting time in custody between committal and trial was reduced to 9.35 weeks.

1982 The backlog of cases is still large, particularly in the South East, and considerable efforts will be required to reduce it, as the Lord Chancellor and Lord Chief Justice are determined it shall be. Work is in progress on improvements in procedure which should come into effect in the coming year.

LEGISLATION ON JURISDICTION AND RECOGNITION OF JUDGMENTS

The Civil Jurisdiction and Judgments Bill introduced in the Lords in November will reform and to some extent codify the law of all parts of the United Kingdom on the cases which may be brought before civil courts, and the recognition and enforcement of judgments issued by courts elsewhere in the United Kingdom or in foreign parts. The Bill introduces major changes and improvements in three separate areas. As regards anyone residing in the European Community, United Kingdom courts will in future entertain proceedings on exactly the same grounds as courts in other countries, and judgments given by civil courts anywhere in the Community will be recognised and enforced almost without question in the United Kingdom. When this Bill is in force and corresponding provisions have been enacted in the other Member States, a uniform system of adjudication and recognition and enforcement of judgments will operate throughout the Community.

Secondly, as regards jurisdiction exercised by the civil courts of one part of the United Kingdom over persons residing in another, the Bill will provide a set of precise and unified rules in the form of a code. Hitherto these rules have varied from one part of the United Kingdom to another and many of them have been common law, not statutory. Over most of the field the inter-UK rules will be the same as those operating within the Common Market, thus avoiding needless legal complexity. The rules which govern jurisdiction and the recognition and enforcement of judgments vis-à-vis the rest of the world will, however, for England and Northern Ireland remain more or less unchanged.

Thirdly, for Scotland the Bill introduces a complete new comprehensive code of jurisdiction which will operate world-wide: the Scots will apply the same rules inter-UK, inter-EC and vis-à-vis the rest of the world. This represents a comprehensive codification of the Scottish law which responds to a long felt need in Scotland, expressed in a recent report of a Scottish Committee under the chairmanship of Lord Maxwell, a Judge of the Court of Session.

When, probably in late 1982 or early 1983, the Bill is in full operation, it will set the seal on negotiations between ourselves and our European partners on our accession to the Community Convention on the Jurisdiction and Enforcement of Judgments in Civil and Commercial Matters, which were conducted under successive governments since 1972, and at the same time achieve major reforms in the related areas of United Kingdom law.

EEC CONVENTION ON THE LAW APPLICABLE TO CONTRACTUAL OBLIGATIONS

The Member States of the EC have been negotiating over a period of some 12 years on a Convention embodying a set of rules which would determine which system of law is to govern the obligations entered into by the parties to a contract. The Convention was finally settled and opened for signature in June 1980, and following extensive consultations with interested legal, commercial and industrial bodies and individuals, the Foreign Secretary signed it on behalf of the United Kingdom in December last.

Legislation will be required before the Convention can be brought into effect. When eventually the Convention is in force in all the Member States it will ensure that in almost all cases the same law will be held to govern the obligations between the parties, wherever in the Community court proceedings are brought on the contract. If, for instance, the parties have chosen English law to bind their relations, courts anywhere in the Community would have to recognise that choice. If, in the absence of choice, the rules of the Convention point to French law then, whichever court is adjudicating, it will apply French law. The certainty achieved by the application of uniform rules of this nature should be of considerable assistance to international trade and commerce.

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB
TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

Secretary of State for Industry

23 Decmeber 1981

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

Dear Mike

Thank you for sending me a copy of your letter of 17 December to John Halliday at the Home Office requesting brief notes on the Department's activities.

2 I attach two lists covering the Department's contribution under headings (1) and (2) in your letter. We have nothing to offer under heading (3).

Yours ever

Ian Ellison

I K C ELLISON
Private Secretary

ENC

R

DEPARTMENT OF INDUSTRY - ACTIVITIES AND ACHIEVEMENTS IN 1981

1. 2200 applications processed under the "Micros in Schools" scheme launched by the PM and open from 1 June 1981. We believe that we are the only country to equip all schools in this way. (Secondary schools without a micro offered 50% funding towards one of two packages. Objective is to have a micro in every secondary school by end 1982.)

2. Location of first 30 Information Technology Centres (joint initiative between MSC and DoI) announced by Mr Kenneth Baker on 21 December. Aim is to give training to unemployed young people of modest academic achievement.

3. Over £200m has been spent by DoI on industrial R&D; towards half the money directly in industry.

4. By the end of 1981 some £38 million of the £55 million allocated to the Microprocessor Application Project (MAP) had been committed, over 34,000 places on short training courses had been created, and feasibility studies and 600 development projects involving the application of microelectronics in manufacturing industry were underway. Over 40,000 people visited the MAP Microtrain.

5. By the end of November 1981 assistance had been approved for a total of 781 (250 in 1981) projects under the Product and Process Development Scheme involving a Government contribution of £115m (£51m in 1981) towards projects costing £387m (£182m).

6. The Department announced a CAD/CAM Awareness Programme (computer aided design and manufacture) to operate over the next three years.

7. The DoI launched a support programme for robot application and manufacture. Industry has responded enthusiastically with over 1000 enquiries and 20 projects have already been approved.

8. New arrangements were announced on 20 July for the NEB and the NRDC to work together as the British Technology Group.

9. Continued success in attracting major high technology inward investment projects to the UK in the face of strong competition eg

<u>England</u> - Hewlett-Packard (Computer peripherals)
Sanyo TV

<u>Wales</u> - Mitel (PABXs)
Yuasa Battery (sealed rechargeable batteries)

<u>Scotland</u> - Burr Brown (Microelectronic components)

Jobs for these projects alone total about 4,370, many of them highly skilled.

10. 1981 was a good year for British exports of process plant. Major contracts were won by the Davy Group (a £350m steel mill in Mexico and a £1.2bn steel plant in India). Other successes included the CJB polyethylene plant in Greece, worth about £20m.

11. Important rail contracts were won in South Korea by GEC (£86m) and in Hong Kong by Metro Cammell (£70m). A consortium led by GEC secured a number of smaller rail contracts in Zimbabwe (£33m).

12. Successes in gaining export projects in the power station field were Hong Kong Castle Peak B at £550m, the turbines for Edmonton Gennessee at £33m and the turbines for Calgary at £20m. Successes in gas turbines were the generators for the Russo-German gas pipeline at £117m and in the cable field the ANZCAN cable at £170m.

13. Marconi secured a heavyweight torpedo contract against intense American competition. British Aerospeace obtained orders for the AV8B (successor to the Harrier Jump Jet) and the Hawk trainer, and was involved in Airbus Industries' sale of the 500th Airbus.

14. The Department announced a £22 million scheme of assistance to help private sector steel companies undertake necessary restructuring. Assistance will be available for rationalisation projects involving new capital investment as well as for closures and redundancy costs.

15. On 29 June Allied Steel and Wire Ltd (a joint public/private venture between BSC and GKN to rationalise certain of their steel rod, wire and bar interests) started trading.

16. In 1981 productivity in BSC as a whole improved markedly, with some major plants starting to perform to best European standards. Operating losses have been cut dramatically (the rate last winter was over £10m a week but now stands at less than one-third of that figure).

17. The Government approved BL's Corporate Plan in January 1981 and agreed to provide £990m in new equity in the two years 1981/2 and 1982/3. In 1981 BL has achieved new models, increased market share, lower manpower, much higher productivity. (The Government has just approved the 1982 Corporate Plan and confirmed the funding agreed last January for 1982/3.)

18. Over £50m of bank lending has been supported under the pilot Small Business Loan Guarantee scheme in the first six months alone.

19. Over £14 million of assistance was offered under Section 8 of the Industry Act for large projects in manufacturing industry with total project costs of £112 million.

20. In the year ending 31 October, offers of regional selective assistance under Section 7 of the Industry Act 1972 totalling £103m were made in respect of 511 projects involving an estimated total investment of £1,080m. The companies concerned expect these projects to create 33,000 new jobs and safeguard a further 16,000. Expenditure under Section 7 in this period amounted to £73.8m and Regional Development Grants payments totalled £631.1m.

21. The British Telecommunications Act 1981 established British Telecom as a separate corporation from the Post Office.

22. About 50% of the Government's shares in Cables and Wireless PLC have been sold to the private sector.

23. The £50m Coal-Fired Boiler Scheme was launched to encourage the switch to a cheaper energy source. 66 applications have been received and the Department has made offers on 31 of these cases. (The scope and coverage of the Scheme is currently under review.)

24. The procedure for Exchange Risk Guarantee Scheme cases (ERGs) has been streamlined for loans of £50,000 or less. Under this scheme, very small firms can take advantage of European money with full exchange risk cover through their local bank.

25. Following the 1980 Finniston Report on the engineering profession, a new Engineering Council has been set up under Royal Charter and its Chairman and 17 members have been appointed.

DEPARTMENT OF INDUSTRY - OUTLOOK FOR 1982

1. 1982 has been designated Information Technology Year. Throughout the year a co-ordinated campaign backed by the Government and industry will aim to bring home to people the importance of information technology (IT) and to increase the awareness of the availability and application of IT products. During 1982 we shall be building on the success of the MAP Microtrain and showing sectors of industry how microprocessors can improve profitability and competitiveness.

2. Information Technology Centres could number up to 100 in the next year or so.

3. Micros in Schools scheme extended from 1 January to all secondary schools. Plan to develop similar scheme for the primary sector and to explore help for special schools.

4. Expenditure on R&D by DoI in 1982 is expected to rise to about £230m with priority being given to the support of more projects in industry.

5. Mr Lamont announced earlier this month the extension of the Exchange Risk Guarantee Scheme to 31 December 1983. This scheme enables firms, particularly small ones, to take advantage of the loan finance available from the European Investment Bank and the European Coal and Steel Community.

6. The Government hopes to be able to reach agreement with Nissan on mutually satisfactory arrangements under which they will build a car plant in the UK.

7. 1982 will see the implementation of the final stage of the changes in Assisted Areas in July 1979. From 1 August 1982 around 26% of the working population will be in Assisted Areas as opposed to 44% when the Government came into office. In this way the Government's regional industrial policy will concentrate on the areas of greatest need. (Many of the AAs which will lose AA status will be designated Derelict Land Clearance Areas and thus retain eligibility for 100% grants for approved land reclamation schemes).

8. It is hoped that another public/private joint venture in the steel sector will emerge from discussions on rationalisation in the engineering steels field where there is substantial over-capacity. (Main participants are BSC and GKN.)

9. An order suspending Industrial Development Certificate control should come into effect on 9 January. This removes a burden on industry and enables staff savings of over £100,000 a year.

10. In 1982 the Department intends to press ahead with the liberalisation of a wide range of telecommunication subscribers' apparatus. We intend to licence a competing business telecommunications network (Project Mercury) and to reach agreement with British Telecommunications on the formulation of a bond to be floated on the market.

PRIME MINISTER

TOMORROW'S BROADCASTS

I attach further briefing for tomorrow's New Year's Eve broadcasts covering:

- the railway dispute, which is being supplemented by telephone to bring you up-to-date on today's meetings;

- the Ford and steel pay situations.

2. In addition, I thought it might be useful to get a note from DHSS on a 'Times' report on 29 December alleging that more than five million low-paid workers will be worse off under the Government's new sick pay scheme.

B. INGHAM
30 December, 1981.

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

Ian Kidd Esq
Press Office
No 10

30 DEC 1981

Dear Ian

I understand that you have spoken to Mr H Pryce, an Assistant Secretary in our Railways Directorate, about material on the BR/ASLEF dispute in case the matter is raised in interviews which the Prime Minister is giving tomorrow.

The attached article in today's Financial Times is a very fair resume of past events and the current state of play. You will know that there are meetings at ACAS this afternoon and arrangements have been made to telephone through to No 10 such information as we can obtain when the talks have ended.

An important point to stress is that the Chairman of British Railways Board and other Board Members made it clear to the Secretary of State for Transport when they met him before Christmas that in their view no responsible management could pay the additional 3% in circumstances where the Union had refused to honour the parallel agreement on productivity.

Yours sincerely

Sean Bodkin

S T R BODKIN
Private Secretary

On collision course over rail productivity

Philip Bassett on the background to Aslef's strike decision

YESTERDAY'S strike decision by the Associated Society of Locomotive Engineers and Firemen over British Rail's refusal to pay the second stage of this year's pay deal to the train drivers' union will again call into question government investment in the industry.

Both the BR board and the three railways unions agree that further government investment —and in particular central funding of a large-scale programme to increase electrification of the railway network— is essential for BR's survival.

Yet ministers have consistently made it clear that BR must improve its poor productivity, and that increases in electrification will be linked directly to improvements in productivity. While the causes of the present dispute are complex, this key question of productivity is central to them.

While the unions may grumble that ministers have not been as forthcoming as they would have liked over further investment, the Government in its own terms is keeping its word.

Last week Mr David Howell, Transport Secretary, announced approval for a £30m electrification scheme in East Anglia, less than an hour after the executive of the National Union of Railway men, BR's largest union, had agreed to its version of the productivity changes upon which the present dispute with Aslef revolves.

Mr Howell said the scheme was "an acknowledgement of the progress which the board has already made in generating resources for investment through improved productivity. I welcome particularly the NUR's agreement today to the new arrangements for variable rostering. This must be recognised as a major advance."

In annual pay deals over the past three years, BR has tried to tie the unions down to changes in working practices in return for a percentage improvement in pay. Each deal has been greeted with euphoria; each has failed to live up to its promise.

Difficulties arose early over this year's deal. The unions' joint claim for a rise of about 13 per cent prompted a pay offer from BR of 7 per cent.

The issue was referred to the industry's arbitration tribunal— a worrying move for BR, because although the tribunal has been in favour of BR by about 3-2 in its 75 major pay awards, according to confidential government figures. BR stressed that even 7 per cent was a "high risk" offer when facing a record loss of £140m this year.

Its fears were confirmed when the tribunal, chaired by Lord McCarthy, not only proposed a two-stage offer of 8 per cent plus 3 per cent—an extra cost of about £56m to take the overall cost to about £170m— but did not link it directly to improved performance.

BR told the unions that it would not pay the 3 per cent without written acceptance of far-reaching productivity improvements on manning and efficiency. The two manual unions replied by calling an all-out national strike.

Eventually, adroit intervention by the Advisory, Conciliation and Arbitration Service caused the threat to be withdrawn. The Acas agreement split the pay and productivity issues, and provided for:

● **Pay and Hours.** Eight per cent backdated to April 20, the due settlement date, with 3 per cent to be paid from [illegible]

3. The hour-long reduction in the railways' 40-hour working week should also be introduced on January 4.

● **Productivity.** The deal set two key dates by which some efficiency points — outstanding since last year's pay deal— should be settled: October 31 (open stations, or no ticket barrier collectors; variable rostering, or re-arranging the working day; and single train manning), and January 1, 1982 (pilot schemes on manning freight trains without guards; dual union recruitment to a new "trainman" grade.)

It soon became clear that the October 31 date would be missed. The open station idea was piloted in Scotland, and is under way; and agreement was eventually secured with the NUR on flexible rostering.

Talks with Aslef proved more difficult. The 101-year-old union mixes left-wing politics with craft elitism, and the result is often a proud but stubborn militancy.

The key issue for BR was flexible rostering. It sought an agreement to vary the traditional eight-hour working day in line with fluctuations in traffic. It pressed for a day of between six and 10 hours, but settled with the NUR for between seven and nine hours. Aslef though was insisting that its members had worked an eight-hour day since 1919, and were sticking to it.

BR suggested a return to Acas, but Aslef insisted that the issue had not yet exhausted the industry's own negotiating procedure. Much of the dispute

BR said that the agreements were linked, Aslef that they were merely parallel, and committed the union to nothing further than "talks about talks." BR, increasingly worried, warned Aslef by letter two weeks ago that it might have difficulty in paying out the outstanding 3 per cent or implementing the shorter working week for drivers if no progress continued to be made on productivity.

Three days before Christmas —and aware that any ill-timed announcement might provoke a rash of unofficial action which would disrupt holiday traffic— the board wrote again to Aslef, saying that it had decided to act on its warning, and that the pay computers were being reprogrammed accordingly. Furious Aslef leaders responded by recalling the union's nineman executive for yesterday's emergency meeting.

There is clearly some truth in the private charges of senior BR officials that Aslef is dragging its feet over the issue, and inventing procedural difficulties. Equally, the crucial Acas agreement clearly divides pay and productivity, giving weight to Aslef's complaint that BR, in suspending payment of the 3 per cent because of the productivity talks, has "reneged" on the agreement.

Acas conciliators are standing by if necessary, and Aslef is a past master at the delicate industrial relations art of brinkmanship. But the ramifications of this dispute have rumbled on already for 12 months. Any settlement just to prevent [illegible]

price of international North America and nk calls of more than The cuts will take t year.

ductions were first d last summer when Telecom applied for ases which took effect ber 1. It says the cuts eing introduced until because it has to meet nment's profit targets inancial year ending 82.

Telecom is readjust- to match costs more present international calls subsidise loss- al calls.

ebruary 1, telephone or dialled calls to erica and the Carib- be between 25 and t cheaper than they e November 1, when up. A three-minute York will cost £1.88 d rate and £1.49 at from February. At cy cost £2.82 and

alled trunk calls are on May 1 although ion will not make cheaper than before up in November.

A ha wi int 10 dem T Tec says Rev mini of G "Ge is no terms Chan sion length durati The ● Regi ment w end of of peop work bu rise to o ● Outpu at the 19 rise and stocking but a spending ● Increa interest charges, prices, co tobacco an will combi tion rate a per cent.

Vau

VAUXHALL bus in extra plant to co demand for car.

Up to 200 vehicle asse company's p Port will be to Luton fro remain there

BRIEFING FOR PRIME MINISTER'S REVIEW OF 1981

FORD - PAY DISPUTE

BACKGROUND

Ford unions submitted a claim for an increase of £20 across the board plus improvements in hours and pensions to take effect when the old pay agreement ran out on 23 November 1981. Ford initially responded with an offer of 4.5% linked to increases in efficiency. This was rejected by the unions and Ford increased the offer to 7.4% again tied to increases in efficiency but with the prospect of a reduction in working hours from 40 to 39 in January 1983.

CURRENT SITUATION 30 DECEMBER 1981

Talks have continued at ACAS with some success. The unions have provisionally agreed in principle to elements of the efficiency package. But Ford management is resisting increasing their 7.4% offer. The company will be opening its plants on 4 January, the first working day after a two- week Christmas break. It is likely that the strike called for 5 January will still go ahead.

BSC PAY NEGOTIATIONS

BACKGROUND

BSC's normal pay settlement date is 1 January. In 1981, BSC deferred the annual pay increase by six months, and paid a 7% increase from 1 July. The largest union, the ISTC did not formally agree to this and the pay increase was applied unilaterally by BSC.

From 1 January 1982, BSC are proposing that there should be no central pay settlement but that instead pay increases should be negotiated locally, on a plant-by-plant basis, linked directly with further productivity improvements which are likely to lead to the loss of up to 15,000 more jobs in BSC during 1982. There will however be some consolidation into national basic rates from 1 January 1982, of productivity bonuses earned following the 1980 pay settlement.

CURRENT SITUATION 30 DECEMBER 1981

All the nationally recognised unions within BSC, except ISTC, have accepted the BSC proposals for 1982. The ISTC have said, following a full-scale negotiating meeting on 17 December, that they would call an overtime ban unless BSC made further concessions, first by introducing a 39 hour week in 1982, second by consolidating

over.../

into basic earnings part of the new productivity bonuses which would arise early in 1982 from the proposed further manpower surveys. A full meeting of the ISTC executive will be needed to ratify the ISTC proposed overtime ban, and a meeting is expected to take place early in the week commencing 4 January. But even if a formal decision is taken by ISTC to ban overtime it seems far from certain that the membership of individual BSC plants will be prepared to back such action.

Department of Industry
30 December 1981

AA

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

Ian Kydd Esq
Press Office
10 Downing Street

30 December 1981

Dear Ian

As you requested yesterday, I enclose a defensive briefing note on the new sick pay scheme.

Yours ever,

David Clark

D J CLARK
Private Secretary

Enc

e unfairly. The
tract a lower rate
most of those
or married women
pay represents an
Moreover, the
employer to pay more.
ify for family income
ickness, supplementary

dertaken to consider
tanding Committee

"TIMES" ARTICLE OF 29 DECEMBER 1981: DEFENSIVE NOTE

The statutory sick pay scheme does not treat low-paid people unfairly. The Bill provides that earnings of less than £60 a week will attract a lower rate of statutory sick pay, £25 per week, as opposed to £37, but most of those affected are young people with no family responsibilities, or married women bringing a second income into the home. For them, £25 sick pay represents an improvement on the £22.50 State Benefit which it replaces. Moreover, the legislation lays down only a minimum rate; it is open to an employer to pay more. Also, if a low-paid worker has children he is likely to qualify for family income supplement. If he still has difficulty in managing during sickness, supplementary benefit will be available.

/The Minister of State for Social Security, Mr Rossi, has undertaken to consider further the provision in the Bill for the low-paid and the Standing Committee will consider this question immediately after the Recess/.

footstool reduced from £18 to £9. The second customer compensated for that modest beginning by snapping up an upholstered suite for £3,500.

The Waring and Gillow and Maple group, with 200 branches, reported that takings were well up in the regions and equal to last year in London, despite the non-appearance of Sunday newspapers, which carried the only advertisements for the sales. "There is an awful lot of cash around", their spokeswoman said.

At Liberty, in Regent Street, several hundred were waiting for the doors to open, and queues were quickly dozens deep at some tills. "They won't take my money", a man in one queue complained. "I've always said it is easier to steal it than pay for it", his neighbour replied.

Takings in the scarves department were two thirds up on last year, and the general manager said he had never seen so many people in the store.

Outside Selfridges, in Oxford Street, Mr Victor Green, a nurseryman from Waltham Cross, Hertfordshire, continued his five-day vigil in aid of cancer research while thousands surged around him to snatch up bargains in the store's sale preview. Mr Green has been camping outside the

stay away.

At Lewis's, in Liverpool, the shop's general manager reported a mad rush into winter woollies. "The amount of winter clothing we have sold is amazing". The manager of Blacklers, Liverpool, agreed: "Woollens are going at an amazing rate, and hundreds of customers are lining up for thermal underwear".

Mr Michael Harris, managing director of a toy shop in London Road, Liverpool, said he was flabbergasted by the number of cash-carrying customers, many of them spending hundreds of pounds each. "I expected a quiet day. It was lucky I bought the wife and kids to the shop with me, because it has been all hands to the tills."

At Debenhams, in Manchester, the crush was so great that security staff had to switch off the store escalators, while at the same group's Birmingham shop the manager said that, despite the recession, this had been the best first day of the sales for years. The centre of Birmingham was as full of cars and people as on a Saturday afternoon.

Traders said the bank holiday, freedom from work, relaxation of parking restrictions and pre-Christmas thriftiness had all played a part in boosting business.

Information Service, back page

Fears of £18 a week sick pay loss

By Pat Healy, Social Services Correspondent

More than five million low paid workers will be worse off under the Government's new sick pay scheme, MPs have been told in a briefing from the Low Pay Unit. The losers will include families with two children who will be up to £18.62 a week poorer.

The losses arise for two main reasons, the Unit says. First, the new scheme would oblige employers to pay a flat rate level of sick pay during the first eight weeks of illness, instead of workers being able to claim national insurance sickness benefit which at present pays extra for dependant spouses and children. Second, the Government is proposing that people earning less than £60 a week should be paid a lower flat rate payment than higher earners.

The proposals are outlined in the Social Security and Housing Benefits Bill, which will return to standing committee after the Christmas recess. The Bill proposes a standard rate of sick pay of £37 a week, with a lower rate of £25 a week for those earning less than £60.

Backbench disquiet at the apparent discrimination against low paid workers in such a two-tier sick pay scheme has already led to Mr Hugh Rossi, Minister for Social Security promising to consult interested organizations on the proposals. He is expected to report back to the standing committee in the new year.

Meanwhile, the Low Pay Unit is questioning the assumptions behind the new scheme as well as its likely effects. Its briefing to MPs says that the Government is seriously mistaken in assuming that almost all employees are covered by occupational sick pay schemes, and cites evidence from a study carried out for the Department of Health and Social Security to support that assertion.

The new scheme is criticized as being highly discriminatory towards the low paid, who are the group most vulnerable to ill health and to poorer occupational sick pay cover. In April, 1981, more than five million workers were earning less than £60 a week, which would qualify them for only £25 a week sick pay under the new scheme, irrespective of their family circumstances.

That would compare with the maximum benefit of £43.62, free of tax, now available to a low earner with a dependant wife and two children. A worker with weekly earnings of just over £60 a week would receive £37 a week under the new scheme, instead of £38 a week at the current sickness benefit levels, and would have to pay tax and national insurance contributions on the lower level of benefit.

In addition, low earners receiving the lower rate of employer's sick pay have been given no guarantee in the Bill that they will be credited with national insurance contributions as happens under the present sickness benefit scheme. They could find, therefore, that being off work through sickness means that they will have an inferior contribution record when claiming other benefits at a later stage, including when they retire.

The unit also points out that the new scheme will cost employers more. Although they will be able to claim back the total amount paid as sick pay under the new scheme, employers will have to pay an extra £5 a week in national insurance contributions for employees paid the standard £37 a week of sick pay. That could increase the risk of dismissal for workers suffering from periodic bouts of sickness.

Hanging attempt denied

Continued from page 1

complete poppycock to say so."

Her relationship with Mr Fairbairn had continued for some years, she said. "I am very fond of him, and I think it is ridiculous to make such a thing about it. It is crazy for anyone to think that he should resign over it.

"After all, he is single and I am single. But now I think this relationship is now at an end. As far as I am concerned, I bear him absolutely no grudge at all. As you know, he is great fun and very funny. He has been frightfully kind and he—like Michael—wanted to help me."

Miss Milne added: "I have not spoken to Nicky since this blew up last week. I have not even tried to. I thought it better not to. It was not his fault, nor anybody's else's."

Mr Mates said later: "I am

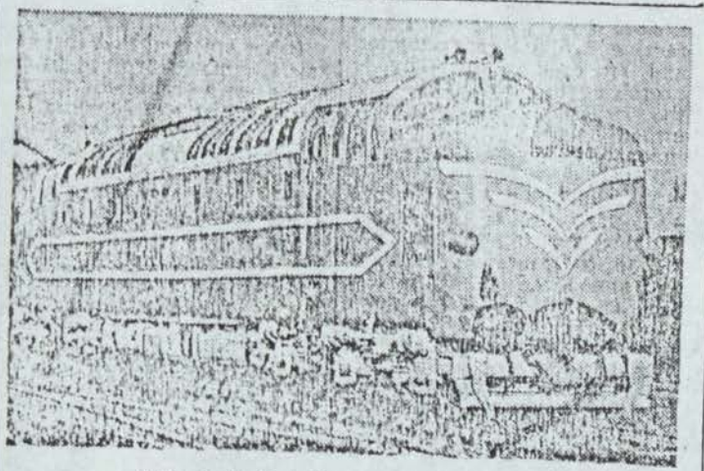
Duke's plea for wildlife habitats

By Tony Samstag

The Duke of Edinburgh calls for a new approach to conservation, one in which man and nature must no longer be seen to be in conflict, in his foreword to the newly published 1980-81 *Yearbook* of the World Wildlife Fund. The Duke became president of WWF International this year, the agency's twentieth anniversary.

In his preface to the yearbook, he notes the recent shift in environmentalists' thinking from an emphasis on the conservation of species to the preservation of the ecosystems, or habitats, in which those species have developed.

In the early days of the conservation movement, "it was possible to prevent the exploitation of the orangutan, for example, and to give the wild population a chance to



Deltic's final journey

Another era in railway history comes to an end this week with the withdrawal from service of the

The Deltics replaced steam locomotives on the main East Coast line

PRIME MINISTER

NEW YEAR'S EVE BROADCAST

You have agreed to give short news interviews to BBC radio, TV, ITN and IRN on New Year's Eve. Afterwards you have agreed to give UP/ITN a separate interview for their video casette review of the year (see below).

Your interviewers will be:

- John Cole, Political Editor, BBC;
- David Walter, ITN. (He is very good and you may recall covered your India/Oman trip);
- Peter Allen, IRN; and
- Martyn Lewis for UP/ITN. (He did this interview last year).

It is important that you start the interviews at 11.30 because we want to catch the lunchtime newscasts - eg World at One. The news interviewers are aware that only short interviews are intended.

You could do the interviews either in my room or in the White Room. My room is more spartan and perhaps more in keeping with the times. But I think it would be better in the White Room. Content?

Objective

The purpose of the interview is to put the best possible presentation on 1981 (which, by common consent, was a rather horrid year) and to give the public hope for 1982. I hope it may be possible to say each interview demonstrates:

- you are in command, unruffled and confident;
- you can see light at the end of the tunnel, provided we persevere;
- we are winning through and it is all worthwhile; and
- you really do care.

On the last point, I must stress the opportunity that these interviews offer you of projecting yourself into 1982 with a softer, more compassionate image while at the same time spreading optimism about our prospects in a suitably restrained way.

Understanding

We have offered the interviews on the basis that they look back briefly on 1981 and more extensively forward to 1982.

In practice the interviews will concentrate on the economy but other subjects which could be covered are:

- the state of the Labour Party, the challenge of the SDP and the prospects for your securing a second term;
- Poland, the apparent split in the Atlantic Alliance over the response, and the world post-Afghanistan and Poland;
- the prospects of progress in Northern Ireland; and
- the future of the EC (since most commentators are extremely gloomy about its political health); the prospects for securing a satisfactory Budget settlement and your view of the UK presidency.

I hope to persuade the interviewers - if any persuasion is necessary - to forget the Fairbairn affair. I am taking the view the subject is not for this series of interviews.

Arrangement of briefing

Much of the briefing in the Annexes was prepared for your interviews last week with the Sunday Express. A copy of that interview is at Annex I.

In addition I attach at Annex II your message to Conservative News which was published early on December 21. Clive and I agree that it would be wrong to issue yet another New Year Message. Instead, we can give copies of the Conservative News message to your interviewers bringing out the idea that the greatest of all resolutions for 1982 is resolution itself.

I understand that Mr Parkinson may issue a New Year Message from CCO. We shall ask CCO to let you have a copy. We shall also try to get to you any messages released by the Opposition Parties before your interviews.

At Annex III you will find the latest good news sheet from your Questions briefing. This needs to be supplemented by the excellent strike record for 1981 which is coming out tomorrow in the D/Employment Gazette (briefing requested from D/Employment).

At Annex IV I attach the FT review of today of some 15 different economic forecasts.

The rest of the briefing are Departmental notes setting out 1981 achievements and prospects for 1982 and beyond. There is an index to the Annexes.

Industrial Disputes

Potentially, 1982 could get off to a bad start with Ford, steel, British Rail and the miners threatening to explode. Separate briefing on these matters will come to you tomorrow evening.

UP/ITN

Last year you gave Martyn Lewis, ITN, an interview for a home video casette review of the year. ITN aims to build up a casette library of historical significance and apparently last year's - the first - was a success.

Lewis's proposed questions (set out below) do not, I believe, cause any difficulty and are covered by the briefing. They are:

- When you were interviewed last year there were questions about the prospects of serious social disorder - you discounted those fears at the time. Don't you now accept that Government policies must bear at least some of the blame for the disorders which have taken place?
- Would you accept that most opinion polls show unemployment is now the most pressing issue facing the country?

- Even if inflation is a terrible evil many, even in the Tory Party, think you are paying too high a price to cure it. At what point would you accept that strict monetarist policy has failed - say 3½ million or 4½ million unemployed?
- Were you glad that this year the Labour Party is tearing itself apart rather than tearing the Government apart?
- Does the success of the Social Democrats worry you?
- This time last year you said that Britain was beginning to face up to problems with a Government with courage to solve them. How would you describe 1981?
- What are the prospects for 1982?

Conclusion

I shall prepare a press digest for you on Thursday morning and will be available for briefing, as arranged, from 10.30 or as soon as you wish.
We will do radio - ie IRN - first; then BBC which will do radio and TV simultaneously; then ITN; and after a short break UP/ITN.

B. INGHAM
29 December 1981

LATE NEWS

ITN are planning to use an Outside Broadcast Unit because it gives better quality. This involves a lot of cable etc. It would be much more convenient to record all the interviews in my room rather than the White Room. Content?

INDEX OF ANNEXES

Mrs Thatcher's contempt for the Social Democrats who would still be sitting in a Labour Cabinet if the Labour Party had won the last election

EMBATTLED she may be. At the turn of the year her political prospects and those of her Government may appear as bleak as the snow-shrouded gardens of No 10 and the wintry landscape of St James's Park beyond.

Yet as she enters a decisive year as Prime Minister, the thoughts of Mrs Margaret Thatcher are rooted in the unshakable conviction that the nation has turned a corner and that a world of opportunity lies within our grasp.

by KEITH RENSHAW and MICHAEL TONER

Yes, there is a way to go yet. Yes, unemployment is grim, and will probably get worse before it gets better. Yes, there is unpopularity to contend with and public criticism and the rise of a new party.

But Mrs Thatcher believes that she has tuned up the engines of Britain's prosperity to a pitch unmatched for decades: "Everything in place, ready to go," she declares.

"I think most of the signs show now that we passed the worst of the recession about three months ago. Things after that show that we are improving.

DIFFICULTY

"Of course there is still some considerable difficulty and there will be areas where people are very concerned indeed because there will be some further redundancies. But one or two sets of figures are very good.

"There are fewer people on short-time working and far more people on overtime."

Mrs Thatcher is only too aware that such reassurance will be of small comfort to those who are out of work now. But she insists that there is no easy or simple answer available—either from herself or anyone else.

"Unemployment is always the last thing to show real signs of improvement, to which you may well reply: 'There have been two or three months in which unemployment figures have been improving. However small the fall, it is very very welcome indeed.

"You can imagine that I look out of the window and see this weather and say not only: 'My goodness, it's cold.' I say: 'My goodness what is it going to do to the unemployment figures?' Because I am afraid in the last two years the unemployment figures have risen from December to January considerably.

"My expectation, I am afraid, is that they will rise from December to January again."

Yet the Prime Minister's optimism will not be trodden down. "The essence I believe is that we are through the worst. There are many, many signs of improvement. It means that the prospects for next year are better, much better, than this year."

Bubbling with enthusiasm, she fished among her private papers for figures which show that workers' output per hour is now higher than it has been in years. Exports were holding up "really well" even in a depressed world market. Strikes were down. Small businesses were performing well.

SUPERB

"You have only to look at the export figures," she insisted. "They are superb." In our competitiveness, our productivity and our commercial know-how "We are becoming one of the most efficient countries in the world.

"We really are in a position to compete with West Germany and Japan and the United States.

"There is a fantastic story to be told about exports. Not about Britain being an industrial and manufacturing desert, but about highly competitive British firms competing in cut-throat world markets.

"None of this could have been done but for the policies we have been following.

"The point is, we are very well placed now to take advantage of expanding world trade when it comes. Very, very, well placed indeed.

"If there were not a world recession, my goodness, we would now be going great guns."

And in the meantime, until world trade does pick up, Britain was getting itself in trim—not only in pushing into world markets but also in getting ready to take a greater share of trade at home. She says, quite simply: "So there's hope."

Mrs Thatcher dismisses the attacks made on her for being too hard-line, and deserting the centre ground of politics. The "bold claim" she makes is simply: "I believe the present Conservative Party under

Margaret Thatcher: 'Marxism is the only way left for Socialism'

its present leadership is the true centre party of politics."

She defends that claim by pointing out that the Tories stand four-square — for example—behind the welfare state. More doctors, more nurses, a better record than Labour over Christmas bonuses for pensioners, the maintenance of pensions against the ravages of inflation and the preservation of a good teacher-pupil ratio in education.

HEART

Of Labour's record she comments scornfully: "They talk loud. But this identical Christmas into their Government they had to go to the IMF because they were broke. In their first three years the pensioners got a bonus in only one year out of the three."

She went on: "I am at the heart of what the British people want. I am at the heart of sound finance for the future. That is the heart and the sense and the centre of British politics. And it is built on rock."

And the SDP? Mrs Thatcher is openly contemptuous. "Those who are now in the Social Democratic Party, if the Labour Party had won the last election, would still be sitting in a Labour Cabinet, with Wedgie Benn and the extreme Lefties and they would still be drawn Left by them.

"They hadn't the guts to fight when they were in power and allowed themselves to be drawn Left. Now the Labour Party has been drawn very, very far Left, and the 'centre' has moved with it. And in some ways these days I think the 'centre' is almost to the Left of Gaitskell.

"I would say I am in the common ground—the true centre. The true centre is where it was when I came in."

Mrs Thatcher continued: "Where do the SDP live? The welfare state is there. Are they saying that you can do without efficient industry and commerce? So what possible ground have they got for their policies?

"It comes down to one thing, and one thing in the end: how can we get unemployment down?" The Government's way, of bringing inflation down and boosting industry and small businesses was the only way. "The fact is the SDP haven't got a leg to stand on anywhere."

And the Labour Party? Mrs Thatcher does not believe that they have anything more to go for. "That's why they are going Marxist. That is the only way left for Socialism.

"They want to go true Marxist, getting a bigger and bigger control over the lives of people. That's what Marxism is. That is why it has collapsed in Poland, because the people are saying No.

INFLUENCE

"The crucial thing about Poland, and I said it a long time ago, is that a Communist State can only survive if it is the sole source of power and control. The Communist State can never, never stand another sort of power and influence.

"After all, Communism cannot survive alongside freedom. The two are mutually incompatible." What had happened in Poland was a moment of truth for Communism. "Sooner or later Communism moves to snuff out the spark of freedom, when the spark is growing into a torch."

FREEDOM

Mrs Thatcher drew an analogy between her own election victory in 1979 and the upsurge of Solidarity. "Our people didn't vote for me for a new economic order, for inflation-proofed social service benefits or because of phrases like 'inflationary expectations' or anything like that.

"They voted for me because they said: 'This is a free country! And they saw their freedom being eroded, not only by socialism but by socialism handing over a lot of power to trades unionism.

"Now this is the battle we are really in. I am still on the freedom course. I know that freedom does matter. We take it for granted. We musn't."

Conservative Central Office

cc B.L. / Mr Ottia.
18/12

NEWS SERVICE

Release time: 00.01 hours MONDAY, 21st December 1981 1000/81

The Prime Minister

The Rt. Hon. Margaret Thatcher M.P. (Barnet, Finchley)

Extract from the Prime Minister's New Year Message to readers of Conservative News.

"January is the time honoured month for New Year resolutions, and the greatest of all resolutions this January is resolution itself - determination, born of the conviction that the course we are following is the right one, that it is beginning to show results, and that we are winning our way through the most severe recession for 50 years.

"The worst mistake of all, for the country, for the Government, for the Conservative Party, would be to relax our efforts now, at the very moment when we have the prospect of bringing about lasting recovery for Britain.

"This year, 1982, has all the signs of being one of great opportunity for Britain, if only we have the courage and determination to succeed.

"Yes, these first 2½ years of Conservative Government have been hard; hard for the country as a whole, hard for all our friends and colleagues in the Conservative Party, hard for us in Government, and hardest of all for the unemployed."

Recalling that December 1976, also, was 2½ years into the life of a Government, a Labour Government, Mrs Thatcher says that was when, "far from seeing any signs of economic expansion and recovery, Mr Healey had to go cap in hand to the IMF for an enormous loan to bail us out. We have now paid back nearly all of that loan, and far from anyone else having to bail us out, we are climbing back after our 2½ years, climbing back to economic recovery.....there is still a long way to go. But in our resolve to reach the goal of economic stability, sustained growth, lower inflation, and much lower unemployment, let us not forget our achievements on the way.

"We need to be proud of those achievements and blow our own trumpet a little more than we have been doing.

"The rate of inflation shows every sign of coming down further during the coming year: productivity, so vital to our recovery, is up and still rising: restrictive

/....

Issued by Publicity Department, Conservative Central Office, 32 Smith Square, London SW1. 01-222 9000

practices have declined, overmanning is down, competitiveness has improved 10% in 1981, pay demands and pay awards are down from the crazy heights of the wages explosion which followed Mr Callaghan's pay policy.

"Let us look outside the economic field at the other positive measures taken by this Government; at the election promises fulfilled.

"Did you know that under this Government there are 7,000 more police than in May 1979 and the number continues to grow?

"Did you know that there are 21,000 more nurses and midwives and 1,000 more doctors and dentists in the Health Service than in May 1979, and that these are figures for England and Wales alone? Did you know that agricultural production rose substantially; that pupil/teacher ratios in our schools are now better than ever?

"Did you know that there were an extra 5,000 nursery school places created last year?

"Did you know that it was this Government that abolished income tax on war widows' pensions and introduced extra tax relief for the blind?

"Did you know that there are now 52,000 fewer Civil Servants than in May 1979 and that, by April 1984, there will be a further reduction of 50,000, giving us the smallest Civil Service since the War?

"And did you know that we had denationalised British Aerospace, the National Freight Corporation, Cable & Wireless, and that it was our Transport Act which allowed free enterprise buses to compete with those owned by the State or Local Authorites?

"Yes, you probably did know, but will you now make it your business to see that others know too?

"Tell them of the whole package of special employment measures; of trade union reform protecting the rights of the individual, limiting secondary action and picketing, and setting the stage for sensible industrial relations;

"Of three Education Acts to allow the grammar schools to remain, to ensure parental choice, and to make proper provision for handicapped children;

"Of the sale of council houses and flats to their tenants;

"Of the most far reaching and effective measures to assist the formation and

...

expansion of small businesses.

"We have achieved a great deal in a short time, but there is much more to be done.

"Let me return to those twin evils of inflation and unemployment: let us be very clear. They are not alternatives. It is not a question of choosing to defeat inflation or unemployment, as our opponents would have us believe: it is a question of defeating inflation, and thereby defeating unemployment.

"For the direct result of ever-increasing inflation is ever-increasing unemployment.

"Beware of that new, beguiling expression creeping into our opponents' vocabulary, so beguiling that even some of our own supporters are using it, 'reflation'. Remember that all it means is 're-inflation'.

"It means the Government spending billions and billions of pounds it does not have in order to buy a short-term advantage and a short-term popularity at the expense, within the space of a year or two, of even greater inflation, leading to even greater unemployment.

"Any short-term job bought by so-called reflation will be paid for heavily and many times over in other lost jobs not long after.

"We all recognise the deep distress that unemployment causes. We have taken new measures to alleviate that distress, especially among the young.

"But the only true way to reduce unemployment, the only way towards more jobs, real jobs, permanent jobs, is for this country to produce the goods and services of a quality and at a price that the customer will pay.....

"Thirty years ago Winston Churchill told us there are some things that we British have to do not only for ourselves, but by ourselves. .....

"1982 is the year when we will prove to ourselves and to others that we have the courage and the resolution to build on the sure foundations which we have laid."

END

Cyclical indicators: released today provide increasingly stronger evidence that a turning point occurred in the economic cycle during Q2

Industrial production: up 1½% taking last 3 months over previous 3

Manufacturing production: up 1½% taking last 3 months over previous 3

Construction output: up 2½% in Q3, first increase since early 1979

Wholesale input prices: down ½% in November: year on year down to 16½%

Wholesale output prices: up 0.6% - smallest since July

Distributive and service industries: capital expenditure up 4% Q3.

Visible trade: surplus £116m in October

Current account: surplus estimated at £316m

Imports down 7½% in volume

Non-oil exports up £50m

Export orders for British engineering industries show a 41% increase over the summer

Industrial stoppages: In year ending July 81 lowest in any comparable period since the 1940s

Working days lost: In year ending July 81 lowest since 1967

Company liquidations: down 12% in 6 months to Sept /_but 10% higher than a year earlier_/

Overtime working in manufacturing: in 3 mos to Oct averaged more than 10m hours a week - over 1m hours a week more than in previous 3 months

Hours lost through short-time working over same period fell by over 1m hours a week: now at only quarter of level at beginning of year

* * * * * * * * * * * * * * * *

WESTLAND AIRCRAFT: Westland and Lynx helicopters to USA and NIGERIAN NAVY: Total £36m

ROLLS ROYCE: Mini power stations to the MIDDLE EAST: £30m

JAGUAR CARS: US sales up 50% over 1980 figure

METRO CAMMEL: Mass Transit Railway cars HONG KONG approx £50m
Kowloon/Canton Railway cars HONG KONG approx £17m

CABLE BELT LTD: conveyor belts: £20m: NSW, AUSRRALIA

MITCHELL COTTS: College of Technology and metallurgy institute: NIGERIA: £160m

SUNDERLAND SHIPBUILDERS: (subsid of British Shipbuilders): Bulk carriers £28m to a Panamanian Company

SIM-CHEM: polypropylene film plant: AUSTRALIA: £15m

Forecasters expect slow export-led recovery in 1982

BY MAX WILKINSON

A SLOW recovery of the UK economy should get under way next year with a substantial improvement in exports, according to a Financial Times survey of 15 major forecasts.

Their consensus is that the annual rate of inflation will fall slowly from about 12 per cent at the end of this year to a little over 10 per cent by the end of 1982.

But not one of the 15 forecasting units surveyed believes unemployment will fall, and the average of their predictions yields a figure of about 2.9m unemployed adults by the third quarter of next year.

When school leavers are added it appears that the "headline total' of unemployed will remain above 3m for most of the year.

None of the forecasters expects any appreciable increase in consumer spending next year. The consensus is for a very small decrease in real terms, but two forecasters expect a fall of about 2 per cent.

Manufacturing output is generally expected to improve about 2.5 per cent next year, after falling 14 per cent between 1979 and the middle of this year.

The Treasury is, however, more optimistic than most of the independent units. It forecasts that manufacturing industry will recover by nearly 4 per cent next year.

All but one of the forecasters expect the surplus on the current account of the balance of payments to decline next year—one thinks it will go into deficit.

The Treasury is predicting a surplus of £3bn which is twice the average of all the forecasts. Because of the absence of trade figures for much of this year, forecasts of this figure are unreliable and some of the independent estimates may be too low.

The FT average of the forecasts for inflation and unemployment makes no allowance for the fact that not all forecasts give figures for the year end. The resulting error would have only a small effect on the average.

The figures should be regarded as indicating a consensus about 1982 trends rather than a precise "essence of forecasts."

Details, Page 6

FT competition, Men and Matters, Page 12

FT AVERAGE OF MAJOR FORECASTS

Percentage change year on year in 1975 prices unless otherwise stated

	1981	1982
GDP (output)	− 2.4	1.1
Consumer spending	− 0.2	− 0.2
Exports	− 4.5	3.6
Imports	− 3.8	7.0
Manufacturing output	− 6.1	2.5
Retail price inflation	11.8	10.3
Unemployment (m adults)	2.8	2.9
Balance of payments current account (£bn)	4.2	1.5
Public sector borrowing requirement for financial year to April 31/82	£11.5[illegible]	£10.[illegible]

Experts agree on modest economic growth next year

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

AN FT SURVEY of 15 forecasts for the UK economy in 1982 shows a remarkable unanimity about prospects for growth, consumer spending and inflation.

The range is indicated by the predictions from the three heavyweight forecasting units: the Treasury, London Business School and the National Institute of Social and Economic Research.

The Treasury predicts 1 per cent growth, which is close to the average for all 15 forecasts. The broadly monetarist London Business School is characteristically a little more optimistic, with 1.7 per cent.

The National Institute predicts a growth of 0.6 per cent, which is in line with its general pessimism about the effect of current policies on the recovery of national output.

Few of the forecasters expect much change in consumer spending next year, although James Capel, the broker, and Chase Econometrics stand out with their predictions of a fall of about 2 per cent after a small fall in the current year. On average, the expectation is of a small fall of about 0.2 per cent both this year and next.

On inflation, there is a close consensus that retail prices will increase by about 10 per cent (as the Treasury forecasts). Liverpool University's forecast, of 7.6 per cent based on strongly Monetarist ideas, stands out as being more optimistic.

The Liverpool forecast differs from most others in predicting a sharp fall in inflation towards the middle of the decade, whereas the LBS, for example, expects it to remain at around 10 per cent or a little less.

Precise comparison of the inflation forecasts for next year is not possible as some apply to the annual rate in the fourth quarter of 1982, while others predict the average annual rate for the whole year.

The average, which ignores this difference, would slightly overstate the fourth quarter rate if—as the Treasury expects—inflation goes down again by the middle of next year.

There is also close agreement that unemployment will continue to rise (though at a slower rate) to just less than 3m excluding school leavers. Most of the forecasts, including the three major ones, predict a figure for the third quarter.

However, three give an average for the year and two give a total figure including school leavers.

In computing the average, no allowance has been made for the different periods of the forecasts, but an arbitrary adjustment was made to the totals which include school leavers. The average should therefore be considered as illustrative only.

On the balance of payments current account, the consensus is for a large surplus of between £4bn and £5bn this year (the Treasury says £6bn), falling to between £1bn and £1.5bn next year.

Some forecasters, including the CBI, are pessimistic about the extent to which imports will be sucked in as the recovery gets under way and restocking starts. They are therefore expecting the current account surplus to fall sharply to only about £500m.

The Treasury, although it expects a relatively modest growth of exports, believes the current account surplus will hold up at £3bn. Liverpool is completely on its own in predicting a rise of about £3bn in the current account surplus to £8.5bn.

This no doubt reflects the group's more optimistic view about the speed of economic recovery and the fall in the inflation rate.

All predictions about the balance of payments must, however, be treated with caution even for the current year, because of the disruption of the statistics caused by the civil servants' strike. The most recent export and import figures have also been distorted by new methods for collecting data.

The uncertainties of data may account for the fact that the Cambridge Econometrics forecast for the balance of payments this year is way out of line with the consensus of other forecasters.

One reason may be that the historic series for the current account given in its forecast takes no account of the recent substantial revisions to data by the Central Statistical Office. This group is currently preparing a new forecast.

On the prospects for next year's Public Sector Borrowing Requirement, the main consensus appears to be between £10bn and £11bn, with the Liverpool group once again out on a limb with a prediction of only £6.3bn. This figure also reflects its views about faster recovery, which would increase revenue.

The range of predictions, from Liverpool's £6.3bn to £13.5bn, illustrates the general uncertainties of forecasting PSBR. This is because it is the difference between two very large numbers—for expenditure and for revenue—has so many unknown factors.

The Government's plans for a total expenditure of £115bn in 1982-83 was announced at the end of November, before many of these forecasts were compiled. The figure can, moreover, be subject to policy changes during the year as well as the usual hazards of overshooting.

Predictions of revenue are even more hazardous, because they depend on the Chancellor's Budget decisions—yet to be taken—as well as assumptions about real growth, the inflation rate, company profitability and other factors.

COMPARISON OF FORECASTS

Percentage change year on year in 1975 prices unless otherwise stated	Gross domestic product		Consumer spending		Exports		Imports		Manufacturing output		Retail price inflation (year end) *		Unemployment (adults) fourth quarter † m	‡ m	Balance of payments current account £bn	£bn	Public sector borrowing requirement £bn	£bn
	1981	1982	1981	1982	1981	1982	1981	1982	1981	1982	1981	1982	1981	1982	1981	1982	1981–82	1982–83
Treasury (Dec)	−2.0	1.0	0.0	0.0	−5.5	2.5	−4.0	8.5	−5.5	3.9	12.0	10.0	—	—	6.0	3.0	—	—
London Business School (Nov)	−2.9	1.7	0.4	0.5	−7.3	3.5	−6.1	7.9	−6.2	0.1	11.6	10.4	2.75	2.78	5.2	1.6	11.5	9.7
National Institute (Nov)	−3.1	0.6	0.1	−0.2	−6.5	4.5	−3.5	7.6	—	—	12.0	10.7	2.8	3.0	3.5	0.7	11.0	11.0
Confederation of British Industry (Nov)	−3.0	1.0	0.1	−0.3	−7.1	4.6	−4.6	8.9	−6.8	3.0	11.0	9.1	2.8	2.9	4.7	0.5	11.2	10.7
Economist Intelligence Unit (Oct)	−1.3	0.7	−0.3	−0.6	−3.2	1.9	−3.8	7.2	−6.4	2.0	12.4	10.9	2.8	2.9	5.2	0.4	11.9	9.8
Cambridge Econometrics (Nov)	−1.8	1.3	−1.2	0.8	−5.3	6.0	−6.0	4.3	−5.3	2.3	12.5	10.5	3.0	3.2	0.1	0.6	12.5	13.5
Henley Centre (Dec)	−2.1	0.7	−0.2	0.0	−5.1	3.6	−3.2	7.7	−6.8	1.8	11.7	11.5	2.95	3.21	5.0	1.6	12.5	13.0
Liverpool University (Oct)	−1.3	2.5	—	—	—	—	—	—	—	—	11.3	7.6	2.5	2.7	5.7	8.5	9.8	6.3
Oxford Economic Forecasting (Oct)	−2.6	0.7	−0.1	−0.8	−4.8	1.4	−4.7	6.0	−6.6	3.1	11.9	10.4	2.8	3.0	5.0	0.2	12.0	9.2
Phillips and Drew (Dec)	−2.9	1.0	0.1	0.2	−4.7	3.9	−3.7	5.4	−6.0	1.5	11.3	9.4	2.8	2.9	5.0	1.8	12.0	11.0
Staniland Hall (Oct)	−2.5	0.9	0.0	0.7	−3.5	3.8	—	—	−6.6	2.0	11.5	10.0	2.76	2.89	—	—	—	—
James Capel (Dec)	−2.3	0.6	−0.8	−2.2	−1.3	−1.2	−1.5	1.3	—	—	12.4	10.5	2.76	3.02	4.9	1.4	11.5	12.5
Chase Econometrics (Oct)	−2.5	1.8	−1.0	−2.0	−2.9	7.8	−4.7	8.3	−5.0	4.8	12.5	12.2	3.0	3.0	1.8	−1.9	—	—
Simon and Coates (Dec)	−2.9	0.7	0.4	0.2	−1.7	5.2	−2.8	11.5	−6.1	2.6	12.0	10.2	2.7	3.1	2.7	0.1	11.4	10.5
Society of Business Economists (Dec)	−2.5	1.0	0.0	−0.3	−4.5	2.2	−5.0	6.8	—	—	11.3	10.6	—	—	—	2.0	—	—
Average	−2.4	1.1	−0.2	−0.2	−4.5	3.6	−3.8	7.0	−6.1	2.5	11.8	10.3	2.8	2.9	4.2	1.5	11.5	10.6

* Except National Institute, Cambridge Econometrics, Liverpool, Oxford Forecasting, Chase for which estimate is average for year.

† Except Cambridge Econometrics, Henley, Liverpool for which estimate is average annual figure.

‡ Henley and Cambridge Econometrics include school leavers.

Forecasters expect slow export-led recovery in 1982

BY MAX WILKINSON

A SLOW recovery of the UK economy should get under way next year with a substantial improvement in exports, according to a Financial Times survey of 15 major forecasts.

Their consensus is that the annual rate of inflation will fall slowly from about 12 per cent at the end of this year to a little over 10 per cent by the end of 1982.

But not one of the 15 forecasting units surveyed believes unemployment will fall, and the average of their predictions yields a figure of about 2.9m unemployed adults by the third quarter of next year.

When school leavers are added it appears that the "headline total' of unemployed will remain above 3m for most of the year.

None of the forecasters expects any appreciable increase in consumer spending next year. The consensus is for a very small decrease in real terms, but two forecasters expect a fall of about 2 per cent.

Manufacturing output is generally expected to improve about 2.5 per cent next year, after falling 14 per cent between 1979 and the middle of this year.

The Treasury is, however, more optimistic than most of the independent units. It forecasts that manufacturing industry will recover by nearly 4 per cent next year.

All but one of the forecasters expect the surplus on the current account of the balance of payments to decline next year—one thinks it will go into deficit.

The Treasury is predicting a surplus of £3bn which is twice the average of all the forecasts. Because of the absence of trade figures for much of this year, forecasts of this figure are unreliable and some of the independent estimates may be too low.

The FT average of the forecasts for inflation and unemployment makes no allowance for the fact that not all forecasts give figures for the year end. The resulting error would have only a small effect on the average.

The figures should be regarded as indicating a consensus about 1982 trends rather than a precise "essence of forecasts."

Details, Page 6

FT competition, Men and Matters, Page 12

FT AVERAGE OF MAJOR FORECASTS

Percentage change year on year in 1975 prices unless otherwise stated

	1981	1982
GDP (output)	− 2.4	1.1
Consumer spending	− 0.2	− 0.2
Exports	− 4.5	3.6
Imports	− 3.8	7.0
Manufacturing output	− 6.1	2.5
Retail price inflation	11.8	10.3
Unemployment (m adults)	2.8	2.9
Balance of payments current account (£bn)	4.2	1.5
Public sector borrowing requirement for financial year to April 31/82	£11.[illegible]	[illegible]

File

Econ Policy

cc: Cabinet
CWO
CWO, HM
CO
Mr Kydd

10 DOWNING STREET

17 December 1981

From the Private Secretary

Dear John

Shortly after Christmas, the Prime Minister will be giving a number of interviews in the course of which she will be asked to look back over 1981 and to look ahead at the prospects for 1982.

In preparation for interviews of this kind we always find it most helpful to have brief notes from Departments covering issues within their fields. I should therefore be most grateful if you, and those to whom this letter is copied, could let me have, by noon on Wednesday 23 December, notes covering:

(1) the main Departmental activities and achievements in 1981.

(2) outlook for 1982.

(3) major issues outstanding at the end of the year and not covered under 1 and 2 above.

It is most helpful for these notes to be kept as concise as possible. I should be grateful if they could be kept to a maximum of two sides. If Departments feel a need to explai any points in more detail, this can be done in separate background notes, although I hope that there will be few cases where this proves necessary.

I am sending copies of this letter to the Private Secret to members of the Cabinet and, for information, to Murdo Mac (Chief Whip's Office), Michael Pownall (Chief Whip's Office, House of Lords) and David Wright (Cabinet Office).

Yours ever

Mike Pattison

John Halliday, Esq.,
Home Office.

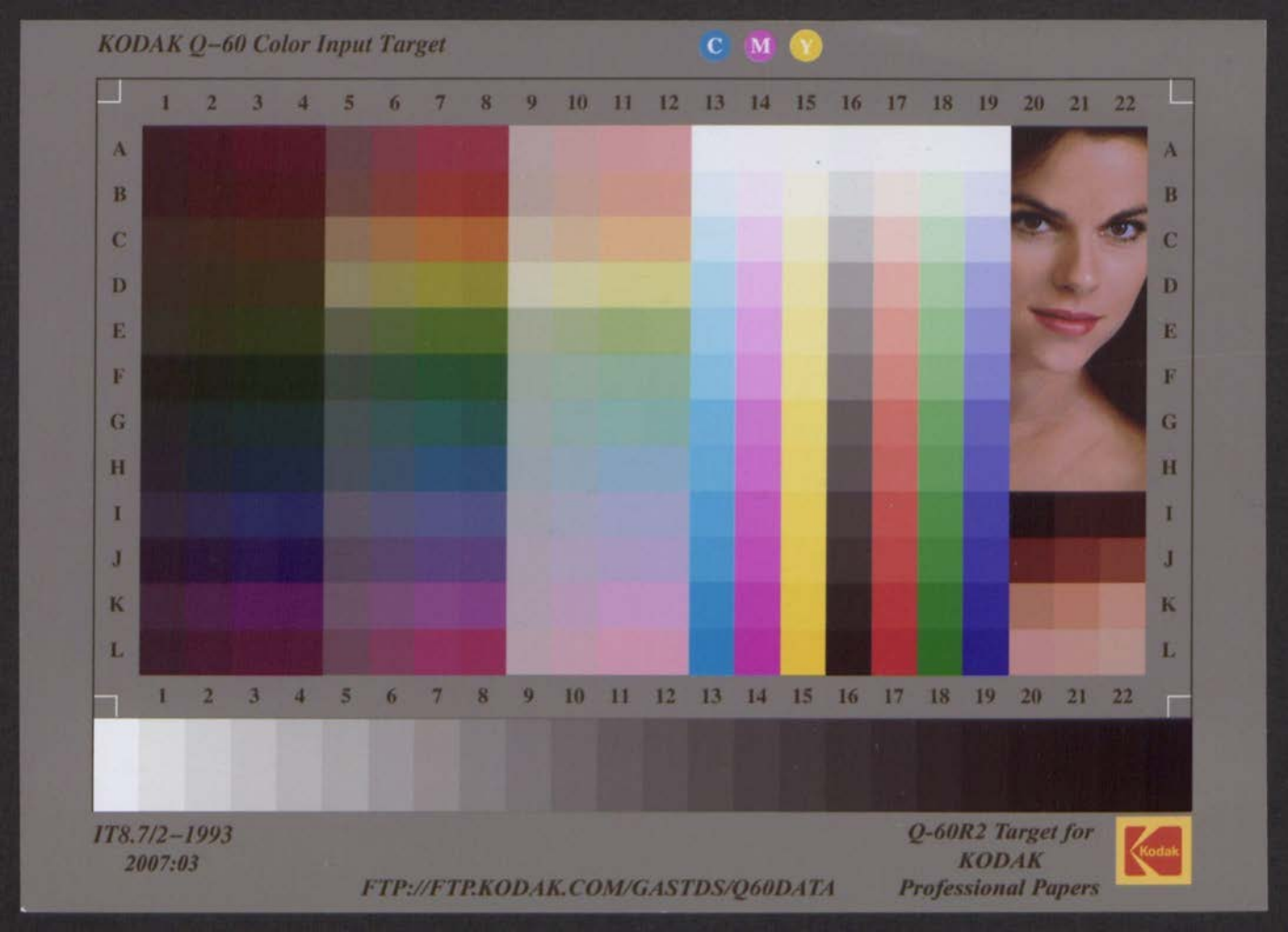
PART 11 ends:-

8.1.82

PART 12 begins:-

13

End of year Interview Briefing


KODAK Q-60 Color Input Target
C M Y
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22
A B C D E F G H I J K L
IT8.7/2-1993
2007:03
FTP://FTP.KODAK.COM/GASTDS/Q60DATA
Q-60R2 Target for
KODAK
Professional Papers
Kodak