

PREM 19/995

PART 3

Confidential Filing

Liaison Committee

Economic Policy

PART 1: Dec '81

PART 3: Dec '82

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
1-12-82		8-10-84					
10-12-82							
18-12-82							
21-12-82							
24-12-82							
6-1-83							
14-1-83							
20-1-83							
4-2-83							
11-2-83							
14-3-83							
30-3-83							
5-4-83							
12-4-83							
26-4-83							
4-5-83							
11-5-83							

PREM 19/995

CONFIDENTIAL



10 DOWNING STREET

6
cc. P. Wavry

From the Private Secretary

8 October 1984

Self-Employment

The Prime Minister has seen and noted the Chancellor's minute of 28 September and the papers attached to it.

Andrew Turnbull

David Peretz Esq
HM Treasury.

CONFIDENTIAL

CST.

②

PRIME MINISTER

ms.

The Chancellor has looked further at the issue of self-employment. He concludes against a new statutory definition or an advance clearance procedure.

He recommends an effort:

- (i) to improve public awareness of what is meant by being self-employed
- (ii) to publicise Government's record on promoting small business.

The Policy Unit note attached urges "extending the right of all people to become self-employed". But there is no right to become self-employed - one's employment status is a matter of fact and law.

Content with Chancellor's proposals?

AT

5 October 1984

MR TURNBULL

4 October 1984

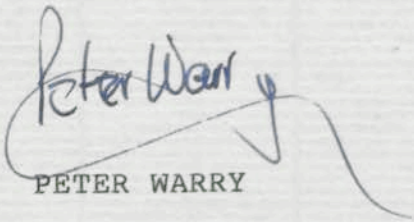
SELF EMPLOYMENT

The main deterrent to job creation by small employers is the burden of employment law and taxation duties that they immediately incur. 'Passport for Jobs' would exempt employers from these requirements for young people earning less than a set figure. Tom King is still working on the problem.

An alternative approach is to extend the right of all people to become self-employed. This would immediately make them more 'employable' as the burden of operating their PAYE, national insurance and statutory sick pay would not fall on the 'employer' nor would he be so constrained by wages councils, employment law and Health and Safety at Work.

Of course the Chancellor would suffer as part of the burden of collecting the income tax and national insurance would be transferred from the small businessman to the Inland Revenue. If we moved to a system of standard business allowances for the self-employed this work could be simplified as well as providing further incentive to become self employed.

We believe a drive towards self-employment is not only consistent with Conservative goals but is one of the few ways we can make a long lasting positive impact upon job creation and enterprise. You should not allow the Chancellor to rule out a change in the law in order to keep small businessmen doing the Inland Revenue's job.


PETER WARRY



CCNO

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

PRIME MINISTER

AT O/V

weekend box?

SELF-EMPLOYMENT

attached at Ray

On 30 March last year Geoffrey Howe sent you an interim report on work on identifying ways in which people can be encouraged to enter self-employment and can gain a clearer understanding of what it means to be in business on one's own account. I have been looking further into this question, and after considering the various proposals outlined in Geoffrey's minute, I have concluded that there is no useful change we can make in the law in this area. I do think, however, that there is considerable scope for improving the public's awareness of what is meant by being self-employed and that this is where our efforts should be concentrated.

2. One of the things that John Moore and before him Nick Ridley have looked at closely is the scope for a statutory definition of self-employment. Our conclusion is that this is not the answer.

3. There are a number of reasons for this. First, the need for continuity and certainty. Employment status is a matter of general law and to introduce a new and separate test for tax purposes would be to jettison existing case law in these matters and to introduce doubt and uncertainty which could only be solved by fresh litigation. It would also make little sense for people to be treated, as could become the case, as self-employed for tax purposes but as employees for other purposes - National Insurance, redundancy, employment protection and so on.

4. Second, uncertainty over a person's employment status arises principally where part-time or casual engagements are concerned. Earnings from these sources are unlikely to be sufficient to form the basis of genuine small businesses or self-employment and in any case are frequently not declared to the Inland Revenue. In these cases, not only is Schedule E the right schedule in law, but also PAYE ensures that the tax is collected in a cost-effective way.



5. Third, the general law already provides, in essence, that a self-employed person is one who is "in business on his own account". It is difficult to see how this description of what self-employment is all about could be bettered. The law already treats those people we want to encourage - those who go it alone and set up independent enterprises - as self-employed. Introducing a different tax regime for some people who are in reality employees would not change the way they do their work or lead to the growth of independence and enterprise. It would, however, result in a loss of tax revenue.

ie in advance
6. Paragraph 23 of Geoffrey Howe's memorandum described a clearance procedure for establishing employment status. This is superficially attractive but on further examination I believe its disadvantages outweigh its attractions. A clearance procedure can only confirm a person's employment status, it cannot change it. There is no evidence that there are people genuinely "in business on their own account" paying tax as employees, and introducing such a procedure could only raise false expectations among those employees who would prefer to be treated as self-employed. In addition, such a scheme would entail very heavy manpower costs: it is estimated that to deal with 100,000 applications a year the Inland Revenue would need perhaps 150 extra highly trained staff.

7. I believe, therefore, that the best answer lies in two complementing initiatives. First, there is no doubt that many people would welcome a short, clearly written statement setting out in ordinary language what is meant by being self-employed. I have asked the Revenue to prepare a leaflet which does this, explaining the tests that are applied in determining whether a person is self-employed or an employee. A copy of the proposed draft is attached to this minute (Appendix I). A further aim of the leaflet is to give the general public a clear picture of the rights and obligations not only of the self-employed but also of employees. If you are content with this approach, I shall ask the Inland Revenue to go ahead with publication of the leaflet.

8. Second, we need to get across more effectively to our supporters in the country and others the many measures we have introduced to encourage the setting up and expansion of new businesses and which have been reflected in the growth of over 20 per cent in the number of self-employed since we first took



office in 1979. Of course, as we discussed at your meeting on 24 July, many of the difficulties which small businesses complain of have nothing to do with tax or questions of employment status and lie in the field of employment legislation, trading laws, planning permission and so on. But on the tax side the process of getting the message across has already begun. John Moore's speech to the Institute of Directors on 30 July, of which I attach a copy, on the steps we have taken to encourage self-employment was a beginning, and I intend that this should be followed up by further speeches as opportunity permits.

9. We also need to counter the unfounded impression that the Inland Revenue are somehow conducting a "drive" against the self-employed. As recent Parliamentary Answers (Appendix 2) have made clear, those "reclassified" in the past three or four years have not been small businesses on any sensible interpretation of those words. Indeed, fewer than 70 individuals in the last year have written to Ministers, including yourself, because they disagreed with the Revenue over their tax status. There would still be advantage, though, in the Revenue and indeed Treasury ministers looking for further suitable occasions to set the record straight.

10. I am copying this minute and attachments to Tom King and David Young.

A handwritten signature in black ink, appearing to be "N.L." with a flourish.

(N.L.)

28 September 1984

Tax : Employed or Self-Employed?

There are about two and a quarter million self-employed people in this country working either alone or in partnership with others. This is nearly half a million more than five years ago. By comparison, there are over twenty million people drawing wages and salaries in paid employment.

Employed, or self-employed?

Do you know whether you are employed, or self-employed? 'Self-employed' is not defined by law, nor is it merely a matter of you or your employer calling your job 'employment' or 'self-employment'. It is something to be decided in a commonsense way on the facts of your case, looking at what you actually do, and the way you do it.

This leaflet tells you

- ° how to decide, if you are not sure, whether you are employed or self-employed
- ° the main ways in which being self-employed, as opposed to being employed, affects your tax position.

If you are in doubt or have any questions after reading this leaflet, please get in touch with your local tax office and they will be pleased to help or advise you. You will find the address in the phone book under 'Inland Revenue'.

If you are an office holder, such as a company director or the secretary of a club, you will be taxed as an employee anyway and need read no further.

How do I decide whether I'm employed or self-employed?

You are self-employed if you are in business on your own account. In most cases this will be obvious: for example if you are working for a company on a production line in its factory, you are employed. You are self-employed if you are in business on your own account - say, for example, running your own grocery shop. However real life is not always tidy, and sometimes people are not sure where the dividing line comes.

The following guidelines have been laid down by the Courts over the years. They should help you decide. You probably won't find any one of them enough in itself. You will need to look at your job as a whole - all the conditions you work under - in the light of all the guidelines.

The same guidelines generally apply for tax, national insurance, employment protection purposes, and so on, but if you are in doubt about your National Insurance position, you should consult your local DHSS office.

If you can answer 'yes' to the following questions, you are probably an employee:

- Do you have to do the work that you have agreed to undertake yourself (that is, you are not allowed to send a substitute or hire other people to do it)?
- Can someone tell you what to do, and when and how to do it?
- Does someone provide you with holiday time, sick pay or a pension? (Though a lot of employees don't get any of these.)
- Are you paid so much an hour, a week, or a month? Can you get overtime pay? (Though many employees are paid by commission or on a piece-work basis.)
- Are you expected to work set hours, or a given number of hours a week or month?
- Do you work wholly or mainly for one business? (But remember that many employees work for more than one employer.)
- Are you expected to work at the premises of the person you are working for, or at a place or places they decide? (But remember that a self-employed person, such as a plumber, may by the nature of the job have to work at the premises of the person who engages him.)

If you can answer 'yes' to the following questions, it will usually mean that you are self-employed:

- Are you ultimately responsible for how the business is run? Do you risk your own capital in the business? Are you responsible for bearing losses as well as taking profits?
- Do you yourself control what you do, how you do it, and when and where you do it? (Though many employees have considerable independence.)
- Do you provide the major items of equipment you need to do your job (not just the small tools which many employees provide for themselves)?
- Are you free to hire other people, on terms of your own choice, to do the work that you have agreed to undertake? (But remember that an employee may also be authorised to delegate work or to engage others on behalf of his employer.)
- Do you have to correct unsatisfactory work in your own time and at your own expense?

What happens about my tax if I'm self-employed?

If you are self-employed, you are responsible for your own tax. This means:

- telling your local tax office (if you haven't already done so) that you are in business
- making a return of your income to the tax office each year so that they can assess the tax due on it (the tax office will send you a standard form for doing this)
- paying the tax: for the first tax year in which you are in business you don't have to pay the tax until after the end of that year, but after that you normally pay it in two instalments, on 1 January and 1 July of each year.

Remember that being self-employed affects not just your tax, but also your national insurance contributions. For more information about this, see leaflet NI41, which you can get from any DHSS office. It also affects:

- your entitlement to social security benefits, such as unemployment benefits
- other rights and duties, for example under the Employment Protection Acts
- your liabilities to the public for the work you do.

You can find more information about how your tax works if you are self-employed in the booklet IR28 'Starting in Business', which you can get free from any tax office. It also explains the effect of having partners in your business.

What happens about my tax if I am an employee?

If you are an employee, your employer will normally be responsible for deducting your tax from your wages or salary under PAYE, and paying it over to the Inland Revenue.

To sum up....

This leaflet has tried to help you decide whether you are employed or self-employed. Remember that:

- if you are employed, it ^{is} your employer's responsibility to apply PAYE and deduct tax from your pay
- if you are self-employed, it is your responsibility to tell your local tax office when you start up in business, and then to carry out your other tax obligations.

If you are really not sure whether you are employed or self-employed, please get in touch with your tax office for advice. The Inspector of Taxes can then give his opinion. If you disagree with him, you can appeal against any tax assessment he makes. If you still cannot agree after discussing it with him, you can ask for your case to be heard by an independent panel called the Appeal Commissioners.

The tax office will also be pleased to advise you if you are paying someone to do work for you and you are not sure whether you are their employer and so responsible for operating PAYE on their wages. Leaflet IR53 'Thinking of taking someone on?' tells you more about this.

These notes are for guidance only and do not affect your right of appeal about your own tax.

24/11/83

16/1/84

Association of Cinematograph Television and Allied Technicians X

Mr. Neil Hamilton asked the Chancellor of the Exchequer what is the estimated number of taxpayers who have been reclassified by the Inland Revenue as liable to income tax on schedule E as opposed to cases I, II and VI of schedule D, respectively:

(2) pursuant to his reply to the hon. Member for Tatton, *Official Report*, 13 July, c. 384, how many taxpayers in each category mentioned were reclassified by the Inland Revenue as being liable to income tax on schedule E.

Mr. Moore: I regret that detailed figures are not available, but it is estimated that in recent years the numbers of taxpayers in the various categories mentioned in that reply are as follows:

Full-time Work

Certain workers in the film, television and radio industries—7,000.

Part-time or Occasional Work

Part-time club musicians—300;

Certain, mainly casual, journalists—700;

Occasional school etc examiners and markers—100,000.

As explained in that reply, the Revenue has concluded, following a review of its tax treatment, that these earnings are properly assessable under schedule E. In many of these cases the earnings in question were not previously declared for tax under any schedule E.

24/2/84

Mr. Neil Hamilton asked the Chancellor of the Exchequer how many taxpayers have been reclassified, since categories of earners were defined in the Social Security Act 1975, for national insurance purposes, from self-employment status to employment status.

Mr. Moore: I regret that the detailed information requested is not available. Information about certain taxpayers who have had the tax treatment of some of their earnings or their employment status for tax purposes changed or determined for the first time were given in my written answer to my hon. Friend's earlier question on this subject on 16 January at c. 15.

28/2/84

Mr. Neil Hamilton asked the Chancellor of the Exchequer if he will publish in the *Official Report* the general criteria used by tax inspectors for distinguishing between employment and self-employment for income tax purposes.

Mr. Moore: As I stated in my written answer to an earlier question by my hon. Friend—[Vol. 50, c. 25]—the criteria used by Inspectors of Taxes and taxpayers' professional advisers to determine employment status for tax, as for other purposes, have been independently established by the courts as a matter of general law. The criteria include such questions as who controls the manner in which the duties are performed, who bears the financial risk, who supplies equipment, and how the payment for services is made. None of them is conclusive in itself, and the importance of any single factor may vary from case to case. The Inland Revenue is preparing a guidance note for publication which will explain the relevant criteria and help taxpayers to understand the issues involved.

42. Mr. Brinton asked the Chancellor of the Exchequer whether he has come to a satisfactory arrangement with the Association of Cinematograph Television and Allied Technicians concerning the proposals he made to transfer many members of this trade union to the schedule E category of taxation.

Mr. Ian Stewart: A number of meetings have been held with the Association of Cinematograph Television and Allied Technicians and other representative bodies in the industry. Agreement on the taxation treatment of freelance workers in a number of grades has been reached and a further meeting is planned. Anyone who does not

agree with his classification for taxation purposes may, of course, ask to have the matter heard on appeal before the general commissioners.

24/10/83

Insurance Salesmen (Taxation)

Mr. Michael Forsyth asked the Chancellor of the Exchequer further to his answer of 29 July, *Official Report*, c. 733, if he will estimate how many insurance company employees involved in selling life insurance are treated as self-employed for tax purposes.

Mr. John Moore: I regret that information is not available centrally on the numbers of life insurance salesmen who are treated as self-employed for tax purposes.

28/7/83

Insurance Salesmen (Taxation)

Mr. Michael Forsyth asked the Chancellor of the Exchequer if he has any plans to change the rules which allow insurance company employees involved in selling life insurance to be treated as self-employed for tax purposes.

Mr. Ridley [pursuant to his reply, 28 July 1983]: It is the law which lays down the rules for determining self-employment. The tax status of life insurance salesmen as employees or self-employed depends on the particular circumstances of their engagement. Anyone who believes he is wrongly assessed may appeal to the commissioners.

Tax Status (Contract Workers) 5/12/83

Mr. Neil Hamilton asked the Chancellor of the Exchequer what income tax status the Inland Revenue applies to taxpayers whose sole source of income arises from their being (a) contract crop pickers and (b) contract dairy herdsmen.

Mr. Moore: An individual's employment status for taxation purposes depends on whether the terms and conditions of his engagement amount to a contract of service or a contract for services. The forms of engagement of most casual crop pickers are such that they will generally be employees assessable under schedule E; those of dairy herdsmen vary in practice and the employment status of any individual herdsman will depend on the particular facts.



H. M. TREASURY

Parliament Street, London SW1P 3AG, Press Office: 01-233 3415
Telex: 262405

PLEASE NOTE EMBARGO

NOT FOR PUBLICATION, BROADCAST
OR USE ON CLUB TAPES BEFORE
19.00 HRS ON MONDAY 30 JULY

30 July 1984

TAX AND THE SELF EMPLOYED

Attached is the text of a speech to be delivered tonight by the Financial Secretary to the Treasury, Mr John Moore MP, to the Institute of Directors' Tax Committee, in London.

PRESS OFFICE
H M TREASURY
PARLIAMENT STREET
LONDON SW1P 3AG
01 233 3415

133/84

TAX AND THE SELF-EMPLOYED

One of the most heartening developments in the economy during the past few years has been the surge in the numbers of self-employed which now amounts to over 2½m. For some years up to 1979 there had been little change in the numbers, but since then they have increased by about 400,000.

I very much welcome this big increase in the number of people working for themselves. The Government is firmly committed to the expansion of self-employment. We welcome the flexibility and efficiency which the self-employed sector shows. Nothing concentrates the mind like being one's own master, and nothing gives one a greater sense of responsibility than being one's own employer. We believe in ownership and we strongly believe in being responsible for one's own future. Self-employment is the seed bed from which thousands of successful, job-creating small businesses have grown. It is also the route back to work for many who have become unemployed.

This belief in the virtues of self-employment is reflected in the many measures we have taken which help the worker standing on his own and benefit small business in general. Since 1979 we have cut the basic rate of income tax by 3p in the pound and raised tax thresholds by 16% in real terms taking nearly 1m people out of tax altogether. We have cut the top rate of income tax on earned income from 83% to 60% and on investment income from a ridiculous 98% to 60%. The threshold for Capital Transfer Tax has been more than doubled since 1979, the upper bands substantially lengthened, the three top rates abolished and the lifetime charge reduced to half the rate on death throughout the scale. The Capital Gains Tax threshold has been steeply increased and paper gains resulting

solely from inflation removed from tax since 6 April 1982. In the last Budget the Investment Income Surcharge was abolished making it that much more attractive for friends or relatives to supply the self-employed businessman with capital. And the Enterprise Allowance, which provides the unemployed person who chooses to strike out on his own £40 a week for a year, has been instrumental in turning unemployment into self-employment.

Smaller firms in general have benefited a great deal from the very generous tax relief available under the Business Expansion Scheme to investors putting up money for small firms. The VAT registration threshold has been nearly doubled. And for small companies the rate of Corporation Tax has tumbled from 42% to 30%.

All these measures show this Government's commitment to fostering self-employment and the small business sector. I therefore find it puzzling and rather saddening that the Government is sometimes accused of allowing the tax system to be administered in a way which is unhelpful. We have even been accused of conducting a vendetta against the self-employed. Let me try and explain the rules for taxing self-employment. And let me also offer some reassurance about how those rules are applied.

Starting at the beginning, there has to be some difference in the way the tax liabilities of the self-employed are calculated compared with those of employees. Income earned from employment is fairly straightforward. It's your pay, plus any non-cash benefits you may enjoy. The expenses of your employment - the cost of equipment and of other facilities - are generally covered by your employer. Income from self-employment is more difficult to establish. In principle it is the receipts of the business less the cost and expenses of running it, but this can seldom be calculated on a day by day

basis. What expenses are necessary to carry on and expand the business must be a matter primarily for the self-employed person; the tax inspector has only to satisfy himself that they are laid out wholly and exclusively for the purpose of the business.

In our system these differences are recognised in the distinction between Schedule D of Income Tax, which applies to self-employment, and Schedule E, which applied to employees. There is nothing magical about our schedular system as such. Some other countries get along perfectly well without it. But there will always be a difference between the way the greengrocer's taxable income is calculated and the way the taxable income of the greengrocer's assistants is worked out. The borderline between Schedule D and Schedule E is one way of recognising this difference.

This brings me to an important point. The tax system seeks to reflect the world as it is. If someone is self-employed then he should pay tax under Schedule D. But applying Schedule D will not have the converse effect of making him self-employed. It is not the tax system which converts an employee into an entrepreneur. It is the man himself. The tax system merely follows after him. Some people seem to think that if only we switched the whole country from Schedule E to Schedule D we should witness an astonishing upsurge of hard work and business flair. I am afraid the answer to reviving our economy is not as easy as that.

Let me also make a distinction between the significance of employee or self-employed status for taxation purposes and its significance in other ways. Employment status is a matter of general law and affects a whole range of rights and obligations under different legislation. Employees are, of course, covered by the employment protection legislation. Self employed persons are not. Employees enjoy sick pay, can claim compensation

for unfair dismissal, may have a company pensions scheme. The self-employed have none of these things. These and other benefits may well have much more important economic effects than status for tax purposes.

This is not a question I want to examine in any depth today. Suffice it to say that whether or not a person is for instance covered by the employee protection legislation does not depend primarily on whether they are taxed under Schedule D or Schedule E. It depends on whether the courts judge them to be employees or self-employed.

The question of whether someone is an employee or is self-employed is not a matter of choice but a matter of fact. That is true both for Government departments administering the law and for the individual. Ultimately it is not up to the Inland Revenue to decide whether someone is an employee or self-employed. It is up to the courts. Similarly the individual cannot choose as to whether in any particular circumstances he is an employee or is self-employed. He either is or he isn't.

It follows that there can be no campaign by the Inland Revenue to reclassify large sections of the workforce from Schedule D to Schedule E as some critics have alleged. The Revenue has the duty to administer the law as it stands, in accordance with the facts as they are - it has no discretion to run a campaign that is contrary to the law. Where new facts do come to light the Revenue must apply the law. Let me emphasise, however, that Ministers are alive to changes in the patterns of work, and are determined to see that the legislation reflects the Government's clear commitment to encourage self-employment and small business. Equally, it can happen that the facts point to the conclusion that someone who has previously been treated as an employee should in future be treated as a self-

employed sub-contractor. If the facts justify the change, the Revenue must apply the law there too. The facts determine the issue either way. Ministers keep closely in touch with the Revenue's administration of the system. I repeat therefore that there is no campaign - nor has there ever been in the course of this Government.

There are, of course, difficult areas of judgement near the borderline. There always are in real life. But by definition those taxpayers whose status as self-employed is most uncertain are likely to be least entrepreneurial. There is absolutely no doubt about the status of the genuine risk-takers - the self-employed businessman, the craftsman working on his own account. Where there is doubt there is usually less risk.

During the last few years there has been a total of 107,000 reclassifications of income from Schedule D to Schedule E. That sounds like a lot until you recognise that over 100,000 of these refer to the spare time earnings of workers the vast bulk of whose income was already charged to Schedule E but who had a few hundred pounds a year assessed to Schedule D, namely schoolteachers marking exam papers. Examination markers do valuable work but they are rarely in business on their own account. After a very careful review of the facts with the co-operation of both employers and the trade unions concerned, including the National Union of Teachers and the Association of University Teachers, it was decided that it would be more appropriate to assess fees for marking exam papers under Schedule E, PAYE has therefore been applied to these earnings since April last year. Similar considerations have applied to most of the other groups of people who have had some or all - but usually only a small part - of their earnings brought within PAYE where they properly belonged. In most cases they, or their union representatives, have accepted the

Revenue's decision as right in law. And if they did not of course it would always be open to them to challenge the Inspector's interpretation before the independent appeal Commissioners and ultimately before the courts.

Let me offer a brief outline of the law in this area. The words "employment" and "self-employment" are not defined in any Act of Parliament, but over the years the Courts have had to consider their meaning on a number of occasions. They have identified various factors that need to be weighed in comin to a conclusion in any individual case. Briefly the Courts' approach has been to look at commercial and industrial realities and at the terms and conditions under which people work. They have recognised that self-employed people generally bear the full consequence of their own actions and those of their employees. They reap the reward or stand the losses of their venture, while employees, however diligent or vital to the business, in general do not.

The Courts have held that the question to be answered in deciding whether someone is self-employed is, ultimately, "Is this person in business on his own account?" The detailed tests used by Inspectors of Taxes and accountants and other professional people in considering employment status all flow from this central question whether a person is in business on his own account. Does the principal have control over the way in which the worker performs his duties? Does the worker take a financial risk? Does he provide his own equipment or set his own hours and conditions of work? These tests give clear and straightforward enough answers in the majority of cases. After all, no-one would suggest that a shopkeeper owning and running his own shop was an employee or that a production line worker at, say, BL was self-employed. On the other hand, it is true that there can sometimes be difficulties

and uncertainties on the margins, particularly where short-term engagements are concerned.

Anyone who is at all unsure of his employment status for tax purposes or of the status of people carrying out work for him should, of course, ask his Inspector of Taxes for guidance. Inspectors are ready to help and advise and they will willingly give guidance if asked. But on the particular question of employment "status" something more than this is widely thought to be needed and I have therefore asked the Inland Revenue to prepare a leaflet setting out in simple and straightforward language the considerations that are applied in determining employment status for tax purposes. This will be available shortly. Such a leaflet will, I hope, help to make the subject more accessible to ordinary business people and employees and dispel many of the misunderstandings that have sometimes arisen in the past.

12. 1p-1.
PRIME MINISTER

24-25 May } Econ. Pol. Emp. Sec.
25-May } Ind. Sec.
Liaison Sec.
For Sec.
LIAISON COMMITTEE PAPERS

You will remember that at the Liaison Committee last week, you asked the Secretary to provide a full set of papers for your Cabinet colleagues. A set of 25 will be available ^{outside} the Cabinet Room tomorrow.

This is in a sense unnecessary duplication since all papers in the series have been issued to all Ministers, including the Whips' Office, together with ring binders and an explanation of their purpose. But it is an odds on bet that they are lying in the back of each Minister's cupboard and that they will not look at them unless spurred on to do so. So you might like to say something to them on the following lines:-

"Many of you will know that I have been chairing a Liaison Committee between the Government and the Party which has prepared, with the help of the Ministers in charge of Departments, some very useful guidance notes on the presentation of Government policy. The notes available cover:-

Economy, Employment and Industry
A Strategy for Jobs: Training and Employment Measures
Industry
Trade
Agriculture and Fisheries
Nuclear Defence
Nuclear Energy
Transport
Law and Order
Housing
Education
Social Services
The Countryside

They have been issued to all Ministers, including the Whips' Office, together with ring binders to keep them in. I hope that

/you will

you will draw them to the attention of each of the Ministers in your Departments and just in case any of you are not sure that your offices have been keeping your own set completely up-to-date, there will be a set available outside this room ^{and I hope that each of} ~~for anybody who~~ ^{you will} ~~wishes to~~ take one."

FERS

11 May 1983

file


da

4 May 1983

I think that it is for you to commission from Mr. Douglas Hurd the paper on those aspects of the EEC not covered in the paper on trade. I am therefore forwarding to you - and you may wish to send to Mr. Hurd's office - the paper prepared by the Conservative Party's EEC Policy Group, which was mentioned by Peter Cropper at this morning's meeting.

F E R BUTLER

Sebastian Birch, Esq.



Conservative Research Department

32 Smith Square Westminster SW1P 3HH Telephone 01-222 9511

Director: PETER CROPPER

F.E.R. Butler, Esq.,
10 Downing Street,
London S.W.1.

Private & Confidential

4th May 1983

Dear Robin

Herewith the paper produced by the EEC Policy Group in our recent Party programme. It was written mainly by Lord (Hugh) Thomas, and one of my staff, Edward Bickham, was secretary to the Group.

It may be felt that the work that went into this would provide a basis for part of the Liaison Committee paper, although it should be emphasised that this is a report to the Government, not by the Government. Mr Hurd would not necessarily agree with the details.

Peter

Peter Cropper

~~FERS~~



LIAISON COMMITTEE

Meeting to be held in Number 10 Downing Street at 10.00 am
on Wednesday 4 May 1983.

AGENDA

FLAG A

Item 1. Countryside Policy ~~_____~~
Paper by the Lord President of the Council, to
be circulated.

FLAG B

Item 2. Transport Policy ~~_____~~
Paper by the Secretary of State for Transport,
to be circulated. Mr Howell will attend the meeting.

FLAG C

Item 3. Diary of Events ~~_____~~
Note by the Chief Press Secretary, No 10, to be
circulated.

Item 4. Any other Business

Distribution:

- Private Secretary, No 10 (3 copies)
- Parliamentary Private Secretary, No 10
- Secretary of State for Scotland
- Secretary of State for Employment
- Chairman of the Party
- Chief Secretary, Treasury
- Minister of State, Treasury (Mr Wakeham)
- Chief Press Secretary, No 10
- Marketing Director, Central Office
- Director of Press and Public Relations, Central Office
- Director, Conservative Research Department

Secretary of State for Transport

A

The Countryside

The connection between the Conservative Party and the countryside, has never been merely a matter of votes and parliamentary seats. The countryside has represented social and economic values of great attraction to Conservatives.

In rural areas traditional values and a structured society have survived to a much greater extent than in the towns and cities. The village is to many people the ideal social unit and the juxtaposition of land owner and tenant, farmer and farm worker, doctor and shopkeeper in a small community, represents a social balance which is often lacking both in the deprived and depressing council housing of inner cities, and less obviously in the dormitory suburbs.

Rural life in England has been characterised by greater social stability than urban areas: crime is less prevalent, living conditions of the poor are less squalid. The English landed estates and their neighbouring villages have enabled social change and mobility after the onset of universal education to occur without the traumatic effects which attended these changes on the Continent. Landed estates with sizeable tenanted farms and a substantial element of owner occupation enabled British farming to progress without the hindrance of a vast peasantry. It is a mistake, however, to assume that this stability is immutable and can survive unaided the pressures of the twentieth century. The changing role of agriculture as the main economic activity and employer in the countryside has had a number of consequences.

Our largest industry, agriculture, is a monument to rapid technical innovation and the absence of restrictive labour practices. British agricultural output is now nearly the highest in the EEC. The performance of our food and food-processing industries are a challenge to British manufacturing industry generally.

Even so, there have been major changes in the social and occupational character of rural life in recent years. The numbers employed in agriculture have fallen by two-thirds since the last war and this decline is likely to continue. Job opportunities in new economic activities in rural areas have not so far filled the gap left as agriculture has advanced by producing more with less labour. Since the number of agricultural jobs has been reduced the population of our villages is largely made up of the elderly, commuters and people with second homes. In England the decline of population in rural areas has very largely been arrested by the emigration of commuters from towns and cities, who do not always make use of local services.

Rural dwellers cannot survive solely on the beauty of the countryside. They need the economic activity that will create jobs that will lead to more rural services. If there are no jobs, there will be no people; if there are no people, there will be no village shop, garage, or school.

Besides these problems of maintaining economic activity in rural areas, pressures are being placed on the countryside by conservationists, by urban expansion and by those looking for greater access to the countryside. Changes in agricultural practice have been altering the face of the countryside ever since the Tudor enclosures replaced the strip farming of the feudal system. The countryside which conservationists wish to conserve is in large part the creation of new farming methods of the 18th and 19th centuries. The Wildlife and Countryside Act 1981 went a long way to satisfy

the conflicting demands of the farmers and conservationists and indeed the ramblers. The demands of urban expansion and of town dwellers who wish to use the countryside as a large urban park are increasing. It is estimated that 40,000 acres of farmland are taken up each year for urban expansion and other developments while wasteland increases in the centres of towns and cities. Between 1966 and 1982 land in agricultural use was reduced by 1.9 million acres.

To the town dweller the countryside is a place of escape and relaxation. To those who live there the countryside is a place of everyday life and work. There will inevitably be conflict between those who wish to preserve the countryside as a snapshot of the idealised past, and those who realise that it must always be changing if economic activity is to flourish and the countryside is to continue to provide us with food and other essential materials. It is essential that a balance is struck between these conflicting views.

The Conservative Party, which has traditionally represented the rural areas, is better placed than other parties to respond to the needs of rural areas today.

We cannot turn aside from these problems any more than we can ignore the problems of the inner urban areas and the parts of Britain facing structural industrial decline. Policies are needed in every Government department to cope with the problem of the changing nature of the countryside. These are policies which must be consistent with prudent national financing. Indeed the last four years show that Conservative policies have been pursued which have taken account of the needs of the countryside. These are appended, and they indicate the way forward for and election campaign in due course.

The Conservative Party dare not neglect the countryside, and it has not neglected the countryside. The traditional values of the countryside can be reconciled with the social changes now taking place. That is the Tory task and challenge.

Agriculture

Although Britain is a densely-populated industrialised country relying on imports for some 40 per cent of its food supplies, agriculture remains one of our largest and most important basic industries.

Migration from the rural areas to the towns, which began at the time of the Industrial Revolution, continues. Recent figures show that in 1960, 80 per cent of the total population in Great Britain lived in urban areas compared with less than 17 per cent in 1801 (Source: The Future of the Rural Economy, Royal Institute of Chartered Surveyors, December 1980). The agricultural workforce, which has traditionally dominated the social structure of the countryside, has recently been declining by some $3\frac{1}{2}$ - $4\frac{1}{2}$ per cent per annum, and today makes up only about 10 per cent of the rural population. The process is likely to continue as mechanisation of farming and the modernisation of farm buildings increase productivity.

Employment

The lack of rural employment, which obliges people to look for work in towns and cities, has made it difficult for local communities to remain viable and coherent. However, both public and private organisations are now working to strengthen and diversify the rural economy.

The largest public agency to finance rural economic development in England is the Development Commission. The main objective is to regenerate rural areas and create viable and prosperous communities.

We have recently strengthened the powers of the Development Commission. Until March 1981 local authorities would select sites for development and refer them to the Commission, which would in turn refer them to the Department

of the Environment for consideration. We have now allowed the Commission to select its own priority areas, and revised the criteria for deciding what constitutes a priority area. These are: above average unemployment; an inadequate range of job opportunities; a declining population; outward migration of people of working age; an elderly age structure; and poor access to services and facilities.

The Commission's work is varied. Its factory building programme is now concentrated in the new Rural Development Areas (RDAs, previously known as Special Investment Areas), although help can be given to specially needy areas outside their scope. In February 1981 it launched a scheme whereby it contributed half the cost of a building or a conversion into business premises, with local authorities making up the balance. The scheme was extended in June 1982 to include areas outside the RDAs. Typical examples include the acquisition and conversion of former village schools at Glanton in Northumberland and disused factories at Heacham in Norfolk.

We have also extended the remit of an agency of the Commission, the Council for Small Industries in Rural Areas (CoSIRA), which aims to improve the prosperity of small businesses in rural England by providing advice, training and some financial assistance. CoSIRA is currently helping about 14,000 rural firms, all of which employ not more than 20 people and are located in English rural areas and small country towns. Included in its scope are small hotels, and, following a Government review, rural retailers. The Government review also resulted in CoSIRA being able to provide loans to enterprises outside its priority areas. CoSIRA have also linked up with the clearing banks besides extending their lending to up to £75,000 a time at 3 per cent below usual market rates. Banks will now lend up to £250,000 to a maximum of 20 years on a recommendation from CoSIRA.

Local government has also encouraged small businesses and rural employment by providing and developing sites, and by direct financial help. Cumbria County Council, for example, has run a scheme since November 1980 to give grants to small businesses where no other public support can be found. Northumberland, Durham, North Yorkshire, Shropshire, and Oxfordshire run variants of this scheme. Some councils - such as the Isle of Wight, Somerset and West Wiltshire - build small workshops. Others - notably Nottinghamshire and Norfolk - have developed sites in conjunction with the private sector. Essex County Council, for example, has encouraged private development of 'craft homes' at South Woodham Ferrers, a new town built almost entirely with private money. Some local authorities help identify redundant buildings for business use, provide information on suitable premises and hold courses and seminars for local entrepreneurs. Much of this activity has resulted from a Department of Environment circular No.22/80 which suggested that local authorities should relax the rules to a certain extent for redundant farm buildings suitable for conversion.

The Manpower Services Commission runs the Job Centres and the Special Employment Measures (SEMs). Since both these operations pose special difficulties in rural areas, the MSC is making efforts to apply its rules more flexibly.

The operation of the Youth Opportunities Programme (YOP) in rural areas is especially difficult. Potential trainees are scattered over large areas; many are reluctant to take urban opportunities and are deterred by the difficulties and cost of travel; other prefer seasonal jobs like fruit-picking. To overcome these problems the MSC has encouraged managers to interview trainees nearer their homes, and provide transport from inaccessible areas. The Development Commission and CoSIRA are now exploring with the MSC the scope for more MSC schemes to be located in rural areas, including placing trainees with firms identified by CoSIRA as possible sponsors, and the potential for voluntary organisations to sponsor rural opportunities. The MSC has also announced that it will allow for extra

expenditure on transport for rural schemes, a change which will be of particular importance when YOP is replaced by the year-long Youth Training Scheme (YTS) from October 1983.

The Community Enterprise Programme (CEP) for the long-term unemployed did not encounter the same difficulties as YOP, since it involved little bureaucracy and supervision, and projects were relatively easy to devise. Parish councils, for example, have been able to sponsor environmental projects. In fact the only major problem was the limited number of places (30,000 nationally) and the new Community Programme, launched last October, will solve this by providing more places - 200,000 nationwide.

Planning in the Countryside

There is a serious conflict in villages over the control of development. At a local level it is generally the latest influx of commuters who resist any further development. They are likely to be Conservative supporters and well versed in the use of the planning system to resist development.

Our approach to planning set out in Circular 22/80, 'Development Control - Policy and Practice' has stated that the planning system should play a helpful part in rebuilding the economy. Our concern for positive attitudes and efficiency in development control does not mean that our commitment to conservation is in any way weakened. We remain committed to the need to conserve and improve the countryside, natural habitats and areas of architectural, natural, historical or scientific interest and listed buildings. There is no change in our policies on national parks, areas of outstanding natural beauty or conservation areas. We want green belts to contain the sprawl of built-up areas and to safeguard the neighbouring countryside from encroachment.

No more than the essential minimum of agricultural land should be diverted to development, nor should land of a higher agricultural quality be taken where land of a lower quality could reasonably be used instead.

The bulk of future development must take place both by re-building within existing towns and by expanding the towns within the limits of employment of local community capacity. Expansion of a town into the surrounding countryside is objectionable on planning grounds if it creates ribbons or isolated pockets of development or reverses accepted policies for separating villages from towns, or if it conflicts with national policies for the protection of the environment such as those for safeguarding green belts, national parks, good farming land, areas of outstanding natural beauty, or high landscape value, or for nature conservation. Such an objection would normally rule out development unless the circumstances of the case were such that there was an exceptional need to make land available for housing. Some villages have reached the limit of their natural growth, but in others, useful provision for housing can be found by infilling on sites within the village itself.

Countryside Conservation

We have introduced the first major measure to deal with countryside conservation since the late 1940s. The Wildlife and Countryside Act 1981 falls into three main parts, which concern the protection of wild birds, animals and plants; the conservation of the countryside, including the natural habitats of wildlife; and public rights of way in the countryside.

The Act extends the advisory duties of the Agricultural Development and Advisory Service (ADAS) of the Ministry of Agriculture, and provides an important new procedure for dealing with applications for MAFF farm capital improvement grants in National Parks and areas of special scientific interest.

Housing

Housing in rural areas is under considerable pressure from the growth of second homes and weekend cottages. There is anxiety that young people in the villages will not be able to find cheap accommodation, rented or otherwise, and there continues to be pressure for some exemptions from the right to buy

in these areas. This should be resisted.

We have proposed five ways in which housing provision in rural areas might be improved.

First, low cost homes for outright purchase. Builders are willing to build in this price range and local authorities should be willing to give the planning consents to enable builders to do this. The Minister for Housing and Construction, John Stanley, has said he does not accept that builders are unwilling to build houses suitable for low income families in rural areas.

Secondly, shared ownership, which John Stanley has promoted vigorously. Since the election 43 local authorities have provided some 3,000 homes on shared ownership terms. New Towns and housing associations have sold over 2,000 homes. The Development Commission has announced that £500,000 will be made available for shared ownership schemes over two years. At least eleven building societies are prepared to provide mortgages for shared ownership schemes.

Thirdly, deferred purchase schemes. These are schemes which are similar to shared ownership. The deferred purchasers move in initially as licensees, paying a small deposit and an annual rent which covers their share of the mortgage. They then have an option to purchase their homes at any time between two and seven years after occupation, at the original cost of the home.

Fourthly, sale of low cost empty dwellings. We are urging the sale of empty properties held by the public sector. Between April 1979 and November 1981 over 350 surplus water authority dwellings and 200 surplus health authority dwellings were sold. Government departments sold over 6,000 homes, 5,000 of them by the Ministry of Defence, and a further 5,000 sales were in hand. Local authorities and nationalised industries have been urged to follow suit.

Fifthly, renting of empty dwellings. There is considerable scope for letting private sector housing in rural areas on a shorthold basis, but Labour attacks on shorthold have made landlords reluctant to let. The greatest take up of shorthold lettings so far has been in rural areas, especially

Kent, Sussex, Devon, Cornwall, Dorset, Essex, Norfolk and North Yorkshire.

We also favour the adoption of the 'North Wiltshire Scheme' which enables landlords to let their property, with certainty of repossession, to local authorities who in turn let to tenants.

Transport

The recent publication of the Serpell Report has reopened the question of the closure of rural railway lines. This is being dealt with in David Howell's paper on transport.

The years since the war have seen a steep decline in rural bus services. The growth of car ownership (about 70 per cent of households in rural areas own cars) and changes in the rural economy have tended to make conventional bus and train services increasingly uneconomic. But some form of transport is vital for the 30 per cent of households who do not own a car, particularly elderly people, and the large numbers of people in households with one car who do not have access to it for most of the week.

While recognising the need for a substantial element of public support for bus services, we are doing two things: we have encouraged local authorities, individuals and voluntary groups to look for low-cost alternative services to meet local needs, and we have amended the bus licensing laws to remove restrictions which impeded new operators wanting to run new bus services and have enabled councils to apply to set up new 'trial areas' where restrictions on new bus services cease altogether.

Support for Rural Bus Services. We have provided for substantial public support to bus services in rural areas. In 1983-4 the DoT has approved expenditure by the shire counties of £90 million on bus and rail revenue support, an increase of nearly 22 per cent compared with 1982-3. Between the last Transport Supplementary Grant allocation of the Labour Government for 1979-80 and this Government's allocation for 1983-4, accepted expenditure for revenue support in shire counties has doubled, *in Cash terms*

The Transport Act 1980 contained measures to encourage unconventional low-cost transport schemes. Local authorities can now use school buses and post buses to provide transport when they are not being used to carry schoolchildren or mail. The Act removed restrictions on car sharing so that individuals and voluntary groups can set up and advertise voluntary carsharing schemes and run minibus schemes. For example, a large number of social car schemes are in operation, as many as 60 in Shropshire. Several county councils have ensured that their school transport is open to other users. The Act also contained provisions for the county councils to apply for their areas or part of their areas to become 'trial areas' in which quantity licensing controls cease altogether. So far three county councils have taken advantage of this - Norfolk, Devon, and Hereford and Worcester.

Village Schools

Schools are an essential part of rural life. Young families are not going to live and work in rural communities, much as they might wish to, if there are not good and reasonably convenient schools for their children to attend.

We are well aware of the importance of rural schools and of the essential part they play not only in education, but in rural community life generally. Conservative policy proceeds from the belief that as far as possible, and wherever possible, village schools should be retained.

The problem is that retention of the village school is not always possible. There are now fewer children of school age in this country than in recent years simply because fewer children have been born. Inevitably this means we now have empty desks and empty schools.

Rural schools were already small, simply because the population is sparse. When they get even smaller, two problems arise. Firstly, it becomes excessively expensive per pupil to educate children in very small groups, and even without the present added financial constraints it is foolish to spend public money on keeping empty desks and part-filled schools

Secondly, when the teaching group becomes too small, the children themselves suffer. Their education cannot be as full and complete with only two or three other children of the same age, and one teacher to teach a dozen or so of all ages.

Some schools, rural and urban, therefore have to close, or be amalgamated with others. All the factors bearing on each particular case must be carefully considered, educational value, community value, cost, transport difficulties, social value and so on.

Applications to close a school have to be made by the local authority through the mechanism of Section 12 of the Education Act 1980. Under those procedures full opportunity is given to all interested parties to object to, or support, the proposal, and the final decision rests with the Secretary of State for Education. His very difficult task is to weigh up the arguments in each individual case; there can be no one, uniform approach. He starts however from the belief that rural schools are a valuable asset, but he must be convinced that the school in question is both educationally and financially sound.

Cottage Hospitals

We have shown our support both for cottage hospitals and general practitioners working in rural areas. The vital role of cottage hospitals in providing essential health care and also of stimulating community pride has been recognised. Patrick Jenkin, when he was Secretary of State for Social Services announced that the Government's intention was to move away from the building of large impersonal hospitals towards the building or supporting of smaller hospitals. He said:

'A small hospital may be the heart and soul of a local community, and if it dies, the community suffers a mortal blow'.

Telephones in Rural Areas

There is widespread concern that telephone services will be run down.

This is not the case.

Charges for Rural Services. British Telecom (BT) indicates that rural services are probably profitable. If they do make a loss they will be financed by the access fees, in the same way as the call box and 999 services. At present BT have a standard rate for rentals and local calls throughout the country. Sir George Jefferson, Chairman of BT, has said clearly that he has no reason to expect that BT will want to make changes, in the immediate or medium-term future, to the pattern of rentals or call unit charges in a way that will disadvantage rural customers.

Installation Charges. At present BT charge £70 for a domestic connection, and there is no extra charge for the first 100 hours of work needed. Last year only 0.1% of all installations required more than this. The Telecommunications Bill strengthens the hand of the potential rural customer by allowing him to complain to Oftel if the installation charge is higher than the standard one. Oftel can instruct BT to reduce the charge if the Director decides BT is asking too much. At present POUNC can take up these complaints, but it has no powers over BT. So the new arrangements strengthen the rights of the potential rural customer.

Remote call boxes. If a box produces less than £185 per annum it becomes a candidate for closure since the maintenance costs are about £2000. BT closed 32 boxes in 1979-80, 30 in 1980-81 and 63 in 1981-2. Local authorities have the power to pay a subsidy towards the maintenance of uneconomic boxes and 7 are so maintained in Wales. Maintenance of the call box service will be a social obligation of BT under the Telecommunications Bill. This is the first time that this obligation has been imposed by law. The losses on the service will be financed by the access fees and the provision of call boxes will continue as at present.

Preserving the Heritage

We have introduced a series of fiscal and other measures designed to help and encourage those concerned with the preservation of Britain's rich heritage of houses, estates and gardens, although concern remains about the possible impact of capital taxation on the integrity of great estates, their collections and their land which are important both to the stability of rural life and also a major tourist attraction.

Under the National Heritage Act 1980, the National Heritage Memorial Fund was set up to administer public funds available for the preservation of amenity land, nature conservation, historic buildings and works of art. In the two years 1980-1 and 1981-2 the Fund provided grants or loans amounting to £544,000 for scenic and amenity land, and £245,000 for scientific land and nature conservation.

The impact of the Capital Transfer Tax has been substantially lightened. The starting point for the tax has been raised and the bands broadened. Gifts made more than ten years before death are no longer included with the deceased estate for CTT purposes. It is now possible to defer payment of Capital Gains Tax where assets are transferred to or from members of a family or settlement; and no tax is paid until the recipient realises the asset.

Tax law now permits the establishment of Heritage Trusts, whereby buildings of national interest and land of outstanding natural beauty, together with appropriate funds for their maintenance, can be transferred into settlements without Capital Transfer and Capital Gains Tax. Such a Trust makes it possible for heritage property to be handed on from generation to generation without tax liabilities - thus retaining the vital interest on ownership in the preservation of the heritage.

PRIME MINISTER

LIAISON COMMITTEE

DIARY TO NOVEMBER

I attach a diary up to and including October for consideration by the Liaison Committee. The more significant events are highlighted in capitals or by underlining. Leaving aside the possibility of a General Election, the following summarises the main features;

Economic

- EC Foreign Ministers informal meeting (Budget) - May 14-15;
- EC Foreign Affairs Council (Budget) - May 23-24;
- Your visit to Washington and Williamsburg Summit - May 26-30;
- European Council, Stuttgart (Budget) - June 6-7.

Political

- Government's 4th anniversary - tomorrow;
- Local elections - Thursday;
- Trade Unions for Labour Victory weekend conference - May 6-7;
- Cardiff NW writ - May 10;
- Council for Social Democracy, Aston University - May 14-15;
- General Elections: Italy (June); Thailand (June 12);
Nigerian Presidential (August 6); Argentine (October 30).
- Pope visits Poland - June 16-22;
- SDP Conference, Salford University - September 11-14;
- Liberal Party Conference, Harrogate - September 19-24;
- Labour Party Conference, Brighton - October 3-7;
- Conservative Party Conference, Blackpool - October 11-14.

Your Broadcasts/Interviews

- The Times (Julian Haviland) - for publication May 5;
- Newsweek (Anthony Clifton) - for publication May 10;
- Observer interview, second instalment - May 8;
- BBC Radio 4 'World This Weekend' - May 8;
- Jimmy Young Programme - May 11;
- Thames TV Eye interview (Alastair Burnet) - May 19;
- Panorama (Sir Robin Day) - provisionally for June 13.

Your Speeches

- Scottish Conference - May 13;
- Conservative Women's Conference - May 21;
- National Union Executive dinner - June 8;
- Welsh Conference - June 18;
- European Democratic Union Conference - June 23;
- Party Conference - October 14.

Regional Tours

- You plan another 4, including South Scotland (May 13) and West Midlands (July 15).

CND Campaign etc.

- Commons Disarmament Debate - May 10-11; →
- INF negotiations resume - May 17;
- Defence Estimates White Paper - May 18;
- CND Pentecostal peace march to Upper Heyford - May 21-23;
- British Council of Churches defence/disarmament hearing - May 23;
- Women's Day of Action for Peace - May 24;
- European nuclear disarmament jamboree, Berlin - end May;
- NATO Ministerial, Paris - June 9-10;
- UN conference on peaceful uses of nuclear energy, Geneva - August 29-September 9.

Falklands Anniversaries

- Anniversary of San Carlos landing - May 24;
- Argentine national day - May 25;
- Anniversary of Argentine surrender - June 14.

Northern Ireland

- Second anniversary of death of Sands, hunger-striker - Thursday;
- Anniversary of Hyde and Regents Parks bombings - July 20.

Trade Unions

We are, of course, in the middle of the trade union conference season. The more important dates are:

- May - CPSA (9-13); NUPE (15-17); Fire Brigades (18-20);
- June - GMBATU (5-9); POEU (6-10); ASLEF (7-15); NALGO (11-17);
- NUR (27-8 July); Confederation of Shipbuilding and Engineering Unions (28-1 July);
- July - NUM and TGWU (4-8);
- September - TUC Congress (5-9).

Economic Indicators

We need to keep our eyes particularly on unemployment, retail prices, wholesale prices, production and money supply indicators. These are underlined in the attached.

Miscellaneous

Other notable dates are:

- London Transport fares cut by 25% - May 22;
- TUC People's March ends in London with demo - June 5;
- First anniversary of invasion of Lebanon - June 6;
- Anti-abortion rally, Hyde Park - June 25;
- MCC announce ballot result on tour of South Africa - July 13;
- Pensioners' day of action - September 28.

Summary

You are very busy with the media up to mid-June. Some of this would fall if there were a General Election. If there were no General Election in June we should have to construct a media programme beyond mid-June. There are many offers outstanding.

B. Ingham

B. INGHAM
3 May 1983

MAY

- 3 Prime Minister meets Japanese trade and industry Minister.
Prime Minister's interview with Julian Haviland, Times (for May 5).
EC Research Council, Brussels.
- 4 GOVERNMENT'S 4TH ANNIVERSARY.
NEDC.
Prime Minister meets President Machel of Mozambique.
EC Political Committee, Bonn (until 5 May).
Prime Minister attends 400th anniversary reception of Anglo-Turkish relations.
The Queen and Duke of Edinburgh open Wall Walk, Tower of London.
Patrick Jenkin opens Biotech '83 Exhibition.
Prime Minister's interview with Newsweek.
- 5 LOCAL ELECTIONS.
Prime Minister's reception for NSPCC.
TGWU - agriculture and allied workers - annual conference, Eastbourne.
2nd anniversary of death of hunger-striker Sands.
Faslane 5 at Dumbarton Sheriff Court.
Boy accused of sending letterbomb to No 10 in court.
- 6 Unemployment figures (April).
New drink and drive provisions in force.
President Reagan presented with International Trades Confederation recommendations on special steels.
- 6-7 Trade Unions for Labour Victory weekend conference.
CND festival, Brockwell Park, London.
- 7-9 Association of Scientific, Technical and Managerial staff annual conference, Bournemouth.

May contd.

- 8 PRIME MINISTER'S INTERVIEW FOR BBC RADIO 4 "WORLD THIS WEEKEND" (GORDON CLOUGH).
OECD Ministerial, Paris (until 11 May).
Spanish municipal and autonomy elections.
10,000 issue of The Observer.
International Energy Agency Ministerial meeting.
- 9-13 CPSA annual conference, Brighton.
TSSA annual conference, Torquay.
- 10 Money supply (April-prov).
Index of wholesale prices.
Cardiff NW writ.
- 10-12 IRSF annual conference, Bridlington.
- 10-13 Civil Service Union annual conference, Blackpool.
- 11 PRIME MINISTER ON JIMMY YOUNG PROGRAMME.
Prime Minister hosts lunch for Prime Minister of New Zealand.
- 13 PRIME MINISTER ATTENDS SCOTTISH CONFERENCE, PERTH.
- 14 PRIME MINISTER PERFORMS NAMING CEREMONY OF BR LOCOMOTIVE AFTER AIREY NEAVE.
International Air Fair and Trade Exhibition, Biggin Hill.
- 14-15 EC Informal Foreign Ministers' weekend, Schloss Gymnich.
SDP (Council for Social Democracy), Aston University.
- 15 World Communications Day.
- 15-17 NUPE annual conference, Scarborough.

May contd.

- 16 EC Finance Council, Brussels (until 17 May).
EC part-session of European Parliament, Strasbourg.
- 16-17 EC Agriculture Council, Brussels.
- 16-20 IPCS and SCPS annual conferences.
- 17 Prime Minister meets President Kyprianou.
INF 5th round negotiations resume, Geneva.
The Queen opens International Maritime Organisation headquarters on Albert Embankment.
Chelsea Flower Show.
WEU Ministerial, Brussels.
Index of industrial production.
- 18 Average earnings index.
Defence Estimates 1983, White Paper.
Prime Minister meets Yugoslav Prime Minister.
- 18-20 Fire Brigades Union annual conference, Bridlington.
- 19 PRIME MINISTER'S THAMES TV EYE INTERVIEW (ALASTAIR BURNET).
Cyprus Intercommunal talks.
- 20 PRIME MINISTER'S REGIONAL TOUR.
Duke of Edinburgh visits Harare for Royal Agriculture Society of the Commonwealth.
Index of retail prices.
TUC trades councils conference, Scarborough.
- 21 PRIME MINISTER'S SPEECH TO WOMEN'S CONSERVATIVE CONFERENCE.
Football Association Cup Final, Wembley.
- 21-23 CND Pentecost peace march to Upper Heyford.
- 22 London Transport fares cut by 25%.

May contd.

- 22-27 Prison Officers' Association annual conference, Scarborough.
Association of Communication Workers' annual conference,
Douglas (postmen).
- 23 EC FOREIGN AFFAIRS COUNCIL (BUDGET) - to 24th.
Zimbabwe trial of white Air Force officers.
British Council of Churches defence/disarmament hearing.
- 23-27 AUEW/TASS annual conference, Bournemouth.
- 24 Women's day of action for peace.
Anniversary of San Carlos landing.
- 25 TUC General Council and Labour Party NEC meetings.
New stamp issue depicting British engineering achievements.
EC Development Co-operation Council, Brussels.
Argentine National Day.
Commonwealth Development Corporation, annual report 1982.
- 25-28 The Queen and Duke of Edinburgh visit Sweden.
- 26 Glyndebourne season opens.
Paris Air Show, Le Bourget.
- 27 PRIME MINISTER SEES PRESIDENT REAGAN, WASHINGTON.
Overseas trade figures.
- 28-30 ECONOMIC SUMMIT, WILLIAMSBURG, USA.
- 30 Bank Holiday.
EC Agriculture Ministers internal meeting, Germany.

May contd.

- 31 EC Education and Energy Councils, Brussels.
EC Political Committee, Bonn (until 1 June).
EC Economic and Social Committee plenary session, Brussels.
- end May European nuclear disarmament campaigners' jamboree, Berlin.

JUNE

- 1 International Labour Organisation annual conference, Geneva.
Derby Day.
EC Economic and Social Committee Plenary Session, Brussels.
- 3 Unemployment figures (May).
- 5 TUC People's March ends in London.
- 5-9 GMBATU annual conference, Scarborough.
- 6 EUROPEAN COUNCIL, STUTTGART.
EC Social Affairs Council, Luxembourg, and part-session of
Parliament, Strasbourg.
First anniversary of invasion of Lebanon.
- 6-9 WEU Parliamentary Assembly, Paris.
- 6-10 Post Office Engineering Union annual conference, Blackpool.
- 6-30 UNCTAD VI, Belgrade.
- 7 Index of wholesale prices.
Money supply (May-prov).
EC Transport Council, Luxembourg.
State visit by President Jayawardene of Sri Lanka.

June contd.

- 7-15 ASLEF annual conference, London.
- 8 PRIME MINISTER ATTENDS NATIONAL UNION EXECUTIVE COMMITTEE DINNER.
PRIME MINISTER MEETS AUSTRALIAN PRIME MINISTER.
Prime Minister opens Arts and Crafts Exhibition during 1300th anniversary celebration at St Mary's Rectory, Finchley.
Public local inquiry into dockland airport, London.
- 9 Prime Minister hosts lunch for First Deputy Prime Minister of Iraq.
- 9-10 North Atlantic Council Ministerial, Paris.
- 11 Trooping the Colour.
- 11-13 Labour Party Women's conference, Cardiff.
- 11-17 NALGO annual conference, Douglas.
- 12 Thailand General Election.
- 13 EC Finance and Agriculture Councils, Luxembourg (to 14th).
New inquest into death of Signor Calvi.
Prime Minister's reception for entrepreneurs.
Prime Minister's interview for Panorama (Sir Robin Day)
- 13-17 ISTC annual conference, Jersey. - provisional.
- 14 Anniversary of Argentine surrender, Port Stanley.
- 14-18 Confederation of Health Service Employees annual conference, Bridlington.
The Prince and Princess of Wales visit Canada.
- 15 Average earnings index.
Index of industrial production.
New Civil Defence Regulations introduced.

June contd.

- 16 EC Environmental Council, Luxembourg (until 17th).
- 16-22 Pope returns to Poland.
- 17 PRIME MINISTER'S REGIONAL TOUR.
Index of retail prices [to be used for pensions uprating].
- 18 PRIME MINISTER ATTENDS WELSH CONFERENCE.
- 20 Prime Minister meets Engineering Industries Council.
- 20-21 EC Foreign Affairs and Justice Councils, Luxembourg.
- 20-3 July Lawn Tennis championships, Wimbledon.
- 21 EC Political Co-operation Ministerial.
- 22 Sir Geoffrey Howe speaks at Press Gallery lunch.
TUC General Council.
- 22-24 Mr Pieter Dankert, President of European Parliament, visits UK.
- 23 PRIME MINISTER'S SPEECH TO 1900 CLUB.
- 24 PRIME MINISTER ATTENDS EUROPEAN DEMOCRATIC UNION CONFERENCE.
Overseas trade figures.
- 25 Anti abortion rally, Hyde Park.
- 27 Prime Minister hosts lunch for President of Ivory Coast.
EC Fisheries Council, Luxembourg (until 28th).
- 27-8 July NUR annual general meeting.
- 28-1 July Confederation of Shipbuilding and Engineering Unions' annual conference, Llandudno.

June contd.

- 29 Council of Europe Parliamentary Assembly, Luxembourg (until 2 July).
- 30 Unemployment figures (June).
Henley Regatta.

JULY

- 1 EC Presidency passes to Greece.
Princess of Wales's birthday.
Robin Leigh-Pemberton takes over at Bank of England.
- 2 New Cardinals ordained.
- 4 The Queen opens first UK factory of Nippon Electric Company, Livingston.
EC Energy and Transport Councils, Brussels (to 5th).
- 4-8 NUM annual conference.
TGWU annual conference, Douglas.
- 5 Money supply (June-prov).
- 7 Princess Anne visits RAF Wildenrath, BAOR.
- 8 PRIME MINISTER'S SEMINAR ON SCIENCE & TECHNOLOGY IN INDUSTRY.
- 9 Prime Minister attends 1300th anniversary of St Mary's, Finchley.
- 11 EC Finance and Agriculture Councils, Brussels (to 12th).
Index of wholesale prices.
- 11-12 EC Political Committee, Athens.

July contd.

- 12 Orangeman's Day.
- 13 Index of industrial production.
MCC announce result of ballot on South Africa tour.
- 13-30 Royal Tournament, Earls Court.
- 14 British open gold championship, Royal Birkdale.
- 15 PRIME MINISTER'S REGIONAL TOUR, WEST MIDLANDS.
Index of retail prices.
- 16 British Grand Prix.
- 18 The Queen takes the salute at the Royal Tournament,
Earls Court.
Royal International Horse Show.
- 18-19 EC Foreign Affairs and Budget Councils, Brussels.
- 20 Average earnings index.
Anniversary of Hyde Park and Regents Park bombings.
- 26 Overseas trade figures.
- 27 Prime Minister hosts lunch for President of Ivory Coast.
- 29 PRIME MINISTER TAKES SALUTE AT RAF COLLEGE, CRANWELL.

AUGUST

- 3 New wing opened at Stoke Mandeville.
Horse of the Year Show (until 8th).

August contd.

- 4 Unemployment figures (July).
 Queen Mother's birthday.
- 6 Nigerian Presidential election.
- 8 Index of wholsale prices.
- 9 Money supply (August-prov).
- 12 Index of retail prices.
 Index of industrial production.
 Grouse shooting opens.
- 15 Battle of Britain Day.
- 17 Average earnings index.
- 21-10 Sept. Edinburgh Festival and Military Tattoo.
- 24 Overseas trade figures.
 TUC General Council and Labour Party NEC meetings.
- 29 Bank Holiday.
 Nottinghill Carnival.
- 29-9 Sept. UN Conference on peaceful uses of nuclear energy, Geneva.

SEPTEMBER

- 2 Unemployment figures (August).
- 3 Prime Minister visits Balmoral (or 10-11 September).
 Royal Highland Gathering, Braemar.

September contd.

- 5-9 Trades Union Congress, Blackpool.
- 5-6 EC Informal Agriculture Council.
EC Political Committee, Athens.
- 6 Index of wholesale prices.
Money supply (August-prov).
- 7-8 EC Special Committee on Agriculture.
- 10-11 EC Informal Finance Ministers, Greece.
- 11-14 SDP conference, Salford University.
Cable and Satellite TV Exhibition NEC, Birmingham.
- 12 EC Political Co-operation Ministers, Athens.
Sea Bed Treaty Review Committee, Geneva (until 23rd).
- 13 PRIME MINISTER OPENS MAGNUS OIL FIELD.
- 14 Average earnings index.
- 15 Index of industrial production (first on new basis of
1980 = 100).
- 16 Index of retail prices.
- 17-18 EC Informal Social Affairs Council, Greece.
- 19-20 EC Foreign and Agriculture Councils, Brussels.
- 19-24 Liberal Party conference, Harrogate.
- 23 Denunciation of ILO Convention 95 (on payment of wages).
- 26-6 Oct. Council of Europe Parliamentary Assembly, Strasbourg.
- 26 Overseas trade figures.

Sept. contd.

- 27-30 IMF annual meeting, Washington.
- 28 Prince of Wales opens World Petroleum Congress, Royal Albert Hall.
- Pensioners' day of action.
- TUC General Council and Labour Party NEC meetings.
- 29 Unemployment figures (September).
- late Sept UN general assembly.

OCTOBER

- 1 Pheasant shooting opens.
- 3 EC Industry and Fisheries Councils, Luxembourg.
- 3-7 Labour Party conference, Brighton.
- 4 EC Research Council, Luxembourg.
- 4-7 European Computer Trade Forum NEC, Birmingham.
- 8-9 EC Foreign Ministers Informal weekend, Greece.
- 10 Index of wholesale prices.
- Money supply (Sept-prov).
- 11-14 Conservative Party conference, Blackpool.
- 13 Index of industrial production.
- 13-14 EC Political Committee, Athens.
- 14 Index of retail prices.

October contd.

- 17-18 EC Foreign Affairs and Agriculture Councils, Luxembourg.
- 18-26 International Business Show NEC, Birmingham.
- 19 Average earnings index.
- 23 British Summer Time ends.
- 24 United Nations Day.
EC Social Affairs Council, Luxembourg.
- 26 Overseas trade figures.
TUC General Council and Labour Party NEC meetings.
- 30 Argentine elections.

B

LIAISON COMMITTEE PAPER ON TRANSPORT

<u>Contents</u>	<u>Page</u>
A. Factors Affecting Public Perception	1
1. A Changing Market	1-2
2. Environmental Problems	2
3. International Comparisons	2-3
4. Public Perceptions - the Polls	3-8
5. Perception of Conservative Government's Policy	8-9
B. The Government's Policy	9-10
C. The Government's Record	10
1. Deregulation and Efficiency	10-11
2. New Services	11-13
3. Privatisation	13-14
4. Curbing Wasteful Public Spending on Subsidies	14-15
5. The Railways	15-17
6. Investment in Transport Infrastructure	17-18
7. Road Safety and Law Enforcement	18-19
8. Environmental Protection	19
D. Common Misconceptions	20-33

Annex: Public Transport in Scotland

THE GOVERNMENT'S TRANSPORT POLICY

A. Factors affecting public perception

1. A Changing Market

Transport is a highly charged political issue. It is a subject upon which everybody has an opinion, because mechanised transport is an essential part of everyone's lives and accounts for a significant proportion of the average family budget (some 15 per cent in 1981, or £18.70 per week). People's perceptions are strongly coloured by the standard of service they get for that money and the price of that service.

Overall, individuals have benefited greatly from the increased opportunities for travel which have been made possible by the development of a variety of different forms of transport. Passenger mileage on all forms of transport in Britain has increased by more than 150 per cent since 1950. However, this welcome development has not taken place without corresponding problems. The greatest expansion in travel has of course been in travel by private car. Car passenger mileage has increased by over 650 per cent since 1950. However, bus passenger mileage has fallen by more than 50 per cent, travel by bicycle by 75 per cent and travel by rail by 9 per cent over the same period.

The decline in the market for traditional modes of transport had led to shrinking services, in many cases declining standards, under-investment and rises in the price of public transport beyond general increases in the cost of living. (The average stage carriage fare rose by 900 per cent between 1960 and 1981, while the retail price index rose by just over 500 per cent). Of course, this has affected people's perceptions of transport, especially those who do not have access to a car, as well as the many who rely on public transport for transport to and from work. As public

transport is as often as not publicly owned, or at least publicly regulated, some of the blame for this decline inevitably attaches itself to Government. The benefits of increased mobility brought about by car ownership are less obviously attributable to Government policy, except in so far as the Government is responsible for strategic road building.

2. Environmental Problems

Apart from the problems of declining public transport the increase in travel by road has had a dramatic and unpleasant impact on the environment. Because the rise in car ownership has been so rapid, most people have noticed increased traffic bringing with it noise, air pollution, congestion and problems of safety and law enforcement. The growth in the numbers of heavy lorries has been a matter of particular concern. Their size and noise makes them particularly frightening and disagreeable vehicles for anyone, especially those living next to roads used regularly by heavy lorries.

3. International Comparisons

In the last two decades or so, as other European countries have overtaken Britain in economic performance, so, it is perceived, their transport systems have improved as a result of massive investment programmes and as a result of high fares subsidies.

There can be few who have travelled on the Paris Metro, for example or in the new French Train Grand Vitesse (TGV), or have observed the scale and pace of motorway building in France and Italy who do not compare these with their equivalents in Britain and find that British transport compares unfavourably.

The British tourist travelling abroad experiences all the benefits of cheap, clean and efficient transport without having to

pay the cost of subsidy. This has led to a widespread feeling that more resources should be diverted to transport in Britain and this is now enshrined in Opposition Party policies which promise more investment, particularly in the railways, and higher subsidies for buses. These policies have widespread appeal, and the clamour for a switch of resources to transport, particularly towards investment in public transport is not confined to supporters of Labour and the Alliance.

4. Public Perceptions - The Polls

Two recent opinion polls provide evidence of public opinion on public transport. These are:

- a) A survey commissioned by the National Consumer Council and conducted by RSL, published in March 1982, but based on a survey conducted in 198 (before the GLC's 'Fares Fair' Scheme).
- b) A survey conducted by ORC into attitudes to Nationalised Industries, which monitored changes in attitude between July 1980 and June 1982.

The main findings of the surveys were:

i) Level of Dissatisfaction with Public Transport:

The RSL poll found that of all issues (including housing, shipping, financial and employment services, health, education, welfare, transport and communications) transport emerged as one of the most frequent sources of concern. However, despite general dissatisfaction, the survey found that very few people actually complained formally about public transport services. A much lower proportion (4 per cent) of people wanted to complain formally about transport than about their neighbourhood and local services.

In general people thought that complaining would not help and many did not know who to complain to.

ii) Transport Fares:

The RSL poll found that more people complain about fares than about any other aspect of public transport. 51 per cent of bus users, 50 per cent of train users and 45 per cent of underground users, but only 12 per cent of coach users consider that fare levels are unreasonably high. Bus and train fares came fourth in the list of charges considered unreasonable after postal services (including telephone), electricity and central heating oil.

The ORC survey suggested that between 1980 (the time of the RSL survey) and 1982, dissatisfaction with fare levels had risen. The number of people believing that rail fares had risen faster than RPI increased from 39 per cent to 45 per cent over the sample period. National Bus Company fares were believed to have risen faster than RPI by 35 per cent of respondents in 1982. The number of people believing British Airways' fares had risen by more than RPI rose from 9 per cent to 12 per cent.

iii) Bus Services: Infrequency

The RSL found that 27 per cent of bus users complained that services were not frequent enough for them, and many said that they could not make journeys because of poor or totally non-existent bus services. More people in England than in other parts of the UK

complained about infrequency.

iv) Trains: Standards:

Of the 18 per cent of the RSL sample who used trains, 32 per cent of users complained of dirty trains and poor standards of comfort and 17 per cent complained of overcrowding. Nearly half the train users classified as 'Professional and Managerial' complained about standards, comfort and cleanliness. 16 per cent of underground users complained about overcrowding on underground trains.

v) Air Travel:

The RSL found that 17 per cent of air travellers reported problems with delayed or cancelled services in the previous year and although delays were generally accepted as unavoidable, people were less ready to forgive poor communications and being forced to wait in inadequate surroundings.

vi) Denationalisation and Competition:

The ORC survey found a significant increase occurred between 1980 and 1982 in the number of people who felt that more denationalisation and competition would improve public transport, although the percentages are still not high. Over the period, the number of people thinking that particular industries should be partly denationalised rose from 11 per cent to 27 per cent in the case of BR, and from 12 per cent to 25 per cent for British Airways and was 30 per cent in 1982 for the National Bus Company.

A similar trend was evident in attitudes to competition with the percentage of people believing that there should be more competition rising from 11 per cent to 30 per cent in the case of BR; from 13 per cent to 33 per cent in the case of British Airways and was 43 per cent in 1982 in the case of the National Bus Company - the highest for any industry.

vii) Government Subsidy and Financial Performance:

The ORC found that few people agreed that the taxpayer should give a lot more money to ailing Nationalised Industries. However, the numbers of people believing that BR should be given more money by the taxpayer rose from 17 per cent to 27 per cent, while over half by 1982 (57 per cent) believed that British Rail made losses more often than it made a profit. Only 11 per cent believed in 1982 that the National Bus Company should be given more money by the taxpayer and only 4 to 5 per cent in the case of British Airways.

viii) Wages, Service and Industrial Relations:

Not surprisingly in the case of BR a high level of dissatisfaction was expressed with the attitude of the Rail unions. The percentage believing that the unions should co-operate more fully with management rose from 24 per cent to 59 per cent over the period and 39 per cent believed that BR should be stronger in resisting wage claims.

Equivalent figures for the NBC and British Airways are lower although the number believing that British Airways unions should co-operate more readily with management jumped from 5 per cent to 33 per cent. On the positive side, the RSL survey found that public transport staff emerged relatively unscathed. Very few people complained about the attitude of staff at a local level.

ix) Government Intervention:

The number of people feeling that Nationalised Industries should be given freedom to manage their own businesses rose in the case of BR from 12 per cent to 33 per cent. The relevant figure for the National Bus Company was 33 per cent in 1982.

x) Confidence in Management:

Confidence in management of Nationalised Industries has risen in general since the mid 1970s, but there is less confidence in the management of British Rail than in any other Nationalised Industry. People having quite a lot or a great deal of confidence in BR management rose from 21 per cent in 1976 to 31 per cent in 1982, but people having not much or no confidence stood at 66 per cent in 1982, a percentage which has been rising since 1979 when it stood at 51 per cent. There was a high level of confidence in the National Bus Company (58 per cent in 1982, 30 per cent in 1979) and in British Airways (57 per cent in 1982 -

53 per cent in 1979) managements. Dissatisfaction is quite evenly spread across ages and social class without much variation between supporters of different political parties.

5. Perception of Conservative Government Policy

The ORC poll would suggest that there is a lot of public sympathy with the Government's approach to Nationalised Industries and that the Government's arguments on privatisation and competition are getting through. However, dissatisfaction with the performance of Nationalised Industries has risen, and inevitably some blame attaches itself in people's minds to the Government. Specific areas where public perception of Conservative policy may be significantly different from perception of other parties' policies are:

- Policy Towards Nationalised Industries: some of the perceptions redound to our advantage, some do not.
 - i) The polls show a striking realisation that competition is good for the National Bus Company. The Transport Act 1980 deregulation provisions have therefore been something of a success in public perception. The awareness of the need for more privatisation and more competition in general has grown significantly.
 - ii) The rising dissatisfaction with ER is not likely to have been helped by the impression left by the Serpell Report. Since Beeching the Conservative Party has been seen as anti-railways and Serpell's network options have been interpreted to mean that Conservative policy is to cut the rail network further. Although people are dissatisfied with BR,

they are not anti-railway.

- Heavy Lorries: Whatever the environmental merits of the heavy lorry package, a large number of people see the Conservative Party as being in favour of the heavy lorry as a result of the Government's determination to allow them to run heavier. The Labour Party is now committed to some form of route licensing.
- Transport Fares: During the 'Fares Fair' experiment, the Conservative Party appeared to many to be the Party of high fares, while the Labour Party posed as the champion of the traveller, offering low fares. Since most people express dissatisfaction with the level of fares, this impression cannot have done the Party's image much good, although the damage is to some extent offset by the unpopularity of high rates.

B. The Government's Policy

The fundamental principle behind the Government's transport policy is that the users' interests are paramount in the provision of transport. Transport exists for and would not exist without the transport customer. With this in mind the Government has aimed to:

- 1) Liberalise where possible the market in transport services to make them more efficient and responsive to changing customer needs, and to keep fares down.
- 2) To create the most encouraging possible conditions for new services, innovation and new private enterprise in transport both for the public generally and for the elderly and disabled.
- 3) To contain the enormous growth of current operating

subsidies and direct support as far as possible to new investment and new facilities.

- 4) To privatise publicly owned transport undertakings where possible.
- 5) To maintain and as far as possible increase investment in the road network, with particular emphasis given to strategic trunk roads, bypasses and road maintenance.
- 6) To help the environment by improving the impact of modern transport, particularly by dealing with the problem of heavy lorries.
- 7) To encourage the transport supply industries to become more competitive and to increase exports.
- 8) To work towards better standards of safety in transport.

C. The Government's Record

1. Deregulation and Efficiency

The Government's policy is based on the belief that competition tends to shift the emphasis of policy from the convenience of the operator to the needs of the consumer who can choose the best, cheapest and most efficient service from a number of competing services. This puts pressure on the providers of the service to cut costs and improve performance. If a market is hampered by regulation designed to maintain local or total monopolies, the operator has more scope to relax control on costs and forget the interests of his 'captive' customer.

- The Transport Act 1980 provided for total deregulation of intercity coach services. As a result of the legislation, about 100 new express services have begun and fares have fallen dramatically.
- The Civil Aviation Act 1980 provided for a measure of deregulation in the Civil Aviation Industry by requiring

the Civil Aviation Authority to ensure that British airlines compete as effectively as possible with other airlines in providing air transport services on international routes and to secure the most effective use of airports within the UK. The Government has relinquished the power to give policy guidance to the CAA which is now responsible for air transport licensing policy as well as administration. It has allowed British Midland to fly from London to Glasgow and Edinburgh in competition with British Airways and British Caledonian, and is trying to secure agreement on greater deregulation on international routes. The scope for further deregulation of inland air services is being explored.

- The increase in the maximum permitted weight of heavy lorries from 32.5 to 38 tonnes can be seen as a measure of deregulation, with the difference that the lorry package did not affect competition in the market which was already highly competitive. However, it does give the market more scope for efficiency and reduced costs. The lorry package is estimated to be worth about £150 million a year for industry.

2. New Services

Governments of both political parties have had to recognise the fact that it is unrealistic to expect to prop up our public transport system on the scale of the past. Decline in public transport services is the inevitable consequence of social change and the rise of car ownership. The decline in public transport has been a particular problem in rural areas. The 'Beeching' rail cuts and the withdrawal of rural bus services have left many areas

without conventional transport services. However, the Government recognises that for many people in rural areas, some form of public transport is essential. This particularly applies to the elderly and disabled, young people who do not have cars and women whose husbands take the car to work. The Government is trying to help these people by encouraging alternative low cost forms of transport and voluntary schemes.

- The Transport Act 1980 enabled local authorities to make use of local authority school buses for conventional transport when they are not being used to take children to school, and abolished restrictions on car sharing schemes.
- The Government, working with the NCVO and other organisations, has given help and advice to people and local authorities working to set up voluntary and other low cost schemes. The number of these schemes is growing eg. post buses and school buses are being used to provide conventional transport; voluntary minibus schemes are being set up; car sharing schemes are being encouraged; and hire cars are being used in some areas to take multiple fares.
- The Transport Act 1980 provided for the setting up of 'Trial Areas' within which all licensing restrictions on stage carriage services cease altogether. Schemes set up on this basis in Norfolk and Devon do not seem to have had much effect, however, a Trial Area in Hereford and Worcester is working well with the council effecting cost savings by putting local services out to tender on a regular basis.
- The Transport Act 1980 shifted the burden of proof in

stage carriage licence applications from the applicant for the licence to the objector. (However, there is little evidence that this provision has encouraged many new local stage carriage services).

3. Privatisation

The Government believes that privatisation - the transfer of Stated owned enterprises to the private sector - brings many benefits. It removes companies from artificial guarantees and disciplines imposed by the State and transfers them to the more effective disciplines of the market place; managers are no longer hamstrung by Treasury control; employees can identify more closely with their companies and take a stake in them. Consumers benefit from the effect which more private sector competition has on prices, and individuals are able to buy shares. The Department of Transport has perhaps one of the most successful records in this area.

- The National Freight Corporation was sold in February 1982 to its managers and workforce. It is now a highly successful company making profits well in excess of expectations despite a recession in the haulage industry.
- 27 British Rail Hotels, over £100 million on non-operational property and BR's Hovercraft business have been sold to the private sector.
- Over half the shares in Associated British Ports (formerly the British Transport Docks Board) which owns 19 of Britain's most profitable ports, have been sold.
- The work of the Roads Construction Units which do the design work on motorways and trunk roads, has been transferred mainly to the private sector. Road schemes involved are worth about £2000 million.

- Long leases have been sold on all but two of the Motorway Service Areas.

Legislation is on the Statute book to enable the:

- Introduction of private capital into the National Bus Company's express, holiday and property businesses.
- Transfer of the work of the Heavy Goods Vehicle Testing Stations to the private sector.
- Sale of other parts of BR - eg Sealink and more property sales.
- The sale of British Airways.
- The scope for the introduction of private capital into the operations of the British Airports Authority, and for the privatisation of some British Airports particularly Scottish airports, is being explored.

4. Curbing Wasteful Public Spending on Unrealistically High Fares Subsidies

The Government believes, as did its predecessor, that the payments of excessive levels of subsidy to public transport operators is not justifiable either in economic or in social terms. High subsidies do not in practice attract many people back on to public transport and they tend to favour the better off at the expense of the poor who tend not to travel as much. High subsidies disguise from people the true cost of the service they are buying and enable transport operators to relax efforts to promote efficiency. The Government believes that highly subsidised fares are not 'cheap' because the cost of the service has to be paid by somebody. If subsidies are financed through the rates, this has an obvious and damaging impact on the finances of ratepayers, particularly business ratepayers. If high subsidies are financed by the Exchequer, either public spending has to rise or resources are preempted which could be more cost-effectively employed elsewhere.

The Government is not against subsidy, because some essential services would not be viable without it, but it believes that a reasonable balance should be maintained between the interests of the traveller, the ratepayer and taxpayer and the transport operator and that indiscriminate subsidies should not be paid regardless of need.

When some Labour Metropolitan Councils elected in 1981 adopted low fare/high subsidy policies, the Courts decided in the case of the GLC and West Midlands that the supplementary rates levied to pay for the fares reduction were unreasonable and the GLC was in breach of its fiduciary duty to its ratepayers.

In order to clarify the legal basis of subsidy and to provide for stability, the Transport Act 1983 provides for an area of subsidy to be defined after full consultation in each Metropolitan area, spending within which the Metropolitan Authority or the GLC is protected from legal challenge, but spending above which it risks legal challenge. The legislation, by forcing local authorities to justify proposed levels of subsidy and by providing for annual three year rolling plans, will discourage reckless spending and sudden shifts in policy by local councils.

5. The Railways

The Government has constantly urged the necessity of improved performance and efficiency on British Rail. The market for rail travel has declined in recent years under the pressure of strong competition from road transport but also as a result of inefficiency, poor cost control and poor standards in the railways. In order to compete effectively, to reduce the mounting burden of the railways on the taxpayer and liberate more funds for investment, British Rail must tighten up on costs, reform antiquated working practices and become more efficient. Unfortunately progress has been disappointingly slow. However, the Government has:

- backed up the BR Board in its efforts to get the unions to agree to changes in working practices, manning reductions and increased efficiency;
- been extremely generous to BR in helping it to overcome its financial difficulties during the recession and to help it make cost reductions. Record levels of financial support have been given to the railways. Grants alone from all public sources amounted to £926 million in 1982, and the grant per passenger mile has risen significantly in real terms since 1979;
- given approval in principle to a programme of mainline electrification subject to a satisfactory economic case being made for each project;
- maintained the investment ceiling at the same level in real terms as it was under Labour. Although BR have not been able to spend up to their investment ceiling within their external finance limits in the last 3 years, more money has been spent on investment in cash terms on the railways than under the last Government. More grants for rail freight facilities have been given in the four years under this Government than in the four years 1975-9 under Labour;
- after requests by British Rail, the Government appointed the most far-reaching review of the railways undertaken since the war. The Serpell Report identifies scope for cost savings worth £220 million annually by 1986 within the existing rail network;
- for the future, the Government has made it clear that following suggestions made to the Serpell Enquiry, it is considering the scope for a reorganisation of the management structure of BR along regional lines. British Rail are following up suggestions for efficiency savings

made in the Serpell Report. While the Government does not want to see a major programme of route closures, nevertheless the railways are going to have to adopt far more competitive methods to compete with coaches and cars, and there will be some bus substitution. The Government and BR are reviewing the scope for further privatisation or private participation in investment schemes (eg. Sealink, Victoria-Gatwick line, Travellers Fare etc).

6. Investment in Transport Infrastructure

While trying to minimise wasteful expenditure on current subsidies, the Government has acted to ensure that expenditure on transport investment is maintained in order to help promote economic recovery, to maintain our existing investment and to alleviate the effects of increased traffic on the environment.

- Nearly 300 miles of new motorway and trunk road have been opened since May 1979 including bypasses for 43 communities. Top priority has been given to the M25 outer orbital road which will be completed in 1986. The level of spending inherited from Labour has been maintained and increased in the last two financial years. Output is up well above the levels inherited from Labour.
- The forward programme budgets for bypasses for 220 communities, and 70 local authority bypass starts have been approved for 1982-3 and 1983-4. Expenditure on motorway and trunk road maintenance has increased dramatically from levels inherited from Labour.
- Although railway investment has increased in cash terms since 1979, it has been less in real terms than under Labour. This is not because of Government constraints on BR's investment ceiling but because resources which should have gone into

investment have been diverted to pay for losses from strike action and inefficiency.

- Local transport projects going ahead include the Piccadilly Line extension to Heathrow's Terminal 4 and a light railway to London's docklands.
- The Government announced its Airports Policy in 1979 and removed uncertainty about the siting of a third London Airport which had been unsettled for 20 years. Investment projects are going ahead with new terminals at Heathrow and Gatwick, development of regional and local authority airports and a public enquiry is underway into the British Airports Authority's proposals to develop a third London Airport at Stansted. The Government is considering the scope for the introduction of private capital into the British Airports Authority's operations.

7. Road Safety and Law Enforcement

Increased road traffic has brought with it problems of safety and law enforcement. The Government believes that as much as possible should be done to minimise the appalling toll of deaths and injuries caused by road accidents, while recognising that there has to be a balance between the interests of safety and freedom for the motorist. The Government has:

- Tightened up on drink-driving laws with new evidential breath testing at police stations.
- Encouraged motorcycle training and safety by providing for a new two-part test, by limiting the size of vehicle a learner rider can use before taking a test, and by limiting the duration of a provisional licence.
- After a free vote in Parliament, it was decided that seat belts should be compulsory for front seat passengers. Evidence is coming in of a dramatic decrease in the number

of serious and fatal injuries as a result.

- Introduced a new penalty points system for road traffic offences to replace the totting up system which had been considered unfair.
- Extended the fixed penalty fine system to relieve the burden of minor traffic offences from the Courts.

8. Environmental Protection

By 1979 the environmental problems created by increased road traffic had made the need for action urgent. The Government therefore:

- Appointed an Enquiry in 1979 to examine the problems for people and the environment caused by the growth of heavy lorry traffic. The Government's lorry package brought forward in 1982 contained measures to place limits on the size of heavy lorries and to make them cleaner, quieter, safer and more efficient, to provide help for those particularly badly affected by lorry traffic and to encourage local lorry control schemes.
- The two Roads White Papers gave greater priority to bypasses.
- The Government has already put into action its plan to reduce the lead content of petrol by two thirds by 1986, and has now announced its intention that lead should be removed from petrol altogether by 1990 and is seeking agreement with the EEC to this policy.
- New stringent noise controls have been announced for jet aircraft and steps have been taken to minimise the nuisance of aircraft noise round Gatwick and Heathrow. The number of people affected by aircraft noise at Heathrow for instance will be reduced from 2 million to less than 300,000 by 1990. The Civil Aviation Act 1980 gave the CAA a statutory duty to take environmental factors into account when considering whether to grant air transport licences.

D. Common Misconceptions

The Government is hostile to public transport.

The Government is not hostile to public transport but it believes that if public money is to be spent on public transport subsidies, the taxpayer or ratepayer has a right to expect good value for money and the maximum of efficiency. It does not believe in massive State handouts to finance inefficiency. Contrary to allegations made by the Government's critics, record amounts of public money are being spent on public transport - a total of £1700 million in 1983-4. The Government is actually spending more than ever before on the railways in money and in real terms to help the railways overcome their financial difficulties and to become more efficient. Grants now run at over £2.5 million a day. More money has been spent on investment in the railways than under Labour. The liberalisation of coach licensing has meant a dramatic increase in the number of long distance coach services with reduced fares. The Transport Act 1983 provided for reasonable levels of subsidy to urban transport and is designed to discourage the reckless seesawing subsidy policies of some Labour local authorities which damage everybody's interests. These are hardly policies of a Government

which is anti-public transport.

The Government is too
pro-car and pro-road
and has not done enough
for the environment.

All Governments have accepted the fact that most people want to own a car, and the rise of car ownership has dramatically increased personal mobility and living standards. Our economy is heavily dependent on freight transport, and lorries move over 82 per cent of all freight. We can not ignore these realities. In practice it would not be possible or right to force people or goods off the roads onto the railways; the last Labour Government recognised this fact as well. Instead, policy must be directed to ensuring that road traffic can move as quickly and efficiently as possible with the minimum of damage to the environment. The Government's road building policy emphasises the need for economically important roads, and gives higher priority to bypasses. 45 have been completed since May 1979 and a further 220 bypasses will be built in the next 4 - 5 years. Lead in petrol is being phased out. A stringent package of measures to control the heavy lorry and remove heavy lorry traffic from centres of population has been introduced. Action is being taken to reduce aircraft noise.

The Government is

The Government is not against cheap fares,

against cheap fares
and good subsidised
city transport.

but it recognises the price of the fare always has to be paid by someone. The GLC's 'Fares Fair' policy was not a cheap policy. The fares may have gone down but the price for this and for inefficiencies deliberately imposed on LT by the GLC was paid by the London ratepayer. 62 per cent of all rates in London are paid by businesses and in order to pay for the mounting rates bill, London businesses would have had to cut jobs. Although the Labour Party has now changed its mind, in Government it was against excessively high subsidy policies and penalised Councils like South Yorkshire who pursued such policies. It argued then that not only did high subsidy policies not attract people from their cars onto public transport, but that such subsidies tended to favour the better off at the expense of the less well off.

Of course the Government is in favour of cheap fares, but believes that they should be cheap for everybody, including the taxpayer and ratepayer. Therefore, transport operators should aim to cut costs and become more efficient, the only way to real 'cheap' transport. Neither is the Government against all subsidy, but a fair balance has to be maintained

between the interests of the ratepayer and the traveller. Subsidies should not be paid indiscriminately, regardless of need. The Transport Act 1982 provides for a reasonable balance to be maintained in future.

Why are transport systems abroad much cheaper than in Britain.

It is true that urban transport systems in cities abroad often enjoy higher levels of subsidy than they do in Britain. However, many do not and British urban transport operating subsidies are only a little below average for Europe as a whole. However, in many cases transport operators abroad are much more efficient. It is estimated that if London Transport was as efficient as other cities in Britain, savings of at least £80 million a year could be made. Of course with existing levels of subsidy, this would enable fares to be much lower and the existing subsidy would cover a larger percentage of total costs. The Transport Act 1983 will provide stability for urban transport operators to plan for better efficiency and cost reductions.

Deregulation on the buses is killing off rural transport.

Not true. There is no evidence that the new rules for the granting of licences for rural routes or delicensing in 'Trial Areas' has damaged rural transport. On the contrary, delicensing

in the Hereford and Worcester Trial Area has produced better rural services at lower cost.

The decline in rural bus services is no new phenomenon. It has been happening since the 1950s as a result of social changes in the countryside and

increased car ownership. It has happened under Governments of both parties, who have had to recognise that it is simply not cost effective to pour massive subsidies into keeping many conventional rural services running wholly or nearly empty. Nevertheless the Government has allowed local rural County Councils to provide generous levels of financial support to public transport in rural areas. The Government recognises that a new approach is needed to the problems of rural areas, so it is emphasising the need for alternative low cost and voluntary schemes, such as minibus schemes, the use of school and post buses for conventional transport services, and car sharing schemes. Since 1979 there has been a significant growth in such services, a growth which should continue.

That after Serpell
there will be wide-
spread rail closures.

The Serpell Report has been misunderstood and misrepresented. Most of the (majority) Report is concerned with scope for improved

efficiency on the railways and identifies scope for savings of £220 million annually by 1986 within the existing rail network. Critics of the Government have tried to shift attention to the part of the Report which sets out so-called 'options' for the future rail network, saying that Serpell recommends cuts in the network. In fact in the Report, these were only illustrations of the sort of network that could be expected given different levels of funding. Serpell made no recommendations. One of these illustrations was for an increased investment in a slightly reduced network. The Serpell Report is not Government policy, and the Government has already made it clear that it does not wish to see massive closures. It is the aim of the Government to achieve a better and higher quality railway which gives more value for money and improved services for the passenger. The Report helps to identify how this aim can be achieved.

That the Government
has starved the
railways of
investment.

in money terms
More has been invested in the railways/
(though not in real terms)
/under this Government than under Labour
(£1600 million from May 1979 as opposed
to £1100 million), and many investment
projects are going ahead. However, due
to losses from inefficiency and
industrial disputes, BR has not spent

up to its investment ceiling in recent years, even though the Government has given the railway more money than ever in real terms. The taxpayer cannot be expected to go on pouring money into the railways without some major improvements in efficiency. The Government accepts that more investment is needed, but as the Serpell Report demonstrated, BR could generate the money for this from putting its own house in order and reducing costs.

The Government has given approval to a programme of electrification, but BR has been slow in providing firm justification for specific projects. Electrification is not a panacea for all the problems of the railways, and there is little evidence to suggest that an electric train is any more comfortable or good for the traveller than conventional diesel. Therefore, since electrification is expensive, every project has to be justified on grounds of commercial cost effectiveness. Unfortunately on many lines BR has not been able to produce evidence to show that electrification is worthwhile commercially. Nevertheless approval has been given for electrification of the main line to Ipswich, Norwich and Harwich, and the Government hopes that

BR will be able to produce better forecasts for other lines and for their Intercity and freight businesses soon.

The Government has cut the road programme, it should be building more motorways.

The Government has maintained the size of the roads programme it inherited from Labour, and despite the recession, it has increased spending on roads over the last two years. Output, (ie the actual miles of roads built) is well up on levels inherited from Labour, and tender prices have been much more competitive than before.

It is unrealistic to compare the size of the motorway programme in the UK with the size of the programme in other countries. Britain has a much better system of minor and trunk roads than most other European countries, and our motorway programme is based on a realistic assessment of transport needs given our existing infrastructure.

Road users pay too much and are over taxed.

It is true that the amount collected in Vehicle Excise Duty and fuel taxes represents three times the cost of the roads programme. But in no area of Government taxation are tax revenues specifically allocated to particular spending programmes. To argue that car tax should only cover the road programme is as sensible as arguing that duty on drinks

should be spent only on help for drinkers, or oil taxation should only be used to develop North Sea oil reserves. Lower road tax would mean more tax on other items.

Although road tax and petrol duty have risen, they have not risen above the rate of inflation; in fact duty on petrol has actually fallen in real terms over the past few years.

Road users do not pay enough tax, and so there is unfair competition between road and rail.

As the Serpell Report demonstrates, if there is any unfairness in competition at all between road and rail, it is rail which has an unfair advantage. It gets massive subsidies from the taxpayer, while road users pay tax well in excess of what it costs to maintain, build and police the road network. However, before this Government came into office, heavy lorries did not pay their fair share of road track costs. This has now been changed, and the most damaging lorries now pay VED at a level reflecting the damage they do to the roads.

The Government does not care about the impact of transport on the environment.

This Government is the first, not only to recognise but to do something positive to curb the impact of heavy traffic on the environment. The Government's lorry package will mean fewer, cleaner, safer

and less obtrusive lorries. Lead in petrol is being phased out, aircraft noise is being reduced and greater priority has been given to bypasses.

The Government is
doing nothing to help
the cyclist.

In 1981, the Government published a Cycling Policy Paper which proposed safer construction requirements, simpler procedures to convert footpaths to cycle tracks, the appointment of regional cycling officers to look after cyclists' interests and plan improve facilities, and grants towards County Councils cycling schemes. In the last two years about £200,000 has been spent by central Government on 21 innovative cycle schemes in England and Wales, and in 1982, 10 schemes were completed to turn old railway tracks into cycle ways. 27 more schemes are going ahead now.

Why doesn't the
Government set up a
National Concessionary
Fares Scheme.

At present the power to grant concessionary fares rests with local councils; some give free travel to pensioners, some give half fares and so on. To satisfy everybody would be difficult without introducing a national free travel scheme for pensioners, but this would cost hundreds of millions of pounds. Even a national half fare scheme would cost an extra £100 million per annum,

money which would have to be found from somewhere, either from other expenditure programmes (perhaps other programmes which benefit pensioners) or at the cost of higher rates and taxes. A national scheme still would not be fair to everyone, because at least 20 per cent of pensioners are too infirm to use the buses or have no bus service nearby. Locally run schemes, tailored to the needs of the local population provide greater flexibility to adapt to the needs of the elderly.

Why can't the Government
do something to sort out
the British Ports
Industry.

Parts of the British Ports Industry have been declining over the past two decades because of shifting patterns in world trade, the movement of traffic from the West coast to the East coast, a decrease in world trade and overmanning problems in the wake of the 'container' revolution. All these problems have been exacerbated by the operation of the Jones/Aldington agreement which gave all registered dock workers 'jobs for life' no matter whether there was economic justification for their jobs or not. The finances of the Port of London Authority and Mersey Docks and Harbour Company have been particularly hard hit by all these factors and the Government has given both authorities financial help to enable them

to make essential manning reductions and to continue operating. Elsewhere, the story is much better. Many ports eg. Felixstowe, Southampton, have invested in better technology and cheaper and more efficient services, offering them a healthy financial future. The sale of 51 per cent of the Government's holding in Associated British Ports which owns 19 of Britain's most profitable ports shows increasing public confidence in the health of the industry.

The Government has given up its idea of privatising British Airways.

The aim has always been to privatise British Airways as soon as possible, but a precise date was never given. The main reason for the delay was the downturn in airline passenger demand in 1980 and 1981, which wiped out British Airways' profits. However, the opportunity has been taken since the appointment of Sir John King in early 1981 to remedy fundamental problems from which British Airways has suffered in the past, particularly low productivity and overmanning. Staff numbers have been cut and there has been an extensive programme of route reductions and asset disposals. These measures have involved minimal industrial disruption. As a result, British Airways faces a brighter financial future. The aim is to achieve

privatisation as soon as possible after the next General Election.

Deregulation of air services will mean the withdrawal of air services from remote areas such as the Scottish Islands.

Several air services in the Scottish Highlands and Islands are regarded as essential social services and since they are not of themselves economic to run they are subsidised both by central and local government. The inhabitants of remote communities, not only in the Highlands and Islands but also in the Channel Islands and elsewhere, are understandably very sensitive about the preservation of their scheduled air links with London and other major UK points. This is a consideration which has to be taken fully into account in any discussion of deregulation.

The CAA owns and operates 7 aerodromes in the Scottish Highlands and Islands (Benbecula, Inverness, Islay, Kirkwall, Sumburgh, Tiree and Wick). It also operates the aerodrome at Stornoway. Except for Sumburgh, these aerodromes have never been in a position to cover their total operating costs and the CAA's operations there are subsidised by the Scottish Development Department because they are an essential social service in the Highlands and Islands. In 1982-3 the SDD grant amounted to £3.6 million.

The Government has asked the CAA to consider how the aerodromes might be transferred to the private sector in the expectation that they could then be run more efficiently and give better service. The Government has given an assurance that the interests of local communities will be taken into account in any move to privatisation.

KM/CR
28.4.83

LIAISON COMMITTEE
PUBLIC TRANSPORT IN SCOTLAND

Annex

INTRODUCTION

Public transport is an important and sensitive issue in Scotland because of the country's general remoteness, and particularly because of distance and general difficulties of communication within Scotland. The Conservative Party in Scotland is most dependent for its support on rural areas, where the supply of public transport services has deteriorated in recent years, and is perceived to be under continuing threat. In recognition of this the Party undertook commitments in its 1979 Scottish Manifesto to increase subsidies for shipping services, and to press on with the Scottish trunk road programme, particularly the dualling of the A94 north to Aberdeen. These Manifesto commitments are being honoured in spirit, if not to the letter, and the Government therefore has a good story to tell. However there remains significant transport problems, actual or in prospect, and these will continue to require careful handling and presentation.

SHIPPING SERVICES TO THE ISLANDS

The 1979 commitment was to increase the level of shipping subsidies so that they would come nearer to road equivalent tariffs. We have trebled the revenue subsidies for shipping services (from £4.3m in 1978-79, when we took office, to £12.4m in the current financial year). The scope of shipping subsidies has also been extended and we now subsidise not only the Caledonian MacBrayne services to the Western Isles, but also fares and charges on the P & O services to Orkney and Shetland, and the charges of certain bulk freight carriers. Caledonian MacBrayne's charges have not now been increased since 1981, and this represents a substantial reduction in real terms for the islanders. The honouring of this commitment, against the background of all the other economic difficulties we have faced, is generally understood and appreciated by the islanders.

In addition, we have announced our commitment in principle to a programme of major vessel replacement for the Western Isles, and the first major vessel in the programme for the service to Arran - is now under construction, at a cost of over £7m.

What the Government has not done is to change the structure of the subsidy system in order to take on board the full technicalities of a road equivalent tariff system. This is because substantial practical difficulties have been encountered with such

a system. Our failure in this respect is occasionally criticised, but can be answered robustly by reference to our record of subsidy increases.

The Government is now considering what action to take following the recent completion of a report on Caledonian MacBrayne by the Monopolies and Mergers Commission. This produced numerous proposals for the more efficient and cost effective operation of that Company, and the implementation of these will be to the great benefit of ferry users. There is no need to be defensive about the Monopolies Commission investigation with Caledonian MacBrayne as with any nationalised industry, inefficient operation can only mean poor service to the customer, as well as greater cost to the taxpayer.

ROADS

Good progress is being made on the Scottish trunk road programme. Projected capital expenditure in the present financial year is £97m. . Major achievements since 1979 have been the completion of most of the new A9 between Cromarty Firth, Perth and the/and good progress is being made on the dualling of the A94 to Aberdeen. Another main priority has been the A75 from Gretna to Stranraer, and considerable further progress is being made with this. A further major programme of trunk road schemes is now in preparation and includes a high proportion of bypass schemes to relieve communities at present situated on busy roads. The continuation of the Scottish trunk road programme at a high level will be of major importance for the development of commerce and industry in Scotland, hampered as it is by its relative remoteness from markets and sources of supply.

AIRPORTS AND AIR SERVICES

The Government's decision to allow British Midland Airways to operate on the London-Glasgow and London-Edinburgh routes has increased competition and the quality of service on these routes, to the great benefit of consumers. There have been further recent improvements in air services between Aberdeen and London; and the recent substitution of Dan Air for BA on the Inverness-London route will produce a significantly better service there.

Following a recent report by the Select Committee on Scottish Affairs, the Government has confirmed its policy for the management of the central Scottish airports owned by the British Airports Authority. At the same time the BAA and the Scottish Tourist Board have joined in a major promotional exercise for Prestwick airport, which has suffered badly from the contraction of transatlantic services during the recession. Central Scotland will therefore continue to enjoy a level

of airport provision unparalleled elsewhere in the country.

The provision of air services in the Highlands and Islands gives cause for concern. The Government does not in general subsidise air services (though it reserves the right and has the power to do so in certain restricted circumstances where such services cross regional boundaries, connect islands with the mainland, are essential to the life of the community served and would not otherwise be provided). The Government does however provide substantial subsidy (of approximately £4m a year) towards the upkeep of the eight Highlands and Islands airports, owned by the Civil Aviation Authority. The Government is not persuaded that the CAA is best placed to run these airports in the most efficient and cost effective way, and is therefore currently investigating the possibility of privatising them. This intention is publicly known, and is not unpopular, given widespread local dissatisfaction with the CAA's stewardship. It remains to be seen whether privatisation will be possible. If not, other alternatives - including possibly municipalisation - will need to be considered. It is important to present the current privatisation initiative as arising not from political dogma, but from a recognition of the widespread concern at the need to provide cheaper airport services, more flexible and responsive to local needs.

BUS SERVICES

The main providers of stage carriage (ie local stopping) bus services are the subsidiary companies of the Scottish Bus Group, a nationalised industry. SBG has now transferred completely to one-man operation and has recently undertaken major reviews of its network, to produce the most efficient and market-oriented pattern of services. Some of its more uneconomic rural services are subsidised by local authorities, but their subsidy remains much less significant than the cross-subsidy to such services provided from within the Scottish Bus Group itself. There has been local criticism in Scotland, echoed by the Select Committee on Scottish Affairs last year, of the Government requirement on the Scottish Bus Group to make a positive financial return, hence generating the local government subsidy requirement. The Government has said in response to the Select Committee that in fixing a new medium-term target for the Group, for the period from 1 January 1984, it will take full account of social as well as economic consideration. But the fixing of an appropriate financial target is a necessary discipline to ensure the continued efficient and cost effective operation of the Group's services.

The liberalisation of access to the bus market introduced by the Transport Act 1980 has had considerable beneficial effects in Scotland through the encouragement of new generally private sector, express bus services along main travel corridors - for example between Aberdeen, Inverness and central Scotland, and from Glasgow and Edinburgh to London. These highly efficient and low cost services have proved a particular advantage to the less well off - for example, pensioners and young people. Liberalisation of access has not, however, generated any private sector interest in low density rural areas, which are nevertheless highly dependent on the continuance of basic bus services. These services will remain dependent on subsidy or cross-subsidy, and any proposal to privatise the nationalised bus sector in Scotland will be very difficult to defend to traditional Conservative supporters.

RAILWAYS

The Serpell Report on railway finances has produced considerable concern in Scotland where the existing rail network, much reduced by the Beeching cuts 20 years ago, is widely regarded as being at a minimum. The remaining Highland railway lines, though probably inevitably loss-making, are major transport arteries connecting remote communities over very long distances. It is therefore important to reassure Scottish opinion that the Government does not "have it in" for British Rail, and fully understands the problems of remote communities, but is nevertheless concerned to ensure value for money and as efficient a public transport system as possible. The Government's willingness to support the railways where that is justified is amply evidenced by the substantial capital grant (up to £15m) which the Government is giving to Strathclyde Regional Council for the electrification of the Ayr railway line and for the refurbishment of electrified rolling stock on the Glasgow suburban network.

CONCLUSIONS

The Government's public transport policies, as they affect Scotland, can be presented very positively. The massively increased support for shipping services represents a new level of commitment to the island communities, and has led to the substantial reduction, in real terms, of travel costs for islanders. The surface transport infrastructure continues to be developed, principally through the trunk road programme. The Government is concerned to maintain a basic network of air services in the Highlands and Islands. It pays substantial subsidy for the local airports in these areas, and is seeking more efficient and cost effective ways of providing airport services. The Government is conscious of the dependence of many rural communities on their bus services and is committed to facilitating the maintenance of essential bus services. Their approach to problems of Scottish

railways is not dogmatic: the Secretary of State for Scotland is providing substantial financial assistance for new railway projects in west central Scotland, and the Government is fully sensitive to the importance of the Highland rail network in particular.

PRIVATE AND CONFIDENTIAL



LIAISON COMMITTEE

The minutes of the last meeting of the Committee are attached. The next meeting has been arranged for 10.00 am on Wednesday, 4 May 1983, at No 10, Downing Street. An agenda for that meeting will be circulated shortly.

Sébastien Birch

12 April 1983

PRIVATE AND CONFIDENTIAL



NOTE OF LIAISON COMMITTEE MEETING HELD ON
WEDNESDAY 30 MARCH 1983

Those present: Prime Minister

Lord President of the Council

Secretary of State for Scotland

Secretary of State for Employment

Minister of Agriculture, Fisheries and Food

Chairman of the Party

Minister of State, Treasury (Mr Wakeham)

Parliamentary Under-Secretary for Employment
(Mr Morrison)

Chief Press Secretary, No 10

Marketing Director, Central Office

Director of Press and Public Relations, Central Office

Director, Conservative Research Department

Mr Birch, Privy Council Office

1. The Committee considered a draft paper on the presentation of Government policy on training and special employment measures. In discussion, the following points were made:

- (a) the paper should have an introductory passage entitled "A Strategy for Jobs" which would provide a theme and context within which to set the factual account of the training and other measures. This should outline five main aspects of the Government's approach to employment policy:
 - (i) policies to produce a healthy economy;
 - (ii) training schemes for the skills of tomorrow, starting with schools courses in technology and microcomputers, and including the Department of Industry - sponsored Computer Centres;
 - (iii) what the Government was doing to encourage sunrise industries, including £180 million of grants at 33¹/₃%;

/(iv)

PRIVATE AND CONFIDENTIAL

- (iv) measures to encourage small businesses;
- (v) budget measures to help jobs.

The conclusion of the paper should also stress the role of training in the strategy for jobs;

- (b) training was important in order to create the capacity to take early and full advantage of the recovery in economic activity;
- (c) new technology did not displace jobs, as long as it was not all imported; on the contrary, the production of advanced technological products should be a vital source of new jobs in the future;
- (d) it was important to stress that the Government's measures were aimed at creating new and genuine jobs and not simply at an artificial reduction of the unemployment figures;
- (e) the paper should draw attention to the complementary strategies of, on the one hand, training young people in the skills required to produce and operate the new technologies and, on the other, encouraging projects to develop those technologies;
- (f) the conclusions of the paper should be redrafted to keep the Government's options open on the institutional aspects of sponsorship of training and employment schemes, and to soften its party political content.

2. The Committee agreed that the paper, amended in the light of their discussion, should be distributed to Ministers.

3. The Committee then considered draft papers on the presentation of Agriculture and Fisheries policy. In discussion, the following points were made:

- (a) there were three main areas for positive presentation of agricultural policy: the benefits to consumers; the benefits to farmers; the improvement in our return from EC membership;
- (b) the dramatic decrease in the rate of food price inflation, down again to a year on year rate of 1.4% in the previous month, should be brought to the public's attention as forcefully as possible;
- (c) it would be important to draw farmers' attention to the contrast between the Government's farm support and the opposition's plans in the run up to a general election, possibly by means of a letter from the Minister of Agriculture;
- (d) it was worth highlighting that, during the Government's term of office so far, the UK had gone from having 7% of EC agricultural turnover and only 5% of CAP receipts to 7.8% of turnover and 11% of receipts.

/(e)

PRIVATE AND CONFIDENTIAL

- (e) the animal welfare lobby was electorally important and volatile and would need sensitive handling;
 - (f) agricultural policy ought also to be projected coherently with the wider, related but distinct subject of a Policy for the countryside, on which further work was needed (see paragraph 6. below);
 - (g) it would be prudent to try to delay any major proposals on fisheries structures until shortly before an election in order to try to avoid unrealistic outbidding by the opposition parties.
4. The Committee agreed that the papers, amended in the light of discussion, should be circulated to Ministers.
5. The Committee discussed the Prime Minister's Chief Press Secretary's diary of events. It was noted that the TUC March for Jobs would be reaching London on 5 June. The approaching season of trade union conferences would create a need for counterbalancing Ministerial coverage in the media. Further evidence of economic recovery should be highlighted as much as possible.
6. In discussion of its future work, the Committee agreed that it had already identified a need to commission a paper on a policy for the countryside. The Lord President would produce a keynote paper on the Government's philosophy, record and policy towards the rural areas. This could be supplemented by a more detailed paper covering the responsibilities of the Secretaries of State for the Environment, Scotland, Transport and others concerned. The Committee also agreed to Commission a paper on transport policy. These would be discussed at the Committee's next meeting on Wednesday 4 May 1982.
-

Distribution: Those present
Chief Secretary, Treasury
Parliamentary Private Secretary, No 10

5 April 1983

Self-Employment

The Prime Minister has noted the interim report on the question of taxation of the self-employed which is contained in the minute of 30 March by the Chancellor of the Exchequer. Mrs Thatcher has made no comment on the contents of the minute.

AJC

John Kerr, Esq.,
H.M. Treasury.

4



Prime Minister

2

To note this
interim
report

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

Ms 31/3

PRIME MINISTER

SELF-EMPLOYMENT

At a meeting of the Liaison Committee on 10 November 1982, there was some discussion of taxation of the self-employed. Robin Butler's letter of the same date asked for a note on the subject.

2. We start with a firm belief in self-employment. A vigorous small firms sector is a crucial channel for bringing new energy, new enterprise and new initiative into industry and commerce. Self-employment embodies the attitudes we wish to foster. Individual responsibility, hard work and risk taking are a central part of being self-employed.
3. People sometimes talk as if a move into self-employment was almost the same thing as a move into the black economy. Not so, of course - and the suggestion is offensive to many of the self-employed themselves. In practice, both the self-employed and the employed are to be found in the black economy.
4. Our objective is to encourage genuine self-employment. We need to ensure that both self-employment and employment are properly taxed. We must avoid guerrilla warfare between the Revenue and the taxpayer.
5. At present such warfare is conducted on the boundary between employment (Schedule E) and self-employment (Schedule D), and on the boundary between the taxed economy and the black economy.



6. We are under pressure from those who say that these boundaries are inadequately policed. They see this as leading to unfairness and to loss of revenue. Against that we have those who say that the policing is oppressive, costly and destructive of initiative and enterprise.

7. My minute of 18 March described the content of the first report of the Keith Committee on the enforcement procedures of the Revenue departments. In effect Keith lines up alongside a series of comments and recommendations from the PAC on the need to tighten enforcement, and alongside many of the recommendations in the CPRS Report on the black economy. In both the tone and the specific proposals in their 12th Report, 1980-81, and their 22nd Report, 1981-82, the PAC have made clear their view that we need to police both boundaries more rigorously. And the CPRS Report contained a pretty trenchant statement (paragraph 6.6 of its conclusions) of the case against the black economy. It went on to make a series of recommendations designed to improve the effectiveness of enforcement work.

8. I have set out this background because it shows that the pressures on us are by no means all in one direction - though this of course is hardly surprising.

9. What is especially unsatisfactory is that at least part of the problem arises from a genuine lack of clarity about what is legitimate and what is not. This particularly arises on the boundary between Schedules D and E. Uncertainty at the margin can lead to surprise and criticism when the Revenue's view turns out to differ from the individuals'.

10. The problems this causes are magnified as there can be so much at stake. Both "employers" and "employees" can find it very attractive for the "employee" to be treated as self-employed. But the very factors which make Schedule D treatment attractive to the taxpayer involve substantial costs for the Exchequer.



11. Nicholas Ridley and John Wakeham have considered whether we are, in principle, trying to draw the boundary between Schedules D and E in the right place. The present tax rules ask the basic question:

"Are you in business on your own account?
Or are you working for somebody else?"

We think this is about right. We encourage people to move into self-employment precisely because of the virtues of self reliance and enterprise which go with being "in business on your own account".

12. On the face of it there would be great attractions in allowing an individual to choose whether he is to be taxed either under Schedule D or Schedule E. But this would require the tax treatment of the two to be much more in balance. I doubt if we can bring the two schedules entirely into line. The fact is that the Schedule E person - drawing a weekly or monthly pay cheque - is just not in the same position as the self-employed businessman.

13. But what we can and must do is try and resolve the problems caused by the uncertainties of definition at the margin. There is no statutory definition of "employment" or "self-employment" for tax purposes. As elsewhere in the tax system, we have to turn to case law for guidance, and can identify 8 criteria which the Courts have used to help decide whether a taxpayer is or is not "in business on his own account". These are set out in Appendix A. They leave difficult cases at the margin. Hence our problem.

14. We have looked at ways in which we could introduce greater certainty for the citizen. Broadly, these are:

- a. a new statutory definition based on the existing criteria.



- b. a new statutory definition based on some simpler (and perhaps less arduous) test.
- c. a clear re-statement in simple terms of what self-employment under the existing law entails.

A statutory definition based on the existing criteria

15. I do not think anything would be achieved by incorporating into the legislation the criteria at Appendix A.

16. Three reasons. First, the legislation would be long, with extensive definitions of individual words and phrases. Second, many of the conditions would have to be heavily qualified. Third, a whole new body of case law would spring up concerned with the meaning of peripheral phrases such as "control" and "financial risk"; because of these there would still be uncertainty at the margin. We would have achieved nothing - except to make confusion worse confounded.

A statutory definition based on a new test

17. This looks attractive as a way of encouraging enterprise and independence. The problem is to find a new formula which focuses on those who genuinely wish to be enterprising.

18. One possibility would be to define self-employment as involving no entitlement to paid holidays, sick pay, redundancy pay or an occupational pension. It might also be a requirement that the individual shows he has made some provision of his own for some or all of these benefits.

19. But there is a catch. While it is pretty obvious that someone enjoying all these benefits is unlikely to be self-employed, the converse does not follow. Some full-time employees do not enjoy them all. There would be particular difficulties in relation to short term, casual, intermittent or "one off" engagements.



20. The Keith Committee considered the position on casuals, and recommended a scheme which would make their tax treatment more onerous than it is now. We shall be examining this, and whether it could provide a sensible way forward. But I am very conscious that starting afresh with a new definition could lead to more litigation at a new margin - which could mean that it would take years for the rules to settle down.

A clear re-statement of existing law

21. I have been considering a two-pronged attack to reduce uncertainty.

22. First, we could issue a leaflet setting out in clear layman's terms what self-employment entails. This would remove a lot of the mystery. An early draft of such a leaflet is at Appendix B. Clearly more work needs to be done on it; but something along these lines is worth considering.

23. Second, I am exploring the idea of introducing a "mechanism" under which interested parties could seek a binding determination from the Inspector of Taxes of the correct position in advance. Such a determination would have to be made within a set time limit - say 30 days - and would be open to appeal. There would be manpower implications: the Revenue might require 180 staff per 100,000 requests for determination. And we would need primary legislation, in a Finance Bill. The outline of such a scheme is at Appendix C.

24. Obviously we would need to proceed with care - not least because the self-employed would rather have uncertainty than what they would see as the wrong kind of certainty.

Conclusion

25. Our basic objective is to encourage genuine self-employment and to provide an environment in which enterprise can flourish. At the same time we are under pressure, both from those who wish to see tax enforcement strengthened, and from those who wish to see it restrained.



26. Our task is made harder by the genuine uncertainty that exists in certain important areas. Particularly the dividing line between employment and self-employment. It would be right to improve understanding of the present law and to make administration more accessible to the citizen. The proposed leaflet clearance procedure should go some way towards this. Properly handled this should reduce the problems we face of accusations that the Revenue are harrassing the self-employed and small businessmen.

27. Looking further ahead, we shall continue to examine the possibility of finding a simpler and more relaxed definition of self-employment and of dealing with the problems of casuals.

28. This is no more than an interim report on a great deal of current work, in which Nick Ridley, John Wakeham and I are keen to find some worthwhile ways of simplifying the tax system and making it more hospitable to enterprise. The search continues; and any suggestions that you might care to make will be grist to their mill.

(G.H.)

30 March 1983

EMPLOYMENT AND SELF-EMPLOYMENT - NOTE BY INLAND REVENUE

There is no statutory definition of "employment" or "self-employment", although this status is clearly crucial in determining rights and responsibilities in areas which range far beyond taxation; it does, for example, determine rights and duties under the Employment Protection Acts and governs the contributions to be paid and benefits available under the Social Security Acts. The distinction has been extensively considered by the Courts. We have for guidance a considerable body of Case Law, although most are not tax cases but have largely been considering employment status for the purposes of the Social Security and Employment Protection Acts where similar tests have to be applied.

From these judgements we have extracted eight factors to be borne in mind when considering whether a contract is one "of service" or "for services". They are not of equal weight - and in fact the weight can vary from case to case and therefore it is not possible to decide on which side the balance falls by a simple majority, but we think that applying these tests in the light of the Case Law should enable our Inspectors to reach a conclusion which would, if necessarily tested, be approved by the Courts.

- A. Case law has given some considerable weight to control, although this is not conclusive. If the person engaging the services has the right to control the way a task is performed, the time when and place where it is to be done and is able to exercise discipline over the person performing its work, the indications point to employment rather than self-employment.
- B. Although many tradesmen, for example, may provide their own tools, regardless of whether they are employed or self-employed, the provision of equipment of a more substantial nature is an indicator. A person in business on his own account would be expected to provide his own equipment; if major items are provided by the person engaging the services, then this is an indication of possible employment.
- C. An employee is normally required to do himself the task for which he is hired, subject to agreed powers of delegation. If the contractor has the right to choose whether to perform the agreed task himself or to pass it to others, then the indications are of self-employment. Thus the right to engage helpers is a useful test.

- D. An employee normally takes no financial risk. He bears no financial responsibility if the business is unsuccessful and has limited opportunity to arrange matters to maximise his profits. If this risk is present, then it is an indication of self-employment.
- E. The method of payment can be of some limited help. A fixed payment for time is an indication of employment, but payment by commission only is not inconsistent with employment.
- F. If the person engaging the services has the exclusive right to them, this is indicative of employment, particularly when linked with control (A above).
- G. If the person engaging the services can require the work to be done at a particular place, especially if it is his own premises, then it is more likely to be an employment than if the person carrying it out can perform the services wherever he wishes.
- H. An employee will normally have set hours of work and agreed holiday entitlement. If these are absent and the contractor can work what hours he pleases and take time off when he wishes, there are indications that he is self-employed.

None of these tests can be said to be conclusive and some must bear more weight than others. The question to be asked is "Is the person in business on his own account?" This list of tests, taken as a whole, help to answer this question.

SELF-EMPLOYMENTWhat it means to be self-employed

To be self-employed you have to be responsible for paying your own tax and national insurance contributions. [You are an employee if your employer is responsible for deducting your tax and national insurance contributions from your pay]. You have no rights or duties under the Employment Protection Acts. You are liable to the general public for the work you do.

What is self-employed

In addition, to be self-employed you have to be in business on your own account. There is no one simple test, but a number of factors which will indicate whether or not you are in business on your own account. These are:-

You cannot have an entitlement to paid holidays, sick pay, firm's pension rights; or redundancy pay.

You have to be responsible for deciding how the business is run, and take the financial and other decisions, and be responsible for bearing losses as well as taking profits.

You yourself must control the way you do your job, and the time and the place at which you do it. If the person who has engaged your services can control the way you work, the chances are you are an employee.

You must be free to hire others to do the work you have agreed to undertake.

You would most probably have to provide all the equipment (not just the small tools which some employees provide) to do your job.

None of the persons for whom you work can have exclusive rights to your services. [Having a number of jobs with different employers does not make you self-employed]

You should not be paid a fixed payment for a set time but only for the work to be done. (You may still be an employee even if you are paid by commission or on a piece work basis).

You would not normally be required to work set hours and at the premises of the person who is engaging you.

If you disagree with the Inspector's decision you can appeal against your tax assessment and have it adjudicated by the independent Appeal Commissioners.

This statement has no binding force and does not affect a taxpayer's right of appeal on points concerning his liability to tax.

A possible "mechanism" for establishing employed/
self-employed status

1. A person making payments to an individual in return for services (Principal) may seek a certificate from the Inspector (dealing with his PAYE) authorising payment without deduction of tax. The individual providing the services (the Contractor) may apply on his own behalf. See Form of Application.
2. The Inspector on receipt of an application either from the Principal or the Contractor shall within 30 days either (a) issue a certificate showing the name of the person making the payments, the names of the individual receiving them and the nature of the services to which the payments relate; (b) refuse to issue such a certificate; or (c) request further information.
3. A certificate applies to all payments made after the date of the Inspector's certificate or such other date as is specified by the Inspector in the certificate.
4. The certificate authorises the Principal to make payments in full without deduction of tax. It tells the Contractor that he will be treated as liable to tax in respect of the payments in question under Case I (or II) of Schedule D.
5. If the Inspector refuses a certificate either party may appeal, but the other may be required to be joined in proceedings before Commissioners. Tax to be paid on the basis of the Inspector's refusal pending the Commissioners' hearing.
6. If the Inspector "discovers" that the Contractor is an employee the certificate can be revoked immediately - PAYE to be applied thenceforth. Periods up to that date will be properly assessable under Case I of Schedule D. [? cessation rules]

FORM OF APPLICATION

A From the Principal

XYZ works for me as a _____ The terms of his
engagement are (copy of contract enclosed).

Either

- i. I do not know whether XYZ is employed by me.
Please give me a ruling. In the meantime I
am deducting tax.

or

- ii. I believe XYZ is not an employee of mine.
Please confirm this. I am not deducting tax
from payments but I undertake to account for
tax if I am wrong.

B From the Contractor

I work for ABC as a _____ The terms of my
engagement are (copy of contract enclosed).

Either

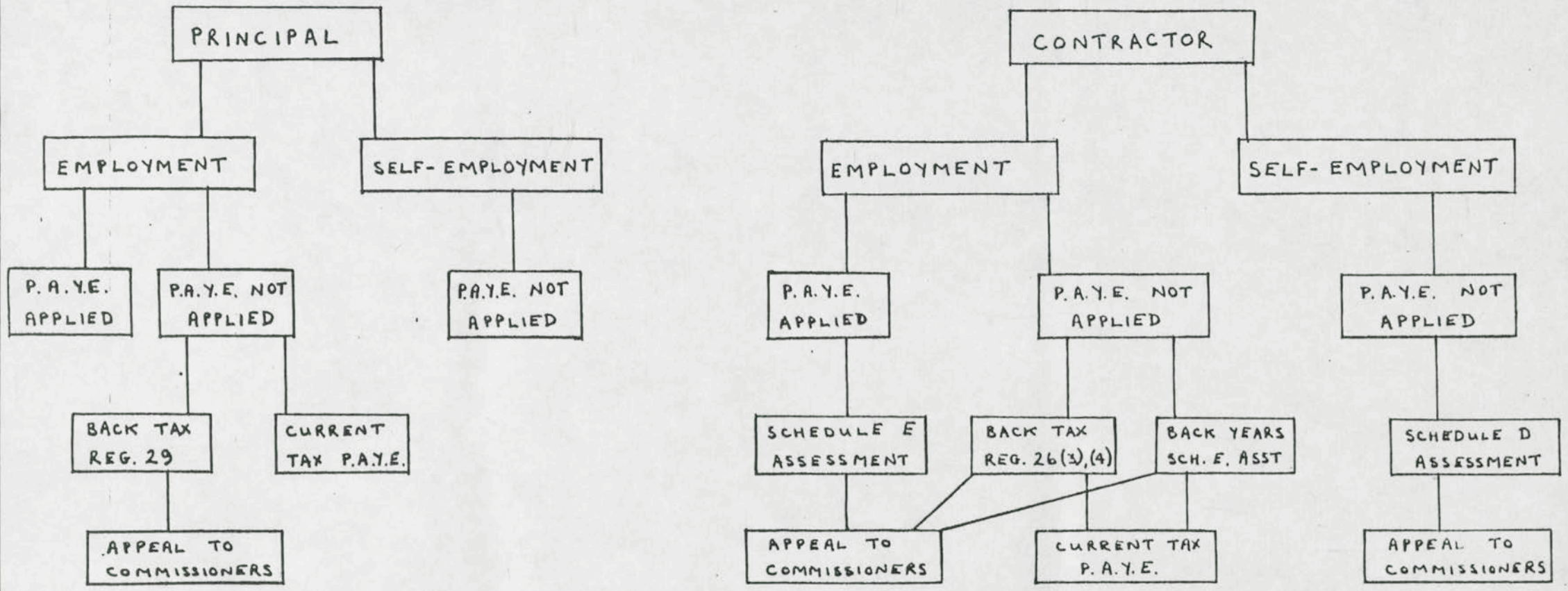
- i. I do not know if I am an employee of ABC.
Please give a ruling.

or

- ii. I believe I am not an employee of ABC.
Please tell him that he should not apply
PAYE.

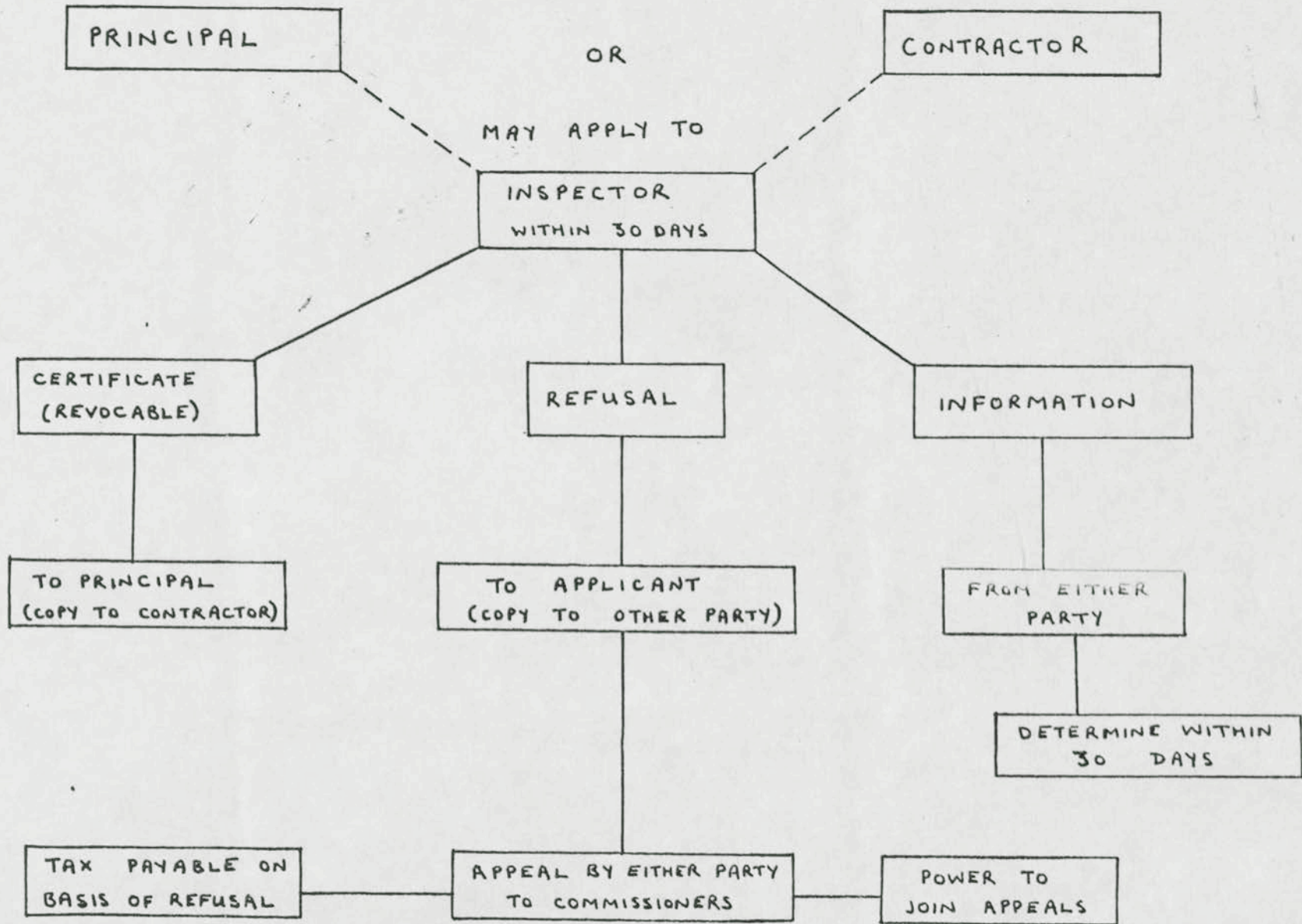
A

STATUS QUO



EMPLOYMENT / SELF-EMPLOYMENT

PROPOSED MECHANISM FOR DETERMINATIONS



Ever P
Lawsen Ctee
Pt 3

8 MAR 1963





LIAISON COMMITTEE

Meeting to be held in Number 10 Downing Street at 10.30 am
on Wednesday 30 March 1983.

AGENDA

- Item 1. Training and Special Employment Measures
Paper by the Parliamentary Under Secretary of
State for Employment (Mr Morrison) to be circulated.
Mr Morrison will attend the meeting.
- Item 2. Agriculture and Fisheries Policy
Revised paper to be circulated. The Minister of
Agriculture, Fisheries and Food will attend.
- Item 3. Diary of Events
Note by the Chief Press Secretary, No 10, to be
circulated.
- Item 4. Any other Business

Distribution:

Private Secretary, No 10 (3 copies)
Parliamentary Private Secretary, No 10
Secretary of State for Scotland
Secretary of State for Employment
Chairman of the Party
Chief Secretary, Treasury
Minister of State, Treasury (Mr Wakeham)
Chief Press Secretary, No 10
Marketing Director, Central Office
Director of Press and Public Relations, Central Office
Director, Conservative Research Department

Minister of Agriculture, Fisheries and Food
Parliamentary Under Secretary of State for
Employment (Mr Morrison)

PRIME MINISTER

LIAISON

At the end of the Liaison meeting tomorrow you will want to consider what further papers to commission. You have now done:-

Economic Policy
Industrial Policy
Law and Order
Housing
Education
Social Services
Nuclear Defence
Trade
Nuclear Power
Training and special employment measures
Agriculture and fisheries policy

Other subjects which you might consider are:-

Government efficiency (Civil Service numbers, Raynerism, forms)
Regional policy (Review going on but seen enough conclusions for a paper to be prepared?)
Transport policy (difficult in view of Serpell)
Trade Union legislation

Later you will need a paper on local government and rates, but not until E(LF) have reached a conclusion.

I have also asked the Secretaries to be thinking about any other ideas.

FERB.

29 March 1983

PRIME MINISTER

LIAISON COMMITTEE

DIARY TO NOVEMBER

I attach a diary up to and including October for consideration by the Liaison Committee. The more significant events are highlighted in capitals or by underlining, or in the summary below. Again leaving aside a General Election, the following are the main features:

Economic

- EC Foreign Affairs Council - April 25-26 (Euro Budget);
- Economic Summit, Williamsburg - May 28-30;
- European Council, Stuttgart - June 6-7.

Political

- Young Socialists and Co-operative party conferences - April 2-4;
- Trade union conference season opens - Easter (April 1);
- Bilateral talks with West Germany - April 21-22;
- Government's 4th anniversary - May 4;
- Local elections - May 5;
- Council for Social Democracy, Aston University - May 14-15
- General elections - Iceland (April 23); Austria (April 24); Portugal (April 25); Thailand (June 12); Argentine (October 30);
- Pope visits Poland - June 16-22;
- SDP conference, Salford University - September 11-14;
- Liberal Party conference, Harrogate - September 19-24;
- Labour Party conference, Brighton - October 3-7;
- Conservative Party conference, Blackpool - October 11-14.

Major Speeches

- CBI Dinner (April 19);
- Cutler's Feast, Sheffield (April 28);
- Scottish Conference (May 13);
- Conservative Women's Conference (May 21);
- National Union Executive dinner (June 8);
- Welsh Conference (June 18);
- European Democratic Union Conference (June 23).

Regional Tours

You plan to do a further 4, including London Marginals (April 15) Midlands (April 29).

CND Campaign

Demonstrations:

- Berkshire (including Greenham Common) and Scotland (April 1-4);
- Festival, London (May 7);
- Pentecostal demonstration at Upper Heyford base (May 21-23);
- European nuclear disarmament jamboree, Berlin (end May).

Falklands Anniversaries

- April 2 - Argentine invasion;
- April 7-17 - Visit of UK next of kin;
- April 25 - Recovery of South Georgia;
- May 24 - San Carlos landing;
- June 14 - Argentine surrender.

Northern Ireland

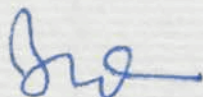
Second anniversary of death of Sands, hunger striker - May 5.

Other points of note

We need to keep our eye on presentation of the Indices of Wholesale and Retail Prices and Industrial Production; Trade and Unemployment figures - all of which are underlined.

Your media engagements include

- BBC Radio 4 'Analysis' - March 30;
- Observer (Kenneth Harris) appearing - April 17;
- Times 4th anniversary interview - May 3;
- BBC Radio 4 'World this Weekend' interview (Gordon Clough) - May 8.



B. INGHAM

28 March 1983

April contd.

- 28 PRIME MINISTER'S SPEECH TO CUTLER'S FEAST, SHEFFIELD.
Council of Europe 72nd session of Committee of Ministers,
Strasbourg.
Ombudsman selected case histories published.
- 29 PRIME MINISTER VISITS MIDLANDS.
Overseas trade figures.
Princess Anne and Captain Mark Philips visit Hong Kong
and Japan (until 6 May).
- 30 The Queen opens National Horse Racing Museum, Newmarket.
- 30-2 May Conference on UNCTAD VI, Leeds Castle.

MAY

- 1 May Day Parade, Moscow.
- 2 Bank Holiday.
EC Fisheries Council, Brussels (until 3 May).
Beautiful Britain Day.
- 3 Prime Minister meets Japanese trade and industry Minister.
PRIME MINISTER'S INTERVIEW WITH JULIAN HAVILAND, TIMES.
EC Research Council, Brussels.
- 4 GOVERNMENT'S 4TH ANNIVERSARY.
NEDC.
Prime Minister meets President Machel of Mozambique.
EC Political Committee, Bonn (until 5 May).
The Queen and Duke of Edinburgh open Wall Walk, Tower of
London.
Patrick Jenkin opens Biotech '83 Exhibition.
John Butcher launches 'Quality Year' campaign.

May contd.

- 5 LOCAL ELECTIONS (? Cardiff NW by-election).
Prime Minister's reception for NSPCC.
TGWU - agriculture and allied workers - annual conference, Eastbourne.
2nd anniversary of death of hunger striker - Sands.
Faslane 5 at Dumbarton Sheriff Court.
Boy accused of sending letterbomb to No 10 in court.
- 6 Unemployment figures (April).
New style of breathalyser introduced.
- 6-7 Trade Unions for Victory weekend conference.
CND festival, Brockwell Park, London.
Association of Scientific, Technical and Managerial staff annual conference, Bournemouth.
- 8 PRIME MINISTER'S INTERVIEW FOR BBC RADIO 4 "WORLD THIS WEEKEND" (GORDON CLOUGH).
- 9 CPSA annual conference, Brighton.
- 10 Index of wholesale prices.
- 11 Prime Minister hosts lunch for Prime Minister of New Zealand.
- 11-12 TUC's People's March two day stop-over, Salford.
- 13 PRIME MINISTER ATTENDS SCOTTISH CONFERENCE, PERTH.
- 14 PRIME MINISTER PERFORMS NAMING CEREMONY OF BR LOCOMOTIVE AFTER AIREY NEAVE.
International Air Fair and Trade Exhibition, Biggin Hill.
- 14-15 EC Informal Foreign Ministers' weekend, Schloss Gymnich.
SDP (Council for Social Democracy), Aston University.

May contd.

- 16 EC Finance Council, Brussels (until 17 May).
EC part-session on European Parliament, Strasbourg.
- 17 Prime Minister meets President Kyprianou.
The Queen opens International Maritime Organisation headquarters on Albert Embankment.
Chelsea Flower Show.
WEU Ministerial, Brussels.
Index of industrial production.
- 18 Average earnings index.
Prime Minister meets Yugoslav Prime Minister.
- 20 PRIME MINISTER'S REGIONAL TOUR.
Index of retail prices.
TUC trades councils conference, Scarborough.
- 21 PRIME MINISTER'S SPEECH TO WOMEN'S CONSERVATIVE CONFERENCE.
Football Association Cup Final, Wembley.
London fares to be cut by 25%.
- 21-23 CND Pentecost peace march to Upper Heyford.
- 23 PRIME MINISTER'S SPEECH TO 1900 CLUB.
CND demo at USAF base, Upper Heyford.
- 24 Women's day of action for peace.
EC Foreign Affairs Council, Brussels, (Budget).
Anniversary of San Carlos landing.
- 25 TUC General Council and Labour Party NEC meeting.
EC Development Co-operation Council, Brussels.

May contd.

- 25-28 The Queen and Duke of Edinburgh visit Sweden.
- 26 Glyndebourne open season opens.
- 27 Overseas trade figures.
- 28-30 ECONOMIC SUMMIT, WILLIAMSBURG, USA.
- 30 Bank Holiday.
EC Agriculture Ministers internal meeting, Germany.
- 31 EC Education and Energy Councils, Brussels.
EC Political Committee, Bonn (until 1 June).
EC Economic and Social Committee plenary session, Brussels.
- end May European nuclear disarmament campaigners' jamboree, Berlin.

JUNE

- 1 International Labour Organisation annual conference, Geneva.
Derby Day.
EC Economic and Social Committee Plenary Session, Brussels.
- 3 Unemployment figures (May).
- 6 EUROPEAN COUNCIL, Stuttgart.
EC Social Affairs Council, Luxembourg, and part-session of Parliament, Strasbourg (until 10 June).
First anniversary of invasion of Lebanon.
- 6-9 WEU Parliamentary Assembly, Paris.
- 6-30 UNCTAD VI, Belgrade.

June contd.

- 7 Index of wholesale prices.
EC Transport Council, Luxembourg.
- 8 PRIME MINISTER ATTENDS NATIONAL UNION EXECUTIVE COMMITTEE
DINNER.

Prime Minister opens Arts and Crafts Exhibition during
1300th anniversary celebration at St Mary's Rectory,
Finchley.
- 9-10 North Atlantic Council Ministerial, Paris.
- 11 Trooping the Colour.
- 11-13 Labour Party Women's Conference, Cardiff.
- 12 Thailand General Election.
- 13 EC Finance and Agriculture Councils, Luxembourg (to 14th).

Prime Minister's reception for entrepreneurs.
- 14 Anniversary of Argentine surrender, Port Stanley.
- 14-1 July Confederation of Health Service Employees annual
conference, Bridlington.

The Prince and Princess of Wales visit Canada.
- 15 Average earnings index.

Index of industrial production.
- 16 New Civil Defence Regulations introduced.
EC Environmental Council, Luxembourg (until 17 June).
- 16-22 Pope returns to Poland.
- 17 PRIME MINISTER'S REGIONAL TOUR.

Index of retail prices.

June contd.

- 18 PRIME MINISTER ATTENDS WELSH CONFERENCE.
- 20 Prime Minister meets Engineering Industries Council.
- 20-21 EC Foreign Affairs and Justice Councils, Luxembourg.
- 20-3 July Lawn Tennis championships, Wimbledon.
- 21 EC Political Co-operation Ministerial.
- 22 TUC General Council.
- 23 PRIME MINISTER'S SPEECH TO 1900 CLUB.
- 24 PRIME MINISTER ATTENDS EUROPEAN DEMOCRATIC UNION CONFERENCE.
Overseas trade figures.
- 27 NUR annual general meeting,
EC Fisheries Council, Luxembourg (until 28 June).
- 29 Council of Europe Parliamentary Assembly, Luxembourg (until 2 July).
- 30 Unemployment figures (June).
Henley Regatta.

JULY

- 1 EC Presidency passes to Greece.
Princess of Wales's birthday.
Robin Leigh-Pemberton takes over at Bank of England.
- 2 New Cardinals ordained.

July contd.

- 4 The Queen opens first UK factory of Nippon Electricity Company, Livingston.
EC Energy and Transport Councils, Brussels (to 5th).
- 7 Princess Anne visits RAF Wildenrath, BAOR.
- 9 Prime Minister attends 1300th anniversary of St Mary's Finchley.
- 11 EC Finance and Agriculture Councils, Brussels (to 12th).
Index of wholesale production.
- 11-12 EC Political Committee, Athens.
- 12 Orangeman's Day.
- 13 Index of industrial production.
- 13-30 Royal Tournament, Earls Court.
- 14 British open golf championship, Royal Birkdale.
- 15 PRIME MINISTER'S REGIONAL TOUR, WEST MIDLANDS.
Index of retail prices.
- 16 British Grand Prix.
- 18 The Queen takes the salute at the Royal Tournament, Earls Court.
Royal International Horse Show.
- 18-19 EC Foreign Affairs and Budget Councils, Brussels.
- 20 Average earnings index.
Anniversary of Hyde Park and Regents Park bombings.

July contd.

- 26 Overseas trade figures.
- 27 Prime Minister hosts lunch for President of Ivory Coast.
- 29 PRIME MINISTER TAKES SALUTE AT RAF COLLEGE, CRANWELL.

AUGUST

- 3 Horse of the Year Show (until 8th).
- 4 Unemployment figures (July).
Queen Mother's birthday.
- 6 Nigerian Presidential election.
- 8 Index of wholesale prices.
- 12 Index of retail prices.
Index of industrial production.
Grouse shooting opens.
- 15 Battle of Britain Day.
- 17 Average earnings index.
- 21-10 Sept. Edinburgh Festival and Military Tattoo.
- 24 Overseas trade figures.
TUC General Council and Labour Party NEC.
- 29 Bank Holiday.
Nottingham Carnival.
- 29-9 Sept. UN Conference on peaceful uses of nuclear energy, Geneva.

SEPTEMBER

- 2 Unemployment figures (August).
- 3 Prime Minister visits Balmoral (or 10-11 September).
Royal Highland Gathering, Braemar.
- 5-9 Trades Union Congress, Blackpool.
- 5-6 EC Informal Agriculture Council.
EC Political Committee, Athens.
- 6 Index of wholesale prices.
- 7-8 EC Special Committee on Agriculture.
- 10-11 EC Informal Finance Ministers, Greece.
- 11-14 Cable and Satellite TV Exhibition NEC, Birmingham.
Salford University main conference.
- 12 EC Political Co-operation Ministers, Athens.
Sea Bed Treaty Review Committee, Geneva (until 23rd).
- 14 Average earnings index.
- 15 Index of industrial production.
- 17-18 EC Informal Social Affairs Council, Greece.
- 19-20 EC Foreign and Agriculture Councils, Brussels.
- 19-24 Liberal Party conference, Harrogate.
- 23 Denunciation of ILO Convention 95 (on payment of wages).
- 26-6 Oct. Council of Europe Parliamentary Assembly, Strasbourg.
- 26 Overseas trade figures.

Sept. contd.

- 27-30 IMF annual meeting, Washington.
- 28 Prince of Wales opens World Petroleum Congress, Royal Albert Hall.
Pensioners' day of action.
TUC General Council and Labour Party NEC.
- 29 Unemployment figures (September).
- late Sept UN general assembly.

OCTOBER

- 1 Pheasant shooting opens.
- 3 EC Industry and Fisheries Councils, Luxembourg.
- 3-7 Labour Party conference, Brighton.
- 4 EC Research Council, Luxembourg.
- 4-7 European Computer Trade Forum NEC, Birmingham.
- 8-9 EC Foreign Ministers Informal weekend, Greece.
- 10 Index of wholesale prices.
- 11-14 Conservative Party conference, Blackpool.
- 13 Index of industrial production.
- 13-14 EC Political Committee, Athens.

October contd.

- 17-18 EC Foreign Affairs and Agriculture Councils, Luxembourg.
- 18-26 International Business Show NEC, Birmingham.
- 19 Average earnings index.
- 23 British Summer Time ends.
- 24 United Nations Day.
EC Social Affairs Council, Luxembourg.
- 26 Overseas trade figures.
TUC General Council and Labour Party NEC.
- 30 Argentine elections.



LIAISON COMMITTEE

Attached are two papers, for discussion at the next meeting of the Committee, by

- the Minister of Agriculture, Fisheries and Food; this replaces the earlier version circulated on 3 March, which should be destroyed,

- the Parliamentary Under-Secretary of State for Employment (Mr Morrison).

The next meeting is to be held on 30 March; an Agenda has already been circulated.

SEBASTIAN BIRCH

25 March 1983

THE GOVERNMENT'S SPECIAL EMPLOYMENT
AND TRAINING MEASURES

	<u>Page</u>
1. Introduction	1
2. Public Perceptions	1-2
3. Training	3
3.1 The Youth Training Scheme (YTS)	3-4
3.2 The New Technical and Vocational Education Initiative	4
3.3. Information Technology Centres (ITeCs)	5
3.4 The School Curriculum	5
3.5 Ending Restrictions on Skill Training	5-6
3.6 Wider Training Opportunities for Adults	6-8
4. Special Employment Measures	8
4.1 The Youth Opportunities Programme (YOP)	9
4.2 The Young Workers Scheme (YWS)	9-10
4.3 Community Industry (CI)	10
4.4 The Training for Skills Programme (TSP)	10
4.5 The Community Programme (CP)	10-11
4.6 The Voluntary Projects Programme (VPP)	11
4.7 The Temporary Short time Working Compensation Scheme (TSTWCS)	11-12
4.8 The Job Release Scheme (JRS)	12
4.9 The DHSS Scheme for Older Workers	12
4.10. The Enterprise Allowance Scheme (EA)	13
4.11 The Job Splitting Scheme (JSS)	13
4.12 The Job Search, Employment Transfer & National Mobility Schemes	13-14
5. Fallacies and Misunderstandings	14-18
Conclusion	19-20
Appendix One: Number of places on Special Employment Measures and Training Schemes.	
Appendix Two Spending on Special Employment and Training Measures	

4th March 1983

DH/MP

Amended 18th March 1983

Amended 23rd March 1983

1. INTRODUCTION

Whereas the Special Employment Measures are an important part of the Government's policy, the Training Measures are an essential element in economic recovery.

Britain's relatively high unemployment reflects a serious decline in industrial competitiveness and profitability over the last twenty years. In the world recession British industry has had to shed labour, raise productivity, increase efficiency and contain labour costs in order to stay in business. These necessary changes will strengthen Britain's long-term economic prospects and so improve the outlook for jobs, but the process of adjustment has hit some groups harder than others. Therefore the government has introduced a wide range of Special Employment Measures to help those most in need.

Technological change has made many existing skills redundant. The Government has therefore also undertaken a radical restructuring of Britain's training arrangements.

2. PUBLIC PERCEPTIONS

Since mid-1980 unemployment has been the political issue uppermost in the public mind. This can be expected to remain the case as it becomes clear that inflation is permanently under control.

The public do not blame the Government exclusively for unemployment, though some blame is attached. World recession is seen as the biggest

single factor and other causes - new technology, trade unions, import penetration, interest rates, bad management - attract only marginal support. The public are also sceptical about the solutions offered by other parties.²

The unemployed themselves seem, in general, to share these views, though a high proportion blame new technology. A majority do not think a Labour Government would have kept unemployment any lower. Given that most of them come from poor backgrounds and have few qualifications, it is not surprising that few intend to vote Conservative.³ They are largely traditional Labour voters anyway.

The public believe that the unemployed groups most in need of help are those with families and young school leavers who have never worked. The long term unemployed do not attract much sympathy,⁴ though this could change as their numbers grow. Cuts in unemployment benefit are not approved and early retirement, work-sharing, greater labour mobility and better training are all offered as solutions. These views may reflect the fact that the Special Employment and Training Measures are not widely known or understood.

Most of the electorate believe that unemployment can be cured, but only a minority think that traditional reflation is the way to do it.⁴

Narrow majorities think that new technology should be accepted rather than resisted, and the general view is that profound changes in working life are now imminent.

2. ORC poll for the Conservative Party, September 1982

3. Economist Intelligence Unit Survey published, in 'The Economist' December 4th 1982.

4. ORC Poll for the Conservative Party, March 1981

3. TRAINING

- (a) Between 1978 and 1985 the number of semi-skilled and unskilled jobs is likely to shrink by almost a million, yet Britain has had until now one of the most poorly trained workforces in the industrial world.
- (b) Britain's training inadequacies have been recognised by industry for nearly a century, and the last twenty years of reform have still not prevented skill shortages or adapted to the relentless pace of technological change.
- (c) The training reforms are not a short-term expedient to deal with unemployment, but an integral part of the Government's policies for improving Britain's industrial performance as a whole.
- (d) Only half Britain's school leavers are trained, compared to nine tenths in Germany and four fifths in France. The Youth Training Scheme is the most comprehensive ever devised in Britain.
- (e) This Government, in the New Training Initiative, has set three practical objectives: no restrictions on skill training; wider training opportunities for adults; and training for all young people under 18. Progress has been made on all three fronts.

3.1. The Youth Training Scheme (YTS)

Youth unemployment is high because young people lack skills and experience and yet expect relatively high wages. The Youth Training Scheme is intended to give them the necessary skills and experience,

and a ready appreciation of what they can expect to earn.

The scheme is not a Special Employment Measure but a training programme. That is why expenditure on the Youth Training Scheme in its first full year (1983-84) will be £1 billion, twice as much as is being spent on the Youth Opportunities Programme and more than eight times the expenditure - in real terms - of spending on the Youth Opportunities Programme during Labour's last year in office. The extra resources will go not into increased numbers but better training. It has meant there will be fewer places - 460,000 as opposed to 630,000 on the Youth Opportunities Programme.

The places will offer a mixture of training, education and work experience for 16 year olds and some 17 year olds. All unemployed 16 year olds are guaranteed a place, effectively eliminating unemployment in that age group

3.2. The New Technical and Vocational Education Initiative

Britain's technical and vocational training has been inadequate. The aim of this initiative is therefore to stimulate technical and vocational education for 14-18 year olds as part of the drive to improve national performance in the development of new skills and technology. 10 pilot projects, offering full-time technical and vocational training, are being selected. They will each involve 1000 youngsters. They start in September 1983 and will lead to recognised technical qualifications. They will cost up to £25 million when fully developed in four years' time.

3.3 Information Technology Centres (ITeCs)

There is a high demand for computer and electronic skills, and by the end of 1983 150 Information Technology Centres will be operating. They will teach unemployed and unqualified young people computing and electronic assembly skills.

80 per cent of the young people leaving the 40 ITeCs which already exist find jobs.

3.4 The School Curriculum

Steps have been taken to ensure that the school curriculum helps to develop the skills and knowledge needed for working life, and to improve the links between schools and employers so that pupils gain a closer understanding of industry and commerce.

A new national qualification for practical but non-academic 17 year olds starts in 1984-85. It is expected to attract 80,000 young people.

3.5 Ending Restrictions on Skill Training

British industry has failed to make full and efficient use of skilled people, not least because of the obstacles erected by trade unions. Technological and market changes, however, increasingly demand flexibility and mobility within the skilled workforce.

The New Training Initiative has therefore set 1985 as the year by which recognised standards will have been established for all the main craft, technician and professional skills, replacing age-restrictions and "time-serving". Government funds to firms providing

apprenticeships will be made increasingly conditional upon steps taken towards this objective.

Trade unions, which have historically opposed flexibility, are now changing their attitudes. Recent agreements in the electrical contracting industry and between the British Printing Industries Federation and the National Graphical Association have abolished time-served apprenticeships in their industries.

3.6. Wider Training Opportunities for Adults

The pace of technological change has meant that no one can expect any longer that training in one skill will last them a lifetime. Adults can expect to retrain, perhaps in two or three different skills, over the course of their working lives.

This is, as it has always been, primarily a matter for industry itself. The Government has, nevertheless, taken some steps to widen opportunities for adults to train and retrain.

There has been a decrease in the number of clerical and commercial courses on the Training Opportunities Scheme (TOPs), in which jobs are shrinking, and some increase in computer and technician courses. There are also two TOPS courses - the New Enterprise Programme and Small Business Courses - for potential businessmen.

Providing places for TOPs trainees in Government Skill Centres has proved substantially more expensive than those in colleges or on

employers' premises. Therefore the Government has set up a separate organisation - the Skill Centre Training Agency - which will put the operation of Skill Centres on a commercial footing by April 1984. They will be exposed to competition from private training organisations and if they cannot compete there will be a gradual contraction of Skill Centre provision. In the meantime, Skill Centres have switched the emphasis of their training away from traditional skills to computer and other skills needed in the future.

To help adults who wish to train, retrain or update their skills in technical and supervisory occupations the Government has launched an Open Tech. It makes existing courses more accessible by the use of "open learning" and "distance learning" methods, along the lines of the Open University. Several projects are now running, concentrating on skill shortages in micro-electronics and engineering. Expenditure will rise from £1 million this year to £8 million in 1984-85.

Since training and retraining for adults largely requires training within industry steps have been taken to shift the balance of responsibility from public authorities to private.

The TOPs budget - currently helping about 60,000 people at a cost of £250m a year - will be increasingly directed towards the necessary provision within industry.

In addition, 16 of the 23 statutory Industrial Training Boards have

have been abolished. Their abolition followed 2½ years of consultation which showed that many of the Training Boards had lost the confidence of their industries, because they had become:

- Bureaucratic, spending more time collecting levies and distributing grants than checking training;
- Wasteful, checking training that was already satisfactory;
- Centralised, failing to tackle local skill shortages or meet the needs of small firms;
- Impractical, failing to encourage the skills actually needed by industry; and
- Anachronistic, having raised training standards but outlived their useful life.

The abolished Boards have been replaced by voluntary arrangements, which will be less bureaucratic and less expensive. Even the retained Boards - kept on at the request of employers in the industries concerned - will now be funded by their industry and several have undergone changes of scope.

4. SPECIAL EMPLOYMENT MEASURES

These are:

- (a) designed to help those groups worst affected by unemployment, like the young, the long-term unemployed and those facing redundancy;
- (b) not cosmetic, but provide a constructive alternative to unemployment;
- (c) designed to match changes in the labour market and to facilitate them;
- (d) represent a substantial commitment of resources at a time of restraint; spending is almost £1½ billion this year and £2 billion next
- (e) generally supported by employers, the education service, voluntary organisations and, by and large, by the trade unions.

PRESENT MEASURES FOR THE YOUNG

4.1 The Youth Opportunities Programme (YOP)

The object of the programme is to provide training and work experience for unemployed 16 and 17 year olds and some 18 year olds. Within six months of leaving the programme about half of the trainees were either in work, full-time education or another YOP scheme. Very high proportions find the training, advice and work experience valuable.⁵ The government has substantially expanded the programme, from 162,000 places in 1978-79, Labour's last year in office, to 630,000 in 1982-83. The budget was increased from £63 million to £74.7 million in the same period.

From 1981-82 the government undertook to offer all jobless 16 and 17 year olds a place on the programme by the Christmas after they left school. This commitment was substantially fulfilled in both 1981 and 1982.

From the Autumn of 1983 YOP is replaced by the New Youth Training Scheme (para. 3.1).

4.2 The Young Workers Scheme (YWS)

This scheme tackles directly the problem of youth unemployment by encouraging employers to take on more young people at wages which reflect their relative lack of skills and experience. Its effects are intended to spread wider than the numbers being directly subsidised, and so undermine the efforts of trade unions to bid up the price of youth labour.

By the end of December 1982, some 130,000 young people were covered by the scheme. The scheme covers young people under 18 in

5. Department of Employment Gazette, October 1982

their first year at work and is expected to cost £59 million in 1982-83.

4.3. Community Industry (CI)

This scheme is specifically designed to help disadvantaged 16-18 year olds, particularly the unqualified. It provides temporary work on projects of benefit to the community.

The Government has increased the number of places from 5,200 in May 1979 to 7,000 in December 1982. These are mainly financed by a Government grant, which has been increased from £11.7 million in 1978-79 to £23 million in 1982-83.

4.4. The Training for Skills Programme (TSP)

This scheme provides funds to help where a training organisation - public or private - has indentified a shortfall in an industry's training requirements.

Grants are paid to employers who take on apprentices and other long-term trainees additional to their normal requirements. Support was made available for up to 35,000 trainees at a cost of £56½ million during 1981-82.

MEASURES FOR THE LONG-TERM UNEMPLOYED

4.5. The Community Programme (CP)

This scheme began in October 1982, and reflects the Government's commitment to help the long-term unemployed. The Government has increased the number of places on special programmes for the long-term

unemployed sixfold, from 22,400 in 1979 to 130,000 in 1982-83. Spending has been increased from £51 million in 1979-80 to £169 million in 1982-83.

CP is a nationwide programme. Those eligible are 18-24 year olds unemployed for at least 6 out of the last 9 months and those aged 25 or more who have been out of work for at least 12 months out of the last 15. In each case they have to have been unemployed for at least 2 months continuously before they apply to join the Programme.

4.6. The Voluntary Projects Programme (VPP)

This scheme provides unemployed people with the opportunity for voluntary work without losing benefits. It has a budget of about £4 million this year (1982-83), increasing to £8 million next year.

OTHER MEASURES

4.7. The Temporary Short Time Working Compensation Scheme (TSTWCS)

This scheme helps companies keep a skilled workforce together and boost productivity whilst new orders are sought by giving employers help to avoid redundancies. At its peak in March 1981 the scheme covered 983,004 people, saving 438,120 jobs. Only 120,243 were covered at the end of December 1982 saving 48,079 jobs. This reflects improving trends in the economy.

Apart from saving jobs TSTWCS helps companies to

- Save severance payments;
- Rationalise their operations;
- Cut back production and reduce labour costs;
- Change working practices, as workers seek to maintain earnings;
- Ease "natural wastage" problems;

- Cut absenteeism; and
- Improve industrial relations, as workers see that the management is trying to keep the company in business.

There is a firm consensus among employers that TSTWCS has many advantages. The CBI has supported it as valuable and cost-effective.

4.8. The Job Release Scheme (JRS)

This voluntary and highly-cost effective scheme makes it easier for people approaching retirement age to give up their jobs to unemployed people. It offers a weekly allowance from the date the applicant leaves work until he or she reaches statutory pensionable age. It is a condition of the scheme that the employer replaces those retiring with an unemployed person, or someone from a number of other categories.

Though the allowances vary the scheme is open to men aged between 62 and 64, disabled men aged 60 and over and women aged 59. From October men over 62 and women over 59 will be able to give up half their work to an unemployed person in return for half the full time allowance. This should provide part-time jobs for 40,000 people.

The number receiving allowances has risen from 66,293 in May 1979 to 78,000 in January 1983. Expenditure has been increased from £21.7 million in 1978-79 to (estimated) £244 million in 1982-83

4.9. The DHSS Scheme for Older Workers

This scheme helps unemployed men to retire early. Some 31,000 men aged 60 and over who were unemployed and drawing supplementary benefit had by August 1982 opted for the long-term rate of supplementary benefit and ceased to register for work. From June unemployed men over 60 will qualify for the long-term rate without having to wait a year or until they reach 65. This will help 42,000 people. In

addition, from April unemployed men aged 60-65 will no longer have to register at the Unemployment Benefit office first to get contributions credits in order to protect their pension rights when they reach 65. This will help 90,000 people.

4.10. The Enterprise Allowance Scheme (CA)

This pilot scheme helps unemployed people who want to start up in business but do not do so because they would lose their entitlement to unemployment or supplementary benefit. It has a positive economic benefit and matches a shift towards self-employment within the economy.

1,863 people were on it at the end of January 1983. Demand has been so high that the budget was doubled in October 1982 to £4 million and the scheme will be nationwide from August 1983, within an overall cash limit of £25 million in 1983-84 and £29 million in 1984-85. It should cover 25,000 people in 1983-84.

4.11. The Job Splitting Scheme

This scheme is designed to encourage employers to split existing full-time jobs into two part-time jobs, and so open up more opportunities for unemployed people to work. Employers who have split jobs have found there are gains in higher productivity and reduced absenteeism.

About 8,000 enquiries have been made about the scheme so far, mainly from London, the South-East and the Midlands in the distributive trades, professional and scientific services, miscellaneous services and insurance, banking and finance. 102 claims for payment of the grant had been made by February 25th 1983.

4.12. The Job Search, Employment Transfer and National Mobility Schemes

Job Search and Employment Transfer help people move to take up jobs which cannot be filled locally. Under the National Mobility Scheme local authorities are obliged to make a proportion of their

housing stock available to newcomers.

In 1983-83 it is estimated that 7,000 people will be assisted by Job Search and 6,000 by Employment Transfer, at a cost of £5.2 million.

5. FALLACIES AND MISUNDERSTANDINGS

5.1 In Opposition the Conservatives derided Special Employment Measures and demanded "real jobs". In Government they have expanded both spending on them and provision of them. Why?

Unemployment reflects the accumulated economic weaknesses of decades. This cannot be put right overnight. Current gains in competitiveness - through de-manning, higher productivity and pay moderation - will eventually feed through into higher output and jobs. Most people do not need help to find jobs. Special Measures aim to help only those who cannot help themselves: the young and the long-term unemployed in particular. They are a useful and cost effective way of doing that. General reflation might create 100,000 jobs at a cost of £50,000 a piece, with no guarantee that those in need get the jobs.⁶ The net cost of a WEEP place (1981-82) on the Youth Opportunities Programme is only £568 a year; on the Community Programme £1030. And the bulk of next year's spending - more than half - is on the Youth Training Scheme, which is not a Special Measure.

5.2. Young people will still not get jobs after a year on the Youth Training Scheme.

No Government can guarantee jobs for young people. Jobs depend on customers, not governments. But the position of young people has been exacerbated by the high cost of employing them when they lack skills and experience. That was why the Government favoured a £15 weekly allowance on YTS, which was regarded as unworkable by those on the Youth Task Group responsible for operating the scheme.

It was raised to £25 which left less money to spend on training; nevertheless YTS will greatly improve their employability.

Nearly two thirds of those currently leaving YOP are in work, or full-time education or another YOP scheme within six months of leaving the programme - and YOP is not a training programme, so the proportion will be even higher after YTS. Three quarters of YOP trainees find the programme helpful in getting a job.

5.3. Youth unemployment owes nothing to relatively high youth wages, so the Young Workers Scheme is a wasteful chimera.

Wrong. If wages were equal for all age groups, employers would hire skilled and experienced older workers, not young inexperienced and unskilled workers. Therefore the efforts of Trade Unions and Wages Councils to push up youth wages relative to adults can only result in the young being priced out of work. In Britain in April 1982 a young man aged between 18 and 20 earned, on average, £90.80 a week, which was nearly 70 per cent of the earnings of male manual workers aged 21 and over. This is a higher proportion of adult wages than in any other Western Country. It has been suggested that this argument is invalid, given that youth wages have been static in relation to adult wages over recent years. This misses the point. At a time of world recession, and with record numbers of young people on the labour market, resistance to any fall in relative youth wages is enough to ensure that many young people are priced out of work.

- 5.4. The Youth Opportunities Programme exploits young people and displaces adults from jobs.

These allegations are easier to make than to prove, and against them must be set the very real benefits young people derive from YOP. Research by the MSC has found the problem to be small, and monitoring of schemes has ensured it is minimal. The stringent quality requirement of the Youth Training Scheme will eliminate it altogether.

- 5.5. There are fewer apprenticeships than ever before.

The number of apprentices in manufacturing industry, has declined from a peak of 236,000 in 1968 to about 100,000 this year. This is no surprising, given their rising cost. A first year apprentice can now cost £5,000 a year. The more realistic attitudes in the EEPTU are to be welcomed.

- 5.6. The Community Programme is no substitute for real jobs.

The quickest way to provide real and lasting jobs is to reverse the constant upward pressure on real wages which is the principal cause of to-day's unemployment. That is up to the trade unions, not the Government. All the Government can do, at little or no cost to the public pay roll, is pay people their benefits to do something rather than nothing. That is the principle behind the Community Programme. Even then the trade unions insisted that participants were paid the local "rate for the job", so raising the cost of the programme and reducing the numbers who could participate, This was a major blow for the unemployed, nine tenths of whom find the

opportunity to work beneficial and two thirds of whom think it helps them find work.⁷

5.7. Workers are still sacked when entitlement to support from the Temporary Short Time Working Compensation Scheme (TSTWCS) is exhausted.

Less than one in twenty respondents to a survey of TSTWCS pointed out that redundancies were only postponed.⁸ The scheme is regarded as valuable both by those companies participating and by the CBI.

5.8. Why not lower the age of retirement?

The cost of lowering the statutory pensionable age would be enormous. If the retirement age for men was lowered to 60, and even if all the jobs were filled by people from the unemployment register, the net cost would be £2500 million a year, at current pension rates. Further costs would be incurred if the Exchequer had to subsidise occupational pensions. And there is a danger in expanding the pensionable group in society beyond the capacity of those still in work to support them. The number of people enjoying pensions has increased from 6.9 million in 1968-69 to 9 million in 1982. As a consequence expenditure on retirement and supplementary pensions is £4 - 5 billion higher - at £15 billion - than it would be if the number of pensioners had remained constant since 1968-69 (1982-83 prices). There is no guarantee it would help the unemployed, since all those who retired would not - unlike Job Release - be replaced, an equivalent number of jobs would not be released. In some cases the skills of those retiring and those unemployed simply would not match.

7. "CEP is working", Report of a study of CEP by Youthaid on behalf of the MSC (Research and Development Series No.7).

8 BMRB Report, August 1981

5.9. The Special Employment and Training Measures do not add up to a coherent strategy.

The object of Special Employment Measures is to help those hardest hit by the process of economic change in a way that does not undermine the basic objectives of Government policy. This they do very successfully; indeed, they complement the Government's strategy by creating a more flexible labour market. Emphasis has shifted to more flexible working patterns (Job Splitting Scheme); improving the employability of young people (Youth Training Scheme); helping the long-term unemployed (Community Programme); and fostering realistic wages (Young Workers Scheme).

5.10. ITBs were set up in 1964 because voluntary training arrangements had failed; they will fail again now and employers will resort to poaching their skilled staff.

The government is satisfied that the voluntary training arrangements in the industries where ITBs were abolished are perfectly adequate, and reserves the right to set up a new ITB where they are not. ITBs covered only half Britain's workforce and did not do most of the training, so there is a long tradition of voluntary training in Britain already. The retention of seven ITBs still leaves 1 in 3 employees (6½ million) in scope to a board, which is half the number previously covered (11 million). The Opposition only favour statutory bodies because they help undermine employer responsibility for training and enhance trade union influence over it.

CONCLUSION

The scale of change in Industry and the resulting level of unemployment are both greater than we anticipated at the time of the last General Election. Our response has been a generous use of taxpayers' money disbursed through the institutional framework which was already in existence when we took office. New schemes have been developed and new ideas generated, but whether or not at the speed required or in the most cost-effective way must be called into question.

All our training measures and the lion's share of the Special Employment Measures are delivered through the Manpower Services Commission. The Quango was set up by a Conservative Government ten years ago and has a tripartite structure - Employers, Unions, Local Authorities, and Educationalists. It is arguable that neither the Youth Training Scheme nor the Community Programme would have got off the ground without the general consent of these vested interests. However, in both these examples substantial compromises have had to be made to accommodate the TUC.

We now have a Conservative Chairman, David Young, and a Conservative majority by five to four amongst the Commission. But even so the delaying tactics and the constant threat of withdrawal by the TUC inevitably restrain more positive action. Admittedly the Secretary of State for Employment has powers of direction, but this card can only be played in a very limited way. Given the size of the MSC's budget (£2 Billion in 1983/4), and the importance of training the labour force for the years ahead, it has to be sensible to question whether or not we should make a major institutional change.

The Jobcentre network, where changes have been made, could easily come

back into the Department of Employment. Such a move would ensure quick, albeit controversial, decisions, resulting in a better but less expensive employment service. The Training Division would be (potentially) better under the arm of the Department of Industry, where the need for future skills are more discernible. The administration of the Special Employment Measures could remain the responsibility of a much reduced tripartite body, or alternatively be under the Department of Employment.

During the last four years we have altered attitudes to training and we have increased substantially the money spent to help the unemployed. In political terms we have a record which we can go out and sell. But after a successful Election we can do more, providing we have the right delivery system.

APPENDIX ONE: NUMBER OF PLACES ON SPECIAL EMPLOYMENT MEASURES AND TRAINING SCHEMES

	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
Youth Training Scheme	-	-	-	-	-	460,000 ¹
New Technical Education Initiative	-	-	-	-	-	10,000
Training Opportunities Programme	70,187	74,489	64,418	61,396	61,480	68,500
Youth Opportunities Programme	162,000	216,400	360,000	553,000	630,000 (planned)	-
Young Workers Scheme	-	-	-	-	130,000 ¹	79,000
Community Industry			6,000	7,000	7,000	7,000
Training for Skills Programme	n/a	21,000 ^e	26,000	35,000	35,000	
Community Programme	-	25,000 ³	12,000 ³	25,000 ⁴	130,000	130,000
Voluntary Projects Programme	-	-	-	-	*(10)	*(10)
Temporary Short Time Working Compensation Scheme	5	229 148 ⁶ (82,919)	1,810,946 (635,086)	548,306 (166,704)	106,518 ⁷ (77,466)	10,000 ¹
Job Release ⁸ Scheme	52,022 (Jan 1977- May 1979)	66,293 (May 1979- April 1980)	39,120 (April 1980- Nov.1981)	13,284 (Nov 1981- Feb.1982)	47,652 (Feb 1982- Jan 1983)	113,600 ¹³
DHSS Scheme for Older Workers	-	-	-	-	37,000 ¹¹	79,000
Enterprise Allowance	-	-	-	-	1,739 ⁷	25,000
Job Splitting Scheme	-	-	-	-	120 ⁹	-
Job Search, Employment Transfer Schemes	35,900	17,500	11,750	11,550	10,600	13,000

1. Starts in September 1983
2. End December 1982, applications approved
3. Special Temporary Employment Programme (STEP)
4. Community Enterprise Programme (CEP)
5. Short Time Working Compensation Scheme for Textiles, Clothing and Footwear.
6. Figures in brackets indicate numbers of redundancies averted by short-time working.
7. End December 1982
8. The scope of the Job Release Scheme has been changed seven times since its inception in January 1977. The dates refer to the beginning of the changes and the figures for applications approved between those dates. By January 1st 1983 218,371 applications had been approved since the scheme began.
9. Applications received, February 1983.
10. Those on the Voluntary Projects Programme simply "turn up when they like". No figures are therefore available.
11. By Dec 1982
12. Estimate. Scheme scheduled to end 31/3/84
13. From October 1983 the scheme is being widened to include part-time Job Release, which is expected to provide another 40,000 part-time jobs.

ANNEX TWO; SPENDING ON SPECIAL EMPLOYMENT AND TRAINING MEASURES

£M	Outturn 1978-79	Outturn 1979-80	Outturn 1980-81	Proposed Outturn 1981-82	Estimates 1982-83	Estimates 1983-84
Youth Training Scheme	-	-	-	-	-	950
New Technical Education Initiative	-	-	-	-	-	25 ¹
Training Opportunities Programme	208.9	229.4	246.3	235.6	226.2	253.1
Youth Opportunities Programme	63	125	212	400	747	-
Young Workers Scheme	-	-	-	-	59	see note (4)
Community Industry Training for Skills Programme	11.7	17.0	19.0	20.9	23	25 (approx)
Community Programme	n/a	15.4	30.5	56.5	n/a	-
Voluntary Projects Programme	-	-	-	-	4	see note (4)
Temporary Short Time Working Compensation Scheme	0.9 ²	24.4	365.0	259.7	113	8
Job Release Scheme	21.7	85.4	136.0	134.1	244	see note (4)
DHSS Scheme for Older Workers	-	-	-	-	15	28 ⁵
Enterprise Allowance	-	-	-	-	4	25
Job Splitting Scheme	-	-	-	-	2.5 ³	n/a
Job Search, Employment Transfer	10.3	7.2	4.3	4.3	5.4	5.9
MSC's overall training budget	374	452			1212	

1. When fully developed in four years' time
2. Short Time Working Compensation Scheme for textile, clothing and footwear industries
3. Cash allocated, December 1982 - March 1983.
4. Individual figures for expenditure on these schemes in 1983/4 are not available.
5. Estimate. The scheme is being widened from June 1983

THE VOTER'S PERCEPTION OF AGRICULTURE AND FOOD

Introduction

The home production of food is fundamental to the Nation's Security as we learnt only too well during the last war. In fact, it is second only to the defence of the Realm in any Government's responsibilities to its people. Today the guarantee of adequate food supplies that do not have to be shipped long distances is given first by, increased self sufficiency - even successive Labour Governments have supported this policy up until now, in particular during the 1970's with the publication of two papers, "Food from our own Resources" Cmnd 6020 (1975) and "Farming and the Nation", Cmnd 7458 (1979) - and second, membership of the European Community.

The Food and Drink Industry in the United Kingdom is the largest sector in terms of consumers expenditure at approximately £39,000 million per annum. Over 2 million, some 10 per cent of the working population, are engaged in this vast enterprise. But all citizens are concerned in one way or another in its well being. They benefit from a variety and choice of foods available in the shops unknown some twenty years ago.

The agricultural and food industry is one of enormous diversity. From the 242,000 agricultural holdings and their supporting industries such as engineering and chemicals to the food manufacturers both large and small, wholesalers and finally the retailers, the food chain leads inexorably to the total population as consumers.

All Western nations support their food and agricultural industries in some form or other. This may be by direct aid, protection against the gyrations of the world market, or both. The Labour Party has traditionally supported agriculture. It was Tom Williams who introduced deficiency payments from the National Exchequer in the late 1940's. And others such as Fred Peart and Cledwyn Hughes were content to carry on in the same vein.

It can be truly said that the Agricultural industry has been one of our most notable success stories in the national economy since the war. The uptake of new technology, new plant varieties, improved livestock, control of disease, and introduction of new management techniques has been rapid and continuous. This has led to dramatic increases in yields, more varied products and better quality. And the productivity performance is the envy of all other industries.

The result has been increased self sufficiency, in particular in the last ten years since we joined the European Community. Indeed, the growth in labour productivity since 1978 - years of deep world recession - has been exceptionally rapid. This is unlike the recession in the 1930's when agriculture faced collapse and only recovered with the 1940's war demands. Today, of the food we can grow and produce in our climate, we are 76% self sufficient (an increase of 9 percentage points since 1978) and in food of all types 62% self sufficient (an increase of 7½ percentage points since 1978).

No industry in this country has as close a relationship with Government as has agriculture and food. The Government's advisory

services (ADAS), the research stations and laboratories all work closely with the grass roots of the industry to improve its efficiency and productivity. This means that the fruits of research are quickly transmitted and adopted by the thousands of farm businesses on whom we depend for the bulk of our food supplies.

Finally, labour relations in agriculture are second to none. There are no strikes, no demarkation lines, no overmanning, and workers are ready to learn new techniques, operate new machinery and equipment, and use their varied skills as and when the need arises. The result is a success story, with output growing, imports being displaced and new markets being captured. Our food exports now total £2½ billion when in the early 1970's they amounted to only £250 million.

PRESENTATIONAL FRAMEWORK AND POLITICS

"We believe that radical changes in the operation of the Common Agricultural Policy (CAP) are necessary. We would, in particular, aim to devalue the Green Pound within the normal lifetime of a Parliament to a point which would enable our producers to compete on level terms with those in the rest of the Community. We will insist on a freeze in CAP prices for products in structural surplus. This should be maintained until the surpluses are eliminated. We could not entertain discriminatory proposals such as those which the Commission recently put forward for milk production.

The Uplands are an important part of our agriculture. Those who live and work there should enjoy a reasonable standard of life." Manifesto, 1979.

There are a number of aspects of the public's perception of the Agricultural and Food industries that need stating before a detailed analysis can be done on the last four year of Conservative Government.

a) Europe

Opinion is divided on Britain's Membership of the European Community. Support is and has been declining since the Referendum in 1975, and today the figures show that more people are in favour of leaving than staying, in particular in the C2 and DE groups (ABC1 groups are still in favour of membership).

The main reason given for this hostility to and unhappiness about the EEC is the feeling that the increases in prices in recent years can be largely blamed on the Common Market, in particular the Common Agricultural Policy. However, opinion on the whole approves of the Conservative Government's handling of our relationships with the EEC.

Other adverse aspects of membership were Britain's contributions to the EEC Budget and the so called "food mountains".

b) Lobbies and Politics

Traditionally, there have been four lobby organisations in Agriculture, namely the Farmers Unions, the Country Landowners, the National Union of Agriculture and Allied Workers, and the Royal Society for the Prevention of Cruelty to Animals.

Today, organisations are being formed almost daily to lobby in the interests of animals including pests, flora, fauna, hedgerows, etc. Media coverage of these groups is excellent and funding seems to be no problem, indeed one organisation gave £80,000 to the Labour Party during the last election. Support for these new bodies has in the main come from Urban dwellers whose knowledge of rural matters and agriculture is limited. Unfortunately, this could in time lead to the dangerous situation of the Urban dweller versus the Rural dweller.

The structure of rural society has changed considerably since the War. The agricultural workforce has more than halved, and the rural economy now relies much more on the commuter and the elderly, rather than the farm worker and farmer. The new commuting country dweller has taken over many of the leading positions in rural society, for example membership of parish councils and local authorities, often with no background or knowledge of agriculture. This at times has created conflicts of interest between the farmers and new country dweller. Second homes are also in this category.

Finally, access to the countryside is becoming easier now that most families own cars and have wider interests. Urban dwellers are often uninformed about farming and many regard the countryside as open territory for their leisure pursuits. Conflict will increase, particularly as agriculture moves forward to greater productivity and efficiency.

Assumptions

- It is assumed that Britain will stay in the European Community.
- It is assumed that Government will continue to support Agriculture.
- It is assumed that greater self sufficiency in food that we can produce ourselves will continue to be Government policy.

The Voter's perceptions versus the facts

These notes single out the misconceptions in public opinion on the most important subjects to do with agriculture and food. Some are taken from opinion polls, others are more generally known misunderstandings of the true facts.

Food Prices - Europe to blame. Price rises in general are blamed on membership of the EEC (47%). Food prices in particular come second in anti market opinion.

Fact Between 1973 and 1979, Food Prices rose by 110 per cent of which 10 per cent can be directly attributed to the Common Agricultural Policy and Membership of the EEC (statement by the then Minister, John Silkin). Also, food prices are not fixed by the Council of Agriculture Ministers, only the support price to farmers and growers - market forces largely dictate food prices in the shops.

Food Prices - Governmetn to blame

Opinion blames the Government for what they consider unnecessarily high price rises.

Fact Under Labour, food prices rose by 120% between 1974 and 1979.

Food prices under this Government have gone up by 34.7 per cent compared with 50.9% for all items. January 1983 year on increase was only 1.9 per cent. During the period since 1979 Farm Gate Prices have only gone up by approximately 22%.

c) Cheaper food if we left the EEC

There is no opinion poll indication of public feeling on this. However, the anti market view is that food prices would fall if we imported our needs from the World Market rather than the EEC.

Fact. Britain's demand in most commodities is such that World Prices could rise if we entered the World Market. To contemplate relying more and more on uncertain world food markets - and one cannot ignore the implications of projections for another 50% rise in world population by the turn of the century - is not an option. It is sufficient to recall that a shortfall in the world supply of cereals in 1973 doubled the world price in a matter of weeks, whilst over the past eight years, massive fluctuations in world sugar prices have arisen for climatic and other reasons.

Third countries who traditionally supplied us with food have, since we joined the Community, found other markets for their products. They are unlikely to give up those lucrative markets and return to supplying the UK again. And if they did, they would not supply us 'on the cheap'. It should also be said that if our agriculture were to be supported in the event of our leaving the EEC, the cost would be great. Taxpayers - and thus consumers - would therefore find the net gains to be ephemeral. What they might save on their food bills they would largely lose through the higher taxes the Labour Party would surely impose.

d) Reform of the Common Agricultural Policy

The Government are often accused of not keeping to their Manifesto pledge to reform the CAP.

Facts. It must first be pointed out that the Government cannot instantly improve the Common Agricultural Policy on its own. Agreement has to be reached by all Member States on any legislation or change to the existing policy.

The Government's achievements to be highlighted are as follows:

- A slowing down of the increase in the CAP budget from 210% during the Labour Government to 20% during this Government.
- The percentage of the European Budget going to the CAP has been reduced from just under 80% to 65%.
- UK receipts under the CAP have been doubled.
- Support prices for products in surplus have been reduced in real terms since 1978; Wheat by 19%, Barley by 18%, Sugar by 14%.
- Annual support price increases have been reduced by the Government from an average under Labour of 7.56% to 6.43%. In this Government's first price fixing in 1979, the increase was only 1.3%, the lowest figure ever in the European Community.

The Government's policy has not changed since the election.

"I am convinced that a policy of restraint on Community support prices and other measures to limit guarantees for products in surplus is the only appropriate one to follow in present

circumstances but the effect of this in limiting production is difficult to measure given the range of other factors affecting production." Peter Walker. Hansard 17th February 1983 Col 251.

"We accordingly support the guidelines which the Commission has put forward for a prudent price policy, particularly for products in surplus, improvements in the balance between cereals and livestock prices, and the application of guarantee thresholds." Peter Walker. London, 27th November 1982.

Surpluses

Voters' perception of Membership of the European Community and the agricultural industry often takes issue with the production of surpluses. These attacks vary considerably and frequently avoid the cause, i.e. increased efficiency and expansion by the industry with static or in some cases, such as butter, reduced demand.

- Why sell subsidised butter to Russia; would it not be better to sell it cheaply within the EEC?

First, it is not within the powers of the Government to prevent sales of surplus Butter to Russia. The decision is taken in the Management Committee and certain Member States support the sales wholeheartedly (France in particular). Second, to subsidise all butter in Europe would be much more expensive for the Community Budget. It would not increase butter consumption by much, hence the surplus would still exist.

- Why does the Community not sell the surpluses on the World Market?

The majority is sold on the World Market at a subsidised price. However, dumping at prices well below World Prices would cause

immense problems for 3rd Countries and to existing World trade and prices. Therefore EEC exports have to be carefully controlled at all times. For butter, the real problem is the limited world market in that few nations outside Europe and North America either consume significant quantities or need to import their requirements.

- Why does Europe produce large surpluses of food and what are we in Britain doing about it?

First, better technology and management of food production over the last fifteen years has increased the production of food. However the population of Europe is static at about 260 million. Consumption is barely growing, hence the widening gap between supply and demand.

Second, it must be admitted that under the present funding of the CAP, money is directed mainly to those member states producing more than they consume thereby exacerbating the problem. Also it must be pointed out that these countries tend to contribute less to the Common Budget than their receipts. However, reform of the Budget is proceeding in that from 1980 onward, the UK previously a massive net contributor to the Budget, is now contributing less. This is important as she is not the main producer of surpluses.

Third, over production is not as serious at the moment as some people think. In days supply for the whole community, the largest surplus is in Skimmed Milk Powder at 139 days. Butter stocks are only 17½ days, wheat 45 days, Olive Oil 77 days and Barley only 14 days supply. Would consumers prefer to have stocks of food at stable prices in storage, as do all housewives, or would they rather have to queue for food as they do in Eastern Europe?

Last, much has already been achieved in controlling surplus production but more must be done. Britain has been in the forefront in arguing for price policies (low increases in support prices) and other changes in the CAP that will bring surpluses under better control. (see those listed under Reform of the CAP). Our aim has always been to achieve better market balance and cuts in CAP expenditure.

f) Agricultural Workers Wages

The Government have been accused of preventing Agricultural workers achieving what are described as reasonable wage increases.

Facts First, the Agricultural Wages Board is the sole arbitrator in the annual demands for agricultural wage increases. There are an equal number of representatives from the farmers and from the agricultural workers union, with the independent members holding the balance.

- Agricultural wages have gone up in real terms every year under this Government.
- Agricultural wages actually fell in real terms under the last Labour Government
- Farming Income in real terms fell during the first two years of this Government.
- Average earnings under this Government have increased from £71.75 (1979) to £105.75 (1982 forecast).

e) Animal Welfare

The Government has been accused of not keeping to its election promises as outlined in the Manifesto.

"More specifically, we will give full support to the EEC proposals on the transportation of animals. We shall update the Brambell Report, the codes of welfare for farm animals We shall also reexamine the rules and enforcement applying to the export of live animals and shall halt the export of cows and ewes recently calved and lambed." (Manifesto 1979).

Facts Immediately after the election, the Government set up the Farm Animal Welfare Council to replace the former Farm Animal Advisory Committee. Its terms of reference were "to keep under review the welfare of farm animals (a) on agricultural land; (b) at markets; (c) in transit; (d) at the place of slaughter, and to advise Ministers of any legislative or other changes that may be necessary". These responsibilities included updating the Brambell Committee recommendations.

Codes of practice have been drawn up by the FAWC in many areas and they are continuously working on others. The Export Animals Protection Order 1964 which covers all aspects of the transport of animals has been updated and the EEC Directive (77/489) on the Welfare aspects of animal transportation has been implemented. Cows and Ewes that have calved or lambed within 48 hours are now banned from movement or export.

Internationally, the Government have argued for progress on a Community directive governing minimum standards for laying hens in battery cages, and have participated actively in further discussions on draft recommendations for the protection of laying hens. Britain has also led the World in pushing for measures to protect the Whale population - success was achieved in most areas last year.

4. THE GOVERNMENT'S RECORD OF MEASURES TO HELP THE INDUSTRY

The Government's policy for Agriculture has been based on the principles of helping it maintain its position in the home market during the Recession, and making it more competitive, particularly in Europe. At the same time, the Government has made sure that consumers' interests have been safeguarded, in particular as far as prices are concerned.

Below are listed the major measures and decisions taken by the Government since the election.

Three Green Pound devaluations, which fulfilled a Conservative Manifesto pledge, have eliminated the negative monetary compensatory amounts (MCAs) which had grown to over 45 per cent under the Labour Government in the late 1970s. These acted against the interests of British farmers and growers, by subsidising imports from, and taxing exports to Europe.

Massive increases in Hill Livestock Compensatory Allowances and in Suckler Cow premium have been given in the last three years to help the hill farming sector, and amounted to over £101 million in 1982. Hill cow allowances alone are now worth £44.50 per cow, which is 96 per cent higher than in May 1979.

Milk price increases have maintained the level of production throughout the United Kingdom even though the dairy herd declined steadily with those who have wished to move out of milk production being aided by considerable EEC grants.

Total payments now total over £20 million a year. Milk prices have NOT gone up in Real Terms since 1951. In fact, the price of milk today (21p per pint) is slightly lower than it was in 1961 which is of enormous benefit to all consumers.

A sheepmeat regime for the European Community was successfully negotiated and introduced in 1980. This resulted from Government efforts to safeguard both the interests of UK sheep farmers, particularly in exports, and the traditional New Zealand trade that has filled a gap in our market for many years. Under the regime, Britain has retained her traditional system of guaranteed prices and premiums, the former now 40 per cent higher than when the last Labour Government left office. Because of the operation of the premium system, consumers have been protected from rises in retail prices.

Aid to the horticultural industry worth £6.5 million has been given in the last two years to offset the fuel cost advantage received by the Dutch industry. Agreement was reached in April 1982 in the Council of Ministers, for Dutch fuel prices to be brought up to the EEC average by April 1983.

Changes were made in the 1982 Budget for conversion grants to coal firing to the benefit of the Glasshouse industry.

Aid worth £400,000 was also given to the British apple industry to launch the new 'Kingdom Cox' campaign in 1980. This prevented the French from increasing their growing share of the UK apple market.

Grant aid has been introduced for the replanting of apple and pear orchards for a 5 year period.

The Special UK Butter Subsidy from the EEC was doubled in 1979 and is now about 13p per lb. This has assisted in preventing extra falls in consumption and is of immense benefit to UK consumers.

The Special UK Variable Beef Premium negotiated a few years ago has been retained each year, despite resistance from other EEC Member States, and in 1982 the maximum payable to farmers has been increased by 46 per cent.

Improvements in Marketing. The Government campaign to persuade the industry to improve its marketing started with the appointment of five 'marketeters' in 1979, who produced reports on many of the sectors that were experiencing a declining market share and low returns. These reports included the apple and pear sector, the potato industry and others; and many of their recommendations have since been implemented.

On 7th June 1982, a new body 'Food from Britain' was set up to oversee and help all sectors of the industry. The total support will be more than £20 million over a 5 year period.

Capital Transfer Tax Relief of 20% was introduced for the first time in the transfer of let land.

The Success of the Agricultural Industry under this Government's Policies

Listed below are the main achievements of British agriculture, with particular reference to the Government's policies.

<u>Self Sufficiency</u>	<u>Now</u>	<u>Increase since 1978</u>
In all food consumed	62%	16.8%
In indigenous-type food	76%	13.4%

Food Prices

Increase since May 1979	34.7%
Increase January 1982 to January 1983 (RPI over same period)	1.9% 50.9%

Net Product

Increase since 1978 (last full year of Labour)	21.4%
--	-------

Labour Productivity

Increase since 1978 (last full year of Labour)	25.9%
--	-------

Farming Income

Increase in actual terms since 1978 (last full year of Labour)	47.7%
---	-------

(In real terms Farming Income is still below the levels reached during the mid 1970's and is still below that described as adequate at the last election).

Balance of payments

Our increased self sufficiency means that in 1982, our balance of payments will be enhanced by over £1 billion, as against the position in 1978.

Food Exports

Food exports have grown from £250 million in the early 1970's to some £2,500 million in 1982.

PRESENTATION OF POLICIES ON FISHERIES

	<u>PAGE</u>
1. Introduction	1
2. The Inheritance	2
3. The Voter's perception of the Government's achievements	3
(i) Quotas	
(ii) Access and protection of the rights of inshore fishermen	5-6
(iii) Enforcement and Conservation	6-7
4. The Government's Record	8
5. Aid to the Industry	8-10

24/3/83

Introduction

During the negotiations that preceded the entry of Denmark, Ireland, and the United Kingdom to the European Economic Community, the then Member States hurriedly formed a Common Fisheries Policy (CFP) based in principle on free access to each others' waters. It did not, for example, provide for reserved coastal belts. The Treaty of Accession left open the possibility of allowing fishing 'up to the beaches' at the end of 1982.

The move to exclusive 200-mile limits by all nations around the world overtook events and the existing CFP became totally unworkable. A chance to change the CFP was missed by the Labour Government during the renegotiations culminating in the Dublin agreement in 1975. All Member States extended national fisheries limits to 200 miles on 1 January 1977 to create an EEC exclusive zone.

At Luxembourg on 26 October 1982 the Government succeeded in obtaining the agreement of eight other Member States to a fishing policy covering all the main issues of quotas, access, conservation and enforcement. Only Denmark did not give her agreement. The nine countries that were in agreement made it clear that in the event of the failure of the Danish Government to agree, they would take Commission approved national measures. This they did from 1 January with the agreement of the European Commission and within the legal parameters of the Treaty of Rome.

On 25 January 1983, the Government succeeded in obtaining a Community-wide agreement which will run for 20 years, into the next century. After 3½ years of difficult and tough negotiations the Government has achieved an agreement that is acceptable to all the principal fishing organisations - the British Fishing Federation, the National Federation of Fishermen's Organisations and the Scottish Fishermen's Federation.

The Inheritance

When the Government came into office they inherited a situation from John Silkin in which the eight other members of the Community (Greece at that time was not part of the Community) had come to a fishing agreement at Berlin, a meeting that Mr Silkin had decided not to attend. The agreement of the eight had been totally unsatisfactory to the UK on quotas, on access, on conservation and on enforcement. The Government had to negotiate in order to persuade the Commission and the other Member States to support an agreement acceptable to the UK.

It has been argued that if Britain had a 200 mile limit a substantial quantity of Europe's fish would be in British waters. The opportunity to use this argument to obtain improvements necessary for the UK was in fact thrown away by the previous Government when in 1976 all Community countries were asked to go for a 200 mile limit on the basis that all the waters contained within that 200 mile limit would be Community waters. The agreement to do so - known as the Hague agreement - was negotiated by Dr David Owen, who was then a Labour Foreign Minister and is now a leader of the Social Democrats. In these negotiations Ireland insisted that if they were going to agree to the 200 mile limit as European waters they should gain arrangements permitting in effect the doubling of their catch in absolute terms; this was agreed by the other Member States including Dr Owen. The Labour Government however sought no such agreement for the UK and accepted the Hague agreement which created a 200 mile limit for the Community without any specific undertaking to the UK on quotas.

The final part of our inheritance was a fishing industry which had lost its rights in Icelandic waters, while stocks of important fish were declining, and an industry which had been given precious little special financial aid in the last years of that Labour Government.

The voters' perception of the Government's achievements

The previous paragraphs describe the position we inherited in May 1979 which resulted in the following commitments being made in the 1979 Manifesto:

"We would work for an agreement which recognised first, that United Kingdom waters contained more fish than those of the rest of the Community countries put together; secondly, the loss of fishing opportunities experienced by our fishermen; thirdly, the rights of inshore fishermen; last, and perhaps most important of all, the need for effective measures to conserve fish stocks which would be policed by individual coastal states. In the absence of agreement, we would not hesitate to take necessary measures on our own, but of course on a non-discriminatory basis."

The outline agreement reached in October 1982 has been well received by the industry and in the country generally. Such criticisms as have arisen have come largely from outside the industry and are dealt with in the following paragraphs. The Government's achievement must constitute the very best that could have been obtained in the short time available, starting from an eight to one against situation in May 1979.

(i) Quotas

We should have struck out for larger quotas than we achieved when considering the amount of fish that we are contributing to EEC stocks, and knowing that we lost considerable fishing opportunities in third country waters.

Fact

Of the seven main species of fish (Cod, Haddock, Saithe, Whiting, Plaice, Mackerel and Redfish), six provide more than 80 per cent of UK landings. Another species of great importance in the future, if stocks recover, is herring.

The quotas obtained for the seven main species are in excess of our fishing in the years from 1973-78 and indeed for most stocks are as great as, or greater than, the exceptionally high level of fishing of these species in 1982. To illustrate this, the average catch of North Sea cod in the years 1973-78 was 85,000 tonnes, while the quota provided in this agreement for 1982 is 114,700 tonnes. The new quotas provide the UK with 47 per cent of the EC availability of North Sea Cod, 60.5 per cent of the EC availability of West Coast herring and 58.7 per cent of the EC availability of West Coast mackerel.

The proportion of quotas allocated to each Member State for the seven main edible species is:

United Kingdom	37.3%
Denmark (including Greenland)	25.5%
France	11.6%
Germany	11.4%
Netherlands	7.7%
Ireland	4.6%
Belgium	1.9%
Italy	NIL
Greece	NIL
Luxembourg	NIL

Some measure of the success of the negotiations undertaken by this Government can be seen from the fact that, when they took up the negotiations, the Commission's first proposals offered only 31 per cent of the stocks of the seven main species. Every percentage point gained since has been at the expense of other Member States.

To have tried to go even further than this would have been pointless. No nation would wilfully prevent her friends and neighbours from fishing in her waters when it is known that first, fish do not abide by territorial limits and second, nations have traditionally fished in her waters, some for centuries.

The loss of fishing opportunities in third country waters is adequately reflected in the quotas listed above.

(ii) Access and protection of the rights of inshore fishermen
The Government has reneged on its commitment for a 12, and indeed at times 50, mile exclusive limit for our fishermen.

Fact

In the mid to late 1970s, the then Government demanded exclusive limits that were not within our reach either on a historical basis or compatible with our commitment to Europe.

"All practical considerations lead us to require that belt of up to 50 miles that we have demanded."

(Silkin, Hansard, 28 November 1977, Col 115.)

This was never a starter and Mr Silkin never came anywhere near achieving it. But the present agreement does provide British fishermen with a better domination of our coastal waters than has been available at any time in the history of the fishing industry.

Up to 1964 Britain enjoyed a three mile exclusive zone. When the London Convention was adopted in 1964 and limits were extended first to six and then to twelve miles, agreement was reached with all the other fishing countries as to what historic fishing rights should be allowed in the 6-12 mile belt. These rights were agreed to by all the countries involved in the London Convention and were the historic rights by which we had to abide in the 6-12 mile zone until the UK joined the Community. In 1973 under the Treaty of Accession other Community countries demanded and obtained a further extensions of historic rights.

This agreement has eliminated most of the Treaty of Accession rights, and has even improved on the rights that existed prior to accession. Under the terms of the Treaty of Accession, Member States held rights in 1,999 miles of our 2,667 miles of coastline. In the agreement now reached these rights are eliminated or reduced in 1,441 miles of those 1,999 miles. A major improvement has therefore been achieved in 72 per cent of the coastline where historic rights previously existed.

United Kingdom fishermen will also obtain important rights in 6-12 mile areas of other Member States. This includes rights to fish all species in the French waters from the frontier with Belgium to Cap d'Alprech for demersal species, and from Texal Island in the Netherlands to the border with Germany, and to fish for cod and plaice around Heligoland in Germany and most most species round the Irish Republic from Minehead east along the southern coast and north up the eastern coast to the Ulster border. The arrangements under which Northern Ireland fishermen can fish in any part of the Irish Republic's 12 mile area, and vice versa, are also continued - arrangements that work very much to the advantage of Northern Ireland's fishermen.

Added to this, a "box" has been obtained around the Shetland Islands where fishing by larger vessels will be licensed so that the important stocks in that area can be carefully conserved, and, over the years, enhanced. There is no restriction on vessels under 80 feet in length, which is to the advantage of United Kingdom, particularly Scottish, vessels. These arrangements provide a 20 year guarantee against a really major increase in the intensity of fishing in an area of vital importance to us.

(iii) Enforcement and Conservation

The perception is that the January 25th agreement will not enforce the conservation measures agreed by all Member States.

Fact

Enforcement

One of the most important demands of our fishermen was to have a sensible system of enforcement in which Member States could not over-fish their quotas or infringe the access provisions. The agreement provides a system which will ensure the effective control of fishing by all fishermen in the Community. The United Kingdom Government provided the first proposals for such a Regulation. It sets out clearly Member States' obligations to ensure that Community fisheries rules are obeyed. The United Kingdom will be responsible for enforcement within our own fishing limits and at the ports. In addition, at the United Kingdom's insistence, the Commission are establishing a special unit whose specific task will be to check up on Member States' fulfilment of their enforcement responsibilities. Inspectors from this unit will make regular visits to all the Member States concerned, will have the power of "on the spot" inspection, and will be able to accompany the national inspector to check that agreed control measures are being properly enforced. The Commission will have the power to ask for information and call for and attend an administrative enquiry if it is not satisfied with that information. Of most importance, the Commission will be able to stop a Member State fishing when there is reason to believe that its quota has been exhausted.

Substantial penalties will be available. A fine of up to £50,000 plus the confiscation of the very costly gear will add up to a major disincentive to over-fish.

Conservation

There will be a new regime to meet some important United Kingdom needs and establish on a permanent basis the vital Norway pout box in the North Sea. The proposals will also include a more rigorous control on beam trawling. Our previous national measures will now be put on a Community basis. It is this measure that will give the fishing industry increasing instead of declining stocks.

The Government's Record

An agreement has been achieved which will last into the next century, will allow stocks to recover and so give our fishermen increasing fishing opportunity, and most important will give them confidence in their future viability.

Throughout the negotiations, the Government has supported the industry during the recession with massive aid, and the agreement that has been reached will help the rebuilding and restructuring of the industry that all agree is necessary. It has always committed itself to not accepting an agreement that did not meet the industry's approval. Peter Walker complied totally with that promise and when the final offer was made by the Commission he called in the leaders of the fishing industry and asked them whether they wished him to approve or reject. He made it clear to them that if they wanted him to reject he would do so and that they were entirely free to come to a decision. All three organisations asked him to accept the package. "The House will know that I have always undertaken that I would only approve an agreement that has the approval of the British Fishing Industry. When the Commission's final proposals were made I met the leaders of the three fishing organisations and all three asked me to accept these final proposals." (Hansard, 27 October 1982, Col 1051).

Aid to the Fishing Industry

It will be seen from the following table that there is a remarkable contrast between the Conservative Government's record in giving special financial aid to the industry and that of the Labour Government. Indeed, the aid announced in October 1982 was more than the total of special aid given by the Labour Government in its entire period of office. Already, this Government has given almost four times the aid that Labour gave when it was responsible.

<u>Previous Government</u>	<u>£ million expenditure</u>
1974/5	0.6
1975/6	11.1
1976/7	2.3
1977/8	0.1
1978/9	0.8
<u>Total</u>	14.9

<u>This Government</u>	
1979/80	0.4
1980/81	17.1
1981/82	24.7
1982/83	15.0
<u>Total</u>	57.2 (Source: MAFF January 1983)

Structures

The structure package is made up as follows:

	<u>EC budget</u> (million units of account)	<u>EC budget</u> £m approx.	EC share of total cost to Member State	Duration (Years)
Decommissioning	32	18	50% (of up to approx £360 per tonne)	3
Vessel building and modernisation	118	66	25%*	3
Laying up Grants	44	25	50%	3
Joint Ventures	7	4	50%	3
Development of aquaculture	34	19	25%*	3
Artificial Reefs	4	2	50%	3

Structures (continued)

Exploratory Voyages	11	6	50%	3
<u>Total</u>	250			

*50% in Ireland (including Northern Ireland), Greenland, Greece, the Mezzogiorno and the Departments D'Outre Mer.

(Source: MAFF October 1982).

Substantial scrapping, modernisation and construction grants will be made to our fleet and the Community will finance 50% of all scrapping grants of up to £360 tonne and 25% of modernisation grants.



LIAISON COMMITTEE

The meeting of the Committee scheduled for 23 March 1983 has been postponed and will now take place in Number 10, Downing Street at 10.30 am on Wednesday 30 March 1983.

A revised Agenda is attached.

SEBASTIAN BIRCH

14 March 1983

PL

*Pl. B.F. for Her
meeting*

PRIVATE AND CONFIDENTIAL



LIAISON COMMITTEE

With effect from Monday, 7 March 1983
the duties of Secretary to this Committee
will be assumed by Mr Sebastian Birch.
Mr Birch, who is an Assistant Secretary
in the Chancellor of the Duchy of
Lancaster's office, will be responsible
to the Lord President of the Council
on Liaison Committee matters; his
telephone number is 233 8294.

ANDREW WARD

3 March 1983

Leon Pol FEB



P1. B.F for
23.3.

LIAISON COMMITTEE

Meeting to be held in Number 10 Downing Street at 10.30 am
on Wednesday 23 March 1983.

AGENDA

- Item 1. Training and Special Employment Measures
Paper by the Parliamentary Under Secretary of
State for Employment (Mr Morrison) to be circulated.
Mr Morrison will attend the meeting.
- Item 2. Agriculture and Fisheries Policy
Paper to be circulated. The Minister of Agriculture,
Fisheries and Food will attend.
- Item 3. Diary of Events
Note by the Chief Press Secretary, No 10, to be
circulated.
- Item 4. Any other Business

Distribution:

Private Secretary, No 10 (3 copies)
Parliamentary Private Secretary, No 10
Secretary of State for Scotland
Secretary of State for Employment
Chairman of the Party
Chief Secretary, Treasury
Minister of State, Treasury (Mr Wakeham)
Chief Press Secretary, No 10
Marketing Director, Central Office
Director of Press and Public Relations, Central Office
Director, Conservative Research Department

Minister of Agriculture, Fisheries and Food
Parliamentary Under Secretary of State for
Employment (Mr Morrison)

2.3.83

PRIVATE AND CONFIDENTIAL



LIAISON COMMITTEE

- .. The enclosed paper on Agriculture and Fisheries policy will be discussed at the Committee's meeting on 23 March 1983.

PRIVATE AND CONFIDENTIAL

PRESENTATION OF POLICIES ON FISHERIES

	<u>PAGE</u>
1. Introduction	1-2
2. The Inheritance	2-3
3. The Voters perception of the Governments achievements	3-4
(a) Quotas	4-5
(b) Access and protection of the rights of inshore fishermen.	6-7
(c) Enforcement and Conservation	8-9
4. The Governments Record	9-10
5. Aid to the Industry	10-12

1. Introduction

During the negotiations that preceded the entry of Denmark, Ireland, and the United Kingdom to the European Economic Community, the then member states hurriedly formed a Common Fisheries Policy (CFP) based on historic access to each others' waters which excluded a coastal belt of six miles, to be followed up by an agreement to allow fishing 'up to the beaches' at the end of 1982. The Conservative Government, whilst accepting the CFP, persuaded the member states that the policy must be renegotiated by 1982.

The move to exclusive 200-mile limits by all nations around the world, overtook events and the existing CFP became totally unworkable. A chance to change the CFP was missed by the Labour Government during the renegotiations culminating in the Dublin agreement in 1975. All member states extended National Fisheries Limits to 200 miles on the 1st January 1977 to create an EEC exclusive zone.

At Luxembourg on 26th October 1982 the Government succeeded in obtaining the agreement of eight other Member States to a fishing policy covering all the main issues of quotas, access, conservation and enforcement. Only Denmark did not give her agreement. The nine countries that were in agreement made it clear that in the event of the failure of the Danish Government to agree, they would take Commission approved national measures. This they did on the 1st January with the agreement of the European Commission and within the legal parameters of the Treaty of Rome.

On the 25th January 1983, the Government succeeded in obtaining an agreement with all Ten Member States of the European Community which will run for 20 years into the next century. After 3½ years of

difficult and tough negotiations the Government achieved an agreement that is acceptable to all the fishing organisations - the British Fishing Federation, the National Federation of Fishermen's Organisations and the Scottish Fishermen's Federation.

2. The Inheritance

When the Government came into office they inherited a situation from John Silkin in which the eight other members of the Community (Greece at that time was not part of the Community) had come to a fishing agreement at Berlin, a meeting that Mr Silkin had decided not to attend. The agreement of the eight had been totally unsatisfactory to the UK on quotas, on access and on enforcement. The Government had to negotiate in order to persuade the Commission and the other Member States to support an agreement acceptable to the UK.

It has been argued that if Britain had a 200 mile limit a substantial quantity of Europe's fish would be in British waters. The opportunity to use this argument to obtain better quotas for the UK was in fact thrown away by the previous Government when in 1976 all Community countries were asked to go for a 200 mile limit on the basis that all the waters contained within that 200 mile limit would be Community waters. This was known as the Hague agreement and was negotiated by Dr David Owen, who was then a Labour Foreign Minister and is now a leader of the Social Democrats. In these negotiations Ireland insisted that if they were going to agree to the 200 mile limit as European waters they should gain arrangements entailing the doubling of their catch in absolute terms; this was agreed by the other Member States including Dr Owen. The Labour Government however sought no such

agreement for the UK and accepted the Hague agreement which created a 200 mile limit for the Community without any specific undertaking to the UK on quotas.

The final part of our inheritance was a fishing industry which had lost its rights in Icelandic waters, while stocks of important fish were declining and, in the last years of that Labour Government, precious little special financial aid had been given to the industry.

3. The voters perception of the Governments achievements

The previous paragraphs describe the position we inherited in May 1979 which resulted in the following commitments being made in the Manifesto 1979.

"We would work for an agreement which recognised first, that United Kingdom waters contained more fish than those of the rest of the Community countries put together; secondly, the loss of fishing opportunities experienced by our fishermen; thirdly, the rights of inshore fishermen; last, and perhaps most important of all, the need for effective measures to conserve fish stocks which would be policed by individual coastal states. In the absence of agreement, we would not hesitate to take necessary measures on our own, but of course on a non-discriminatory basis."

Since the outline agreement by ten member states in October 1982, the electorate have taken issue with most of the above commitments, saying that we did not get a good deal. Knowing all the facts

listed previously, the following achievements must constitute the very best that could be achieved in the short time available, starting from an eight to one against situation in May 1979.

(a) Quotas

We should have struck out for larger quotas than we achieved when considering the amount of fish that we are contributing to EEC stocks, and knowing that we lost considerable fishing opportunities in third country waters.

Fact.

No nation would willfully prevent her friends and neighbours from fishing in her waters when it is known that first, fish do not abide by territorial limits and second, nations have traditionally fished in her waters, some for centuries.

Losses of fishing opportunities in third country waters is adequately reflected in the quotas listed below.

Of the seven main species of fish (Cod, Haddock, Saithe, Whiting, Plaice, Mackerel and Red Fish), six provide more than 80 per cent of UK landings. Another species of great importance in the future, if stocks recover, is herring.

The quotas obtained for the seven main species are in excess of our fishing in the years from 1973-78 and indeed for most stocks are as great as, or greater than, the exceptionally high level of fishing

of these species in 1981. To illustrate this, the average catch of North Sea cod in the years 1973-78 was 85,000 tonnes, while the quota provided in this agreement for 1982 is 114,700 tonnes. The new quotas provide the UK with 47 per cent of the EC availability of North Sea Cod, 60.5 per cent of the EC availability of West Coast herring and 58.7 per cent of the EC availability of West Coast mackerel.

The proportion of quotas to each Member State for the seven main edible species is:

United Kingdom	37.3%
Denmark (including Greenland)	25.5%
France	11.6%
Germany	11.4%
Netherlands	7.7%
Ireland	4.6%
Belgium	1.9%
Italy	NIL
Greece	NIL
Luxembourg	NIL

Some measure of the success of the negotiations undertaken by this Government can be seen from the fact that, when they took up the negotiations, the Commissions' first proposals offered only 31 per cent of the stocks of the seven main species. Every percentage point gained since has been at the expense of other Member States.

(b) Access and protection of the rights of inshore fishermen

The Government has reneged on her commitment for a 12 and indeed at times 50 miles exclusive limit for our fishermen.

Fact

In the mid to late 1970's, all Political parties demanded exclusive limits that were not within our reach either on a historical basis or compatible with our commitment to Europe.

"All practical considerations lead us to require that belt of up to 50 miles that we have demanded."

(Silkin, Hansard, 28th November 1977, Col 115).

However the agreement does provide British fishermen with a better domination of our coastal waters than has been available at any time in the history of the fishing industry.

Up to 1964 Britain enjoyed a three mile exclusive zone. When the London Convention was adopted in 1964 and limits were extended first to six and then to twelve miles, agreement was reached with all the other fishing countries as to what historic fishing rights should be allowed in the 6-12 mile belt. These rights were agreed to by all the countries involved in the London Convention and were the historic rights by which we had to abide in the 6-12 mile zone until the UK joined the Community. In 1973 under the Treaty of Accession, other Community countries demanded and obtained a further extensions of historic rights.

This agreement has eliminated most of the Treaty of Accession rights, and has improved on the rights that existed prior to accession. Under the terms of the Treaty of Accession, Member States held rights in 1,999 miles of our 2,667 miles of coastline. In the agreement now reached these rights are eliminated or reduced in 1,441 miles of those 1,999 miles. A major improvement has therefore been achieved in 72 per cent of the coastline where historic rights previously existed.

United Kingdom fishermen will also obtain important rights in 6-12 mile areas of other Member States. This includes rights to fish all species in the French waters from the frontier with Belgium to Cap d'Alprech for demersal species, from Texal Island in the Netherlands to the border with Germany, cod and plaice around Heligoland in Germany, and to fish for most species round the Irish Republic from Minehead east along the southern coast and north up the eastern coast to the Ulster border. The arrangements under which Northern Ireland fishermen can fish in any part of the Irish Republic's 12 mile area, and vice versa are also continued; arrangements that work very much to the advantage of Northern Ireland's fishermen.

Added to this, a box has been obtained around the Shetland Islands where fishing by larger vessels will be licensed so that the important stocks for that area can be carefully conserved, and, over the years, enhanced. There is no restriction on vessels under 80 feet in length, which is to the advantage of the United Kingdom, particularly Scottish vessels. These arrangements provide a 20 year guarantee against a really major increase in the intensity of fishing in a fishing area of vital importance to us.

(c) Enforcement and Conservation

The perception is that the January 25th agreement will not enforce the conservation measures agreed by all Member States.

Fact

(i) Enforcement

One of the most important demands of our fishermen was to have a sensible system of enforcement in which Member States could not over fish their quotas or infringe the access provisions. The agreement provides a system which will ensure the effective control of fishing by all fishermen in the Community. The United Kingdom Government provided the first proposals for such a regulation. It sets out clearly Member States obligations to ensure that Community fisheries rules are obeyed. The United Kingdom will be responsible for enforcement within our own ports and fishing limits. In addition, at the United Kingdom's insistence, the Commission are establishing a special unit whose specific task will be to check up on Member States' fulfilment of their enforcement responsibilities. Inspectors from this unit will make regular visits to all the Member States concerned, will have the power of "on the spot" inspection, and will be able to accompany the national inspector to check that agreed control measures are being properly enforced. The Commission will have the power to ask for information and call for and attend an administrative enquiry if it is not satisfied with that information. Of most importance the Commission will be able to stop Member States fishing when there is reason to believe its quota has been exhausted.

Under the agreement of nine last year where National measures for enforcement applied, UK courts could only prosecute vessel owners from Denmark, with cases involving other Member States vessels being referred to the country in which the vessels were registered. Now, under the final agreement of the 25th January, all vessels caught infringing Community law will be prosecuted in British courts.

Substantial penalties will be available. A fine of up to £50,000 plus the confiscation of the very costly gear will add up to a major disincentive to over fish.

(ii) Conservation

There will be a new regime to meet some important United Kingdom needs and establish on a permanent basis the vital Norway pout box in the North Sea. The proposals will also include a more rigorous control on beam trawling., Our previous national measures will now be put on a Community basis. It is this measure that will give the fishing industry increasing instead of declining stocks.

4. The Governments Record

An agreement has been achieved which will last into the next century, allow stocks to recover and so give our fishermen increasing fishing opportunity, and most important give them confidence in their future viability.

Throughout the negotiations, the Government has supported the industry during the recession with massive aid, and the agreement that has been

reached will help the rebuilding and restructuring of the industry that all agree is necessary. It has always committed itself to not accepting an agreement that did not meet the industry's approval. Peter Walker complied totally with that promise and when the final offer was made by the Commission he called in the leaders of the fishing industry and asked them whether they wished him to approve or reject. He made it clear to them that if they wanted him to reject he would do so and that they were entirely free to come to a decision. All three organisations asked him to accept the package. "The House will know that I have always undertaken that I would only approve an agreement that has the approval of the British Fishing Industry. When the Commission's final proposals were made I met the leaders of the three fishing organisations and all three asked me to accept these final proposals." (Hansard, 27th October 1982, Col 1051).

5. Aid to the Fishing Industry

It will be seen from the following table that there is a remarkable contrast between the Conservative Government's record in giving special financial aid to the industry and that of the Labour Government. Indeed, the aid announced in October 1982 was more than the total of special aid given by the Labour Government in its entire period of office. Already, this Government has given almost four times the aid that Labour gave when it was responsible.

<u>Previous Government</u>	<u>£ million expenditure</u>
1974/5	0.6
1975/6	11.1
1976/7	2.3
1977/8	0.1
1978/9	0.8
<u>Total</u>	14.9

This Government

1979/80	0.4
1980/81	17.1
1981/82	24.7
1982/83	15.0
<u>Total</u>	57.2 (Source: MAFF January 1982).

Structures

The structure package is made up as follows:

	<u>EC budget</u>	<u>EC budget</u>	EC share	Duration
	(million	£m	of total	(Years)
	units of	approx.	cost to	
	account)		Member State	
Decommissioning (scrapping)	32	18	50%	3
			(of up to approx. £360 per tonne).	
Vessel building and modernisation	118	66	25%*	3
Laying up Grants	44	25	50%	3

Structures (continued)

Joint Ventures	7	4	50%	3
Development of aquaculture	34	19	25%*	3
Artificial Reefs	4	2	50%	3
Exploratory Voyages	11	6	50%	3
<u>Total</u>	250			

*50% in Ireland (including Northern Ireland), Greenland, Greece, the Mezzogiorno and the Departments D'Outre Mer.

(Source: MAFF October 1982).

Substantial scrapping, modernisation and construction grants will be made to our fleet and the Community will finance 50% of all scrapping grants of up to £360 tonne and 25% of modernisation grants.

PRESENTATION OF POLICIES ON AGRICULTURE AND FOOD

PAGE

1.	Introduction	1-2
2.	Presentational Frame Work and Politics	3
	- Europe	3-4
	- Lobbies and Politics	4-5
3.	Assumptions	6
	The Voters Perceptions versus the facts	6
	(a) Food Prices - Europe to blame	6
	(b) Food Prices - Government to blame	6-7
	(c) Cheaper food if we left the EEC	7
	(d) Reform of the Common Agricultural Policy	8-9
	(e) Surpluses	9-11
	(f) Agricultural Workers Wages	11-12
	(g) Animal Welfare	12-13
4.	The Governments Record	14-16
5.	The Success of the Agricultural Industry	17-18
	under this Governments Policies.	

Appendix

1.	Average percentage change in EC Common Prices since UK Accession.	19
2.	Comparison of Agricultural Wages and Farm Incomes.	20
3.	Trends of Volume of Total Output of UK Agriculture and of UK Food Self Sufficiency.	21
4.	Trends of Prices of outputs and inputs.	22
5.	Development of average yield of wheat.	23
6.	Agricultural Imports of EC countries and UK share 1981	24

THE VOTERS PERCEPTION OF AGRICULTURE AND FOOD1. Introduction

The home production of food is fundamental to the Nations Security as we learnt only too well during the last war. In fact, it is second only to the defence of the Realm in any Government's responsibilities to its people and today the guarantee of adequate food supplies that do not have to be shipped long distances is given first by, increased self sufficiency - Successtive Labour Governments have supported this policy up until now, in particular during the 1970's with the publication of two papers, "Food from our own Resources" Cmnd 6020 (1975) and "Farming and the Nation", Cmnd 7458 (1979) - and second membership of the European Community.

The Food and Drink Industry in the United Kingdom is the largest industry in terms of consuemr expenditure at approximately £39,000 million per annum. However, total employment is no greater than in any other sector of the economy. Every citizen is involved indirectly or directly in its well being. The variety of foods available to the customer in food shops today bears no relationship to the lean years of the 1950s. It is an industry as diverse as the plant life on these islands. From the 242,000 agricultural holdings and their supporting industries to the food manufacturers both large and small, the wholesales and finally the retailers, the food chain leads to and ends with all consumers.

All Western Nations support their food and agricultural industries in some form by direct aid, protectionist policies or both. Indeed, Labour has traditionally supported agriculture, Tom Williams being the founder father of deficiency payments from National Exchequers

in the late 1940's.

It can be truly said that the Agricultural Industry has been THE success story in the National Economy since the war. The uptake of new technology, new plant varieties, and management techniques with a steady declining Labour force has led to dramatic increases in yields, quality and productivity which are the envy of all other industries. This has led to increased self sufficiency, in particular in the last ten years since joining the European Community. Indeed, the greatest growth in productivity has taken place within the last three or four years of deep world recession, unlike the last recession in the 1930's when agriculture faced collapse and was only saved by the 1940's war demands. Today of the food we could grow and produce ourselves we are 76% self sufficient (an increase of 9% since 1978) and in all food 62% self sufficient (an increase of 7.5% since 1978).

No industry in this country has as close a relationship with Government as has agriculture and food. The Governments advisory services (ADAS). the research stations and laboratories all work closely with the grass roots of the industry to improve its efficiency and productivity.

Finally, Labour relations in Agriculture are second to none. There are no strikes, or demarkation lines and workers willingly learn new techniques and how to handle new machinery and equipment, more often, than not with no specialist training whatsoever.

PRESENTATIONAL FRAMEWORK AND POLITICS

2.

"We believe that radical changes in the operation of the Commons Agricultural Policy (CAP) are necessary. We would, in particular, aim to devalue the Green Pound within the normal lifetime of a Parliament to a point which would enable our producers to compete on level terms with those in the rest of the Community. We will insist on a freeze in CAP prices for products in structural surplus. This should be maintained until the surpluses are eliminated. We could not entertain discriminatory proposals such as those which the Commission recently put forward for milk production.

The Uplands are an important part of our agriculture. Those who live and work there should enjoy a reasonable standard of life." Manifesto, 1979.

There are a number of aspects of the public's perception of the Agricultural and Food industries that need stating before a detailed analysis can be done on the last four years of Conservative Government.

(a) Europe

Opinion is divided on Britain's Membership of the European Community. Support is and has been declining since the Referendum in 1975 and today, the figures show that more people are in favour of leaving than staying, in particular in the C2 and DE groups (ABC1 groups are still in favour of membership).

The main reason given for this hostility to and unhappiness about the EEC is the feeling that the increases in prices in recent years can be largely blamed on the Common Market, in particular the Common Agricultural Policy. However, opinion on the whole approves of the Conservative Governments handling of our relationships with the EEC.

Other adverse aspects of membership were Britains contributions to the EEC Budget and the so called "food mountains".

(b) Lobbies and Politics

Traditionally, there have been four lobby organisations in Agriculture, namely the Farmers Unions, the Country Landowners, the National Union of Agriculture and Allied Workers Union, and the Royal Society for the Prevention of Cruelty to Animals.

Today, organisations are being formed almost daily to lobby in the interests of animals including pests, flora, fauna, hedgerows etc. Media coverage of these groups is excellent and funding seems to be no problem, indeed one organisation gave £80,000 to the Labour Party during the last election. Support for these new bodies have in the mainly come from Urban dwellers whose knowledge of rural matters and agriculture is limited. Unfortunately, this could in time lead the dangerous situation of the Urban dweller versus the Rural dweller.

The structure of rural society has changed considerably since the war. The agricultural worker force has more than halved, and the rural economy now relies on the commuter and the elderly, rather than the

farm labourer and farmer. This in turn has led to a decline in rural services. The new commuting country dweller has taken over many of the leading positions in rural society, for example membership of parish councils and local authorities, often with no background or knowledge of agriculture. This at times has created conflicts of interest between the farmer and new country dweller. Second homes are also in this category.

Finally, access to the countryside is becoming easier with more families owning cars and great wealth. Urban dwellers are often ill educated and uninformed about farming and consider the countryside his natural playground. Conflict will increase, particularly as agriculture moves forward to greater productivity and efficiency.

3. Assumptions

- It is assumed that Britain will stay in the European Community.
- It is assumed that Government will continue to support Agriculture.
- It is assumed that greater self sufficiency in food that we can produce ourselves will continue to be Government policy.

The Voters perceptions versus the facts

These notes single out the misconceptions in public opinion on the most important subjects to do with agriculture and food. Some are taken from opinion polls, other are more generally known misunderstandings of the true facts.

- (a) Food Prices - Europe to blame. Price rises in general are blamed on membership of the EEC (47%). Food prices in particular come second in anti market opinion.

Fact Between 1973 and 1979, Food Prices rose by 110 per cent of which 10 per cent can be directly attributed to the Common Agricultural Policy and Membership of the EEC. Also, food prices are not fixed by the Council of Agriculture Ministers, only the support price to farmers and growers - market forces largely dictate food prices in the shops.

- (b) Food Prices - Government to blame

Opinion blames the Government for what they consider unnecessarily high price rises.

Fact Under Labour, food prices rose by 120% between 1974 and 1979.

Food prices under this Government have gone up by 34.7 per cent compared with 50.9% for all items. January 1983 year on increase was only 1.9 per cent. During this period Farm Gate Prices have only gone up by approximately 22%.

(c) Cheaper food if we left the EEC

There is no opinion poll indication of public feeling on this. However, the anti market view is that food prices would fall by importing our needs from the World Market rather than the EEC.

Fact. Britains demand in most commodities is such that World Prices would rise rapidly if we entered the World Market. To contemplate relying more and more on uncertain world food markets - and one cannot ignore the implications of projections of another 50% rise in world population by the turn of the century - is not an option. It is sufficient to recall that a shortfall in the world supply of cereals in 1973 doubled the world price in a matter of weeks, whilst over the past eight years, massive fluctuations in world sugar prices have risen for climatic and other reasons.

Third countries who traditionally supplied us with food have, since we joined the Community, found other markets for their products. They are unlikely to give up those lucrative markets and return to supplying the UK again.

(d) Reform of the Common Agricultural Policy

The Government are often accused of not keeping to their Manifesto pledge to reform the CAP.

Facts. It must be first printed out that the Government cannot instantly improve the Common Agricultural policy on its own. Agreement has to be reached by all Member States on any legislation or change to the existing policy.

The Governments achievements to be highlighted are as follows:

- A slowing down of the increase in the CAP budget from 210% during the Labour Government to 20% during this Government.
- The percentage of the European Budget going to the CAP has been reduced from just under 80% to 65%.
- UK receipts under the CAP have been doubled.
- Support prices for products in surplus have been reduced since 1978; Wheat by 19%, Barley by 18%, Sugar by 14% in real terms.
- Annual Support price increases have been reduced by the Government from an average under Labour of 7.56% to 6.43%. In this Governments first price fixing in 1979, the increase was only 1.3%, the lowest figure ever in the European Community.

The Governments policy has not changed since the election.

"I am convinced that a policy of restraint on Community support prices and other measures to limit guarantees for products in surplus is the only appropriate one to follow in present

circumstances but the effect of this in limiting production is difficult to measure given the range of other factors affecting production." Peter Walker. Hansard 17th February 1983 Col 251.

"We accordingly support the guidelines which the Commission has put forward for a prudent price policy, particularly for products in surplus, improvements in the balance between cereals and livestock prices, and the application of guarantee thresholds." Peter Walker. London, 27th November 1982.

(e) Surpluses

Voters perception of Membership of the European Community and the agricultural industry often takes issue with the production of surpluses. These attacks vary considerably and frequently avoid the cause, i.e. increased efficiency and expansion by the industry with static or in some cases such as butter, reduced demand..

- Why sell subsidised butter to Russia; would it not be better to sell it cheaply within the EEC?

First, it is not within the powers of the Government to prevent sales of surplus Butter to Russia. The decision is taken in the Management Committee and certain Member States support the sales wholeheartedly (France in particular). Second, to subsidise a limited supply of butter in Europe would disrupt the balance market that we have at the moment. It would not necessarily increase sales and consumption of butter, infact the surplus would still exist.

- Why does the Community not sell the surpluses on the World Market?

The majority is sold on the World Market at a subsidised price. However, dumping at prices well below World Prices would cause immense problems for 3rd Countries and to existing World trade and prices. Therefore EEC exports have to be carefully controlled at all times. For butter, the real problem is the limited world market in that not all Nations consume the quantities of butter that North Europeans do.

- Why does Europe produce large surpluses of food and what are we in Britain doing about it?

First, better technology and management of food production over the last fifteen years has increased the production of food. However the population of Europe is static at about 260 million. Consumption is also static thereby preventing demand keeping pace with production.

Second, it must be admitted that under the present funding of the CAP, money is directed mainly to those member states producing more than they consume thereby exacerbating the problem. Also it must be pointed out that these countries tend to contribute less to the Common Budget than their receipts. However, reform of the Budget is proceeding in that from 1980 onward, the UK, previously a massive net contributor to the Budget, is now contributing less. This is important as she is not the main producer of

surpluses.

Third, over production is not as serious at the moment as some people think. In days supply for the whole community, the largest surplus is in Skimmed Milk powder at 139 days. Butter stocks are only 17½ days, wheat 45 days, Olive Oil 77 days with Barley only at 14 days supply. Would consumers prefer to have stocks of food at stable prices in storage as do all housewives or have to queue for food as they do in Eastern Europe?

Last, much has already been achieved in controlling surplus production but more must be done. Britain has been in the forefront in arguing for price policies (low increases in support prices) and other changes in the CAP that will bring surpluses under better control. (see those listed under Reform of the CAP). Our aim has always been to achieve better market balance and cutting CAP expenditure.

(f) Agricultural Workers Wages

The Government have been accused of preventing Agricultural workers achieving what are described as reasonable wage increases.

Facts First, the Agricultural Wages Board is the sole arbitrator in the annual demands for agricultural wage increases. There are an equal number of representatives from the farmers as there are from the agricultural workers union with the independent members holding the balance.

- Agricultural wages have gone up in real terms every year under

this Government.

- Agricultural wages actually fell in real terms under the last Labour Government.
- Farming Income in real terms for which these increases are paid, fell during the first two years of this Government.
- Average earnings under this Government have increased from £71.75 (1979) to £105.75 (1982 forecast).

(g) Animal Welfare

The Government has been accused of not keeping to its election promises as outlined in the Manifesto.

"More specifically, we will give full support to the EEC proposals on the transportation of animals. We shall update the Brambell Report, the codes of welfare for farm animals.... We shall also reexamine the rules and enforcement applying to the export of live animals and shall halt the export of cows and ewes recently calved and lambed." (Manifesto 1979).

Facts Immediately after the election, the Government set up the Farm Animal Welfare Council to replace the former Farm Animal Advisory Committee. Its terms of reference were "to keep under review the welfare of farm animals (a) on agricultural land; (b) at markets; (c) in transit; (d) at the place of slaughter, and to advise Ministers of any legislative or other changes that may be necessary". These responsibilities included updating the Brambell Committee recommendations.

Codes of practice have been drawn up by the FAWC in many areas and they are continuously working on others. The Export Animals Protection Order 1964 which covers all aspects of the transport of animals has been updated and the EEC Directive (77/489) on the Welfare aspects of animal transportation has been implemented. Cows and Ewes that have calved or lambed within 48 hours are now banned from movement or export.

Internationally, the Government have argued for progress in a Community directive governing minimum standards for laying hens in battery cages, and have participated actively in further discussions on draft recommendations for the protection of laying hens. Britain has also led the World in pushing for measures to protect the Whale population - success was achieved in most areas last year.

4. THE GOVERNMENTS RECORD OF MEASURES TO HELP THE INDUSTRY

The Government's policy for Agriculture has been based on the principles of helping it maintain its position in the home market during the Recession, and making it more competitive, particularly in Europe. At the same time, the Government has made sure that the consumers interests have been safeguarded, in particular as far as prices are concerned.

Below are listed the major measures and decisions taken by the Government since the election.

Three Green Pound devaluations, which fulfilled a Conservative Manifesto pledge, have eliminated the negative monetary compensatory amounts (MCAs) which had grown to over 45 per cent under the Labour Government in the late 1970s. These acted against the interests of British farmers and growers, by subsidising imports from, and taxing exports to Europe.

Massive increases in Hill Livestock Compensatory Allowances and in Suckler Cow premium have been given in the last three years to help the hill farming sector, and amounted to over £101 million in 1982. Hill cлов allowances alone are now worth £44.50 per cow, which is 96 per cent higher than in May 1979.

Milk price increases have maintained the level of production throughout the United Kingdom even though the dairy herd declined steadily with those who have wished to move out of milk production being aided by considerable EEC grants. Agreement was reached in 1981 for the EEC to subsidise school milk. Total payments now total over £20 million a year. Milk prices have NOT gone up in Real Terms since 1951. In fact, the price of milk today (21p per pint) is slightly lower than it was in 1961 which is of enormous benefit to all consumers.

A sheepmeat regime for the European Community was successfully negotiated and introduced in 1980. This resulted from Government efforts, to safeguard both the interests of UK sheep farmers, particularly in exports, and the traditional New Zealand trade that has filled a gap in our market for many years. Under the regime, Britain has retained her traditional system of guaranteed prices and premiums, the former now 40 per cent higher than when the last Labour Government left office. Because of the operation of the premium system, consumers have been protected from rises in retail prices. Aid to the horticultural industry worth £6.5 million has been given in the last two years to offset the fuel cost advantage received by the Dutch industry. Agreement was reached in April 1982 in the Council of Ministers, for Dutch fuel prices to be brought up to the EEC average by April 1983.

Changes were made in the 1982 Budget for conversion grants to coal firing to the benefit of the Glasshouse industry.

Aid worth £400,000 was also given to the British apple industry to launch the new 'Kingdom Cox' campaign in 1980. This prevented the French from increasing their growing share of the UK apple market.

Grant aid has been introduced for the replanting of apple and pear orchards for a 5 year period.

The Special UK Butter Subsidy from the EEC was doubled in 1979 and is now about 13p per lb. This has assisted in preventing extra falls in consumption and is of immense benefit to UK consumers.

The Special UK Variable Beef Premium negotiated a few years ago has been retained each year, despite resistance from other EEC Member States, and in 1982 the maximum payable to farmers has been increased by 46 per cent.

Improvements in Marketing. The Government campaign to persuade the industry to improve its marketing started with the appointment of five 'marketeers' in 1979, who produced reports on many of the sectors that were experiencing a declining market share and low returns. These reports included the apple and pear sector, the potato industry and others; and many of their recommendations have since been implemented.

On 7th June 1982, a new body 'Food from Britain' was set up to oversee and help all sectors of the industry. The total support will be more than £20 million over a 5 year period.

Capital Transfer Tax Relief of 20% was introduced for the first time in the transfer of let land.

5. The Success of the Agricultural Industry under this Government's Policies

Listed below are the main achievements of British agriculture, with particular reference to the Governments policies.

<u>Self Sufficiency</u>	<u>Now</u>	<u>Increase since</u> <u>1978</u>
In all food consumed	62%	16.8%
In indigenous-type food	76%	13.4%

Food Prices

Increase since May 1979	34.7%
Increase January 1982 to January 1983 (RPI over same period)	1.9% 50.9%)

Net Product

Increase since 1978 (last full year of Labour)	21.4%
--	-------

Labour Productivity

Increase since 1978 (last full year of Labour)	25.9%
--	-------

Farming Income

Increase in actual terms since 1978 (last full year of Labour)	47.7%
---	-------

(In real terms Farming Income is still below the levels reached during the mid 1970's and is still below that described as adequate at the last election).

Balance of payments

Our increased self sufficiency means that in 1982, our balance of payments will be enhanced by £1 billion, as against the position in 1978.

Food Exports

Food exports have grown from £300 million in the mid 1970's to some £2,500 million in 1982.

6. AVERAGE PERCENTAGE CHANGES IN EC COMMON PRICES SINCE UK ACCESSION TO THE COMMUNITY

	<u>Commission Proposals</u>	<u>Price Change</u>	<u>Settlement</u>
1973/74	2.76%	5.1%	1 May 1973
1974/75	7.2%	8.8%	25 March 1974
"	4%	5% } 14.5%	19 September 1974
1975/76	9%	9.6%	13 February 1975
1976/77	7.5%	7.7%	6 March 1976
1977/78	3%	3.9%	25/26 April 1977
1978/79	2%	2.1%	12 May 1978
1979/80	Nil	1.3%	22 June 1979
1980/81	2.4%	4.8%	2 June 1980
1981/82	approx 8%	9.4%	1 April 1981
1982/83	8-9%	10.2%	18 May 1982
1983/84 (forecast)	4.1%	?	?

Labour Government. 1974/75-1978/79 -average settlement 7.56%

Present Government. 1979/80-1982/83 -average settlement 6.43%

If the 1983/84 settlement is as proposed, the average for the present Government would be 5.96%.

(Source: MAFF, May 1982).

COMPARISON OF AGRICULTURAL WAGES AND FARM INCOMES

(Index numbers - real terms^(a))

	INDICES		
	Average Weekly Earnings	Farming Income (E&W)	Farming Income UK
1975	100	100	100
1976	100.5	107.0	111.0
1977	94.1	92.0	94.0
1978	98.0	87.6	85.0
1979	100.7	75.5	69.0
1980	102.5	60.7	52.0
1981	102.8	62.5	58.0
1982	104.1	81.4*	77.0*

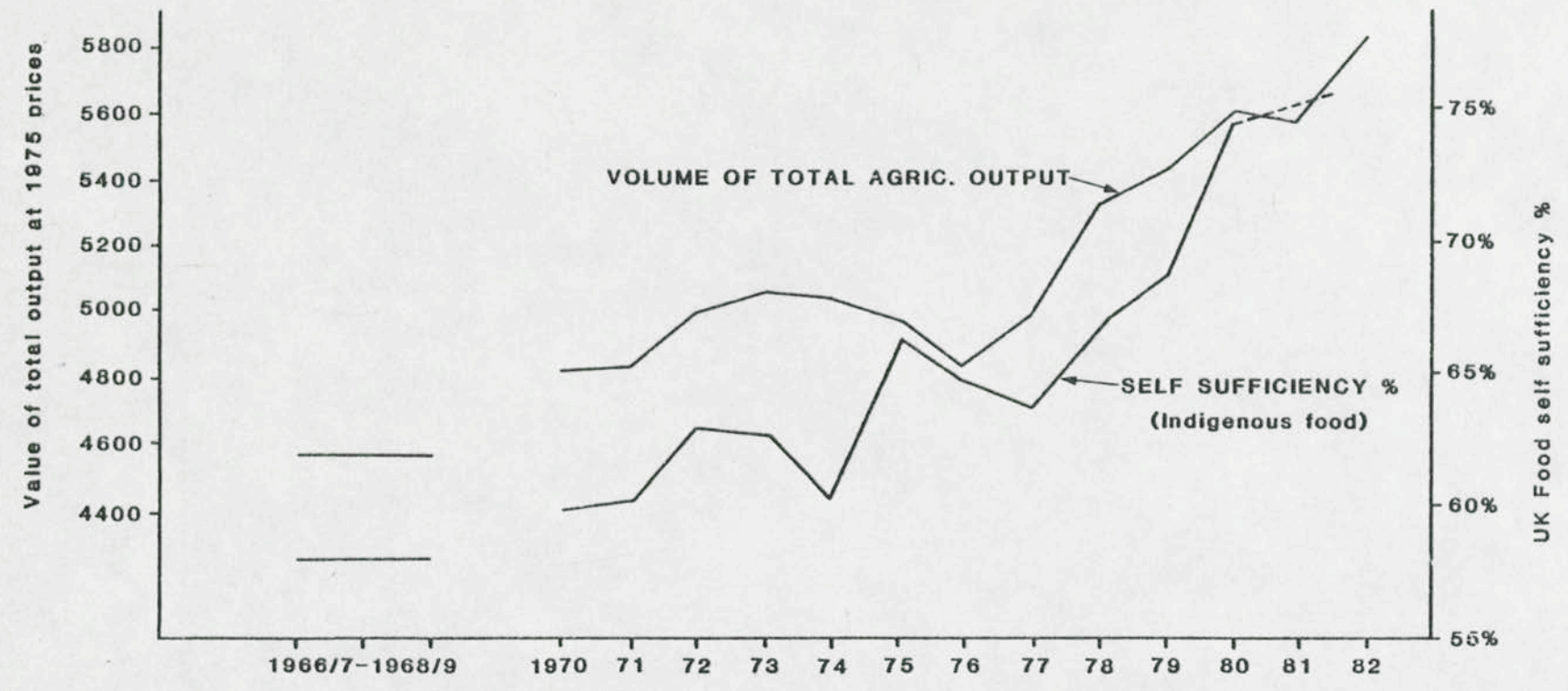
*Confidential until the White Paper is published.

(a) deflated by the Retail Price Index

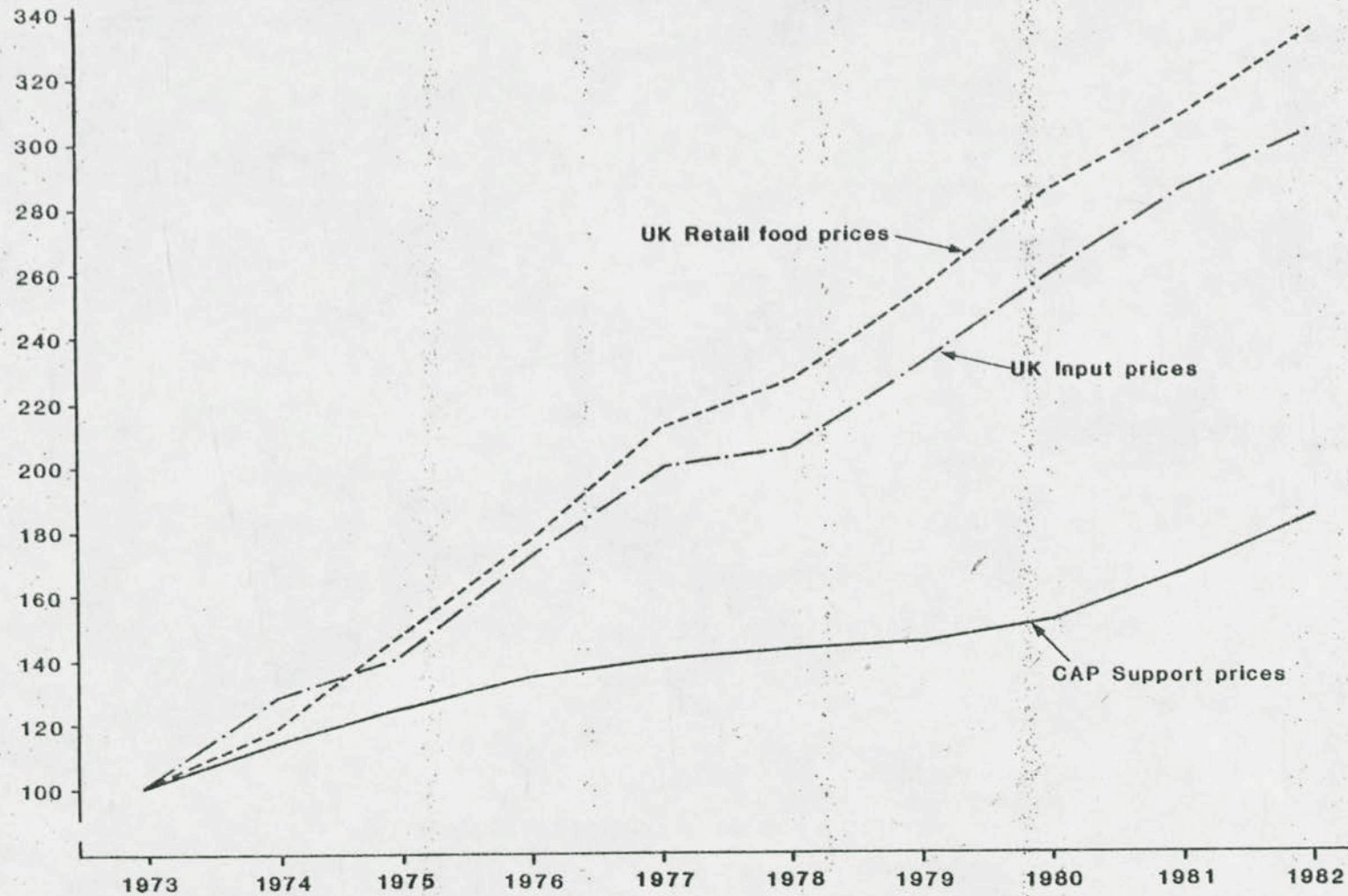
(b) forecast

FIG. 1.
~~AGRICULTURE~~

TRENDS OF VOLUME OF TOTAL OUTPUT OF UK AGRICULTURE AND OF UK FOOD SELF SUFFICIENCY



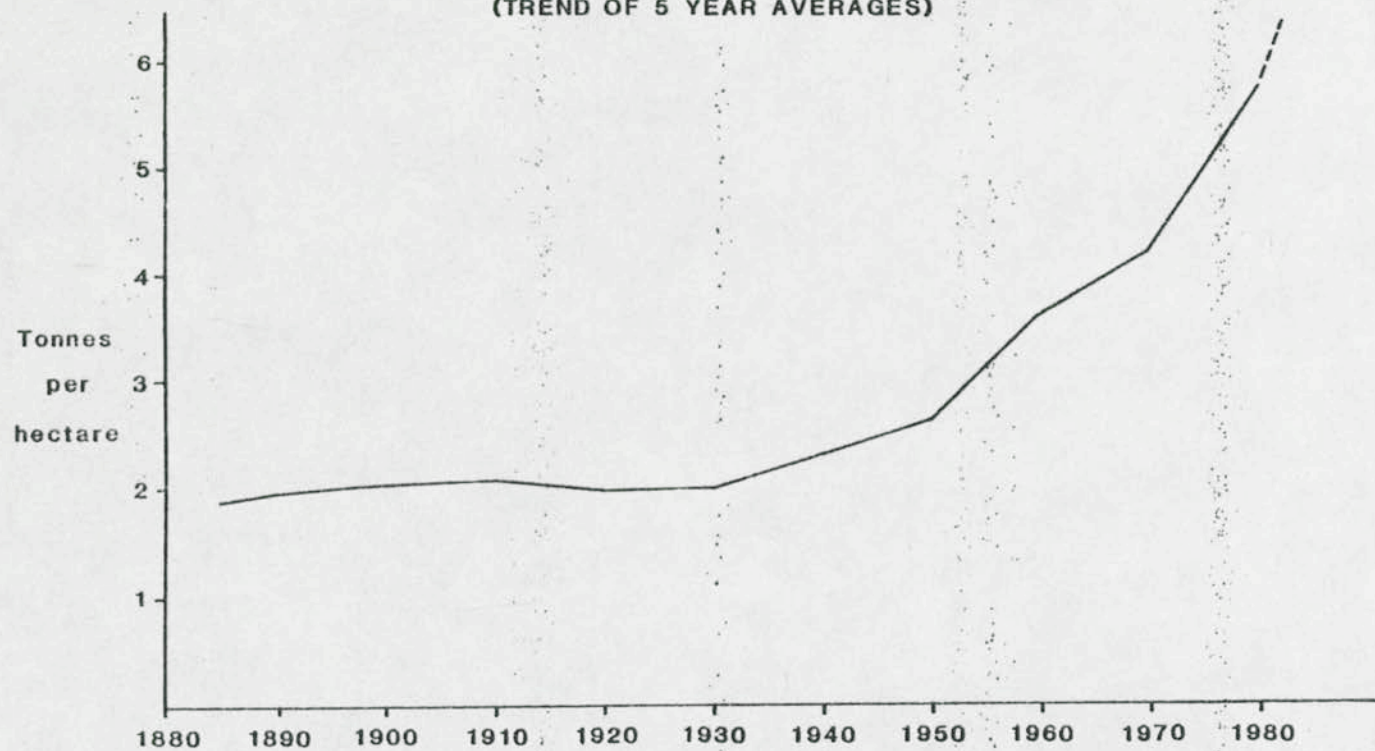
TRENDS OF PRICES OF OUTPUTS AND INPUTS (MONEY TERMS)



- CAP Institutional Prices (excluding Green rate effects and transition steps)
- · - · - UK index of prices of goods and services used in agriculture
- - - UK Retail food prices

FIG. 3

DEVELOPMENT OF AVERAGE YIELD OF WHEAT
(GREAT BRITAIN)
(TREND OF 5 YEAR AVERAGES)



AGRICULTURAL IMPORTS OF EC COUNTRIES AND UK SHARE - 1981

	Total imports	Imports from UK	UK share
	£ 'million	£ 'million	%
GERMANY	10070	200	2
FRANCE	6150	370	6
ITALY	5460	90	1.7
NETHERLANDS	5050	250	5
BELGIUM / LUX	3600	150	4.1
DENMARK	1060	40	3.4
GREECE	500	10	2.2

Agricultural imports include food, feed, drink, tobacco, oils and fats.

UK EXPORTS OF INDIGENOUS FOOD AND FEED : £ 2200 million

UK IMPORTS OF INDIGENOUS FOOD AND FEED : £ 4000 million

(1982 figures)

CF
Please He
Cf.

Miss Stephens

- 1. MR. BUTLER
- 2. PRIME MINISTER

We can agree this without
troubling Her PM.

FEQB

cc: Mr. Gow

14-2.

Peter Morrison's back has worsened and he is in the King Edward VIIth Hospital. He is to have an operation on his back on Friday.

He is worried about a paper he has been asked to write on training special measures which is to go to Liaison. He was told that the paper should be brought to Liaison on Wednesday, 2 March and wonders if it could be postponed a week so that he can be present. In fact, you will not be holding a Liaison on 2 March in any event, as you have the Netherlands Prime Minister that day.

Agree that this paper should be discussed on Wednesday, 9 March?

es.

14 February 1983

GOVERNMENT'S NUCLEAR POWER PROGRAMME

Public Perceptions	1
Nuclear Power and Jobs	3
The UK Record	3
The Government's Policy	4
Safety	5
Waste Management	8
Nuclear Energy & Nuclear Weapons	8
Common Misconceptions	
Nuclear power and the renewables	9
Nuclear power and conservation	10
Nuclear power worldwide	10
The PWR after Three Mile Island	11
Nuclear Waste and future generations	13
The Transport of nuclear waste	13
The threat from terrorism	14

Public perceptions For many years, there was no great public concern about the safety aspect of nuclear power. For example, the accident at the Windscale plutonium plant in 1967, which was extensively reported on television and in the media, did not cause undue public alarm. More recently, however, there has been an increase in public awareness and, to an extent, in public concern.

The Electricity Council monitors the trend in public opinion on nuclear power, using NOP Random Surveys. Since October 1979, these have shown a falling number of people agreeing that nuclear power has a very good safety record, and a growing minority disagreeing. The November 1982 figures were 46% agreeing and 25% disagreeing.

Opinion has changed more markedly over the period on the question of need. The proportion agreeing that nuclear power is needed to "keep our factories, houses and transport running" has fallen from 65% in October 1979 to 45% in November 1982. The proportions feeling that nuclear power is not needed has increased from 17% to 30% over this period. Since May 1981, there has been a higher proportion against than for building more nuclear power stations. In November 1982, the result was 35% in favour of building more; 40% against.

← The people working in the industry have a strong understanding that nuclear power is safe. Those living close to existing nuclear stations, and to Sellafield (formerly known as Windscale) and the prototype fast reactor at Dounreay, tend to be supporters. Other people tend to be against the idea of a nuclear station being built close to their homes. This feeling would very probably be extended to any other industrial development.

The environmentalist groups consistently stress the allegedly adverse impact of nuclear power on the environment, and in particular claim that the technology is unsafe. The present NUM President is strongly opposed to nuclear power, because it is seen as unwelcome competition. The unions

representing workers in the electricity supply industry are staunch advocates of nuclear power, and the TUC made it clear in its August 1981 Review of Energy Policy that it too favours the development of nuclear power.

The important points to stress are:

- New nuclear power stations coming on stream in the next decade will replace older and less efficient plant. Like any other industry, the supply industry needs to replace obsolescent plant by the most modern technology. This will mean electricity prices lower than they otherwise would be, which is important, not least, to large industrial electricity consumers.
- At present, over 80% of electricity is produced by coal. There are obvious advantages in reducing this over-dependence upon one source of fuel. Competition between fuels will exert general downward pressure on costs.
- The 1970s and early 1980s have been characterised by great uncertainty in energy markets. The future seems equally uncertain.

All our options for substantial economic energy supplies must be kept open and developed.

- The production of electricity in nuclear power stations has less adverse impact on the environment than electricity production from fossil fuels.
- People working in the industry, at all levels, are satisfied that nuclear power is safe. The safety record, particularly in the UK, is excellent.

- CONFIDENTIAL
- The CEGB's production of electricity from nuclear power stations has as little to do with nuclear weapons as its production of electricity from conventional plant has to do with conventional weapons.

Nuclear Power and Jobs. Nuclear power offers a safe, clean, cheap and secure source of electricity. In France, 40 per cent of electricity is produced in nuclear power plant, and this will reach 60-65 per cent by 1990. French industry has, as a consequence, access to some of the cheapest electricity in the world.

Most major electricity utilities worldwide have decided that this is the technology which is most cost-effective for their future generation needs. Some 281 nuclear reactors are in operation and a further 227 reactors are under construction worldwide. It is very important that we in Britain do not fall behind.

Diversification of the fuel used in electricity generation in Britain has immediate and obvious benefits. British manufacturing industry is all too easily damaged by high costs in the mining industry. An increased use of nuclear power in Britain means more competition between fuels and more secure and less expensive electricity for industry - and that means more jobs.

The UK Record. Lord Rutherford, working in Cambridge in 1919, was the first person in history to split the atom. This work opened up for the first time the possibility that the energy stored in the atomic nucleus could be used as a source of power. It was fitting therefore that, in 1956, Britain's Calder Hall reactor should be the first in the world to generate electricity from nuclear fuel, and feed it into a national grid. The Magnox reactors, developed from the Calder Hall design, provided and still provide a reliable source of base load electricity. Their safety record has been excellent, over twenty years of commercial operation.

The Magnox reactors burn natural uranium. The next generation Advanced Gas Cooled Reactors (AGR) developed in Britain use uranium enriched in the isotope Ur 235. Together with our Dutch and German partners in URENCO, we have achieved a significant technological lead in enrichment technology. URENCO has developed the world's first commercial gas centrifuge plant for uranium enrichment.

Spent fuel from commercial reactors can be reprocessed to recover unburnt uranium 235 and the by-product plutonium. These are very valuable materials which will, at some time in the future, fuel the new generation of fast reactors (see p3). Britain has long experience in reprocessing technology, and British Nuclear Fuels Ltd, at Sellafield, is a world leader in both reprocessing and fuel fabrication. About 60 per cent of the spent fuel reprocessed in the Western world has been reprocessed here in Britain.

The Government's Policy

Britain's nuclear power programme has received bipartisan support in Parliament, ever since 1946 when Mr Attlee took the initial decision to develop civil nuclear power. In 1976 Mr Benn, then Energy Secretary commissioned a thorough review of thermal reactor systems by the National Nuclear Corporation. On the basis of that review, in January 1978, he announced his decision to authorise the electricity supply industries to order two new Advanced Gas Cooled Reactors.

At the same time, he announced that, having regard to the importance of nuclear power, the UK should not be dependent upon an exclusive commitment to any one reactor system. He said: "We must develop the option of adopting the PWR (pressurised water reactor) system in the early 1980s". (Hansard, 25 January 1978, col 1392).

Conservatives supported this statement at the time, and have accepted it as a basis for policy in Government. Work has continued on the adaptation of an American PWR design to meet British needs and safety requirements. A public inquiry into the CEBG's application to build a PWR at Sizewell in Suffolk is under way, and the main public hearings, which will be held close to the proposed site, opened on 11 January 1983. Although Sizewell B is proposed to be the first UK power station based on the PWR, our nuclear powered submarines, with over twenty years of totally safe operation, are powered by this type of reactor. Thus, PWR technology is not new to Britain.

The Sizewell inquiry will look into all aspects of the CEBG's proposed new power station. As well as the normal planning considerations the safety and the economics of the proposed development will be considered in depth.

For the future, the Government has re-affirmed its commitment to the development of the fast reactor. It seems likely that reactors of this type will be needed in the early part of the next century. This type of reactor will be able to burn depleted uranium and plutonium recovered from spent fuel from the present commercial reactors, and can create out of it energy equivalent to our present economically recoverable coal reserves. This is of major significance for our future energy supplies.

Britain is among the world leaders in fast reactor technology, and a substantial development programme is concentrated at Dounreay in the North of Scotland.

Safety The nuclear power industry is, by comparison with other energy industries and with most of the chemical and petrochemical industries, safe for both its workers and the public. Successive Governments have ensured that safety considerations have been paramount.

The most serious accident which has occurred in an nuclear plant in Britain was in 1957. This occurred not in a civil plant, but in a reactor at Windscale used to produce plutonium for defence purposes. Within 38 hours, the reactor was cold and under control, but a good deal of radioactive iodine was released. The then Government was concerned that the radioactive iodine would be deposited on the grass, that cows would eat the grass and that in this way radioactivity would get into milk produced in the area. In fact, the levels of activity monitored in the milk did not result in any significant hazard to public health, but instructions were nevertheless issued to all farmers in the area that they were to milk their cows as usual, pour the milk down the drain and send in a bill for the income which they had lost in consequence. This instruction was apparently obeyed meticulously, although according to the bills submitted by the farmers, all the cows doubled their milk production during those two crucial weeks. No ill effects of the incident have subsequently been discovered.

The accident did however have one great benefit, in that it stimulated an exhaustive review of the safety arrangements in the UK. The Nuclear Installations Inspectorate (NII) was established as an independent licencing body, and the principle was firmly established that the operator of any nuclear installation in the UK has the absolute responsibility to ensure its safety. This system has served the country very well indeed. Britain's safety record at nuclear installations is second to none. It is noteworthy that the changes proposed by the Kemeney Commission, which was set up in the US after the accident at Three Mile Island, would make the US regulatory sytem much more like the system we have had in Britain for the last twenty two years.

The questions on safety have to be addressed at various levels:

- How likely is a major accident? - It is unlikely in the extreme. 281 nuclear reactors operate in 24 countries; the technology has been in use for almost twenty years; yet a major accident resulting in any significant hazard to public health has never happened. Nuclear power plants are designed with safety in depth, and are very closely regulated indeed. The accident at Three Mile Island, which was a serious financial disaster, did not pose a significant threat to the people living in the vicinity.

- What if a major accident happened? - First, a reactor core cannot explode like an atomic bomb. However, the worst possible accident that can be imagined at a nuclear plant would be very serious. The same is true of very many other large installations. The point is that the worst possible accidents are precisely the ones which the designers and regulators are so careful to avoid. Throughout history, the great disasters have been natural - plague, floods, earthquake. Apart from wars, hydro dam failures are the only man-made disasters which have caused well over a thousand deaths in a single incident.

- What about the less spectacular risk of radiation escaping from nuclear power plants during normal operation? This is easily measurable and demonstrably insignificant. The environment in which we live is permeated by radiation; a small amount is added by burning nuclear fuel. Neither is significant. The risk of contracting cancer is much greater, however, for people living in areas where oil and coal are burnt, because of the non-radioactive carcinogens produced. The risk is much greater still for people who smoke cigarettes. It has been estimated that the present level of radiation from the nuclear programme is as dangerous to the individual as the smoking of two cigarettes in his or her lifetime.

The Department of the Environment and the Ministry of Agriculture, Fisheries and Food both monitor the effects of pollutants, including those from the nuclear power programme, in the environment. Both are independent of the sponsoring Department of the nuclear industry.

Waste Management. 96 per cent of spent fuel from nuclear reactors is unburnt uranium or plutonium, which is reusable. The remaining waste, although highly radioactive, is produced in very small quantities. One of the virtues of nuclear fuel is that a small volume produces a large amount of energy. Coal and oil, on the other hand, have to be burned in large quantities, and produce large amounts of extremely unpleasant solid and gaseous waste.

The safe storage of highly active waste from nuclear fuel is essential. At present, it is stored at Sellafield, in solution form, in high integrity stainless steel tanks. A process for turning this waste into glass has been developed on an industrial scale by BNFL's partners in France, and work of this kind will soon start at Sellafield. The waste will then be glassified within stainless steel containers, and stored at Sellafield until much of its activity has decayed. (This will take about 50 years). ~~The well-protected capsules will then be disposed of, probably underground in stable geological strata.~~

Nuclear Energy and Nuclear Weapons

The civil nuclear power industry worldwide has always been alert to the possibility that plutonium extracted from spent fuel or highly enriched uranium could be used by countries to develop atomic weapons. There are, of course, much easier and cheaper ways in which a country intent upon making nuclear weapons could proceed. Nevertheless, a comprehensive system of international agreements and inspections minimises the risk that the legitimate rights of countries to civil nuclear power do not lead to their developing nuclear weapons.

The prime instrument of control is the Non-Proliferation Treaty. States party to the NPT have undertaken not to provide nuclear materials or equipment to a non-nuclear weapons state unless they are covered by safeguards monitored by the International Atomic Energy Agency. Most other countries not party to the NPT have all their nuclear facilities under IAEA safeguards. There are only four non-nuclear weapons states which are not party to the NPT, where certain nuclear facilities are not under IAEA safeguards. These are India, Pakistan, Israel and South Africa. The safeguards system is designed to verify member states compliance with their stated commitments and to account for all the nuclear materials handled by their civil nuclear programmes so that misuse would be detected at an early stage.

Secondly, the principal exporters of nuclear materials and technology, including the UK, belong to the Nuclear Suppliers Group, and observe agreed guidelines for the transfer of sensitive nuclear items and technology. These are specifically designed to reduce the risk of misuse.

As a country which already has nuclear weapons, we need not submit to IAEA safeguards, but have chosen to do so. The Government has recently reaffirmed that no plutonium recovered from our civil nuclear programme has ever been used for military purposes and that there are no plans to do so in the future.

Common misconceptions

Progress on renewable sources of energy is hampered by concentration on nuclear power

No significant contribution can be expected from the renewable sources of energy at least before the year 2000. Nonetheless, the Government is active in its promotion of R&D in this area.

Conservation could eliminate the need for more nuclear power

The ordering and building of nuclear power stations is grinding to a halt worldwide. In the US, some are closing down.

Conservation is very important, particularly in reducing the energy used in space heating. However, electricity is relatively little used in this application. In any case, measures such as loft insulation have relatively little impact on the peak demand for electricity, and this is the factor which determines the amount of generating capacity needed. Thus more home insulation, while very sensible in cutting heating bills, does not mean we need to generate substantially less electricity.

The building of power plants has been affected by the worldwide recession. However, the situation has been exaggerated by opponents of nuclear power.

In Germany, a 5 year moratorium on nuclear build has recently been lifted. 9 plants are now under construction and 8 are under approval. Nearly all of them are PWRs.

In Switzerland a 5th nuclear plant (BWR) is planned, and this will

mean that 35% of their electricity will be generated in nuclear plant by 1990.

France is pressing ahead with an extensive programme. 27 PWR's are presently under construction.

Recession and higher interest rates combined with delays in the licensing process have led, in the US, to cancellations of generating plants under construction. However, some 20 stations presently under construction are expected to come onstream by the end of 1984 and a further 40 are in an advanced stage of construction. Coal-fired capacity has not been hit so hard as nuclear due to lower initial capital costs, simpler licencing and the availability of cheap opencast coal close to potential power station sites.

The Three Mile Island accident demonstrates that the PWR is intrinsically unsafe.

Not a single injury resulted from this accident. The Presidential Inquiry into the accident by the Kemeny Commission concluded that the small release of radiation had negligible impact on the health of individuals.

Meltdown (as portrayed in the fanciful film, 'The China Syndrome') did not occur. Even if it had, the Commission concluded that there was a high probability that the resulting radiation would have been contained by the reactor building.

The PWR is not inherently unsafe; it is the most common nuclear generating technology in use in the world today. The Commission's main conclusion about the accident at Three Mile Island was that faults in the system of licensing and regulating US nuclear plant were largely responsible for the seriousness of the accident. The changes suggested would bring the US system into line with that in the UK.

The NII will be determined to ensure that the events which occurred at Three Mile Island could not be reproduced in a British PWR. The Electrical Power Engineers Association, which represents the engineers, managers and scientific staff who plan and run the electricity supply industry, has concluded that the PWR "cannot be opposed on the grounds of its safety

The disposal of nuclear waste poses a threat to future generations

The transport of nuclear waste is a hazard to the public

implications for the staff who will be involved in its commissioning and operating" (Guardian, 5 January 1982).

Nuclear waste will be glassified inside high-integrity capsules, and stored in safety for about 50 years, until its activity is substantially reduced.

These capsules will then be disposed of, in stable geological formations underground or possibly under the ocean. The chances of their reaching the surface and being assimilated by humans will be effectively zero.

Nuclear fuel is transported in steel flasks up to 12 inches thick. Arrangements for moving spent fuel in the UK are in accordance with internationally agreed safety standards.

Transportation flasks are subjected to simulated accidents to test resistance to fire and impact. They have been proved safe.

More fuel has been moved by the two UK Generating Boards than by all the rest of the world's commercial

Terrorists could steal plutonium from the civil nuclear fuel cycle to release in a public place or to use for weapons production

organisations put together. Just over 12½ thousand tonnes of irradiated fuel have been moved from CEGB power stations to Sellafield since 1962 without incident.

Plutonium is a very dangerous material if inhaled as fine dust. The most stringent security measures are enforced to ensure that plutonium is not stolen, even in minute quantities. If terrorists wish to poison large numbers of people, there are many easier ways of doing so with less danger to themselves.

It seems highly unlikely that terrorists could make weapons from plutonium from civil nuclear power stations. It is more likely that they could buy such weapons from irresponsible governments. A moratorium on nuclear power generation would not in any way change the nature of the terrorist threat.

Presentation of Trade Policy

1. Introduction

Britain depends upon the open trading system. She is more heavily dependent on overseas trade than most other major industrialised nations. Some six million jobs depend on our exports of goods and services.

The open trading system, at a time of virtual stagnation in world trade, is under increasing pressure. This reflects:

- (a) rising unemployment in all OECD countries;
- (b) the rapid emergence of the newly industrialising countries, providing high quality goods at low prices;
- (c) the possible departure of the Labour Party from the post-war consensus on the need to maintain a liberal trading regime;
- (d) the apparently unmanageable pace of change now required of certain British industries;
- (e) the increasing number of countries threatening to resort to protectionist measures;
- (f) the political and financial problems of trade with the Eastern bloc.

Our trade policy is likely to be judged by:

- (a) its impact on output and employment;
- (b) the extent to which it is seen to be either ideological or naive, or pragmatic;
- (c) the degree to which the demands of certain industries are seen to be desirable or sensible;

- (d) the extent to which the EEC is seen to be helpful or not;
- (e) the manner in which it affects consumers and other industries as users of imported goods or as victims of retaliation;
- (f) the vigour and effectiveness of Government action against other countries' unfair trading practices and in pursuing Britain's interests through international channels;
- (g) its relationship to the Government's general economic and industrial policies.

This paper has three sections. The first examines current public perceptions, in so far as they are known; the second outlines the Government's trading policy and how it might be presented; the third offers comments on some current fallacies and misunderstandings about our trading policy.

2. Public Perceptions

The relative complexity of the arguments in favour of open trade and the Common Market puts the open trader at some disadvantage in political debate. With concrete industrial examples to allude to, the protectionist can always appeal to patriotism, pragmatism, practicalities and even compassion. These sentiments can, of course, also be invoked by the open trader, but he will not always be able to match the simple appeal of the protectionist promise to "save jobs".

Though poll data on trade is not extensive, some results

indicate that the protectionist has a ready market for his views:

- (a) Foreign imports are seen as one of the main causes of Britain's economic difficulties; few consider increased imports a result of our own economic failures; nearly one in two people favour import controls;¹
- (b) The Common Market is generally judged to have been economically harmful; there is little appreciation of the increased export and employment opportunities it has offered;²
- (c) Awareness of the importance of European markets is very limited; there is little realisation of how many jobs would be put at risk by withdrawal;³
- (d) The Common Market is held to be responsible for increased prices generally and increased food prices in particular; there is a concomitant belief that food would be cheaper outside the Community;⁴
- (e) The Common Market is held to have denied us trade with the Commonwealth and the rest of the world;⁵
- (f) Foreign governments are widely believed to be more adept at protecting their own industries.

1. Gallup poll, Daily Telegraph, 21st July 1980.
2. MORI polls, various 1977-82; Survey Research Associates, March 1979.
3. ORAC, July 1980 and March 1982; ORC February 1979.
4. MORI polls, various, 1977-82; ORC February 1979; ORAC March 1982.
5. ORAC, February 1979 and March 1982.

3. Presentation

- (a) Open and fair trade is more important to the United Kingdom than most other major industrialised countries;
- (b) Open and fair trade has clear, practical benefits for the United Kingdom;
- (c) As our largest export market the European Community is vital to British jobs and investment;
- (d) Competitiveness is the most important element in the United Kingdom's overall trading success;
- (e) The vigorous promotion of exports and inward investment by the Government has increased employment in the United Kingdom;
- (f) The Government is willing to protect certain vulnerable industries from sudden surges of imports, in order to allow some traditional industries time to adapt and restructure;
- (g) The Government rejects the widespread use of import controls as ultimately counter-productive;
- (h) Government and EEC action against unfair trading practices abroad, such as those in France, has been very effective;
- (i) British exports of services are at record levels, and our national trading surplus is second only to that of the U.S.A.

3.1. General Trade Philosophy

First, an open trading system is clearly in Britain's interest. Britain's exports are equivalent to about 30 per cent of GDP, which is a higher proportion than virtually any other major industrialised country. Our interest clearly lies in dismantling barriers

rather than encouraging them by erecting our own. That is why the Government is pressing, through international channels, for the liberalisation of trade in services too.

Second, the Government does not blindly pursue a liberal trading policy for all industries in all circumstances. It is pragmatic and sensible - and permissible under Article XIX or the GATT - to protect industries that face serious damage from a surge of low-cost imports. It can give an industry time to re-equip and adapt to new market conditions.

Third, trade must be fair as well as free. That is why the Government has pressed and is pressing - in the GATT and through the European Community - for the opening up of certain markets abroad, notably Japan.

3.2 The Benefits of Open Trade

The broad economic case against protection is:

- (a) Open trade allows countries to specialise in those activities at which they are most productive;
- (b) This leads to higher output, lower prices and a higher standard of living;
- (c) Increased competition from imports stimulates efficiency, productivity and innovation in British industries;
- (d) By providing secure export markets open trade encourages companies to invest in new plant and products;
- (e) Free access to the European market encourages foreign companies to invest in Britain;

- (f) British manufacturers gain from free access to competitive, well-designed industrial components and supplies.

The city states of Hong Kong and Singapore, as open trading economies, clearly demonstrate these benefits.

3.3 The Disadvantages of Protection

Import controls

- (a) allow management to abandon the struggle to contain labour costs, improve their products and invest in new technology, so allowing industries to become mediocre and uncompetitive, leading to higher prices;
- (b) tend to protect jobs only temporarily; protection in the coal industry has not shielded it from world recession;
- (c) deny consumers a wider choice of imported and domestic goods;
- (d) can provoke retaliation, so only protecting jobs in some domestic industries at the expense of other export industries;
- (e) can temporarily aid one industry but penalise another; for example, other industries can be denied access to the technology they need to remain competitive;
- (f) depress import demand and so drive up the exchange rate at the expense of export industries.

Governments reacted to the depression of the 1930s with tariffs and quotas. World trade plummeted. By contrast, the dismantling of those barriers to open trade after the war, under

the GATT system, meant that by 1980 exports of manufactures⁶ by the main industrial countries had grown tenfold since 1950.

4. Departures from the Open Trading System

The most effective solution for industries threatened by low-cost imports is to improve their competitiveness or change their product.

Some protection has nevertheless to be provided for industries threatened by sharp surges of imports. Various forms of protection, consistent with our obligations under the GATT and the Treaty of Rome, operate in the clothing and textiles, consumer electronics, footwear, steel and motor car industries.

Some of these are voluntary restraint agreements (VRAs).

These are preferable to import controls, since they are more flexible and less likely to provoke retaliation, or demands for compensation.

Anti-dumping procedures, which are appropriate in certain circumstances, are pursued with the utmost vigour. These are consistent with the policy of free but fair trade.

Protected British industries are listed below.

4.1 Textiles and Clothing

Production and employment in the textile industry have been seriously damaged by low-cost imports. In 1980 imports of

6. In volume terms.

textiles and clothing totalled £1,545 million, £1,258 million more than in 1970. 150,000 jobs were shed in 1980-81, and a further 17,000 in the first half of 1982, though not all these job losses are attributable to low-cost imports. Despite this, textiles and clothing are still a major employer, accounting for about a tenth of manufacturing employment. The industry is also still a major exporter - in 1980 the UK exported textiles to the value of £1,363 million, £945 million more than in 1970. Given its importance and vulnerability the Government has granted the industry a good deal of protection. Low-cost imports now account for only 12 per cent of the UK market and over nine-tenths of these are subject to actual or potential restraint under the Multi-Fibre Arrangement and related agreements. All are being renewed for the 1983-86 period, giving the industry more protection than any other in the UK.

4.2 Footwear

About half of all low-cost footwear imports are covered by measures of restraint, initiated by the Government or secured by the British Manufacturers' Federation (BFMF) with Government support.

4.3 Motor Cars

Regular discussions take place between the Society of Motor Manufacturers and Traders (SMMT) and the Japanese Automobile Manufacturers' Association (JAMA). The Japanese have voluntarily restrained their share of the UK car market

to between 10 and 11 per cent in 1980 and 1981. It is expected to stay at that level in 1982.

4.4 Consumer Electronics

The Radio Industries Council (RIC) regularly meets its counterparts from Japan and a number of other Far Eastern industrialising countries, to discuss the UK market in consumer electronics. Various inter-industry arrangements covering imports from Singapore, South Korea, Thailand and Taiwan operate.

4.5 Steel

Since 1977 employment in the British Steel Corporation (BSC) has fallen from 208,000 to 90,000. Since 1979 BSC's manned capacity has fallen from 21 million tonnes to 14.4 million tonnes. Private sector installed capacity has fallen from 5 million tonnes to 4.4 million tonnes in the same period.

The social cost is high. Therefore the Government has secured, through anti-dumping action in the EEC, voluntary restraint arrangements (VRAs) on steel imports with 14 non-EEC countries. These cover about 70 per cent of UK steel imports from non-EEC countries. The VRA countries have agreed to certain restraints on volume and price in return for exemption from anti-dumping action. Where VRAs do not operate the provisions of the basic import price scheme apply.

Import penetration of the UK steel market is the lowest of all the EEC steel producers.

4.6 State Aids to Exports

Another departure from the open trading system is the increasing willingness of Governments to subsidise exports, especially of capital goods. This normally takes the form of "soft" finance for major projects in third countries. The devices used are various - aid programmes, mixed credits, government guarantees - but all distort the world market for major project business.

The Government have and will continue to argue against and resist such practices by supporting efforts within international organisations, such as the OECD, to monitor and discourage them. The Government is prepared, however, to use instruments such as the Aid and Trade Provision and ECGD's rapid matching facility to assist British companies to meet the competition on equal terms.

5. Trade Barriers Abroad

Open trade is good for all countries and the GATT system has stood up well to current pressures. In fact the present world tariff structure is largely the result of successive rounds of multilateral trade negotiations aimed at reducing tariffs. The last was the Tokyo Round concluded in 1979, as a result of which tariffs are being reduced on a reciprocal basis between 1980 and 1988.

However, the GATT system has been placed under considerable strain during the current recession. Protectionist pressure has surfaced in all countries.

In its own interest, the United Kingdom is a relatively open market. Over four fifths (83 per cent) of visible imports in 1980 were admitted duty free; agricultural levies and various import restraints covered only 7 per cent of total imports or 11 per cent if only non-EEC imports are considered.

Some other markets are just as open. Among the Newly Industrialised Countries (NICs) Hong Kong and Singapore have completely open markets. NICs as a whole took 12 per cent of UK exports in 1980; the USA took 12.3 per cent of our exports in 1981; and the EEC countries now take over 40 per cent of our exports. This trade is extremely valuable to Britain. In 1980 the UK had a current account surplus of £2.9 billion; in 1981 it reached a record £6 billion and in 1982 it was probably £4 billion. The forecast for 1983 is for a £1 billion surplus. This is a substantial improvement on the £0.9 billion deficit of 1979. In 1981 the UK had a £4.9 billion surplus in manufactured goods with oil-exporting countries and a £2.3 billion surplus with other developing countries. However, in some markets British exporters are facing problems of access and high tariffs. These are listed below.

5.1 Japan

Japanese exports to Britain have doubled, in real terms, in the last four years. This has led to a serious and growing

imbalance of trade - £1.13 billion in 1980: £1.58 billion in 1981 and £1.97 billion in 1982. This year the Japanese will probably sell us £2½ billion worth of goods; we will sell only £660 million to them.

Japan has scarcely opened up her market at all. In 1980, for example, British industry sold £1,896 million worth of aerospace products worldwide, but only £30 million worth to Japan. £132 million worth of vehicle components were sold to the USA and £218 million worth to Germany, but only £6 million worth to Japan.

Pressure via the EEC and the USA has resulted in two recent packages which have begun the process of opening up of the Japanese market, but more fundamental changes are required.

5.2 Spain

Trading relations with Spain are governed by the Spain/EEC Agreement, signed in 1970, before Britain joined the Community. Spain has consistently failed to observe it properly, notably by maintaining a discriminatory fiscal system and by administering quotas in an opaque way.

Spain's high tariff barriers against Community exports are legal under the Agreement but now unwarranted. Spanish industrial development since then - especially in areas like steel, ships and textiles, where Community countries have cut

capacity - has made the Agreement increasingly one-sided. The British tariff on cars from Spain, for example, is 4.2 per cent; the Spanish tariff on cars from Britain is 36.7 per cent.

The problem will disappear in the longer term since Spain wishes to join the Community. Meanwhile Britain has asked the European Commission to report urgently on interim remedial action to bring about a fairer balance of trading opportunity.

5.3 France

Britain has made clear to France that she is not prepared to see her export trade damaged by some of the methods chosen by the French to "recapture the home market".

These methods were prompted by the prospect that Socialist economic policy would result in a FFr 100 billion trade deficit in 1982. They include excessive customs formalities for videos and discriminatory loans by nationalised banks.

These measures have been unanimously condemned by France's Community partners, and the European Commission is actively pursuing possible breaches of Community law.

5.4 The USA

When President Reagan announced the embargo on the export of technology for the Siberian gas pipeline, the Government took immediate action to protect British companies. Subsequent

diplomatic moves, in conjunction with our EEC partners, secured the removal of the embargo.

More recently, the US steel industry's initiation of countervailing and anti-dumping complaints against European steel imports used US trade law procedures to protect a recession-hit industry from imports. US official procedures for dealing with these cases, and the interpretation placed upon the concepts of subsidy and injury by the US authorities, caused very serious concern in Europe. Indeed, they were arguably inconsistent with US international obligations.

Though the British Government played a full role in the negotiations which led to the subsequent steel agreement, without the added influence of the EEC it would have been far less acceptable.

The Agreement established restrictions on access to the US market for a range of carbon steel products. A ceiling of 5.9 per cent market share in steel pipes and tubes for the US was also agreed. There remain outstanding countervailing and safeguard actions involving UK and other EEC exports to the USA of special steels.

5.5 Australia

Australia protects her industry with very high tariffs and quotas. The UK case against them is more difficult, because they are compatible with the GATT; we have a healthy trade surplus

with Australia; and Australian objections to the protectionist Common Agricultural Policy are arguably very understandable.

5.6 Competition for Overseas Projects

One of the Government's declared objectives is to help UK exporters secure a greater share of major overseas project business. Several steps have been taken to support UK companies and contractors. These include the creation of the Projects and Export Policy Division at the Department of Trade, which co-ordinates the assistance given to consultants and contractors pursuing large overseas projects. This has enabled increasing and more effective use to be made of financial support mechanisms such as the Overseas Projects Fund, the Aid and Trade Provision and ECGD facilities.

With this Government help British industry has achieved some notable successes over the past two years. Contracts won include a £550 million power station in Hong Kong by GEC; a £330 million Mexican steel mill by Davy-Loewy; a £250 million power station in India by NEI; a £200 million hydro-electric scheme in Indonesia by Balfour Beatty; a £250 million university in Oman by Cementation; a £195 million metro project in South Korea; a £170m trans-pacific cable project by STC and a £100 million order in Zimbabwe for boilers by Babcock Power. In addition, contracts worth some £200 million of project business have been secured under a Memorandum of Understanding with Brazil signed by the Government in October 1981. Contracts worth a further £200 million are under negotiation.

Altogether successes reported on projects in excess of £50 million have, since the first quarter of 1981, been worth almost £3 billion, of which more than £2 billion is UK content.

6. Misunderstandings and Fallacies

6.1 Import Controls Would Save Jobs

Only in the very short term. They would do nothing to eradicate the root cause of Britain's unemployment: a lack of competitiveness caused by low productivity and relatively high wage and price inflation. They would prop up declining industries at the expense of growth industries; reduce the incentives for management and labour to contain their costs; and raise prices and lower consumption. In the longer term, that would destroy jobs, not protect them. We cannot raise quality and keep tight control over costs by opting out of the world market.

6.2 Temporary Import Controls Can Mitigate the Unpleasant Side-Effects of Industrial Change

This is true in certain instances (e.g. textiles) but it is implausible to argue that hospitalisation behind import controls can always give an industry time to recuperate. Only competition stimulates the innovation, efficiency and productivity needed to survive. And temporary controls have a habit of becoming permanent.

6.3 Import Controls Will Help the Balance of Payments

This assertion rests upon the fallacious assumption that a

country's standard of living is enhanced by an increase in exports and diminished by an increase in imports. In fact the purpose of exporting is to gain the foreign exchange to import what cannot be produced at home but is necessary to improve the standard of living. A country which exported its entire national production but imported nothing, for example, would be literally destitute. It is therefore natural that the UK will have trade deficits with some countries and trade surpluses with others. In general, the UK has deficits on trade in manufactured goods with developed countries and surpluses with developing countries.

6.4 Britain is Naive to Stick to GATT/EEC Trading Rules When Others Do Not

Free trade is good for all countries and the UK market is relatively open. However, the Government is pressing - in GATT and via EEC - for liberalisation of those markets where British exporters are at a disadvantage. Within the EEC remedies are available for breaches of the competition rules. These breaches frequently take the form of unnotified state aids. Such aids can be difficult to pinpoint. But the Commission has successfully prevented other Member States adopting a considerable number of state aids, once they have been notified, as being incompatible with the Treaty of Rome. Such aids have included, for example, differential relief for Italian employers' contributions to sickness insurance schemes, subsidy for soft drinks manufacture in Belgium, and for petrochemicals in the Netherlands.

6.5 The Government Gives Less Help to British Exporters than Our Competitors Give to Theirs

This is not true. Quite apart from the extensive facilities provided by the Export Credits Guarantee Department and spin-off benefits to exporters from the Government's overseas aid programme, the Government spends about £80 million a year to assist UK exporters - that is £1 for every £1,000 of exports of goods and services. This is spent on the official export service provided by the Department of Trade, together with the Commercial departments in UK Embassies and High Commissions and Consulates overseas, which are administered by the British Overseas Trade Board. They include a wide range of market advice and specific services designed to help exporters however big or small.

6.6 Membership of the EEC has had an Adverse Effect on the Economy and Employment

Withdrawal, not membership, puts jobs at risk. The Community market now takes 43 per cent of British exports. Withdrawal would put 2½ million jobs at risk, and deny us many more as investment from America, Japan and other non-EEC countries went elsewhere in the Community. Tariff-free access to the Community market of 270 million people is a powerful attraction to foreign investors. Britain now accounts for about half of the Japanese investment in the Community, and over a third of all US investment in the Community is in Britain. We would not have these jobs at all if we had been outside the Community.

The EEC also offers valuable negotiating strength - as it has demonstrated over the Multi-Fibre Arrangement, footwear restraint, steel cutbacks and exports to Japan.

6.7 Withdrawal from the EEC Would Allow Britain to Revert to her Commonwealth and Other Traditional Markets

Wrong. With British entry into the EEC Commonwealth countries have diversified their trade and now account for less than 15 per cent of Britain's trade. Our current competitive position makes further inroads in North America unlikely; Latin America operates tough import controls; and the Eastern bloc absorbs only 3 per cent of British exports. The EEC accounts for over two fifths of Britain's trade; the Community would not negotiate a favourable trading arrangement if Britain withdrew.

6.8 Food is Cheaper Outside the EEC

Of the 283 per cent rise in food prices since accession, only 8-10 per cent is attributable to CAP. Our old suppliers of foodstuffs - such as Australia and New Zealand - have found other markets. Moreover, the world market in food is very small. In fact so little food is traded on the open market it is hard to judge what constitutes a competitive price. This is because the bulk of world trade in food takes places on fixed contracts. Britain, for example, has a contract with the African and Caribbean producers (ACP countries) of sugar to buy a certain amount of sugar at a fixed price. Similar contracts exist for other foodstuffs. Thus if Britain

withdrew from the EEC and sought to buy on the world market, for example, all the butter she needed beyond her domestic production, she would take half the world market's supplies. That would have a catastrophic effect on the price of butter.

6.9 The Decline of Manufacturing Means the Loss of Export Markets

Historically, Britain has been a net importer of food and raw materials and a net exporter of manufactured goods. Manufacturing is still very important: it provides 6 million jobs and a quarter of total output is exported. However, it is merely nostalgic to imagine that Britain should continue to manufacture and market particular products just because she always has. Vigorous efforts are made instead to promote new products and services to replace the old. Our trade in services, for example, has grown dramatically. In the last decade all the main service sectors, except shipping, grew in real terms. Civil aviation (£2.4 billion in 1981) more than doubled; travel (£3 billion) rose by half; miscellaneous services (£5.2 billion) rose by two fifths. UK earnings from financial and consultancy services are greater than any other country in the world. Exports of services in 1981 totalled £17 billion - an increase of a fifth (in volume terms) on 1971. Between 1980 and 1981 Britain's invisible export earnings increased from £24 billion to over £26 billion.

6.10 Eastern Europe Floods the British Market with Shoddy Goods

Much of the trade with the Eastern bloc is in raw materials.

Many of their goods are uncompetitive in quality and so do not sell well, e.g. they have only 2 per cent of the British car market. Restraints on textile, footwear, pottery and steel imports operate; anti-dumping action has been taken in many cases.

6.11 Trade with the Eastern Bloc Shores up Communism

The USSR buys over £400 million a year of British goods and Eastern Europe a similar amount - which is about 2 per cent of British exports. Britain supplies about 1½ per cent of Soviet imports. This is an important market for some British businesses. The COCOM system is used to frustrate the Soviets acquiring strategically important technology. Credit and loans to the Eastern bloc are carefully vetted.

CC MASTER

NOTE OF LIAISON COMMITTEE MEETING HELD ON WEDNESDAY,
9 FEBRUARY 1983

Those Present: Prime Minister

Lord President of the Council

Secretary of State for Scotland

Secretary of State for Employment

Secretary of State for Trade

Chairman of the Party

Chief Secretary, Treasury

Minister of State, Treasury (Mr Wakeham)

Parliamentary Under-Secretary for Energy (Mr Moore)

Chief Press Secretary, No 10

Director, Conservative Research Department

Mr Ward, Lord President's Office

1. The Committee considered a draft paper on the presentation of trade policy. The following points were made in discussion.

- (a) The statement, in paragraph 6.6, about the employment implications of withdrawal from the European Community was potentially misleading, since the basis of calculation of the figures was uncertain.
- (b) In general, figures on trade performance tended to be distorted by the oil factor, which disguised a deteriorating performance in manufactured goods, although, in the latter context, some firms performed extremely well. As a nation, the United Kingdom still exported one-third of its GDP, although the trend was downwards.
- (c) Trade statistics were in any case not the most helpful points to emphasise in presentation. Trade policy had to be set in the general context of international frameworks, such as GATT and the EC, and the point had to be made that our difficulties had more to do with the efficiency of the UK than with defects in international trade agreements. Free trade was the best test and measure of efficiency of United Kingdom companies.

.../...

PRIVATE AND CONFIDENTIAL

- (d) Paragraph 6.5, which dealt with the Government's assistance to exporters, should refer back to paragraph 5.6. It would be interesting to see a paragraph in the paper which set out foreign perceptions of the assistance given by the UK Government.
- (e) Although the United Kingdom had attracted a substantial proportion of Japanese investment in the European Community, only a very small number of jobs (about 7,000) were involved. Historically, successful trade was a precursor of investment of this kind but it was possible that, among other things, the Japanese might be deterred by growing signs of a disposition in the EC to set up internal trade barriers, for example foreign content tests.
- (f) Paragraph 6.8, on the question of food prices, should be deleted in toto.

2. The Committee agreed that the paper, amended in the light of their discussion, should be distributed to Ministers.

3. The Committee considered a draft paper on the presentation of the Government's nuclear power programme. The Committee also had before it a minute by the Minister of State, Treasury, commenting on the draft. Mr Moore said that he generally accepted the Minister of State's view that the paper should take a more positive approach. There were however difficulties in the areas of comparative costs - which on whatever basis would continue to be debatable - and on diversity - which it was politically difficult to express as clearly as the Government would wish. It would however be possible to improve the presentation of environmental factors. Mr Moore added that the paper deliberately did not address the areas of interaction between civil and military uses of nuclear power since to do so would raise difficult complications. The industry had however already formed two separate groups to promote the case for civil nuclear power and they could probably be used more effectively. The following points were raised in discussion.

- a. It would be right for the two groups referred to by Mr Moore to consider how they could better deal presentationally with the civil/military interface.
- b. There was much material available to counter the alleged environmental risks of nuclear energy and the paper should be strengthened in this area.

.../...

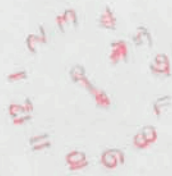
- c. The paper could also lay more emphasis on the financial advantages that French industry enjoyed as a result of their nuclear energy programme.
 - d. References to underground storage of nuclear waste should be deleted; they could be unduly controversial.
4. The Committee agreed that the paper, amended in the light of their discussion, should be distributed to Ministers.
5. The Committee discussed the Chief Press Secretary's diary of events. They endorsed the paper's assessment of those events which were likely to be highlights.
6. The Committee discussed the commissioning of future papers, and agreed to commission a paper by the Secretary of State for Employment, on training and special employment measures; and a paper by the Minister of Agriculture on agricultural policy. The next meeting of the Committee would be held on Wednesday, 2 March 1983.

Distribution: Those present

Mr Lawson, Marketing Director,
Conservative Central Office.

Mr Boddy, Director of Press and Publicity,
Conservative Central Office.

16 FEB 1963





LIAISON COMMITTEE

Meeting to be held on Wednesday 9 February 1983 at 11.00 am
in No 10 Downing Street.

AGENDA

1. Presentation of Trade Policy

FLAG A Paper by the Secretary of State for Trade, circulated herewith.
The Secretary of State will be present.

2. Presentation of the Nuclear Power Programme

FLAG B Paper by the Parliamentary Under Secretary of State for Energy
(Mr Moore) circulated herewith. Mr Moore will be present.

3. Diary of Events

FLAG C Note by Chief Press Secretary, to be circulated.

4. Any other Business

Distribution:

Private Secretary, No 10 (3 copies)
Parliamentary Private Secretary, No 10
Secretary of State for Scotland
Secretary of State for Employment
Chairman of the Party
Chief Secretary, Treasury
Minister of State, Treasury (Mr Wakeham)
Chief Press Secretary, No 10
Marketing Director, Conservative Central Office
Director of Press and Publicity, Conservative Central Office
Director, Conservative Research Department

Secretary of State for Trade
Parliamentary Under Secretary of State for Energy (Mr Moore)

Andrew

What subjects have we
now covered in paper? and

What subjects should the PM

Commissioner at the end of this meeting?

Robin 1 and 2 are v.
good. 3 is
dull. 4 is too
difficult!

→ Andrew
What about:

- ① training & employment Robin
- ② agriculture
- ③ administration of government AW
- ④ transport ??

So far we have done:

economic policy
industrial policy
law & order
housing
education

Social Services (in print soon)

nuclear weapons etc

no very obvious candidates for next
one - but? Trade Union Legislation
or regional policy e.g. Wales/SW Ireland?

Handbook is
organization of documents
and correspondence
for the organization
of the office
Handbook

Handbook of the organization
of the office
Handbook

~~Andrew Ward~~

~~Robin Butler~~

~~Andrew Ward~~

Robin Butler

We have already commissioned papers on:-

Economic policy

Industrial policy

Law and order

Housing

Education

Social services

Nuclear defence

Trade

Nuclear power

Next candidates ?

Trade union legislation

Regional policy

→ Training and employment

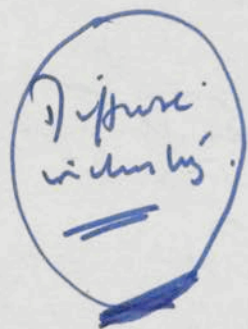
→ Agriculture and fishery.



Nuclear cheaper than
fossil fuel.

Fuel cost changes.

Time of construction



Bill. Nuc. Forum.

Nuc. Power Inf Group.

2.40.

8-9-10 hours per
month.

I have a Select Committee
at 10-30.

Please forgive me.

Kerr

Growing - especially under stress

Now - dress up other things
down.

Design - quality -

MR INGHAM

cc Mr Butler
Mr Scholar
 Mr Mount

WATER STRIKE: PRESENTATION

As I understand it, last night's shambles resulted from ineptitude rather than malice on the part of the NWC. Dickens, the employers' side Secretary, sent a circular to the RWAs explaining the earnings effect of the mediator's proposals on those entitled to long service increments. That does bring the offer up to 8.5% for 64% of the work force, but that is not inconsistent with the figures I have already circulated. The press got wind of the circular, enquired of the NWC what it meant, and a junior spokesman put out the statement we all saw last night. This morning the NWC are apparently surprised at all the fuss. The fact that they have drawn a red herring of huge dimensions across the path of what should have been our main opportunity to put the unions on the defensive for breaking their agreements has escaped them.

We shall have to consider at the next of the Prime Minister's morning meetings what can be done to get the NWC to take presentation seriously. Meanwhile I suggest that there are three lines of attack you can use with the Lobby:

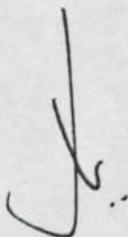
- (i) The unions are breaking their agreements. The press should be constantly asking the union leaders to explain why they are not honouring agreements, and whether their word can ever be trusted. Specifically, the unions were in breach of their NJIC procedure agreement in taking industrial action before the negotiating process, culminating in arbitration, had concluded; and they are now in breach of the 23 January ACAS agreement by refusing to accept arbitration. You may want to remind the Lobby of the terms of Pat Lowry's letter of 21 January to Dickens:

* I can't lay my hands on the text so you'd better not quote this in case it's not categorical.

"In the circumstances of such a disagreement [ie over the mediator's report] either party would have the right to seek arbitration and the other would have the obligation to respond";

(ii) It is simply not true that there has been a "refusal to hold real negotiations" on the part of the employers, as claimed by Mr Newall last night and this morning. It is an appalling reflection on the NWC's handling of the dispute that they have allowed this statement to go unchallenged. The facts show that it is the unions who have on each occasion jumped into industrial action before negotiations are concluded. The 4% offer on 11 November was accompanied by an offer of arbitration, and the unions responded by seeking authority for a strike, and by starting an overtime ban on 19 January. At the ACAS negotiations which concluded on 23 January, the 4% offer was raised to 7.3% over 16 months, and a long service supplement was added. The unions responded by starting an all-out strike. Last weekend at ACAS, the employers made further additions to the offer in the shape of rewards for improved productivity, over and above what was recommended by the mediator: the unions have now responded by intensifying the strike and refusing arbitration;

(iii) The offer is already high. There are many pitfalls in trying to describe the average earnings effect, but across the board the average for all manual water workers is probably around 8%. That compares very favourably with the earnings effect of the miners' settlement (6.5%), the amount recommended by the unions representing local authority manuals (4.5%) or our own estimate of the cumulative average level of settlements for the whole economy this pay round (about 5.5%).



9 February 1983



FROM : MINISTER OF STATE (REVENUE)

DATE : 8 February 1983

PRIME MINISTER

LIAISON COMMITTEE PAPER ON THE GOVERNMENT'S NUCLEAR POWER PROGRAMME

Flag B

1. I have read this paper with a great deal of interest.

2. It looks to me to be a very useful piece of work. It gives us material to deal with all the arguments, save one or two mentioned below, which are commonly adduced against nuclear power. My only criticism of the document is that its tone is perhaps too defensive. There is a lot of positive stuff hidden away within it. But the "reacting to other people's arguments" format can mean that this does not come across as prominently as it might do. Perhaps we could add early on some punchy positive material on the lines that:

- nuclear power is safe power;
- nuclear power is cheap power;
- nuclear power means more jobs [because power costs will be lower];
- other countries, such as responsible Switzerland, have substantial programmes of nuclear power;
- our regulatory system for nuclear power safety is among the best in the world.

3. Two arguments not dealt with in any detail in the report are:

(i) Some environmentalists will accept most of the arguments put forward in favour of nuclear power. But they will point out that if a nuclear station ever "goes seriously wrong", there could be terrible consequences for literally thousands of people (and their unborn children) as a result of windborne radio-active contamination. There is no other power source which could have such an impact in this country. The only reply to this argument that springs immediately to mind is that, while such a catastrophe is not impossible, it is, according to the experts, so improbable as not to be a material factor. The paper ought to try to answer it in as convincing terms as possible.

(ii) "A uranium based society will inevitably lead to a restriction of civil liberties". The point here is that the increasing terrorist threat will require armed guards on nuclear power stations, trains carrying nuclear waste etc, and that this, together with consequential restrictions on civil liberties, will undermine individual freedom. In present day circumstances this is a somewhat fanciful argument, but it is one that is seriously put forward. It deserves a paragraph of rebuttal.

4. My final comment concerns the statement on page 2 that:

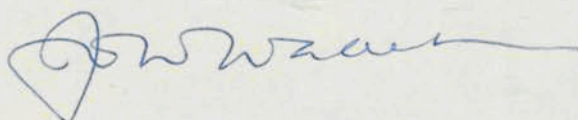
"The production of electricity in nuclear power stations has less adverse impact on the environment than electricity production from fossil fuels."

Presumably this is referring to the acid rain and sulphur and carbon dioxide emissions from coal and oil stations. If

CONFIDENTIAL

so, the statement may be true, but it is one which is not readily understood by the public without explanation. The argument is also perhaps somewhat debatable since, I am advised, the deleterious effects of electricity production from fossil fuels can be dealt with by installing, admittedly expensive, "scrubbing" devices in power station chimneys. In any event, if this sentence is to remain, some of the supporting arguments ought to go in.

5. I am copying this minute to other Liaison Committee members.

A handwritten signature in blue ink, appearing to read "John Wakeham". The signature is stylized with a large, looped initial "J" and a long, sweeping horizontal line extending to the right.

JOHN WAKEHAM

CONFIDENTIAL

PRIME MINISTERLIAISON COMMITTEEDiary to September

I attach a diary to September for consideration by the Liaison Committee. Leaving aside the possibility of a General Election, the following main features emerge:

Economic:

- Budget, March 15;
- 2 European Councils - March 21-22; and June 6-7;
- Economic Summit, Williamsburg, USA - May 28-30. →

Political:

- Bermondsey by-election - February 24;
- Local elections - May 5;
- General Elections: Australia (March 5); West Germany (March 6); Portugal (April 25);
- Bi-lateral talks with Italy, Holland and West Germany;
- Trade union conference season opens, Easter - April 1;
- UK Government's 4th anniversary, May 4.

Regional Tours:

You have six planned, including North West; Fen District and East Angli
London marginals; East and West Midlands.

Major Speeches:

- Young Conservatives (Saturday);
- Institute of Directors (February 23);
- Central Council (March 26);
- CBI dinner (April 19);
- Cutler's Feast, Sheffield (April 28);
- Scottish conference (May 13);
- Women's conference (May 21);
- National Union executive dinner (June 8);
- Welsh conference (June 18);
- European Democratic Union conference (June 23).

Nuclear Campaign:

- Church of England Synod, this week (debate, Thursday);
- CND Lobby of Parliament (February 22);
- CND Easter demonstrations, Greenham Common and Glasgow (April 1 & 2);
- CND Festival, London (May 7);
- CND Pentecost demonstration at Upper Heyford base (May 21-23);
- European nuclear disarmament jamboree, Berlin (end May).

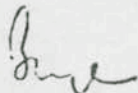
Falklands Anniversaries:

- March 19 - landing on South Georgia;
- April 2 - invasion of Falklands;
- April 7-17 - visit of next of kin;
- April 25 - recovery of South Georgia;
- May 24 - San Carlos landing;
- June 14 - Argentine surrender.

Northern Ireland:

- March 24 - renewal of Prevention of Terrorism Act;
- May 5 - second anniversary of death of Sands, hunger striker.

NB: You are developing your own media programme on a month to month basis.



B. INGHAM
7 February 1983

DIARY FOR 1983

FEBRUARY

- 10 Church of England Synod debates nuclear arms and disarmament.
IMF Interim Committee, Washington.
Provisional figures of vehicle production.
Prime Minister at The Queen and Duke of Edinburgh's reception for winners of Queen's Award for Export Technology.
- 11 Index of retail prices.
Tax and Price index.
West Europe trade unions' rally in Brussels.
Crufts opens.
- 12 PRIME MINISTER ADDRESSES YOUNG CONSERVATIVES' CONFERENCE, BOURNEMOUTH.
- 13-16 The Queen and Duke of Edinburgh visit Jamaica.
- 14 PRIME MINISTER PRESENTS AWARDS FOR MANUFACTURING MANAGEMENT.
Retail sales.
New York trial of Irish gunrunners.
- 15 Index of industrial production.
EC Research Council.
- 16 Average earnings index.
PRIME MINISTER OPENS 'FOOD FROM BRITAIN' CONFERENCE, BARBICAN.
- 16-17 The Queen and Duke of Edinburgh visit Cayman Islands.
- 17 UK Banks' money stock.
- 17-22 The Queen and Duke of Edinburgh visit Mexico.
- 18 PRIME MINISTER VISITS NORTH WEST.
Preliminary estimates of GDP 4th quarter.
TUC Youth conference.

February contd.

- 19 Prime Minister looks in at Local Government conference lunch.
- 20-30 CELEBRATION OF FALKLANDS 150th ANNIVERSARY.
- 21-22 EC: Foreign Affairs Council, Brussels.
- 22 CND LOBBY PARLIAMENT.
Cyclical indicators (Jan).
Information Technology Exhibition, Barbican.
- 23 PRIME MINISTER ADDRESSES INSTITUTE OF DIRECTORS.
TUC General Council meeting.
Red Army Day.
- 24 Overseas trade figures (Jan).
New vehicle registrations (Jan).
Capital expenditure manufacturing distributive and service industries (4th qtr.prov).
Energy trends.
BERMONDSEY BY-ELECTION.
- 24/25 BILATERAL WITH ITALIANS.
- 26-27 The Queen and Duke of Edinburgh visit USA.
- 28 PRIME MINISTER ADDRESSES CENTRE FOR POLICY STUDIES GROUP, LONDON.
EC: Agriculture Council.

MARCH

- 1 EC: Political Co-operation, Bonn.
LAUNCH OF BL 'MAESTRO'.
EC Agriculture Council, Brussels.
- 2 NEDC.
Lunch for the Netherlands' Prime Minister.
- 3 Unemployment figures (Feb).
EC: Development Ministers, Bonn.
- 5 AUSTRALIAN GENERAL ELECTION.
- 6 WEST GERMAN GENERAL ELECTION.
- 7 Non-Aligned Movement Summit.
Finchley Conservative Party AGM.
EC: Finance Council, Brussels.
EC: Part-Session European Parliament.
- 8 WPI.
EC: Political Committee, Bonn.
Prime Minister meets Hungarian Deputy Prime Minister.
Ideal Home Exhibition (until 4 April).
- 8-11 The Queen and Duke of Edinburgh visit British Columbia.
- 10 Launch of Voluntary Home Defence Force.
- 11 THE PRIME MINISTER VISITS PETERBOROUGH, ISLE OF ELY,
NEW CAMBRIDGE, SUFFOLK COAST.
- 14 Prime Minister visits Greenwich Museum.
Penlee Inquiry opens.
The Queen and Duke of Edinburgh attend Commonwealth Day
Observance Service, Westminster Abbey.
100th anniversary of death of Karl Marx.
- 14/15 EC: Foreign Affairs Council, Luxembourg.

March contd.

- 15 BUDGET.
Index of industrial production.
- 16 PRIME MINISTER PRESENTS EXPORT AWARDS FOR SMALLER
MANUFACTURERS.
Average earnings index.
- 17 Princess of Wales at 'Better Made in Britain'
Exhibition
TUC women's conference, Scarborough.
- 18 Index of retail prices.
- 19 Anniversary of Argentine scrap merchants landing on
South Georgia.
- 21 Prince and Princess of Wales visit Australia (until
15 April).
- 21-22 EUROPEAN COUNCIL, BRUSSELS.
- 22 Small Firms '82 Exhibition, Birmingham.
- 23 Prime Minister's lunch for President Kaunda.
TUC General Council meeting.
- 24 Deadline for renewal of Prevention of Terrorism Act.
Overseas trade figures.
EC/Asian Ministerial meeting, Bangkok.
- 26 PRIME MINISTER'S SPEECH TO CENTRAL COUNCIL, LONDON.
- 27 BST begins - clocks go forward.

March contd.

- 28-30 EC Agriculture Council.
- 31 Unemployment figures (March).
Parliament rises.

APRIL

- 1-10 Easter Recess (Good Friday, April 1).
- 1 CND march from Burfield and Aldermaston to Greenham
Common and back (to 4th).
- 2 CND demonstration, Glasgow.
Anniversary of Argentine invasion of Falkland Islands.
NUT annual conference (Jersey).
- 7 Next of kin visit Falklands (until 17th).
- 8 Final date for comments on Green Paper on democracy in
trade unions.
- 10 Inauguration of Falkland Islands memorial.
- 11 Part Session of European Parliament (until 15th).

April contd.

- 12/13 EC Political Committee, Bonn.
- 13 Prime Minister meets President of World Bank.
Gala opening of 'Britain salutes New York'.
- 14-17 Badminton Horse Trials.
- 15 PRIME MINISTER VISITS LONDON MARGINALS.
PRIME MINISTER ADDRESSES CANDIDATES' CONFERENCE
DINNER.
Index of industrial production.
- 17 Gillette London marathon.
Prince and Princess of Wales visit New Zealand
(until 30 April).
- 18 EC Finance Council, Luxembourg.
EC Agriculture Council, Luxembourg.
Scottish TUC annual conference, Rothesay.
Amalgamated Union of Engineering Workers' national
conference.
- 19 PRIME MINISTER'S SPEECH TO CBI DINNER.
Fibre Optics and Electronics Show at Barbican.
- 20 Average earnings index.
- 21/22 BILATERAL WITH GERMAN GOVERNMENT.
£1 coin into circulation.
- 22 Index of retail prices.
- 22/23 EC Informal meeting of Finance Ministers, Germany.
25 Portugal General Election.
- 25/26 EC Foreign Affairs Council, Brussels.
- 25 Prime Minister meets W.German bankers and
industrialists.
Anniversary of recovery of South Georgia.

April contd.

- 25/29 Amalgamated Union of Engineering Workers' foundry section, annual meeting.
- 25-6 May Sea Bed Treaty Review Conference, Geneva.
- 26 Prime Minister looks in at Primrose League, Carlton Club.
- 27 TUC General Council meeting.
- 28 PRIME MINISTER'S SPEECH TO CUTLER'S FEAST, SHEFFIELD.
- 29 PRIME MINISTER VISITS MIDLANDS.
Overseas trade figures.
- 30 The Queen opens National Horse Racing Museum, Newmarket.

MAY

- 1 May Day parade, Moscow.
- 2 Bank Holiday.
EC Fisheries Council.
- 3 EC Research Council.
- 4 GOVERNMENT'S 4TH ANNIVERSARY.
NEDC.
Prime Minister meets President Machel of Mozambique
EC Political Committee.
The Queen and Duke of Edinburgh open Wall Walk, Tower of London.

May contd.

- 5 LOCAL ELECTIONS.
Prime Minister's reception for NSPCC.
TGWU - agriculture and allied workers - annual conference, Eastbourne.
2nd anniversary of death of hunger striker, Sands.
- 6 Unemployment figures (April).
- 7 CND festival, Brockwell Park, London.
Association of Scientific, Technical and Managerial Staff annual conference, Bournemouth.
- 9 CPSA annual conference, Brighton.
- 13 PRIME MINISTER ATTENDS SCOTTISH CONFERENCE, PERTH.
- 14 International Air Fair and Trade Exhibition, Biggin Hill.
PRIME MINISTER PERFORMS NAMING CEREMONY OF BR LOCOMOTIVE AFTER AIREY NEAVE.
- 14-15 EC Informal Foreign Ministers' weekend, Schloss Gymnich.
- 16 EC Finance Council Brussels.
EC Agriculture Council, Brussels.
EC part-session of European Parliament.
- 17 The Queen opens International Maritime Organisation Headquarters on Albert Embankment.
- 18 Average earnings index.
Prime Minister meets Yugoslav Prime Minister.
- 19 Index of industrial production.

May contd.

- 20 PRIME MINISTER'S REGIONAL TOUR.
Index of retail prices.
TUC trades councils conference, Scarborough.
- 21 PRIME MINISTER'S SPEECH TO WOMEN'S CONFERENCE.
CND peace Pentecost march to Upper Heyford.

Football Association Cup Final, Wembley.
- 22 London fares to be cut by 25%.
- 23 PRIME MINISTER'S SPEECH TO 1900 CLUB.
CND demo at USAF base, Upper Heyford.
- 24 Chelsea Flower Show.
EC Foreign Affairs Council, Brussels.
Anniversary of San Carlos landing.
- 25 TUC General Council meeting.
EC Development Co-operation Council, Brussels.
- 25-28 The Queen and Duke of Edinburgh visit Sweden.
- 27 Overseas trade figures.
- 28-30 ECONOMIC SUMMIT, WILLIAMSBURGH, USA.
- 30 Bank Holiday.
- 31 EC Education Council.
EC Energy Council.
EC Political Committee.
- end May European nuclear disarmament campaigners' jamboree
Berlin.

JUNE

- 1 International Labour Organisation annual conference
Geneva.
Derby Day.
- 3 Unemployment figures (May).
- 6-7 EUROPEAN COUNCIL, BONN.
- 7 EC Social Affairs Council and part-session of
Parliament.
EC Transport Council.
- 8 PRIME MINISTER ATTENDS NATIONAL UNION EXECUTIVE
COMMITTEE DINNER.
- Prime Minister opens Arts and Crafts Exhibition
during 1300th anniversary celebration at St Mary's
Rectory, Finchley.
- 11 Trooping the Colour.
- 13 EC Finance Council.
EC Agriculture Council.
Prime Minister's reception for entrepreneurs.
- 14 Anniversary of Argentine surrender, Port Stanley.
Confederation of Health Service Employees annual
conference, Bridlington.
Royal Ascot.
- 15 Average earnings index.
- 16 EC Environmental Council.
Computer Fair, Earls Court.

June contd.

- 17 PRIME MINISTER'S REGIONAL TOUR.
Index of retail prices.
Index of industrial production.
- 18 PRIME MINISTER ATTENDS WELSH CONFERENCE.
- 20 Prime Minister meets Engineering Industries Council
- 20-21 EC Foreign Affairs Council, Luxembourg.
- 20-3 July Lawn Tennis championships, Wimbledon.
- 21 EC Political Co-operation Ministerial.
- 22 TUC General Council.
- 23 PRIME MINISTER'S SPEECH TO 1900 CLUB.
- 24 PRIME MINISTER ATTENDS EUROPEAN DEMOCRATIC UNION
CONFERENCE.
Overseas trade figures.
- 27 NUR annual general meeting.
EC Fisheries Council.
- 30 Unemployment figures (June).
Henley Regatta.

JULY

- 1 EC Presidency passes to Greece.
- 4 The Queen opens first UK factory of Nippon Electric Company, Livingston.
- 9 Prime Minister attends 1300th anniversary of St Mary's Finchley.
- 13 Index of industrial production.
- 13-30 Royal Tournament, Earls Court.
- 14 British open golf championship, Royal Birkdale.
- 15 PRIME MINISTER'S REGIONAL TOUR, WEST MIDLANDS.
Index of retail prices.
- 16 British Grand Prix.
- 20 Average earnings index.
- 26 Overseas trade figures.
- 29 ? House of Commons rises.
- 29 PRIME MINISTER TAKES SALUTE AT RAF COLLEGE, CRANWELL.

AUGUST

4	Unemployment figures (July).
12	Index of retail prices. Index of industrial production.
17	Average earnings index.
21-10 September	Edinburgh Festival and Military Tattoo.
24	Overseas trade figures. TUC general council.
29	Bank Holiday.



J. F. Gow
CS

LIAISON COMMITTEE

The meeting arranged for Wednesday 26 January has been cancelled. The next meeting will be at 11.00 am on WEDNESDAY 9 FEBRUARY 1983 in No 10 Downing Street.

Distribution:

Private Secretary, No 10 (3 copies) ✓
Parliamentary Private Secretary, No 10
Secretary of State for Scotland
Secretary of State for Employment
Chairman of the Party
Chief Secretary, Treasury
Minister of State, Treasury (Mr Wakeham)
Chief Press Secretary, No 10
Director of Marketing, Conservative Central Office
Director of Press and Publicity, Conservative
Central Office
Director, Conservative Research Department

and: Secretary of State for Trade
Secretary of State for Energy

20 January 1983



FRB
LIG
CS

LIAISON COMMITTEE

BI. 11

The next meeting of the Committee will take place on WEDNESDAY 26 JANUARY 1983 at 11.00 am in No 10 Downing Street

Distribution:

- Private Secretary, No 10 (3 copies)
- Parliamentary Private Secretary, No 10
- Secretary of State for Scotland
- Secretary of State for Employment
- Chairman of the Party
- Chief Secretary, Treasury
- Minister of State, Treasury (Mr Wakeham)
- Chief Press Secretary, No 10
- Director of Marketing, Conservative Central Office
- Director of Press and Publicity, Conservative Central Office
- Director, Conservative Research Department

and:

Secretary of State for Energy

19 January 1983

CONFIDENTIAL

HL

Kevin Pelt

6 January 1983

Nuclear Opinion Poll

The Prime Minister has read with interest Mr. Blaker's personal letter of 5 January on the preliminary results of the opinion poll carried out by NOP.

JOHN COLES

R.P. Craine, Esq.,
Ministry of Defence.

CONFIDENTIAL



MINISTER OF STATE FOR
THE ARMED FORCES

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB

Telephone 01-218 2216 (Direct Dialling)
01-218 9000 (Switchboard)

D/MIN(AF)/PB/3/2/7

5 January 1983

Prime Minister

*It appears that we are not yet
winning the public argument on
Cruise. A.S.C. $\frac{5}{1}$*

Dear Prime Minister,

NUCLEAR OPINION POLL

Copy: Sir A. Parsons / Mr. Tackling.

I sent you on December 21 the preliminary results of the opinion poll on the principal questions in the nuclear debate carried out for us by NOP. As promised I am now enclosing the more detailed analysis of those results, together with a commentary by our statisticians.

The final figures have been weighted by demographic factors and differ only slightly from the earlier results. Not surprisingly ignorance of our plans to introduce Trident and Cruise missiles is much greater among the youngest group surveyed (15-24) and socio-economic groups D and E. While, overall, a majority of those aware of our plans to introduce Trident support them, there is a majority against in the 15-34 age groups, in socio-economic groups D and E and in Scotland and the north of England. Overall a very small majority of those aware of our plans oppose the deployment of Cruise missiles, with a clear majority against among women, the 15-34 age groups and socio-economic classes D and E.

We shall now need to consider urgently how those results should guide our efforts to educate and persuade. I plan to have the poll repeated after an interval to measure trends and before then to have more detailed questions asked on Trident and on Cruise missiles. I will keep you informed of the results.

I am copying this letter with the enclosure to John Nott, Francis Pym, John Biffen, Cecil Parkinson, Michael Jopling, George Younger and Nicholas Edwards.

*yours ever,
Peter*

PETER BLAKER

The Prime Minister

Elon Pol : Lian iten elle P43



NATO (Table 1)

1. Of the 76% who said they knew what NATO is, 76% thought Britain should remain in it, while 10% thought Britain should leave. Knowledge and support of NATO was higher amongst men than women, and was lowest in age-group 15-24, and in the lowest class, DE.

Disarmament (Table 2)

2. The poll confirmed that the great majority of people are against unilateral disarmament. Overall 74% said that Britain should keep her nuclear weapons if other countries were not prepared to give up theirs. More importantly, the table shows little variation across the board in the percentages holding this view; in other words this view is not restricted to any particular section of the people.

3. Slightly more men than women (18% compared to 15%) thought Britain should give up her nuclear weapons. Again, the strongest opposition came from the 15-24 age-group which showed 20% against, as compared with 13% for the over-55's.

4. The most popular reason for giving up nuclear weapons was that it would encourage others to do the same: overall, 36% held this view, as did 50% in the 15-24 age-group. In Scotland, however, the most popular reason was that it is morally right.

Trident (Table 3)

5. Surprisingly, there were high proportions who said they did not know of the Trident plans - 38% overall. In all categories fewer people said they were aware of Trident than knew about NATO. In 3 categories, women, the 15-24 age-group and social class DE, less than half said they were aware of the plans. Even in the (usually) most knowledgeable class, AB, almost a quarter did not know of the plans. Some of the contrasts are striking. Three quarters of the men interviewed said they were aware of the Trident plans, compared with slightly less than half the women. Knowledge declined rapidly between social classes AB and DE.

6. While a slight majority (42% to 36%) of those who did know of the plans also agreed with them, opinion is split different ways in different categories. There is a large percentage in the "Undecided" and "Don't Know" categories (22% overall and 29% of women). More men than women agreed with the plans (but the DK element among the latter is very high). In Scotland, contrary to the overall result, more disagreed than agreed. The proportions agreeing with the plans increases consistently with age.

7. In all categories, cost had a clear lead as the main reason for disagreeing with the plans.

Cruise (Table 4)

8. More people said they were unaware of the Cruise plans than Trident. However, there is still a very sizeable minority who said they were unaware.

9. For those aware of the plans, opinion is much more evenly split than for Trident. Overall, 42% agreed while 43% disagreed, but men, older people and people in classes AB, C1 favoured the plans whereas women, the young and those in the other social classes opposed them. Although more people have definite opinions on Cruise than on Trident there is still a substantial proportion who said they were undecided.

10. There was very little variation between the main categories on the reasons chosen for disagreeing: clearly the most popular reason was "It makes Britain more of a target".

Cross Analysis

11. We thought it would be useful to cross-analyse some of the results though the result is a rather complicated table of results. Table 5 analyses the results of question 3 against questions 5 and 6 and 7 and 8.

12. As Table 2 shows the majority of people are against unilateral disarmament (74 per cent). Perhaps not surprisingly among this group over half agree with the plans for Trident and over half agree with the plans for Cruise though we do not know whether these are the same people (however, one would guess they were). Conversely about a quarter of this group disagree in each case with the Trident and Cruise plans.

13. Of the 16 per cent who favour unilateral disarmament, very large majorities disagree with the Trident and Cruise plans, as might be expected. Among the undecided on unilateral disarmament, there is very little support for either Trident or Cruise.

NOP SURVEY DECEMBER 1982

Table 1

	Total	Sex		Age				Class				Standard Region				
		Male	Female	15-24	25-34	35-54	55+	AB	C1	C2	DE	Scott-land	North	Mid-lands & West	Wales & West	South East
TOTAL (= 100%)	1957	934	1024	357	340	618	642	301	426	594	637	185	519	314	256	684
<u>Question 1</u>																
<u>Do you know what NATO is?</u>																
(a) Yes (%)	76	87	66	69	77	81	74	88	85	75	65	74	73	78	74	79
(b) No/Not sure (%)	24	13	34	31	23	19	26	12	15	25	35	26	27	22	26	21
THOSE ANSWERING 'YES' ONLY (= 100%)	1489	815	674	248	262	502	477	266	364	447	413	137	379	244	190	539
<u>Question 2</u>																
<u>Do you think that Britain should remain in NATO or leave it?</u>																
(a) Remain (%)	76	80	71	67	80	78	75	83	79	77	67	71	74	73	79	78
(b) Leave (%)	10	10	10	15	8	8	11	6	9	9	14	10	9	13	10	9
(c) It depends on too many factors to decide (%)	4	3	5	5	2	3	5	3	1	5	5	7	5	4	3	2
(d) Don't know (%)	10	7	15	12	10	11	9	8	10	9	14	12	12	10	8	10

NOP SURVEY DECEMBER 1982

	Total	Sex		Age				Class				Standard Region				
		Male	Female	15-24	25-34	35-54	55+	AB	C1	C2	DE	Scot-land	North	Mid-lands	Wales & West	South East
TOTAL (= 100%)	1957	934	1024	357	340	618	642	301	426	594	637	185	519	314	256	684
<u>Question 3</u>																
<u>If other countries were NOT prepared to give up their nuclear weapons, do you think Britain should give up or keep her own?</u>																
(a) Give up (%)	16	18	15	20	18	16	13	16	18	17	15	17	17	15	20	15
(b) Keep (%)	74	74	73	72	72	75	75	74	73	74	74	73	74	74	72	75
(c) It depends on too many factors to decide (%)	4	4	3	3	4	4	4	4	4	3	4	4	4	4	3	4
(d) Don't know (%)	6	3	9	5	6	6	7	5	5	6	8	6	6	7	6	6
THOSE ANSWERING 'GIVE UP' ONLY (= 100%)	319	166	153	73	62	98	86	47	77	100	94	32	87	46	50	103
<u>Question 4</u>																
<u>Looking at this card, please tell me the main reason why you think Britain should give up her nuclear weapons?</u>																
(a) It is morally right (%)	27	25	29	24	27	24	34	34	32	24	23	45	21	27	26	27
(b) It would make Britain safer (%)	22	17	28	12	22	28	25	25	16	23	26	17	19	27	16	29
(c) It would encourage other countries to give up their nuclear weapons (%)	36	41	30	50	36	29	31	29	39	35	37	30	43	24	48	31
(d) Other reasons (%)	12	16	7	11	11	16	7	8	10	15	11	5	12	20	8	11
(e) Don't know (%)	3	1	5	2	4	3	3	4	2	3	4	3	5	3	1	2

NOP SURVEY DECEMBER 1982

	Total	Sex		Age				Class				Standard Region				
		Male	Female	15-24	25-34	35-54	55+	AB	C1	C2	DE	Scott-land	North	Mid-lands	Wales & West	South East
TOTAL (= 100%)	1957	934	1024	357	340	618	642	301	426	594	637	185	519	314	256	684
<u>Question 5</u>																
<u>Do you know about the Government plans to replace the Polaris nuclear missile system with Trident?</u>																
(a) Yes (%)	62	76	49	49	64	68	61	77	69	62	49	63	59	64	61	63
(b) No/Not sure (%)	38	24	51	51	36	32	39	23	31	38	51	37	41	36	39	37
THOSE ANSWERING 'YES' ONLY (= 100%)	1209	711	498	174	218	423	395	232	296	367	315	116	305	201	156	432
<u>Question 6</u>																
<u>Do you agree or disagree with these plans?</u>																
(a) Agree (%)	42	46	37	36	38	42	47	48	40	43	38	34	39	49	42	43
(b) Disagree (%)	36	38	34	47	40	34	31	36	34	37	39	45	41	29	42	32
(c) It depends on too many factors to decide (%)	10	9	11	5	11	11	10	9	10	9	10	9	7	8	8	13
(d) Don't know (%)	12	8	18	12	10	13	12	7	16	11	13	11	12	13	9	13
THOSE ANSWERING 'DISAGREE' ONLY (= 100%)	439	271	169	82	88	145	124	83	100	134	122	53	126	59	65	137
<u>Question 6b</u>																
<u>Looking at this card, please tell me the main reason why you disagree with this?</u>																
(a) It would be too costly (%)	45	49	39	50	47	42	44	45	45	48	43	47	45	55	42	41
(b) It would mean other defence spending would be reduced (%)	14	12	17	5	18	19	12	15	9	15	17	11	16	10	18	14
(c) Britain does not need an independent deterrent (%)	24	24	24	30	16	26	23	29	21	25	22	31	25	18	19	25
(d) Other reasons (%)	15	15	14	12	15	11	19	12	22	9	16	4	13	13	18	19
(e) Don't know (%)	2	•	5	3	3	2	2	4	3	2	7	7	1	4	3	1

* less than 0.5%

NOP SURVEY DECEMBER 1982

Tab

	Total	Sex		Age				Class				Standard Region				
		Male	Female	15-24	25-34	35-54	55+	AB	C1	C2	DE	Scott-land	North	Mid-lands & West	Wales & West	South East
TOTAL (= 100%)	1957	934	1024	357	340	618	642	301	426	594	637	185	519	314	256	684
<u>Question 7</u>																
<u>Are you aware of the Government plans to site Cruise missiles in Britain?</u>																
(a) Yes (%)	68	80	57	58	68	72	69	86	74	67	56	59	63	70	68	74
(b) No/Don't know (%)	32	20	43	42	32	28	31	14	26	33	44	41	37	30	32	26
THESE ANSWERING 'YES' ONLY (= 100%)	1330	750	581	207	232	447	445	258	314	400	359	108	326	220	174	503
<u>Question 8</u>																
<u>Do you agree or disagree with this proposed action?</u>																
(a) Agree (%)	42	49	34	35	39	43	48	46	45	45	35	38	41	45	39	44
(b) Disagree (%)	43	41	45	49	43	42	40	36	38	44	50	49	43	40	46	41
(c) It depends on too many factors to decide (%)	7	7	9	6	12	8	6	12	8	6	6	7	6	9	9	7
(d) Don't know (%)	7	4	12	10	6	8	7	6	9	6	9	6	9	7	6	8
THESE ANSWERING 'DISAGREE' ONLY (=100%)	569	305	264	102	100	188	178	94	120	175	180	53	141	87	80	208
<u>Question 9</u>																
<u>Looking at this card, please tell me the main reason why you disagree with this?</u>																
(a) The missiles will be under American control (%)	22	23	21	29	21	23	18	22	23	21	22	20	25	25	19	20
(b) It makes Britain more of a target (%)	51	51	51	42	54	48	58	49	49	53	53	57	49	59	48	49
(c) It is more likely to cause a nuclear war (%)	21	20	21	23	20	22	18	23	22	20	19	15	18	12	28	25
(d) Other reasons (%)	5	5	5	6	3	5	5	5	5	5	5	4	6	3	4	6
(e) Don't know (%)	1	1	2	1	1	2	1	1	1	1	2	4	2	1	1	1

Question 3. If other countries were NOT prepared to give up their nuclear weapons, do you think Britain should

	Total	Give up	Keep	It depends on too many factors to decide	Don't know
TOTAL (= 100%)	1957	319	1445	71	122

Question 5

Do you know about the Government plans to replace the Polaris nuclear missile system with Trident?

(a) Yes (%)	62	71	62	66	28
(b) No/Not sure (%)	38	29	38	34	72
THOSE ANSWERING 'YES' ONLY (= 100%)	1209	228	901	47	34

Question 6

Do you agree or disagree with these plans?

(a) Agree (%)	42	4	55	6	9
(b) Disagree (%)	36	88	23	56	21
(c) It depends on too many factors to decide (%)	10	2	10	36	6
(d) Don't know (%)	12	6	12	2	63

TOTAL (= 100%)	1957	319	1445	71	122
----------------	------	-----	------	----	-----

Question 7

Are you aware of the Government plans to site Cruise missiles in Britain?

(a) Yes	68	75	69	71	37
(b) No/Don't know	32	25	31	29	63
THOSE ANSWERING 'YES' ONLY (= 100%)	1330	239	997	50	44

Question 8

Do you agree or disagree with this proposed action?

(a) Agree (%)	42	2	55	11	7
(b) Disagree (%)	43	96	29	66	32
(c) It depends on too many factors to decide (%)	7	2	7	23	22
(d) Don't know (%)	7	.	8		39

15 JAN 65.

0 11 12 1
9 8 5 2 3
4 7 6 4

010

CONFIDENTIAL
CONFIDENTIAL

Beem Bl



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB

Telephone 01-218 2216 (Direct Dialling)
01-218 9000 (Switchboard)

Registered
PE 31/12

MINISTER OF STATE FOR
THE ARMED FORCES

D/MIN(AF)/PB/3/2

24 December 1982

Dear Mr Parkinson,

attached to Blaker's by 31/12

Wh
4/1

I am attaching the preliminary results of the opinion poll carried out for us by NOP in early December, after the Labour Party Political Broadcast but before the Greenham Common demonstration. These are for your personal information and I would be grateful if they could go no further at this stage.

Taken as a whole the results are heartening. They show that the opposition to Trident and to the deployment of Cruise missiles is smaller than other recent opinion polls have suggested, and the answers to questions 2 and 3 on NATO and on unilateral disarmament generally are satisfactory.

As you can see the polling technique involved identifying and eliminating from the detailed questioning on each topic those who were unaware of our plans. The figures in this category are large. In general, it is clear that we have a considerable educational task before us.

We have considered whether it would be to our advantage to seek publicity for these results but our preliminary reaction is that the small majority against Cruise missiles would be considered the most newsworthy item and given most prominence. However, we intend repeating the poll in a few months time and if this shows a trend in our favour on Cruise and Trident we could consider some publicity at that time.

I am sending a copy of this letter, without the enclosure which they already have, to the Prime Minister, John Nott, Francis Pym, John Biffen and the Chief Whip, with reference to the penultimate paragraph.

Yours sincerely

S Hall for

PETER BLAKER

*Drafted by Mr Blaker
and signed in his absence*

Rt Hon Cecil Parkinson, MP
Paymaster General

CONFIDENTIAL

CONFIDENTIAL

1/10/1982

330-DEC-1982

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

Econ Pol 2



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB

Telephone 01-218 2216 (Direct Dialling)
01-218 9000 (Switchboard)

MINISTER OF STATE FOR
THE ARMED FORCES

D/MIN(AF)/PB/3/2/7

21 December 1982

Dear Prime Minister,

MT

NUCLEAR OPINION POLL

Following the meeting of your Liaison Committee on November 24 I commissioned an opinion poll on the principal questions in the nuclear debate in order to obtain a fairer measure of public support for our policies (the questions asked by some other polls were biased) and to obtain a full analysis of the opposition to and ignorance of our policies to guide the production of further films and pamphlets. I now have the preliminary results and the fuller analysis will be available in early January. I believe you will wish to be aware of them.

The technique used by the pollsters (NOP) which had not been used in other recent polls on this subject was to ask questions on NATO, Trident and Cruise, only of those who professed to some knowledge of the policies concerned. The results were (of those aware of the policies):

- | | | |
|----|---|-----|
| a. | Support for the replacement of Polaris with Trident | 41% |
| | Opposed | 36% |
| b. | Supporting the siting of Cruise missiles in Britain | 42% |
| | Opposed | 43% |

As expected support for our membership of NATO and opposition to unilateral nuclear disarmament was high:

- c. Of those aware of NATO 75% wished Britain to continue as a member.
- d. 74% supported Britain keeping her nuclear weapons if other countries were not prepared to give up theirs.

The message I derive from these results is that the opposition to our policies is somewhat smaller than recent polls suggested but the degree of ignorance of these policies is greater. There is clearly no room for complacency and we must continue to make every effort to persuade our opponents of the correctness of our course and to educate the uninformed about our policies.

/An ...

The Prime Minister



An interesting footnote is that of those opposed to Trident 46% were opposed because they believed it to be too costly and 24% because they did not believe Britain needed an independent deterrent. On Cruise of those opposed 51% based their opposition on the belief that it made Britain more of a target and only 22% because the missiles are to be under American control.

... Full details of these preliminary results are attached below. I will forward a more detailed analysis in due course. The polling was conducted between the 2nd and 7th of December, after the Labour Party Political Broadcast and before the demonstrations at Greenham Common.

We shall be considering whether these results should be published and if so how.

I am sending a copy of this letter and the enclosure to John Biffen.

*Yours ever,
Peter.*

PETER BLAKER

NOP SURVEY DECEMBER 1982

TOTAL	1964	100%
-------	------	------

Question 1Do you know what NATO is?

(a) Yes	1463	75%
(b) No/Not sure	501	25%

THOSE ANSWERING 'YES' ONLY

1463	100%
------	------

Question 2Do you think that Britain should remain in NATO or leave it?

(a) Remain	1093	75%
(b) Leave	144	10%
(c) It depends on too many factors to decide	61	4%
(d) Don't know	165	11%

NOP SURVEY DECEMBER 1982

<u>TOTAL</u>	1964	100%
<u>Question 3</u>		
<u>If other countries were NOT prepared to give up their nuclear weapons, do you think Britain should give up or keep her own?</u>		
(a) Give up	313	16%
(b) Keep	1456	74%
(c) It depends on too many factors to decide	67	3%
(d) Don't know	128	7%
<hr/>		
THOSE ANSWERING 'GIVE UP' ONLY	313	100%
<u>Question 4</u>		
<u>Looking at this card, please tell me the main reason why you think Britain should give up her nuclear weapons?</u>		
(a) It is morally right	85	27%
(b) It would make Britain safer	68	22%
(c) It would encourage other countries to give up their nuclear weapons	114	36%
(d) Other reasons	37	12%
(e) Don't know	9	3%

NOP SURVEY DECEMBER 1982

<u>TOTAL</u>	1964	100%
<u>Question 5</u>		
<u>Do you know about the Government plans to replace the Polaris nuclear missile system with Trident?</u>		
(a) Yes	1172	60%
(b) No/Not sure	792	40%
<hr/>		
THOSE ANSWERING 'YES' ONLY	1172	100%
<u>Question 6</u>		
<u>Do you agree or disagree with these plans?</u>		
(a) Agree	486	41%
(b) Disagree	424	36%
(c) It depends on too many factors to decide	116	10%
(d) Don't know	146	12%
<hr/>		
THOSE ANSWERING 'DISAGREE' ONLY	424	100%
<u>Question 6b</u>		
<u>Looking at this card, please tell me the main reason why you disagree with this?</u>		
(a) It would be too costly	195	46%
(b) It would mean other defence spending would be reduced	60	14%
(c) Britain does not need an independent deterrent	100	24%
(d) Other reasons	59	14%
(e) Don't know	10	2%

NOP SURVEY DECEMBER 1982

<u>TOTAL</u>	1964	100%
<u>Question 7</u>		
<u>Are you aware of the Government plans to site Cruise missiles in Britain?</u>		
(a) Yes	1302	66%
(b) No/Don't know	662	34%
	<hr/>	
THOSE ANSWERING 'YES' ONLY	1302	100%
<u>Question 8</u>		
<u>Do you agree or disagree with this proposed action?</u>		
(a) Agree	550	42%
(b) Disagree	556	43%
(c) It depends on too many factors to decide	100	8%
(d) Don't know	96	7%
	<hr/>	
THOSE ANSWERING 'DISAGREE' ONLY	556	100%
<u>Question 9</u>		
<u>Looking at this card, please tell me the main reason why you disagree with this?</u>		
(a) The missiles will be under American control	125	22%
(b) It makes Britain more of a target	284	51%
(c) It is more likely to cause a nuclear war	109	20%
(d) Other reasons	28	5%
(e) Don't know	10	2%

21 DEC 1982



Earl
17/12



10 DOWNING STREET

From the Private Secretary

Cardiff 17/12.
Confirmed
Agreed with Mr. Ward
who will be in touch with
you about dates in the
New Year.

M. Bytke

Winton PERB
22 December 17/12

Can you please
confirm that none
of the invitees
are expecting to
come?

Ed.

17/12.

RB

Econ Bl



LIAISON COMMITTEE

The meeting arranged for Wednesday, 15th
December 1982 has been cancelled.

Distribution

- Private Secretary, 10 Downing Street
- Parliamentary Private Secretary, No 10
- Secretary of State for Scotland
- Secretary of State for Employment
- Chairman of the Party
- Chief Secretary, Treasury
- Minister of State, Treasury (Mr Wakeham)
- Marketing Director, Conservative Central Office
- Director of Press and Publicity, Conservative
Central Office
- Chief Press Secretary, 10 Downing Street
- Director, Conservative Research Department

PRIVATE & CONFIDENTIAL

1) FERB



ECON POL,

2) CF.

LIAISON COMMITTEE

The Prime Minister has agreed that Mr David Boddy, Director of Press and Publicity at Conservative Central Office, should become a member of the Committee.

A handwritten signature in dark ink, appearing to be "AW" with a horizontal line underneath.

ANDREW WARD

Distribution: All members

1 December 1982

CONFIDENTIAL

✓ IG
BI



PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

1 December 1982

FERN has seen

to...

PRESENTATION OF DEFENCE NUCLEAR POLICIES

As you know, the Prime Minister held a meeting on Wednesday 24 November with the Lord President of the Council and other colleagues, at which the Minister of State for Defence for the Armed Forces was present, to discuss the presentation of the Government's defence nuclear policies. The meeting had before it a report by officials including recommendations by the Minister of State for Defence.

2. It was agreed that the Government needed to retain, and increase, the general public acceptance of existing NATO and British nuclear defence capabilities, and widen support both among opinion formers and the general public for the measures needed - Cruise and Trident - to maintain that capability. It was further agreed that the Government's particular concern must be with that section of opinion which, though normally supporting existing nuclear and conventional defence capabilities, was for a variety of reasons worried about Cruise and Trident.

3. The meeting agreed that responsibility for presentation in this field must remain with the Ministers concerned; MOD, FCO and Home Office, with the MOD in the lead. It was noted that this task was an additional responsibility for Ministers who were already hard pressed, and that this was particularly so in respect of the Minister of State for Defence for the Armed Forces. The meeting was, however, in no doubt that Defence Ministers, despite their many other preoccupations, should give the highest priority in the months ahead to putting over the case for the Government's policy.

.../...

Richard Mottram Esq
Private Secretary to the
Secretary of State for Defence

CONFIDENTIAL

CONFIDENTIAL

4. It was noted that the planned first deployment of Cruise missiles to the United Kingdom in 1983 would undoubtedly cause the Government's opponents to step up their efforts, and that the Government would need to respond. The meeting therefore endorsed all the recommendations made by the Minister of State for Defence in paragraph 27 of the report. Every effort should be made to take the initiative in explaining the Government's case, both nationally and locally. Non-Governmental organisations working in this field should be given as much support as possible. It was important that the Government's arguments were not only conveyed to opinion formers, especially the universities, but also put over more effectively to the general public. The meeting endorsed the report's recommendations in that respect, although noting that it would be desirable to assess the results of the opinion polls recently commissioned by the MOD before launching major exercises such as finger post campaigns. Finally, the meeting agreed that the MOD should prepare, on a contingency basis, a further national campaign, not excluding advertising in the national press on the precedent set by the previous Labour administration.

5. In addition, the meeting agreed that a guidance note on the presentation of the Government's nuclear defence policies should be drawn up for circulation to all Ministers. This note, which the MOD should lead in drafting, should be issued as quickly as possible under the Lord President's auspices.

6. I am copying this letter to the private secretaries to the Prime Minister, the Foreign and Commonwealth Secretary, the Secretary of State for Home Affairs, the Chancellor of the Duchy of Lancaster; and to Sir Robert Armstrong. The Lord President would be grateful if recipients could restrict its circulation to those who have an operational need to see it.

Done
done

D C R HEYHOE
Private Secretary

CONFIDENTIAL

Econ Pol : Leirni Pt 2.

10
9
8
7
6
5
4
3
2
1

51 DEC 1992

PART 2 ends:-

Note of last mtg - undated

PART 3 begins:-

Privy Council office to Mad 1/12

END

