Part 4.

JM MT

Confidential Filing.

Meeting of the NEDC.
The question of ministerial Membership.
(~~Mr Alderdice to lead. Note handed to PM~~)

Economic Policy.

Part 1. May 1979

Part 4. April 1986.

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
~~31.4.86.~~		~~11.5.92~~					
~~30.5.86.~~		~~14.5.92~~					
~~9.6.86~~		~~16.6.92~~					
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c e eltis

cc HMT

10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

23 June 1992

Dear Walter,

Now that Norman Lamont has made his statement, I wanted to express my warm appreciation of your work as Director-General of the National Economic Development Office. I can well understand that you would find our decision very disappointing; but I am anxious you should know that it in no way reflects on you. We have greatly valued the thoughtful and constructive way you have led the organisation.

I hope to see you soon.

Yours Ever,

Dr W A Eltis

AA

Barry, Yes
has Pm seen
this?

Chris

chex.kf/jh1/15 **CONFIDENTIAL**

Treasury Chambers, Parliament Street, SW1P 3AG
071-270 3000

22 June 1992

Prime Minister ②

The first part of the letter suggests you sign the attached letter to Dr Eltis. No problem

I would ignore the second section. It lays down a Treasury mandate on how DTI should be reorganised.

— M/a Record att RAP 22/6

Barry Potter Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1

Dear Barry,

NEDO AND THE WORK PROGRAMME OF THE DTI

At his bilateral with the Chancellor on 16 June, the Prime Minister suggested that he might thank Dr Eltis for his work at NEDO, either in person or by letter. The Chancellor thinks a short letter would indeed be appropriate, and I attach a draft. The letter does not refer to Dr Eltis' future role at DTI, as I understand this is still undefined.

The Prime Minister and the Chancellor also discussed the future work programme of the Department of Trade and Industry. The Chancellor considers that the reorganisation of DTI planned by the President of the Board of Trade should not be aimed at developing sectorally-oriented initiatives with expenditure implications, but rather at improving the Government's contact with and knowledge of industry. In the Chancellor's view, however, the most urgent priority for the DTI must be to complement the Treasury's efforts by helping to promote initiatives directed at improving the supply side of the economy.

The most effective way to do that is of course to make markets work better through competition policy and deregulation. At a Community level, areas where further liberalisation would be welcome include transport (air travel, shipping and road haulage) and energy (gas and electricity). Domestically, measures are needed to increase competition in the services sector, particularly in areas which are not exposed to substantial foreign competition, like food retailing and professional services. And there is much still to be done to reduce the burden of regulation on business, especially small business. Areas that might usefully be looked at include planning policy, licensing law, and environmental protection. The Chancellor will be covering this

ground in more detail when he replies to the President's letter of 5 June to John Wakeham on the work programme for EDI.

In the Chancellor's view it would also be helpful if the President could look at current Government programmes designed to assist industry with a view to making the best possible use of existing resources. Regional programmes across a range of Departments, for example, could certainly be better coordinated. And DTI will need to work with the the new Office of Science and Technology on science policy. Here we believe that resources could be shifted away from research on nuclear energy, and that more advantage could be taken of EC programmes.

Yours,

Jeremy

JEREMY HEYWOOD
Principal Private Secretary

chex.kf/jh1/15 **CONFIDENTIAL**

W.A.

DRAFT LETTER FROM THE PRIME MINISTER TO DR ELTIS

Danesway
Jam Way
Boars Hill
Oxford OX1 5JF

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CONFIDENTIAL until 3.30 pm 16 June
then UNCLASSIFIED

CCPU Pages 5

Treasury Chambers, Parliament Street, SW1P 3AG
071-270 3000

16 June 1992

Rt Hon Lord MacKay of Clashfern MP
Lord Chancellor
Lord Chancellor's Office
House of Lords
LONDON
SW1A 0PW

Dear Jane

NEDC AND NEDO

You and Ministerial colleagues will wish to be aware that, with the Prime Minister's approval, I shall be announcing to the House of Commons this afternoon the abolition of the National Economic Development Council (NEDC) and the closure of the National Economic Development Office (NEDO) at the end of this year. I enclose a copy of my Statement and the defensive Q&A prepared by officials.

I am copying this letter and attachments to Cabinet colleagues, to the Chief Whips in both Houses, and to Sir Robin Butler.

Yours

NORMAN LAMONT

ABOLITION OF NATIONAL ECONOMIC DEVELOPMENT COUNCIL AND OFFICE

STATEMENT BY THE CHANCELLOR OF THE EXCHEQUER

With permission, Madam Speaker, I should like to make a statement.

2. The National Economic Development Council and the National Economic Development Office were established in 1962. In the 1960s and 1970s, they provided a helpful forum in which the overall economy and the performance of individual sectors could be discussed and debated. Much useful work was done and successive governments valued the role that NEDC played.

3. But the era of corporatism is long passed. In the last decade governments, not just in Britain but across the world, have pursued more market-oriented policies, the promotion of competition and the smooth functioning of market mechanisms. There have been radical changes to the structure of business and industry. The number of small firms and the self-employed has grown rapidly. Large parts of the former public sector have been privatised; and international markets are increasingly integrated.

4. The British workforce has become more skilled and more specialised, with more flexible working practices and more varied career patterns. Trade union membership has declined, and in the

private sector decentralised wage bargaining has become the norm rather that the exception.

5. Against this background, it is clear that the NEDC no longer reflects the needs and realities of the British economy in the 1990s. Since its inception, the Council has been dominated by producer interests. But its membership and structure cannot hope to represent fully the interests and views of the whole range of industry or the work force. And, paradoxically, the continued existence of the NEDC in these changed circumstances may actually have inhibited, rather than encouraged, the development of direct contact on specific issues between the Government and trade unions and other employee associations.

6. Accordingly, and after careful consideration, the Government has decided that the National Economic Development Council should now be abolished.

7. The Sector Groups and Working Parties of the Council will also be wound up. Over the years, they have made a valuable contribution, and some of the issues addressed by the Council and these sub-groups will of course remain on the agenda. Those most closely concerned in the present range of NEDO's consultative activities may decide that they wish to continue to liaise with each other, but it will be for them to decide what is done, and how.

8. The National Economic Development Office has served the Council and the Sector Groups and Working Parties well. But with the end of the Council, and the change in the way the Government intends to approach more detailed issues, the Office itself will no longer have a role. Accordingly, its work will be wound down in an orderly fashion over the next six months. The Office will close on 31 December 1992.

9. It is the intention of my RHF the President of the Board of Trade to offer employment to a small number of NEDO staff in his Department. There may also be opportunities in other Government departments. Those who do not secure employment in the Civil Service will be eligible for redundancy compensation by analogy with the usual Civil Service rules. There will be full consultation with staff and their representatives on the handling of redundancies and the applicable terms of existing redundancy procedure agreements will be fully honoured.

10. Madam Speaker, I would like to make it clear that today's announcement is no reflection on the work done by the staff of the Office or the Sector Groups and Working Parties. And I should like to add a particular note of thanks to Dr Walter Eltis for his work as Director General.

11. The Government continues to attach particular importance to improving the effectiveness of our dialogue with industry. Indeed, in recent years we have consulted more frequently and with a wider range of interests than in the past on complex technical subjects. This is true both in the formulation of domestic policy and in the development of the UK's response to the increasing range of draft EC directives as the Single Market approaches. This partnership has served Britain well and it will continue. The Government will be alert to the interests of industry in developing policies across the range of its activities.

12. My Rt Honourable Friend the President of the Board of Trade has already announced his intention to reshape some of his department on a more sectoral basis. He will be announcing details before the Summer Recess.

13. Madam Speaker, the Government remains fully committed to maintaining a close dialogue with industry and with all other relevant interests. But I believe that this decision to bring the National Economic Development Council to an end is the right one. A close relationship between Government and industry remains as essential as ever if we are to develop our policies to create in Britain a strong, dynamic and competitive economy. But the age of corporatism must be put firmly behind us.

ABOLITION OF THE NATIONAL ECONOMIC DEVELOPMENT COUNCIL AND OFFICE

Q&A

TUC/CBI CONSULTATION

Did the Government consult the TUC and CBI before deciding to abolish the NEDC?

Both the TUC and the CBI were informed of our decision.

A vindictive decision in the face of a valuable contribution from the TUC?

No. We are looking towards a less formal, more effective dialogue with all those concerned with the wealth creating process.

INDUSTRIAL POLICY

What does the decision mean for industrial policy?

The Government will continue to take full account of the needs of industry in developing its economic policies.

Abolition shows Government hasn't got an industrial policy and won't help industry

Nonsense:

- above all, industry needs low inflation. That is the Government's primary economy objective;

- last thing industry needs is Labour Party's so-called industrial policy which would take us straight back to the bad old day of the 70s;

- Government will continue to work with industry. My RHF the President of the Board of Trade will shortly be announcing his plans to reshape his Department on a more sectoral basis.

TIMING

Why did the Government wait until now to wind up the NEDC?

During the last ten years, we have seen important and radical changes in industry and enterprise away from the corporatist ideas of the 1960s and 70s towards a more flexible and dynamic economy. It was appropriate at the beginning of a new Parliament that we should review the role and work of the National Economic Development Council and Office in the light of the changed circumstances in which we find ourselves in the 1990s.

REDUNDANCIES

How many staff are currently employed at NEDO?

Just over 100 staff are currently employed in the National Economic Development Office. They will receive today a statement informing them of the Government's decision to wind up the Council and close the Office. Staff will also be given general guidance on redundancy compensation.

What will happen to staff?

Some staff may be eligible for transfer to posts in the Civil Service, provided they were originally recruited according to Civil Service standards and procedures. Whether transfers are possible must depend upon availability of suitable posts. In addition, it may be possbile to offer some NEDO staff limited period contracts in the DTI, where they have exceptional experience and knowledge needed by the Department. NEDO staff

will, of course, be able to apply for Civil Service recruitment competitions as and when they are advertised.

In addition, it may be possible to offer some NEDO staff limited period contracts in the DTI, where they have exceptional experience and knowledge needed by the Department.

Staff who do not transfer to posts in the Civil Service will be entitled to redundancy compensation in line with normal Civil Service rules and any redundancy procedure agreements in force will be honoured.

What will happen to Dr Eltis?

Dr Eltis is entitled to Civil Service early retirement benefits.

Will trade unions representing staff at NEDO be consulted on the redundancies?

Redundancy procedure agreements will be honoured.

SECTOR GROUPS AND THEIR CHAIRMEN

What will happen to NEDC members?

Members of Council and of the Sector Groups and Working Parties have given freely of their time. The Government is grateful for their contribution.

If an industry decides to continue the work of a sector group, how will that work be supported?

That will be entirely a matter for those taking part in the work concerned. Private sector consultancy firms and other research organisations will be able to undertake project work on behalf of trade associations and interested parties.

Will Treasury pay trade associations to continue the work of the sector working parties?

No.

NEDO'S FINANCES

What is NEDO's grant in aid?

For 1992-93, £5.33 million. NEDO also has some income from conferences and receipts from sales of publications.

What will be the cost of redundancy compensation for NEDO staff?

Cannot be assessed without detailed information about the staff who will be made redundant.

Cost of NEDO is a small price to pay for regular contact with the TUC and CBI.

No. The Government does not need NEDC or NEDO to talk to the CBI, the TUC, or any other party. Informal and direct, *ad hoc* consultation likely to be much more worthwhile.

Will Treasury transfer NEDO grant in aid to DTI?

Departments' spending programmes will be agreed in the Public Expenditure Survey in the normal way.

Where will the money go?

Future savings will reduce calls on the Exchequer.

FUTURE SECTORAL WORK

Will the Government hand over the results of work done to date to privately-organised sector working parties?

Much of the work of the Sector Groups and the Working Parties of NEDC has been published. It will be for interested parties to approach the Office on particular matters.

Will the DTI continue the work of the Sector Working Parties?

As I said in my statement, my Rt Hon Friend will announce details of his plans to work closely with industry before the Summer Recess.

Does this mean the DTI will take over the Office?

No.

Does this mean the DTI will cover the same ground as the Office and use Civil Servants instead of the valuable and experienced NEDO staff no being thrown on the scrap heap?

My Rt Hon Friend the President of the Board of Trade will announce details of his plans to work more closely with industry before the Summer Recess. NEDO staff will carry their skills wherever they go.

Government will be forced to reintroduce consultation with the social partners under the EC Social Charter.

NEDC has never been forum for consultation on EC legislation and Government will continue to consult interested parties about EC directives in the normal way. No requirement in Treaty of Rome for institutionalised consultation of management and unions.

REGIONAL ECONOMIC COUNCILS

Will Government abolish Northern Ireland Economic Council?

No.

[BACKGROUND: the Northern Ireland Economic Council is an independent grant-aided body established in 1977 to advise the Secretary of State for Northern Ireland on economic policy in Ulster. Ministers are not members of the Council which has a small staff and makes its advice available in published reports. It has no connection with the NEDC.]

Will Government abolish Scottish Economic Council?

No.

[BACKGROUND: the Scottish Economic Council was established in 1965 and reformed in 1971. It is chaired by the Secretary of State and includes businessmen, trade unionists and other public figures and meets three times a year to receive reports on the Scottish economy. It has had a low profile in recent years but there has been speculation that its role may be enhanced as part of the Scottish Secretary's 'taking stock' exercise.]

Has Government scrapped its plans to establish a Welsh Economic Council? Is it consistent to retain it and scrap the NEDC?

No: the Government has not changed its plan for a Welsh Economic Council. This would be a convenient way of consulting relevant interests given the statutory role of the Welsh Development Agency in economic development.

[BACKGROUND: manifesto commitment to establish a Welsh Economic Council, chaired by Secretary of State or his nominee, to promote economic development in the Principality.]

SECRET

cc PM

12 (a

Treasury Chambers, Parliament Street, SW1P 3AG
071-270 3000

PRIME MINISTER

NEDC AND NEDO

top

Your Private Secretary's letter of 3 June recorded your agreement to the proposals I have agreed with Michael Heseltine for the abolition of the NEDC and NEDO.

If you are content, I propose to make the announcement by Oral Statement on Tuesday 16 June. This date has been agreed with the Business Managers. I attach a first draft of my Statement together with Q&A briefing. I understand that both have been discussed with DTI officials, and I shall be discussing the draft further with Michael.

On Monday 15 June, I intend to see Walter Eltis and John Banham to explain my proposals. I will also speak to Gillian Shephard, John Patten and Michael Howard. On the morning of 16 June, I will circulate the final Statement and briefing to Cabinet colleagues. I will also warn Norman Willis immediately ahead of the announcement.

I am copying this minute to Michael Heseltine, Richard Ryder, Tony Newton and Sir Robin Butler.

[N.L.]

[Agreed by the Chancellor and signed on his behalf]

12 June 1992

6

ABOLITION OF NATIONAL ECONOMIC DEVELOPMENT COUNCIL AND OFFICE

DRAFT STATEMENT BY THE CHANCELLOR

With permission, Madam Speaker, I should like to make a statement.

2. The National Economic Development Council and the National Economic Development Office were established in 1962. In the 1960s and 1970s, they provided a helpful forum in which the overall economy and the performance of individual sectors could be discussed and debated. Much useful work was done and there was no doubt that successive governments valued the role that NEDC played.

3. But the era of corporatist bargaining with large interest groups is now long passed. In the last decade, there have been radical changes to the structure of business and industry. The number of small firms and the self-employed has grown rapidly. Large swathes of the former state sector have been privatised; and international markets are increasingly integrated. The British workforce has become more skilled and more specialised, and with more flexible working practices, more varied career patterns, and lower trade union membership. And Governments, not just in Britain but across the world, have pursued more market-oriented policies, the promotion of competition and the smooth functioning of market mechanisms.

C

4. Against this background, it is clear that the NEDC no longer reflects the needs and realities of the modern British economy. Since its inception, the Council has been dominated by producer interests. But its membership and structure cannot hope to represent fully the interests and views of the whole range of industry or the work force. And, paradoxically, the continued existence of the NEDC in these changed circumstances may actually have inhibited, rather than encouraged, the development of direct contact on specific issues between the Government and trade unions and other employee associations.

5. Accordingly, and after careful consideration, the Government has decided that the National Economic Development Council, and the supporting office should now be abolished.

6. The Government continues to attach particular importance to improving the effectiveness of our dialogue with industry. Indeed, in recent years we have consulted more frequently and with a wider range of interests than in the past on complex technical subjects. This is true both in the formulation of domestic policy and in the development of the UK's response to the increasing range of draft EC directives as the Single Market approaches. This partnership has served Britain well and it will continue.

7. My Rt Honourable Friend the President of the Board of Trade has already announced his intention to reshape some of his

department to work more closely with industry and to reflect their concerns. He will be announcing details before the Summer Recess.

8. The Sector Groups and Working Parties of the Council have over the years made a valuable contribution, and some of the issues addressed by the Council and these sub-groups will of course remain on the agenda. Those most closely concerned in the present range of NEDO's consultative activities may decide that they wish to continue to liaise with each other, but it will be for them to decide what is done, and how.

9. The National Economic Development Office has served the Council and the Sector Groups and Working Parties well. But with the end of the Council, and the change in the way the Government intends to approach more detailed issues, the office itself will no longer have a role. Accordingly, its work will be wound down in an orderly fashion over the next six months. The office will close on 31 December 1992.

10. It may be possible to offer employment to a small number of NEDO staff in DTI and other Government departments. Those who do not secure other employement in the Civil Service will be eligible for redundancy compensation by analogy with the usual Civil Service rules.

11. The Government is grateful to the members of the Council and the Sector Groups and Working Parties past and present, for the contributions they have made to the work of the Council over the years. I am grateful too to staff in the Office for their many years of hard work in support of the Council's objectives. Today's announcement is no reflection on any of them. And finally, I should like to add a particular note of thanks to Dr Walter Eltis, whose work as Director General I have greatly appreciated during my term as Chairman of the Council.

12. Madam Speaker, the Government remains fully committed to maintaining a close dialogue with industry and with all other relevant interests. But I believe that this decision to bring the National Economic Development Council to an end is the right one.

13. The age of corporatism is behind us. But a genuine modern partnership between Government and industry remains as essential as ever if we are to develop our policies to create in Britain a strong, dynamic and competitive economy.

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[BACKGROUND: manifesto commitment to establish a Welsh Economic Council, chaired by Secretary of State or his nominee, to promote economic development in the Principality.]

10 DOWNING STREET

Prime Minister Yours Ever. 13.6

NEDO / NEDC

Attached is draft of Chancellor's statement on Tuesday. I am told that the Chancellor and Mr Heseltine have agreed on all the wind down arrangements. Clearly Mr Heseltine's longer term plans may be a little different, and we will need to keep watch

12/6

CONFIDENTIAL

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

3 June 1992

Dear Jeremy,

NEDC AND NEDO

You helpfully gave me an account of the Chancellor's meeting with the President of the Board of Trade on the proposals to abolish NEDC and NEDO.

In the absence of a bilateral with the Chancellor this week, I reported directly to the Prime Minister the broad proposals which emerged from their discussion.

It may be useful for you to know that the Prime Minister is entirely content with the proposals as reported to me over the telephone yesterday. The way therefore seems clear for the Chancellor to proceed as proposed.

Yours ever,

Barry

Barry H. Potter

Jeremy Heywood, Esq.,
H.M. Treasury.

CONFIDENTIAL

(2)

PRIME MINISTER

Contact 13.6.

NEDO

As requested, there will be no bilateral with the Chancellor this week.

One issue on the agenda had been closure of NEDC and NEDO. I have now had a report from the Private Office, on the Chancellor's meeting with Mr Heseltine about the proposals.

The meeting went very smoothly. The agreed proposals are as follows:

- abolition of NEDC and NEDO to be announced in Parliament on 17 June;

- Mr Heseltine to find a new appointment for Walter Eltis in good time;

- a small number of NEDO experts to be brought into DTI; one senior DTI official is taking responsibility for identifying the right staff and making the necessary arrangements. (We will need to watch carefully just what Mr Heseltine is proposing);

- the other three main Ministers involved - Mr Patten, Mrs Shephard and Mr Howard - will be told of the Government's plans next week; other Cabinet colleagues will be informed much closer to the date of the announcement;

- Walter Eltis will be told no later than 48 hours before the announcement (if it has not already been necessary to discuss his proposed new appointment);

- Sir John Banham will be told 24 hours in advance; and Norman Willis about an hour in advance.

I have asked the Treasury to ensure that a copy of the proposed statement and further briefing are sent in good time for us to feed in any No 10 comments.

BHP

BARRY H POTTER
2 June 1992
c\economic\nedo (kw)

(2)

PRIME MINISTER

BILATERAL WITH THE PRESIDENT OF THE BOARD OF TRADE

You have a bilateral at 1700 with the President of the Board of Trade on Monday 18 May. I attach a note from Sarah.

There are only two formal items on the agenda:

- the future of NEDC;

- the Post Office privatisation.

But, Mr Heseltine may well float other ideas.

Background

In Mr Heseltine's position, I might argue as follows.

i. Over the late 1980s a structural problem emerged in the UK.

ii. Over the whole decade, domestic demand grew by around 3 per cent per annum - albeit very erratically. Growth in GDP averaged nearly 2 per cent p.a. The gap was reflected in a rising balance of payments deficit.

iii. Even in the midst of recession, there is still a balance of payments deficit. That is now a chronic structural feature in the UK economy.

iv. Unless domestic demand is restrained, that deficit will grow. And unlike the 1980s, membership of the ERM will not allow a downward adjustment of the exchange. Yet without devaluation, the burden thrown on depressing domestic demand, and forcing wage and price adjustment, is politically unacceptable in terms of unemployment and output consequences.

v. The only viable approach is massive effort to remedy the underlying structural weaknesses in the UK economy. In essence, there has to be more rapid growth in exports and/or import substitution.

Against that background, Mr Heseltine would advocate the following role for his department.

* More sectoral work. It was a mistake to abandon the old DTI sector divisions. They need to be recreated. The Government needs a picture sector by sector - a traditional SWOT analysis (strengths, weaknesses, opportunities, threats).

* In the light of that, the Government must use existing and new mechanisms to seize opportunities and exploit strengths. For example, the focus on ECGD and ATP needs to be switched more from overseas to domestic industry considerations. Foreign Office considerations should be taken alongside the scope for using such subsidies (for that is what they are) to revive UK industry. That means a much stronger role for DTI, in decisions on the amounts and direction of ECGD and ATP support.

* Finally a huge marketing effort to sell British products and services abroad is required. It is a role Mr Heseltine is ideally suited for. He will be looking for your backing for this role - and its consequences for DTI staffing.

There are flaws in this putative analysis and weaknesses in the conclusions. But there is also some substance.

Staffing

Unofficial noises are already emerging that Mr Heseltine is not much impressed by DTI staff. As Sarah's recent note indicated, he regards them as relatively low calibre and lacking in private sector skills. (Not wholly surprising; like the Treasury, there

has been a loss to the private sector).

Mr Heseltine will draw a number of conclusions from this - most notably on the future of NEDC.

NEDC and NEDO

You saw the Chancellor's minute on this subject last night, and Sarah's advice. As requested, I wrote out today seeking the further information Sarah suggested. (I also conveyed your view that a rather different tone, than envisaged by the Chancellor, would be appropriate in the oral statement.)

Sarah has provided further advice. The key point is that Mr Heseltine will probably not resist closure of NEDC and NEDO - providing you can accept three conditions:

i. that the best of NEDO's staff should be recruited into the DTI;

ii. that Walter Eltis specifically is brought on board, and;

iii. that some of the work undertaken by sectoral working parties is in future carried forward by DTI.

I checked with the Treasury this morning. They are content with the appointment of Walter Eltis. And, provided the cost is contained within existing running cost limits, they will not oppose the recruitment of genuine high flyers from NEDO into DTI. So far so good.

But Treasury will be less happy about continuing the work of the sectoral groups. Why? Why not leave to the private sector? However, you do not need to resolve this on Monday. Might the best approach be to ask Mr Heseltine to put forward specific proposals on sectoral work that you and the Chancellor can look at. (You will also need to bring other colleagues,

particularly Gillian Shephard, into the picture.)

Post Office Privatisation

Mr Heseltine proposes out-right privatisation of the Post Office. This is surprising - is it to reassure critics about his philosophical credentials?.

A difficult compromise emerged in drawing up the manifesto (relevant section attached). Whatever one's Treasury's instincts, the subsidy to sub-post offices keeps many a village shop going. The politics of outright privatisation have always seemed beyond the pale for that reason.

The skill in the Manifesto compromise was that commercial businesses, for example parcels and business letters, can be progressively privatised, while service delivery each day to each home and the network of sub post offices were protected.

If Mr Heseltine presses, you can, of course, agree to look at the proposals for a rethink on this. But you may well wish to signal caution - and question whether it would not be better to take the present proposals forward vigorously.

BHP

BARRY H POTTER

15 May 1992

c\economic\trade (kw)

NEDC/NEDO AND DTI

1 Sector Working Parties are of very mixed quality: some are worth preserving in some form, others not.

2 DTI will be re-building some of its sectoral capability: it is important that this should use effective links with industrialists, not just desk-based officials. DTI will need consultative groups in at least some cases. This is an opportunity to retain the substance (not necessarily the form) of the better sector working parties.

3 Linked into DTI instead of into NEDO, this should give senior industrialists more, not less, confidence that their contribution is worth the diversion of effort from their own businesses. They will have a direct impact on policy-makers instead of taking part in talking-shops.

4 There may be a few NEDO staff worth taking into DTI (though general reputation not high).

5 There should not be an impression that NEDO and the SWPs are being moved lock, stock and barrel to DTI: only some of these activities are worth retrieving - best to start from a zero a base and reconstitute just the good ones. (NB not all SWPs are in DTI's field - eg construction (Environment) food (MAFF), tourism (National Heritage) etc.

CONFIDENTIAL

PRIME MINISTER

15th May 1992

YOUR BILATERAL WITH MR HESELTINE

In theory, he only wants to discuss two issues:

a) NEDO

b) the Post Office

a) In practice, I am sure he will talk more generally about the DTI - probably in the NEDO context.

As my earlier note to you explained, he is keen to take both Walter Eltis and (say) 20 of the best of the NEDO people. If you feel inclined to agree, you would have to make it clear you did not want to see NEDO simply recreated under the umbrella of the DTI, or you might find his bid rising in number and status!

He is clearly frustrated by what he sees as the deficiencies of the DTI. He argues that the reorganisation undertaken by Nick Ridley (actually begun before that) has been a shambles.

If he talks about this, you might like to ask him to put a paper to you on how he would propose to organise the DTI, rather than give him carte blanche.

b) He is keen to go ahead with full privatisation of the Post Office, and says he has the support of the Chief Whip. You would certainly want to check that.

CONFIDENTIAL

I cannot feel that you would wish to change a carefully-worked out policy, agreed with Peter Lilley (no privatisation slouch) and detailed in the Manifesto. You could urge Michael Heseltine to get on with introducing competition, and lowering the monopoly to the level of the first-class letter post, as detailed in the Manifesto (copy attached).

Sarah

SARAH HOGG

020.sh

- **Inspections of local authority homes will be carried out by teams that contain lay inspectors and are independent of the influence of the management of the homes.**

All of the privatised utilities have a specialist regulator who is responsible for promoting competition, reviewing prices and protecting the public interest. We have introduced legislation to increase the powers of these regulators to the level of the strongest.

- **We are ensuring that the regulators have the powers they need to promote competition and safeguard the interests of the customer by controlling price increases. We will increase competition in the gas and water markets.**
- **We are giving the regulators powers to set standards of service, covering such matters as fixed appointment times for service calls.**

THE POST OFFICE

The Post Office is among the best in Europe for speed and reliability of its letter services. Traffic has grown by 50 per cent in a decade in which it has operated without a subsidy. Last year the first-class letter service achieved record improvements in reliability. The local post office is a vital and valued feature of the rural community.

In 1981 we introduced private competition for deliveries costing over £1. This led to the rapid growth of the private courier industry, with substantial benefits to business users. We believe that further benefits to consumers would flow from additional competition.

- **We are committed to maintaining a nation-wide letter service with delivery to every address in the United Kingdom, within a uniform structure of prices, and with a nation-wide network of post offices.**
- **We will legislate to set up a new independent regulator to advise on issues affecting Post Office customers, and on the progressive introduction of competition.**

- **We will set performance targets for the Post Office and ensure they are published in all offices, together with results achieved.**
- **We will ensure there is effective redress for customers where services fail.**
- **We will lower the limit on the Post Office monopoly much closer to the level of the first class stamp.**
- **We will provide improved scope for contractors to carry mail to final delivery offices.**
- **We will consider requests to license limited specialist services to compete within the Post Office monopoly.**

WHITEHALL & WESTMINSTER

Whitehall must move with the times. It is over a decade since the last major restructuring of the departments of government. Since then:

- Two-thirds of the state industrial sector has been privatised, transferring about 900,000 jobs to the private sector.
- Government has reduced the burden of regulation and the need for central bureaucracy.
- Civil Service manpower has been reduced by almost a quarter.
- Many of the functions of government have been devolved from Whitehall.
- The Citizen's Charter programme is bringing new quality to public services.

We will continue to reorganise central government in tune with its modern role, while devolving and contracting-out executive functions. We want to ensure that the drive to save money, to reduce bureaucracy and raise quality is powerfully led from the centre of government.

chex.ps/ob/72

CONFIDENTIAL

Cc PM

Prime Minister (2)
Not much further information here. And the attached civil is still rather weak. I have asked Treasury to look at the civil again.

BPP 18/5.

Treasury Chambers, Parliament Street, SW1P 3AG
071-270 3000

15th May 1992

Barry Potter Esq
Private Secretary to
Prime Minister
10 Downing Street
LONDON
SW1

Dear Barry,

Thank you for your letter of 15 May. I am sorry that, given the top end limited scope for consultation with other Departments, I am unable to answer your questions as fully as I would like.

... I attach a list of the current sector groups and their chairmen. I understand that the chairmen are usually the most important and prominent members.

I very much regret that I cannot give you other details of which groups are the most active and effective without consulting other Departments and checking with NEDO (which obviously we would not want to do at present).

However, so far as we can establish no more than a handful of NEDO's 110 staff are on secondment from the Civil Service or other organisations. It would be wise to assume therefore that the overwhelming majority of the current staff would have to be made redundant. Some may be eligible to apply to transfer into the Civil Service under the normal rules for NDPB staff but, in present circumstances, it would be unrealistic to assume that many would be able to find Civil Service posts in Central London.

I am afraid we would need to consult NEDO to establish a breakdown of their staff, and to identify high calibre officials.

I am sorry that I cannot provide more information than this.

... Finally, I attach a slightly revised presentational line which has not yet been seen by the Chancellor.

Yours,

Owen Barde

pp **JEREMY HEYWOOD**
Principal Private Secretary

ABOLITION OF NEDC AND NEDO: DRAFT STATEMENT

After careful consideration, the Government has decided that the National Economic Development Council (NEDC) and the National Economic Development Office (NEDO) should be wound up.

At the time of their establishment these bodies provided, in the economic and industrial context of those days, a useful forum for discussing the overall economy and the performance of individual sectors. Much useful work was done.

In the last decade, however, there have been radical changes to the structure of business and industry. We have seen rapid growth in small firms and self-employment, the spread of privatisation, and the increasing integration of international markets. The British workforce has become more skilled and more specialised, and we now see more flexible working practices, more varied career patterns, and lower trade union membership. Governments, not just in Britain but across the world, have pursued more market-oriented policies, the promotion of competition and the smooth functioning of market mechanisms rather than corporatist bargaining with large interest groups which characterised the heyday of the NEDC. Paradoxically, moreover, the existence of the NEDC may have tended to inhibit, rather than encourage, the development of direct contact between the Government on the one hand and the TUC and industrial groups on the other.

Accordingly, we have decided that, valuable though its work has been in the past, NEDC is an institution which no longer fully reflects the diversity and dynamism of today's economic environment. This does not, of course, mean that Government departments will cease to listen to the voices of those currently represented on the Council. Consultation with the CBI, TUC and other bodies representing industrial, employee and consumer interests will ~~of course~~ continue, but not through the formal Council mechanism.

No suggest 'X' below

Accordingly

With no further meetings of the Council, there is no need to retain the infrastructure of the National Economic Development Office though some of its activities may well continue at the initiative of interested parties. Where Government, trade associations, unions and other groups want to call on external help to conduct studies of individual issues, they can now readily commission that from the whole range of research institutions, consultancy firms and similar bodies which have come into being since the 1960s. Government departments will be prepared to carry on, through other relationships, any activities which fill gaps in their existing consultation arrangements.

'X' But the Government will, of course, wish to go on listening to the views of those currently represented on the Council.

LIST OF NATIONAL ECONOMIC DEVELOPMENT OFFICE SECTOR GROUPS AND WORKING PARTIES

Current sector groups and working parties:

CHEMICALS INDUSTRY

Specialised Organics Sector Group
(Chairman: Mr Brian Street, Chairman of Air Products plc)

Biotechnology Sector Group
(Chairman: Mr David Barnes, Executive Director of ICI)

CONSTRUCTION INDUSTRY

Construction Industry Sector Group
(Chairman: Sir Christopher Foster, Director in Coopers & Lybrand, Deloitte)

ELECTRONICS INDUSTRY

Electronics Industry Sector Group
(Chairman: Sir Ivor Cohen, Chairman of Remploy Ltd and Director of AB Electronics and Océ (UK))

Electronic Components Sector Group
(Chairman: Mr Eric Hammond, former General Secretary of EETPU)

Electronic Applications Sector Group
(Chairman: Mr Alan Benjamin, Director of ICL)

ENGINEERING INDUSTRY

Engineering Industry Sector Group
(Chairman: Mr Bill Jordan, President of the AEU)

Engineering Skills Working Party
(Chairman: Mr Ian Gibson, Managing Director of Nissan Motor Manufacturing (UK) Ltd)

FOOD INDUSTRY

Food Sector Group
(Chairman: Prof George Bain, Principal of the London Business School)

GARMENTS AND TEXTILES INDUSTRY

Garments and Textiles Sector Group
(Chairman: Sir Ronald Halstead, Dep Chairman of British Steel, Director of the Centre for Policy Studies and Chairman of the Industrial Advisory Development Board)

TOURISM AND LEISURE INDUSTRY

Tourism and Leisure Industries Sector Group
(Chairman: Sir Brian Wolfson, Chairman of Wembley Stadium Ltd and Chairman of the National Training Task Force)

Competitiveness in Tourism and Leisure Working Party
(Chairman: Mr A Crichton-Miller, Director of the Rank Organisation plc)

OTHER SECTOR GROUPS AND WORKING PARTIES

European Public Purchasing Working Party
(Chairman: Sir John Cuckney, Chairman of 3i Group plc)

London Traffic Management Systems Action Group
(Dr John Ashworth, Director of the London School of Economics)

Strategy For Success Working Party
(Chairman: Not appointed)

Water Effluent Treatment Technology Working Party
(Chairman: Mr Geoffrey Truesdale, Chairman of Consultants in Environmental Services Ltd)

ECON POL NEDC pt 4

CONFIDENTIAL

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

15 May 1992

Dear Jeremy,

NEDC AND NEDO

The Prime Minister was most grateful for the Chancellor's minute of 12 May, outlining the mechanics of abolition of NEDC and NEDO; and considering how the proposed abolition might best be presented.

The Prime Minister is broadly content with the Chancellor's proposals. In particular he very much shares the Chancellor's view that the existence of NEDC, in practice, tends to inhibit direct contact with the TUC. As the Chancellor notes, this is undesirable.

The Prime Minister agrees that the announcement ought to be made by oral statement in the House. (It seems unlikely that a Written PQ would suffice.) The Prime Minister continues to be concerned, however, about striking the right balance in that statement. The line in the present draft note (attached to the Chancellor's minute) could be improved: there are one or two sections which seem unnecessarily provocative. On further reflection the Prime Minister has concluded that a gentler, more ameliorative, tone would be appropriate.

Finally, the Prime Minister would also be grateful for further background on some practical implications of the closure. Could the Treasury, as a matter of urgency, please provide information on the following.

(i) Who are the chairmen and most important members of the sector groups/working parties? What will be their likely public reaction to abolition?

(ii) Which of these groups have been most active? Which are perceived by their industries to be most useful and effective? Are there any recent reports which can be identified?

(iii) How many civil servants are on secondment to NEDO and from what departments? Are there any high calibre members of NEDO staff which the Government might wish to absorb?

CONFIDENTIAL

(iv) How many people would need to be made redundant, ie. could not be returned to some other body from whom they are seconded, lent, etc. by abolition?

For the reasons I explained over the telephone, it would be most helpful if this information could reach me by close of play this evening.

Yours ever,

Barry

BARRY H. POTTER

Jeremy Heywood, Esq.,
H. M. Treasury

B

CONFIDENTIAL

PRIME MINISTER 14th May 1992

NEDC and NEDO

flap

The Chancellor's note is all right as far as it goes. But I think we do need to have a more convincing answer to the Banham-type questions, and to have sorted these out with Michael Heseltine, before the Chancellor goes ahead.

Michael Heseltine asked me about it again after Cabinet. I reminded him he would have another opportunity to discuss it with you next week.

He is still keen on the Walter Eltis idea. I do think it is a good one, and that if properly presented Walter will not think it is infra dig. Michael Heseltine will get sensible economic advice from Walter, and I think that is going to be important.

The President will press you to allow him to scoop up more of the best NEDO people at the same time. I warned him that you did not want to see NEDO simply recreated with the DTI. He argues:

- That the DTI is a very poor department, with insufficient talent and/or knowledge of industry;

- The best NEDO people do have that knowledge and government should not simply throw it away.

He was talking of wanting to take 20 people in with Walter.

There is a balance to be struck between letting him run away with NEDO and allowing him to inject a few good people into what is certainly not the best department in Whitehall. He is clearly beginning to get quite revved up about its deficiencies. I think that by the time you see him it would be useful to know more from the Treasury about where NEDO staff come from (how many are Whitehall secondees who will return to departments like the DTI anyway) and what their quality is like.

I also think it would be useful to have more information from the Treasury as to who the leading industrial lights of the sectoral working parties are, and what their attitude is likely to be. At the very least, you need to be forewarned of where the fire will be coming from amongst industrialists.

You might therefore care to ask the Treasury for the following information:

Who are the chairmen and most important members of the sector groups/working parties? What are their likely reactions?

Which of these groups are most active and/or perceived by their industries to be most useful and effective? Which are the most notable recent reports?

How many civil servants are on secondment to NEDO, and from what departments? Which members of NEDO staff, if any, would the government wish to absorb?

How many people would be made redundant by its abolition?

CONFIDENTIAL

The draft line to take obviously does not deal with the response of the DTI to abolition of NEDO. It will hopefully look rather better when that element is included. You may also want to be a bit more specific about consultation by the Department of Employment of both employers and trade unionists. And you will want to consult more colleagues about the detail before going ahead.

Sarah

SARAH HOGG

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PRIME MINISTER

NEDC AND NEDO

The Chancellor has now sent the Treasury minute you asked for, outlining the mechanics and presentation of abolition of the NEDC and NEDO. The minute is attached at Flag A.

At Flag B is a note from Sarah. She rightly identifies certain weaknesses in the Treasury minute. Sarah lists a number of items where further information is required.

If you are content, I would propose to write out as Sarah suggests tomorrow.

We need to press Treasury for an early answer. You are seeing Michael Heseltine for a bilateral on Monday 18 May - this subject is bound to be raised.

If possible we need an understanding with Treasury, particularly on the transfer of any NEDO staff to DTI before you see Mr Heseltine. (The Chancellor did make the point, at an earlier bilateral, that any transfer of NEDO staff to DTI should not lead to a net addition to DTI staff numbers).

Content to proceed as above?

BHP

But the Treasury tries to take it too good. Too provocative (pointlessly).

BARRY H POTTER
14 May 1992
c\economic\nedo (kw)

chex.kf/ob2/18

SECRET

Treasury Chambers, Parliament Street, SW1P 3AG
071-270 3000

PRIME MINISTER

NEDC AND NEDO

I undertook to send a minute outlining the mechanics of abolition of the NEDC and NEDO and considering how such a step might be presented. Provided it is properly handled I am convinced that such an announcement will be well-received by our own supporters.

Abolition does not require legislation: neither the NEDC nor NEDO was created by statute. I would announce that the Council would no longer meet and that the Government would be discontinuing grant in aid to the Office (running at over £5 million a year) once winding up costs had been met. We could and should take action quickly, well before the next NEDC meeting scheduled for 15 July.

We shall, of course, have to ensure that funds are provided to pay contractual entitlements and redundancy compensation to the staff, and to meet contractual commitments to other creditors. (There are about 110 staff who will almost certainly have to be made redundant when the Office is closed.) We shall also have to endeavour to ensure that the Government receives a good title to any NEDO assets.

I agree that we will need to express in some way our gratitude to Walter Eltis. He will have to be given assurances that the terms in his letter of appointment will be honoured. Walter will be 60 in May 1993 and would have been due to retire then. He is

b

entitled to normal Civil Service early retirement terms. I have not yet identified a suitably attractive post for him, but when Michael Heseltine is consulted about the abolition of the NEDC and NEDO, we might ask him if he saw any useful role for Walter within the DTI.

An orderly rundown of NEDO's activities will be needed to ensure that administrative matters are properly concluded. It might take, therefore, six months before the Office could finally be closed down and I propose to announce that it would close on 31 December. I would envisage that the announcement would be made by Oral Statement in the House, although the Business Managers might take the view that a Written PQ would suffice. (I doubt it I —
— you'd get a PNQ.).

We shall obviously need to inform colleagues, particularly Michael Heseltine, Gillian Shephard, Michael Howard and John Patten. Michael, of course, has the greatest interest as his department has by far the largest representation on the sector groups and working parties.

Thereafter, I shall have to tell the CBI, TUC and Walter Eltis (and through him the staff). This will have to be done very shortly before the announcement is made to avoid leaks. I will also write to each member of the Council personally to thank them for their contribution to its work.

We will no doubt be asked how we propose to maintain the "dialogue" between industry and government that is regarded as desirable and necessary. I think we can justly maintain the line that such a dialogue is much more appropriately carried out direct between individual Government departments and industry's main representative bodies. Indeed this dialogue is likely to be much more effective and positive if it is conducted in private and on a practical basis.

This is the line I would also propose to take with the TUC, who are likely to be the most vocal opponents of abolition. I would make it clear that we intended to have meetings with the TUC on particular issues though I would not propose to offer them regular discussions as a substitute for the NEDC. I have long thought it a little ridiculous that we are quite so inhibited about direct contacts with the TUC; indeed, rather perversely this may be partly due to the continued existence of NEDC. The main contacts would of course be with the Secretary of State for Employment, but I would make it clear that I would certainly envisage meetings with the Treasury and DTI from time to time.

The question of abolishing the NEDC and NEDO arose informally in a recent meeting Terry Burns had with John Banham. I gather that John Banham would probably not object to our closing down both organisations but that he would probably favour forms of words which suggested that the more worthwhile parts of the work of the sector groups and working parties could re-emerge, probably under DTI auspices. I think we should avoid any commitment to transfer responsibility for the existing sector groups and working parties to DTI.

Of course, we cannot expect a uniform reaction from businessmen to the loss of the sector groups and working parties. Some would be bound to object but equally I am sure many would view their loss with equanimity. I know Michael Heseltine is planning to strengthen sectoral "sponsorship" by his department and this should help to fill any perceived vacuum due to the abolition of sector groups and working parties.

... I attach a detailed note outlining how we might present the decision. I am sure that the right approach is to concentrate on the anachronistic nature of the organisation and its irrelevance to today's world.

SECRET

I believe the next step is to inform colleagues. If you are content, I shall quickly draft a fuller paper to put to you, copied to them.

[N.L.]

12th May 1992

l

ABOLITION OF THE NEDC AND NEDO: DRAFT LINE TO TAKE

In the last decade there have been radical changes to the structure of business and industry. We have seen rapid growth in small firms and self-employment, the spread of privatisation, and the increasing integration of international markets. The British workforce has become more skilled and more specialised, and we now see more flexible working practices, more varied career patterns, and lower trade union membership.

Governments, not just in Britain but across the world, have responded to these developments by pursuing more market-oriented policies. The way to encourage more efficient and flexible industrial and commercial structures is not through Government intervention and direction, but by promoting competition and the smooth functioning of market mechanisms.

Against this background, the NEDC no longer reflects the reality of the modern British economy:

- producer interests, not consumers, dominate its membership;

- Employers and unions are no longer monolithic; the CBI and TUC can no longer do deals on behalf of the whole of industry or the labour force.

- Employees want to be treated as individuals; they want flexibility and choice not regimentation. And the growing number of workers outside unions, the self-employed, and those who want to follow new, more flexible working patterns can never be properly represented; and

- small firms, and the increasingly diverse high technology service and financial sectors will always have less influence than established industries and the giants of earlier years.

No! No! (very rough language)

In the Government's view, therefore, the time has come to break away from this static, outdated and inappropriate forum. Valuable though some of its work has been in the past, the NEDC is simply not relevant to the needs of the modern UK economy.

This does not mean the Government departments will cease to listen to the voices of those currently represented on the Council. The Government has always consulted the CBI, TUC and other bodies representing industrial, employee and consumer interests, when appropriate. Such consultation will of course continue, but not through the formal Council mechanism.

With no further meetings of the Council, there is no need to retain the infrastructure of the National Economic Development Office. Where Government, trade associations, unions and other employee interests wish to call on external help to conduct studies of individual issues, they can now readily commission that from the wide range of research institutes, consultancy firms and similar bodies which have sprung up since the 1960s.

Confidential

2

Personal

Mr. Potter - No 10

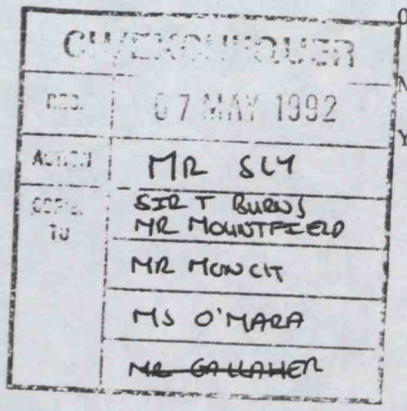
SSDOE to Ch Exch 7.5.92

In case you have not seen this. The CX spoke to NB Shephard today, and without filling her in on the bigger picture, asked her to send a similar letter!

N.M 11/V

pap

2 MARSHAM STREET
LONDON SW1P 3EB
071-276 3000



My ref:

Your ref: ✓/HS

The Rt Hon Norman Lamont MP
HM Treasury
Parliament Street
LONDON
SW1 3AG

7 May 1992

Dear Chancellor

I gather the Director General of the National Economic Development Office has proposed that nine NEDC Sector Groups including the Construction Industry Sector Group should have their remits extended for a further two years.

This is putting the cart before the horse. I believe Ministers should at this early stage consider whether, and if so how, the NEDC fits into our view of the most effective basis of relationships between Government and industry at large, and indeed with the CBI and the Unions. If the NEDC role is to be continued and its form can be agreed, then we might consider a structure for the Sector Groups that would fit our priorities.

I am copying this letter to Michael Heseltine, John MacGregor, John Patten, Gillian Shepherd and John Gummer.

Yours sincerely

Penny Howard

MICHAEL HOWARD

(Approved by the Secretary of State and signed in his absence)

CF.

Alternative to MMT version.

ABOLITION OF THE NEDC AND NEDO

We live in a very different world from that in which the NEDC was created.

Since the 1960s, we have seen a development of market-oriented policies, not just in this country but across the world. We now see:

- greater specialisation within and between firms;
- the spread of privatisation;
- changing labour patterns;
- a more complex and evolving demand for skills;
- a decline in trade union membership; and
- the rapid burgeoning of self-employment and growth of small firms.

Employers and unions are no longer monolithic. There is increasing recognition that the CBI and TUC no longer speak for the whole of industry or the economy as a result.

The reality is that NEDC just represents the two sides of industry:

- producer interests, not consumers;
- the employed within unions, not the growing number outside unions and the self employed; and
- despite changes in membership, too much manufacturing, too little the small firm, the service and financial sector.

In the Government's view, NEDC no longer reflects the realities of the modern UK economy. Valuable though its work has been in

the past, the time has come to break away from a static, outdated and inappropriate forum.

The Government will, of course, continue to consult the CBI, TUC and other bodies representing industrial, employee and consumer interests. We have always done this. We will continue to do so -but not through the bureaucratic Council mechanism. ~~I am seeing leaders of the TUC next week/shortly~~.

Against this background, we also see no need to retain the infrastructure of the National Economic Development Office. Where Government, trade associations, unions and other employee interests wish to call on external help to conduct studies of particular industrial or sectoral issues, they can now readily commission that from the wide range of research institutes, consultancy firms and similar bodies which have sprung up since the 1960s.

tmw a:\economic\nedc

cc B'up
PU

Treasury Chambers, Parliament Street, SW1P 3AG
071-270 3000

30 April 1992

Barry Potter Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1A 2AA

Dear Barry,

NEDC/NEDO

You asked for a first shot at how Ministers might present in public a decision to abolish NEDC/NEDO. The attached draft has been put together rather hastily at this end - it has not been seen by the Chancellor, who will, of course, have his own views on the presentation.

Yours,

JEREMY HEYWOOD

chex.jp/jh/62 POLICY IN CONFIDENCE

ABOLITION OF THE NEDC AND NEDO

We live in a very different world from that in which the NEDC was created.

Since the 1960s, we have seen a development of market-oriented policies, not just in this country but across the world, a greater specialisation within and between firms, the spread of privatisation, changing labour patterns, a more complex and evolving demand for skills, a decline in trade union membership, and the rapid burgeoning of self-employment.

Employers and unions are no longer monolithic and there is increasing recognition that the CBI and TUC no longer speak for the whole of industry, as a result.

The Government has sought to reflect these developments by widening the membership of the Council but the time has come to question the relevance of the Council itself. In the Government's view this no longer reflects the realities of the modern industrial economy.

The Government will, of course, continue to consult the CBI, TUC and other bodies representing industrial, employee and consumer interests. We have always done this and will continue to do so - but not through the bureaucratic Council mechanism.

Against this background, we also see no need to retain the infrastructure of the National Economic Development Office. To the extent that Government, trade associations, unions and other employee interests wish to call on external help to conduct studies of particular industrial or sectoral issues, they can now readily commission that from the wide range of research institutes, consultancy firms and similar bodies which have sprung up since the 1960s.

chex.jp/jh/63 **CONFIDENTIAL AND PERSONAL**

Treasury Chambers, Parliament Street, SW1P 3AG
071-270 3000

30 April 1992

Barry Potter Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1A 2AA

Dear Barry,

NEDC/NEDO

You asked for a first shot at how Ministers might present in public a decision to abolish NEDC/NEDO. The attached draft has been put together rather hastily at this end - it has not been seen by the Chancellor, who will, of course, have his own views on the presentation.

Yours,

JEREMY HEYWOOD

ABOLITION OF THE NEDC AND NEDO

We live in a very different world from that in which the NEDC was created.

Since the 1960s, we have seen a development of market-oriented policies, not just in this country but across the world, a greater specialisation within and between firms, the spread of privatisation, changing labour patterns, a more complex and evolving demand for skills, a decline in trade union membership, and the rapid burgeoning of self-employment.

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Treasury Chambers, Parliament Street, SW1P 3AG
071-270 3000

PRIME MINISTER

NATIONAL ECONOMIC DEVELOPMENT COUNCIL (NEDC) AND OFFICE (NEDO)

We shall be discussing the future of the NEDC and NEDO at our bilateral meeting later this week. You asked for a short note setting out my views in advance.

In my minute to you of 26 April last year surveying the privatisation candidates in my Departments, I commented that the NEDO had outlived its usefulness and that its working parties could be wound up and the secretariat function it provides for the NEDC taken into the Treasury. That remains my view. I did not comment in that minute upon the NEDC but I believe that the time has now come to abolish that body also.

NEDC

The NEDC was set up in 1962 by the then Chancellor, Selwyn Lloyd. Its tasks were defined as:

(i) to examine the economic performance of the nation with particular concern for plans for the future in both private and public sectors of industry;

(ii) to consider together what are the obstacles to quicker growth, what can be done to improve efficiency, and whether the best is being made of our resources;

(iii) to seek agreement upon ways of improving economic performance, competitive power and efficiency: in other words, to increase the rate of sound growth.

The Council used to meet 10 times a year but in 1987 our predecessors reduced the number of meetings to 4 a year of which I customarily chair two and the Secretaries of State for Trade and Industry and Employment chair one each. The other members of the Council are 3 Cabinet colleagues (in the past, including the Secretary of State for Energy), 6 representatives each from the CBI and TUC and 6 independent members covering a range of interests including nationalised industries and consumers and those unions and business organisations not covered by the main representative bodies. Three items are usually discussed at each Council meeting, two of which are fairly wide-ranging and sometimes macro-economic in character such as pay, the outlook for the economy, the future of manufacturing or Europe. The other item is usually a report from one of the sector groups or working parties and is intended to be rather more micro-economic.

The plain fact is that the Council has outlived its usefulness. The meetings with the CBI and the TUC are highly ritualistic. Little new or important is ever said. Admittedly, the Council provides a channel of communication which might in some situations be convenient but I often meet the CBI informally and, if we thought it worthwhile, there would be no reason why we could not meet the TUC informally too.

NEDO

The NEDO was set up at the same time as the NEDC. Its formal objective are:

(i) to provide administrative and other support for the work of the NEDC and its sector groups and working parties;

(ii) to carry out research into and analysis of industrial, economic and manpower questions as a basis of the work of the Council and the sector groups;

(iii) to give independent advice on ways of improving the economic performance, competitive power and efficiency of the nation;

(iv) to communicate with employers, trade unions and others concerned with a view to stimulating new ideas and practical action.

In practice, the work of the Office is almost wholly concerned with providing support to the sector groups and working parties which are intended to improve industrial performance by furthering knowledge, analysis and dialogue. They were also reorganised in 1987 and are now limited to a maximum of 18 in number. Like the NEDC, they are tri-partite bodies with union, employer and Government representatives. NEDO staff carry out research and analytical work for the sector groups and working parties and disseminate the results of sector group work through publications, conferences, workshops and private meetings.

The work of some sector groups on particular issues has been commended but I doubt whether this activity as a whole is worthwhile. It is difficult to see what use the work is. Decisions in a market economy are not made at the sectoral level. And it is, of course, quite expensive. Provision of £5.3 million has been made in my Department's Estimates for NEDO's 1992-93 grant-in-aid, while receipts from conferences and sales of publications bring in about £¼ million of extra revenue for NEDO. In effect, the Office is a Government subsidy towards work that trade associations and employers organisations should be doing for their members. If they wished to carry out their own research, there is no reason why they should not do so. There is equally no reason why trade unions (or for that matter Government Departments) could not contribute if they thought it worthwhile. There are, of course, plenty of private research institutes and consultancy firms who could undertake the work of the Office on behalf of trade associations.

My view therefore is that, like the Council, the Office should be completely wound up - its work, if it serves any useful purpose, could be carried on by the private sector. If the Office, its sector groups and working parties did not exist, we would certainly not be thinking of setting them up today.

If we decide to abolish the NEDO, there will be redundancy costs to set against the initial savings in grant-in-aid. We shall also have to consider carefully the timing and handling of any announcement of the future of the organisation. My own instinct would be to do it quickly, before the next meeting which is due to be held on 15 July. Abolition will be a controversial decision but in my view the correct one. I would be surprised if the CBI were to object strongly, while the TUC (and NEDO itself) ought to have seen the writing on the wall since 1987. Neither the NEDC or

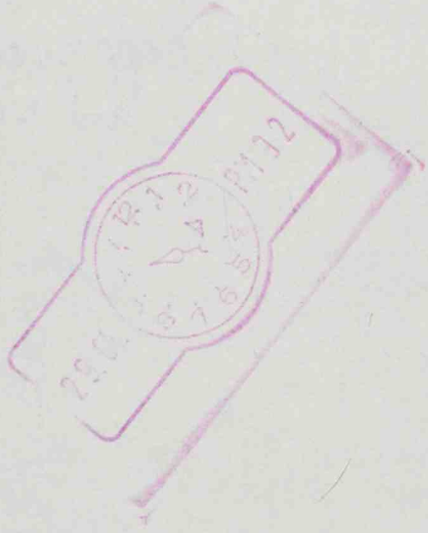
NEDO was set up by legislation and legislation should not therefore be needed to abolish them.

Owen Bade

[N.L.]

(approved by the Chancellor and signed in his absence).

29th April 1992



CONFIDENTIAL

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

21 April 1992

NATIONAL ECONOMIC DEVELOPMENT COUNCIL (NEDC)
AND OFFICE (NEDO)

We spoke on the telephone earlier today about NEDC and the associated work of the NEDO analysts, Sector Working Parties, etc.

The Prime Minister would like to discuss as soon as possible with the Chancellor the implications of abolishing or replacing NEDC and NEDO. As we agreed, this is therefore an attractive item for the Chancellor's first bilateral next week.

In advance of that, a short note setting out the Chancellor's views would be most helpful.

BARRY H POTTER

J Heywood Esq
HM Treasury

CONFIDENTIAL

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Barry / (1) Alert the Chancellor
(2) Michael should meet NC + SH
(but I'd like to see them first.)

PRIME MINISTER

NATIONAL ECONOMIC DEVELOPMENT COUNCIL AND OFFICE

(3) I'd welcome a Treasury / Cab Office view on the implications of abolishing / replacing N.E.D.O.

I attach a note from Michael Heseltine on the future of NEDC and NEDO. I gather you have already had a word with Sarah about this. All that Mr Heseltine is proposing at this stage is that he should consult Sarah Hogg further.

I would make just three points:

(i) NEDC is the last vestige of the tripartite approach to economic management. It ought to be killed. It is a complete resource loss to the economy.

(ii) I am less sanguine than Mr Heseltine that the sector working parties (SWPs) and the NEDO analysis are actually much use. Even when there was active co-operation in the area, the findings of SWPs were rarely acted upon by individual companies. I would be very sceptical about keeping them alive in some new form - let alone extending their activities.

(iii) Finally, by all means Mr Heseltine should talk to Sarah. But he seems to have conveniently forgotten that the Minister responsible for NEDO is actually the Chancellor not him. Before he takes any further steps, he must consult the Treasury.

BHP

BARRY H. POTTER
16 April 1992
C:\ECONOMIC\NEDC (DAS)

CONFIDENTIAL

POLICY IN CONFIDENCE

PRIME MINISTER

FUTURE OF NATIONAL ECONOMIC DEVELOPMENT COUNCIL AND OFFICE

I am concerned that the National Economic Development Council has ceased to have a useful function. It has become little more than a talking shop from which none of the players - business, the trade unions or the Government - derive any benefit. But the National Economic Development Office does some useful analysis and research and some of the Sector Working Parties get to grips with specific functions in a well-focussed and productive way. At the same time there is a growing need for a comprehensive view of all the factors which affect our ability to compete and create wealth - education, training, innovation, development of markets, quality and so on - and how we can improve our position.

2. I should like the opportunity to examine how we might replace the Council with a more productive and workmanlike forum and make better use of the more effective activities of the Office and the Sector Working Parties by bringing them alongside the people working on these matters in my department.

POLICY IN CONFIDENCE

Recycled Paper

3. If you agree that this would be worth looking at, I should like in the first instance to discuss it with Sarah Hogg any anyone else you think appropriate and then make proposals about how best to carry it forward.

MH

15 April 1992

Recycled Paper

ECONPOL : NEDC pt 4

PRIME MINISTER

NEDC MEETING: WEDNESDAY 31 OCTOBER

In the light of Press and other comment that the TUC might indicate support for an incomes policy at this week's NEDC meeting, I thought it might be helpful to check the relevant papers.

There is a lot less in this than appears.

Background

As you know, Mr. Howard is in the chair for next Wednesday's meeting. I attach the agenda (Flag A). There are three papers: on Europe; on Pay, Productivity and Employment; and on the Agriculture Industry.

Surprisingly, the TUC comment, which gave rise to the alleged TUC bid for an incomes policy, is actually from the paper for the first item, i.e. Europe. I attach the relevant paper (Flag B): you need only glance at paragraphs 13-17.

The critical remark is at the end of paragraph 14 as follows:

> "The trade union movement is willing to accept its responsibilities to avoid such costs [loss of growth and higher unemployment], provided others are willing to respond in kind;"

My understanding from Michael Howard's office is that it was a journalist (Philip Basnett formerly of the Financial Times) who first picked up this reference. Then John Edmonds (GMB), who has been pursuing the idea of some kind of incomes policy following entry into the ERM, tried to make more of its significance in the TUC paper. However, as you know, other trade union leaders, including Norman Willis, rapidly backtracked.

The expectation is that the TUC - now considerably embarrassed -will not draw attention to this reference in their paper on Wednesday. But if the point is discussed, Mr. Howard is certainly in no doubt about the Government's line.

NEDC Paper on Pay and Productivity

Rather more interesting is the paper by NEDC on Pay Productivity and Employment. This is at Flag C. Some of it is a little unfortunate: there are references to going rates, the importance of the RPI and ideas for synchronising important pay settlements at a particular time of year.

That said, some parts make interesting reading. In particular, you might like to glance at paragraph 15 - which sets the importance of productivity in generating wage increases in proper perspective. But the questions/conclusions in paragraph 25, though not entirely unhelpful, inevitably reflect the corporatist approach and audience for NEDC papers.

BHP

Barry H. Potter
29 October 1990

a:\NEDC.dsg

Walter Eltis D Litt
Director General
Direct Line 071-217 4049
Personal Secretary 071-217 4122

22 October 1990

NEDO

TO ALL COUNCIL MEMBERS

National Economic Development Office
Millbank Tower, Millbank
London SW1P 4QX

Telex 945059 NEDO G
Fax 071-976 5736
Reception 071-217 4000

Dear Council Member,

NEDC MEETING - WEDNESDAY OCTOBER 31 AT 10AM

Item 1 on Europe and Item 2 on Pay, Productivity and Employment should ideally receive equal time. The papers on Europe consider whether the United Kingdom should proceed beyond ERM entry towards full monetary union. The CBI and TUC want to discuss this but we have been led to believe that it is unlikely that the government will wish to respond at the Council. The TUC paper also refers to the implications of ERM entry for wages which can best be discussed under Item 2. The discussion on Europe will most helpfully focus on the progress that is being made towards the achievement of a single market. The papers by the DTI and the Office provide an account of the work each has been undertaking, while the papers by the CBI and the TUC raise major issues for discussion.

Item 1: Europe

Discussion could focus on the areas where the CBI and the TUC believe that true progress towards a single market remains to be achieved. The CBI draws particular attention to:

(a) The case for a greater integration of transport within the Community with common regulations, in particular the integration of rail networks and of air traffic control, and the removal of all local restrictions and regulations.

(b) The case for the harmonisation of business taxation.

(c) The need for a level playing field on international takeovers where United Kingdom companies are at present more vulnerable to takeover and more United Kingdom companies are indeed being taken over.

(d) The development of a common legal framework for dealing with such questions as International Property Rights.

The TUC draws particular attention to the need for:

(a) The development of common social conditions throughout the Community.

(b) The need to develop European Regional Policies to raise economic conditions in areas which are falling behind.

The TUC fully appreciates that equal social standards must be underpinned by an equivalent economic performance, and the TUC's particular concern, which the Council will share, is that the United Kingdom's levels of training, skills and product innovation must match those of the leading economies in the Community if we are to achieve the same social standards. The TUC is especially concerned that a major advance in the performance of the United Kingdom's weaker industries will be needed.

Item 2: Pay, Productivity and Employment

The critical pay question for the Council has become how to make a success of ERM membership. France and Italy joined in 1979 with underlying inflation considerably above Germany's. In the first few years they remained competitive against German industry only with the help of successive devaluations. After 1982 they made a determined effort to achieve a convergence of inflation because they had found that regular devaluations offered enormous opportunities to speculators who were being offered one way options (the Franc and Lira might be devalued, while there was a zero chance of up-valuation). The question for the United Kingdom is whether we shall need to pass through an equally expensive learning phase or whether we shall make an immediate and determined effort to achieve an inflation convergence with Germany. The TUC sees this as inevitable because the devaluation option will soon be precluded and there is in any case no possibility that it will be exercised by the present government.

If inflation convergence is to be achieved without the extra unemployment which France and Italy experienced after 1983, the annual increase in United Kingdom unit labour costs must come down to the level now being achieved in France and Germany. With headline United Kingdom RPI inflation now at 10 per cent, this will only occur without heavy transitional unemployment if there is a significant change in United Kingdom pay setting behaviour.

The Council might wish to explore the following:

(a) Whether it would be possible for bargainers to agree on pay increases which do not fully compensate for high current inflation, where this would undermine the competitiveness of their companies.

(b) Whether it is desirable and possible to weaken the mentality of automatically compensating all groups of workers for inflation each year.

(c) Whether the habit of rewarding employees for productivity increases being achieved by their firms, irrespective of recruitment, retention and motivation needs, is also one that needs to be broken.

(d) The TUC writes that "the trade union movement is willing to accept its responsibilities to avoid [the cost of higher unemployment to make a success of ERM membership] provided others are willing to respond in kind." Would the government and the CBI wish to explore this constructive offer?

Item 3: The Agriculture Industry

Sir John Quicke, Chairman of the Agriculture Sector Group will report on the work of a committee which has come to the end of its life after 24 years, 7 under Sir John's chairmanship. Agricultural support is such a topical issue that it is timely that the paper discusses what farmers will have to do to succeed in a more competitive market place. The paper shows that United Kingdom agriculture has comparatively high productivity, and it has achieved considerable growth, but there are many barriers to United Kingdom sales to Europe.

The Council is invited to consider how the agriculture and food processing sectors might work together more effectively to achieve greater international competitiveness, and an improved sale of United Kingdom food products overseas, especially to Europe. It is important this be combined with the high standards of safety of food and drink products and the preservation of the quality and character of the countryside.

Yours sincerely, Walter Eltis

Walter Eltis
Director General
Direct Line 01-217 4049
Personal Secretary 01-217 4122

R12/9

National Economic Development Office
Millbank Tower, Millbank
London SW1P 4QX

Telex 945059 NEDO G
Fax 01-821 1099
Reception 01-217 4000

13 September 1989

TO: ALL COUNCIL MEMBERS
AND PRINCIPAL ADVISERS

RA

National Economic Development Office Booklet

In May I sent you a preliminary draft of a booklet on the work of the National Economic Development Office. I now have much pleasure in enclosing the final copy.

I hope that you will like the result as much as we do.

Walter Eltis

NATIONAL ECONOMIC DEVELOPMENT OFFICE

NEDO

Published September 1989

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Millbank Tower
Millbank
London SW1P 4QX

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THE WORK OF THE NATIONAL ECONOMIC DEVELOPMENT OFFICE

by Walter Eltis *The Director General*

The Government has set four principal objectives for the work of the National Economic Development Office:

– To provide support for the work of the National Economic Development Council and for the Sector Groups and Working Parties set up by the Council.

– To carry out research and to analyse industrial, economic and manpower questions as a basis for the work of the National Economic Development Council and its Committees.

– To give independent advice on ways of improving the economic performance, competitive power and efficiency of the nation.

– To communicate with employers and trade unions with a view to stimulating new ideas and practical action.

Support for the National Economic Development Council

The Council consists of the six members of the Cabinet most closely concerned with the economy, six representatives of the Trades Union Congress, six representatives of the Confederation of British Industry, the Governor of the Bank of England and a number of independent members appointed by the Chancellor of the Exchequer. It was set up in 1962 to "examine the economic performance of the nation", to consider "what can be done to improve efficiency, and whether the best use is being made of resources" and "to seek agreement upon ways of improving economic performance, competitive power and efficiency" in order to "increase the rate of sound growth." The Council meets four times a year under the Chairmanship of the Chancellor of the Exchequer, or the Secretary of State for Trade and Industry or the Secretary of State for Employment, to discuss and, wherever possible, to agree on what needs to be done to improve the United Kingdom's economic performance. The Office is responsible for some of the papers which form the background for these discussions, others being contributed by the Government, the TUC and the CBI and independent members. The papers (with rare exceptions) become public after the meetings. The Office's

most important recent papers have been on United Kingdom trade performance, pay and productivity, and the implications for industry of the agreement to move towards the Single European Market in 1992.

The main impact of the Council on the economy is achieved nowadays through the industrial Sector Groups and Working Parties. The Council reviews their work at its quarterly meetings and agrees on the general direction of their future work programmes. The Office is responsible for developing and implementing detailed programmes that follow the general directions set by the Council. The Office also provides the Secretariat and other facilities for the meetings of the Council, Sector Groups and Working Parties.

Research for the Work of the Council and the Sector Groups and Working Parties

The work of the Sector Groups and Working Parties to improve industrial performance depends on an appreciation of the changes which will be needed if the performance of more UK companies is to move closer to the best international competition. With their committees, members of the Office are responsible for drawing up practical advice for companies on the best routes forward in their operations, marketing, design, training, etc.

Independent Advice on the Improvement of the Economic Performance, Competitive Power and Economic Efficiency of the Nation

The Office undertakes and commissions research, publishes results and fosters implementation of its findings by conferences and locally-based initiatives. Major independent research projects in the recent past have included the 'Making of Managers', which led to the launching by industry of the Management Charter Initiative; the implications of the fall in the number of young people entering the labour market in the early 1990s; and the extent to which Keynesian economic policies remain relevant in the 1980s. The Office is organising Policy Seminars in 1989-90 on the enhancement of incentives for the low paid and on regional imbalances.

Communication with Employers and Trade Unionists on Practical Actions that need to be taken

The Office organises conferences and local programmes of action throughout Great Britain on practical issues such as preparations for 1992, improving productivity in a variety of industries, and making companies in general more fully aware of the methods of production and management techniques of the most successful companies in the United Kingdom and overseas.

The Office has a staff of 120 for this work, and they are divided into Industrial, Economic and Manpower Divisions. The detailed work of these Divisions is described below by their present Directors.

THE COUNCIL AND THE SECTOR GROUPS

by Martin Couchman, *Secretary to the Council*

As parent body to the Sector Groups and Working Parties, the National Economic Development Council provides the framework within which the Committees operate. This can have practical effects in two ways: first, at every meeting of the National Economic Development Council, the Chairman of a Sector Group or Working Party has the opportunity to present his Committee's work and to seek the Council's endorsement of, for example, recommendations or a particular work programme. An interesting example took place in January 1988, when the Chairman of the National Economic Development Council's Knitting Sector Group, Sir Ronald Halstead, drew attention to its success over some eight years in improving the industry's efficiency, design and marketing. He proposed that arrangements should be made for disclosure of import consignees' names; this was accepted by the Government and announced in the 1988 Budget.

Again, in January 1989, when the work of the National Economic Development Council's Construction Industry Sector Group was before the Council, Sir Christopher Foster referred to the need to develop better arrangements for securing private finance to supply public sector built infrastructure. The Chancellor of the Exchequer offered the Sector Group discussions on this issue with the Treasury which produced rapid results.

The second way in which the Council works with its Committees is that, on occasion, it will ask some or all of them to undertake a specific remit or to supply information on developments in their sectors. In January 1986, following the publication by the Manpower Services Commission and the National Economic Development Office of 'Challenge to Complacency', the Council agreed on the desirability that Committees give a high priority to training issues. Manpower questions have now become an increasingly important element in Committee work programmes; these are reported on elsewhere. In November 1986, the Council endorsed proposals for work by the Office and the Committees to assist further improvements in the quality of United Kingdom manufactured goods; this followed the publication by the Council of the report of the Warner Task Force on quality. In January 1987, in a discussion of the new export opportunities opening up for the United Kingdom, the Council invited the Director General to bring the discussion to the attention of the Committees.

More recently, in October 1988, in a discussion of the Single European Market, the Council invited the Sector Groups to consult with their industries about sectoral aspects of 1992 and to report back. This work, which currently forms a major element in the activities of the Sector Groups, is reported on elsewhere. In April 1989, the deterioration in the United Kingdom's balance of payments over the previous year was discussed and the Council invited Sector Groups whose industries' deficits were large to report back on their present competitiveness and how trade performance might be improved.

The operation of the Sector Groups and Working Parties is determined by arrangements laid down by the Chancellor of the Exchequer in October 1987. The key criterion adopted is that any tripartite committee should offer the realistic prospect of material improvement in economic performance. The Director General of the National Economic Development Office, the Permanent Secretary to the Treasury, and the Director General of the CBI and the General Secretary of the TUC meet twice a year to review the committee structure and ensure that these arrangements are adhered to.

THE INDUSTRIAL SECTOR GROUPS

by Douglas Fraser, *Industrial Director*

There are presently fifteen Sector Groups and Working Parties, and a further three are being constituted. Like the Council, they are tripartite: senior managers, trade unionists and government officials meet regularly to exchange views, to commission analysis, to identify ways of improving industrial performance and to decide how to communicate their conclusions. Unlike the Council, the Chairman is not from Government, but a distinguished industrialist, trade union leader or individual from public life, selected for his or her ability to lead the Committee. Chairmen and members are appointed by the Director General, on behalf of the National Economic Development Council, for two years in the case of Sector Groups and generally for one in the case of Working Parties.

The work of the Sector Groups is directed to the performance of their own industries, but occasionally, as in the case of lower electricity prices for large users, the equal VAT treatment of United Kingdom manufacturers with importers or the provision of private finance for the infrastructure, they have an impact at the national level.

The Industry Division of the National Economic Development Office supports the work of the Committees by providing a secretariat, undertaking research, developing position papers and, in conjunction with Communications Division, disseminating the conclusions of the Committees' work.

Remits from the National Economic Development Council

The Sector Groups and Working Parties have a general remit from the National Economic Development Council to improve the supply side performance of their industries. They each have a specific remit to undertake agreed pieces of work relevant to their particular industries. In addition, as noted in the previous article, the Council asks the Committees to consider certain subjects of general concern.

Manpower and Training

All the Sector Groups have accepted the Council remit to look at training provision and training needs in their own industries. Their motivation has been sharpened by the work on demographic change which shows that the number of young people in the labour market will diminish considerably in the 1990s.

This message has been communicated with particular force by the National Economic Development Council's Electronics Industry Sector Group and Tourism and Leisure Industries Sector Group. Although very different industries, one is unable to recruit a sufficient number of highly skilled engineers and technicians while the other is unable to recruit people for semi-skilled work at unsocial hours, and they are both facing some of the underlying changes in the labour market. Both Sector Groups have analysed the practices of leading companies, especially in the training and retraining offered to existing employees, and are communicating these vigorously.

Quality

Similarly, many of the National Economic Development Council's Committees have been in the forefront of promoting practices leading to improved quality. For example, the National Economic Development Council's Electronic Components and Technology Sector Group recognised that United Kingdom companies could not by themselves achieve Japanese quality levels for delivered components, they needed the full co-operation of their customers to help identify the appropriate specifications and to develop the processes needed to achieve them. This has led to a series of publications and seminars over several years which have helped to change behaviour in the United Kingdom. The Office also brought Dr W Edwards Deming, the leading American teacher of total quality, to the United Kingdom to conduct a seminar with industry leaders. This was in direct response to a request of the Council and helped to establish the British Deming Association.

Exports

When the Council asked the Sector Groups to encourage companies to respond to favourable conditions for exporting, this both led to new initiatives and gave additional emphasis to existing ones. The National Economic Development Council's Specialised

Organics Sector Group, which covers an industry characterised by small and medium sized entrepreneurial companies, has produced buyers' guides, arranged meetings with buyers from Japanese trading companies, and is now organising collaborative market efforts with the Department of Trade and Industry and the Chemical Industry Association, including overseas and inward missions. The National Economic Development Council's Knitting Sector Group produces a series of marketing guides to various countries, including, for example, such information as the names of buyers for leading German retailers.

The Single European Market

In October 1988 the Council asked the Sector Groups to consider the implications of the completion of the European Market, to assist their industries, as appropriate, to position themselves to take advantage of this opportunity and to report back in 1989. All Committees are responding, but the form of their response depends upon the nature of the industry and the extent to which other bodies, such as trade associations, are already active. The National Economic Development Council's Construction and Electronic Components and Technology Sector Groups are producing market guides to various European countries. These contain practical insights into doing business on the Continent which are not readily obtainable elsewhere.

Working Parties

In addition to calling for work of particular kinds from all Sector Groups, the Council sets up Working Parties to address specific issues of concern to industrial performance.

The National Economic Development Council's Innovation Working Party was established to find means of helping companies to innovate. It has analysed the specific management characteristics of successful innovatory companies and embodied them into a self-diagnostic tool kit which will be made widely available to companies.

The National Economic Development Council's Maker/User Working Party has initiated a number of actions to promote closer working relationships between customers and suppliers.

The National Economic Development Council's Packaging Working Party has looked at the United Kingdom's trade deficit in packaging and examined, in particular, the demands of the food manufacturing and retailing industries. It has also emphasised the importance of suppliers getting close to their customers and helping them to gain competitive advantage through innovation. The Working Party has published a report, is running a conference and has initiated a number of follow up activities with trade associations.

The Committees' Initiatives

Most of the work of the Sector Groups is in response to the general remit to help to improve performance in the industries covered. Clearly, since the issues facing different industries vary considerably, so do the specific initiatives taken by Sector Groups.

The National Economic Development Council's Electronics Industry Sector Group commissioned and publicised a major study of the competitive performance of the United Kingdom's electronics industry. One conclusion of this study was that United Kingdom companies had failed to establish themselves in the faster growing markets. It is difficult to re-enter a market once lost, but the electronics industry is changing rapidly and new markets are opening up. The role of the National Economic Development Council's Electronic Applications Sector Group is to help create the circumstances in which United Kingdom companies are well placed to exploit such new market opportunities.

In more mature industries the need is to get close to the customer and to understand his business needs. The National Economic Development Council's Plastics Processing Sector Group has commissioned a number of studies of specific sectors which buy plastic mouldings. Its most recent has been of telecommunications and information technology equipment. These reports look not only at the market but also at the performance of the United Kingdom's supply industry and suggest ways of strengthening it.

The National Economic Development Council's Knitting and Clothing Sector Groups have brought together retailers, designers,

garment manufacturers, spinners, dyers and others in the supply chain. They take a specific product area and discuss fashion trends and supply issues. The discussions are quite unlike the normal company-to-company marketing exchange because of the breadth of interests participating and because direct commercial relationships are not discussed. Through these meetings retailers have become more aware of supply opportunities from the United Kingdom, and suppliers have become more aware of what they need to do to win markets. Most critically, suppliers have obtained early warning of trends, so that they can plan, invest and ultimately position themselves to take advantage of them.

In agriculture, following the provisional GATT agreements on agricultural subsidies and the European Community's slow but gradual reforms of the Common Agricultural Policy, United Kingdom employment will fall. The National Economic Development Council's Agriculture Ad-Hoc Sector Group has undertaken a series of regional workshops involving farmers, local authorities and the various agencies dealing with the countryside, to look at employment opportunities outside mainstream farming. These workshops were designed both to find out the obstacles to change and to stimulate local action. The subjects covered included tourism, leisure, forestry, manufacturing and craft production and specialised agricultural products.

There is also the ability of a Sector Group to provide a focus which may not otherwise exist. The tourism and leisure industry is important to many parts of the economy, and many elements contribute to its success. These include, for example, private sector tour operators and hotel companies, local authorities running leisure facilities and the public bodies regulating the environment. The National Economic Development Council's Tourism and Leisure Industries Sector Group is the only place where these come together to look at how the performance of the industry can be improved and to identify their own contribution to that end.

Finally, the Committees are always looking for means of promoting change more directly. The recent work of the National Economic Development Council's Engineering Industry Sector Group has included a series of regional workshops, each hosted by a

large company, occasionally in conjunction with a body such as an employers' association. The workshops are short, accessible, challenging in content and directed either at the large company's own suppliers or at smaller local companies. At the workshops, emphasis is placed upon what the participants can do to help themselves and a facilitator is offered to assist them. This programme is still in its early stages but is showing promising results in a very practical way.

Reporting to the Council

At each Council meeting one of the Committees reports on its work. In part this is a process of accountability – the National Economic Development Council has the right to know of the work which is being undertaken in its name but more importantly it is a means of bringing to the attention of the Council certain issues which can only be resolved at the highest level.

The construction industry is presently working to capacity, but planning cycles are long and companies need to think today about future workload. The National Economic Development Council's Construction Industry Sector Group has advocated increased private sector involvement in areas such as roads, traditionally thought to be the province of the public sector. The private sector could raise finance on commercial terms to supplement public investment and could provide improved project management. The Sector Group used the occasion of a presentation to the Council to raise this issue which helped to establish a useful dialogue on the subject with the Government.

Many other Sector Group presentations to the National Economic Development Council have used detailed examinations of specific industries to illuminate issues of national concern. The National Economic Development Council's Pharmaceuticals Sector Group has helped to develop understanding of the relationship between trade performance, innovation, exploitation of intellectual property and pricing regimes. The National Economic Development Council's Tourism and Leisure Industries Sector Group has shown how that industry is affected by planning, environment and transport decisions made according to criteria in

which tourism is scarcely a factor. The National Economic Development Council's Knitting Sector Group has demonstrated how differences in tax and customs procedures can put United Kingdom producers at a disadvantage, compared with importers. The National Economic Development Council's Specialised Organics Sector Group has indicated the importance of collaborative R&D for smaller companies and suggested ways in which available schemes could be developed to promote this more effectively.

The strength of the Sector Groups lies in their diversity, the way in which they take a remit from the Council and interpret it in terms of the particular situation of their own industries. They do, however, profit from their association with similar committees tackling similar problems in other industries and from access to the National Economic Development Council.

ECONOMICS AND STATISTICS DIVISION

by Ken Mayhew, *Economic Director*

Economics and Statistics Division is divided into four groups: Industry and Finance; Statistics; Industrial Economics; and General Issues.

Industry and Finance Group

The Group supports the Committee on Industry and Finance, set up by the National Economic Development Council to advise the Director General and it makes available its expertise on financial matters to other parts of the Office.

The Committee has stressed the desirability of promoting new opportunities for companies to raise sterling debt in domestic markets. This is being pursued by technical consultations among industry, the financial institutions, Government and the Bank of England, leading to specific measures in the Finance and Companies Bills in 1989. This will permit many medium sized corporations, which cannot easily gain access to the Eurobond markets, to enjoy a wider range of financing instruments.

A study, which is expected to produce results for publication in 1990/91, is in progress on the cost of finance to United Kingdom companies compared with competitors in other major economies. It will show how inflation "front loads" and thus damages cash flows, the extent to which underlying real costs vary among companies and countries, and the way in which hidden costs place inhibitions on companies' ability to borrow. The study reflects conditions in Japan, the United States of America, Germany and the United Kingdom and will refer specifically to electronics and to pharmaceuticals.

Future work will be directed to means of ensuring that important opportunities are secured in wider share ownership, in the effectiveness of clearing and settlement systems, and in the proper handling of risk (quantifiable and structural) in companies' strategic investment decisions. Expertise derived from current work on introducing a greater degree of private finance into transport systems will be extended to other sectors, with benefits in the earlier delivery of services, lower overall project costs and better directed investment under market discipline and incentives.

Statistics Group

The Statistics Group is the hub of the Division. Apart from support for the other groups in Economics and Statistics Division, it provides essential statistical services for the rest of the Office.

The Group uses a wide range of official and non-official statistical sources, many of which are now computer-based. Appropriate techniques of analysis are applied and advice is given on evaluating and interpreting economic and industrial data. The group is keen to encourage the use of computer graphics.

In seeking to meet the Council's request for information about the impact of 1992, a postal survey of Sector Group industries has been conducted, which is helping to provide an overview of companies' awareness of and attitudes towards the completion of the Single Market. It also asks what steps companies are taking and how they think they will be affected. The results will be incorporated in a submission to the Council.

In monitoring and assessing industrial performance, we have a vital interest in the trade statistics both of the United Kingdom and of other countries. The Office is the United Kingdom's official agency for the OECD's computerised Database of Trade Statistics.

Industrial Economics Group

The work of the Statistics Group shades into that of the Industrial Economics Group. This is well illustrated by the Oxford Economic Forecasting disaggregated model.

We commissioned Oxford Economic Forecasting, a leading forecasting organisation, in conjunction with the Department of Trade and Industry and the support of some independent organisations, to develop a new micro model covering some 90 production and service sectors. It is compatible with Oxford Economic Forecasting's macro model of the economy, and is now available twice yearly on subscription. It is designed to be used not only for forecasting but also for simulations (the answers to "what if" type questions). Work is in hand to make full use of this new development in the work of the Sector Groups.

Our economists are moving beyond a "servicing" role to a much more "active" role in the Sector Groups' involved programmes.

The Industrial Economics Group is working with construction, for example, on private finance for the infrastructure and in providing regular forecasts for the industry. More generally, the Group is engaged in a programme designed to identify what specific supply-side improvements can be made across the whole range of Sector Groups.

General Issues Groups

The work of this Group varies according to the needs of the Office, and it takes responsibility for the production of most of the Division's papers for the Council. Recent ones include:

- UK Trade Performance.
- Pay and Productivity in the UK.
- Urban Regeneration: obstacles that need to be overcome.
- The Supply of Skills: some questions.

A notable publication, produced by this Group, with much support from the Statistics Unit, has been 'British Industrial Performance' which is now in its 4th edition.

The Group is also engaged in the preparation of a new National Economic Development Office venture – Policy Seminars. These are designed to be off-the-record discussions of major policy issues. Papers written by Office staff and outside experts will be given to invited audiences of academics, civil servants, industrialists and trade unionists, in the hope of directing debate on critical factors for the United Kingdom's economic success. The first three in the series will be on:

- Incentives for the low paid.
- Regional issues.
- Training (in conjunction with Manpower Division).

In each case, the individual contributions will be published in book form.

The Division encourages its economists to publish in the academic journals and to participate in seminars and conferences. There have been recent publications on: fiscal policies and the

comparative properties of models of the United Kingdom's economy; price indices and market shares in the United Kingdom's car market, and Keynesian and other explanations of post-war macroeconomic trends. Work is anticipated on: entry in the United Kingdom's car market; growth and productivity in the Services Sector; and the expansion of subcontracting in the United Kingdom.

MANPOWER DIVISION

by John Stevens, *Head of Manpower Division*

The United Kingdom depends on the skills and knowledge of its people to compete in world markets. The Manpower Division of the Office is specifically concerned with the adequacy of the supply of skills and the way in which these are developed and applied to international standards of competitiveness.

Skill Needs

The report 'Competence and Competition' published in 1984 by the National Economic Development Office and the Manpower Services Commission showed the extent of the education and training challenge if British industry is to compete and thrive against international competition. Subsequently, skill shortages have become an acute problem in some industries and in some regions.

The National Economic Development Council and its Sector Committees are conducting research and stimulating action by employers and educators to address skill shortages.

Information technology skills have been in short supply throughout the 1980s. In the past year the National Economic Development Council's Electronics Industry Sector Group has prepared a report 'Switching on Skills' – showing how companies have successfully tackled information technology skill shortages. Another report, 'Performance and Competitive Success: Comparative Education and Training Strategies' looked at electronics and computer skill problems in the United States of America, Japan and Europe, and the lessons to be learned from public and private sector initiatives in those countries. A series of workshops to stimulate action by employers has been run in the first half of 1989.

A campaign to stimulate action by employers in tourism and leisure to tackle recruitment and retention problems was launched by the Secretary of State for Employment in March, 1989. This was followed by the wide distribution of a major report, 'Recruitment Challenges', and the provision of a range of material and activities to help the industry.

The National Economic Development Office reviewed and publicised relevant university and polytechnic courses in manufacturing systems and engineering from 1984 to 1987 and

during this period the availability and demand for relevant courses increased significantly. The process of review and publicity has now been taken over by the Institution of Production Engineers.

In 1988, the National Economic Development Office, with the assistance of the Institution of Production Engineers and with finance provided by industry and the Department of Trade and Industry, produced and circulated to every secondary school a video on manufacturing systems engineering, 'A Career for Tomorrow's World'.

Demography

In 1987, the Division commenced a series of studies of demographic trends and their implications for the labour market. These culminated in the report 'Young People and the Labour Market', published jointly with the Training Agency in 1988.

The report outlined the scale of the fall in the numbers of school leavers in the early 1990s. The report said that employers could not afford to wait and see how the changes would affect them.

A major follow-up study is now being conducted jointly with the Training Agency.

Working Patterns

Patterns of work have been changing rapidly in Britain. The fastest rate of growth of employment has been found among women working part-time. A research report 'Part-time Working in the Distributive Trades' was published in 1988. The Division has also contributed to the National Economic Development Office/Confederation of Information Communication Industries' sponsored 'Project Frontline', exploring the opportunities for providing work in depressed inner city labour markets through teleworking. On this theme the Division has contributed to the National Economic Development Council's Electronics Industry Sector Group's report 'Working by Wire' published in March 1989.

People – The Key to Success

In the 1990s, more than in previous decades, competitive success will go to organisations which are best able to develop and use the

talents of their people. In 1987, the National Economic Development Office in cooperation with the Manpower Services Commission, (now the Training Agency) carried through a programme aimed to encourage organisations to invest adequately in and to plan for the development of the people they employ. Workshop meetings were held in regional centres. A booklet 'People – The Key to Success' and an accompanying Action Pack were prepared and many copies have been sold.

As a follow-up to this work Julian Haviland was commissioned to prepare interviews about their approach to human resource development with the Chief Executives of Cadbury-Schweppes, Land Rover, the Manpower Services Commission, Metal Box, Shell UK and Tesco. The interviews were published in a booklet 'Talking Heads', in April 1989.

The Management of Change

Developing organisations, people and technology to meet new challenges requires an ability to manage the process of change and was the subject of research for the National Economic Development Office and the Training Agency by David Stevenson Associates. This suggests that, depending on the trading environment and the scale of change necessary, managers may need to operate in three main change modes: survival, transition and transformation. Survival relates to the need to counter a substantial reverse. Transition relates to incremental change. Transformation is concerned with the achievement of a quantum improvement in performance and relates to the whole organisation and not just its component activities.

A report, 'The Challenge of Change', setting out the results of the research, has been published. It suggests that in future larger numbers of companies will need to make a transformation in performance. It provides case studies of the management of change in companies in the United Kingdom, France, and North America and identifies facilitators which have helped to make change successful.

Management Education and Development

In 1987 the National Economic Development Office (together with the then Manpower Services Commission and the British Institute of Management) published a consultancy study of management education and development in the United States of America, Japan, West Germany, France and the United Kingdom, 'The Making of Managers'.

The report argued that managers overseas appeared to have been educated to a higher level and were more likely than United Kingdom managers to have benefited from continuing education and training. The report made recommendations aimed at providing would-be managers and existing managers in the UK with a more clearly defined and 'professional' career path.

Following publication of the report (and a British Institute of Management/Confederation of British Industry report 'The Making of British Managers') the Council of Management Education and Development under the chairmanship of Mr Bob Reid, Chairman of Shell UK, set up a number of working parties to process the recommendations. A Code of Practice (now the Management Charter Initiative) was launched in July 1988 and a large number of public and private sector organisations have entered into membership. Further proposals relating to management qualifications and institutional arrangements are under consideration.

THE NATIONAL ECONOMIC DEVELOPMENT COUNCIL

The Rt Hon Nigel Lawson MP *Chancellor of the Exchequer – CHAIRMAN*

Sir James Ackers *President of The Association of British Chambers of Commerce*

Mr J M M Banham *Director General of The Confederation of British Industry*

Mr R Bickerstaffe *General Secretary of The National Union of Public Employees*

Ms Brenda Dean *General Secretary of The Society of Graphical and Allied Trades*

Mr J Edmonds *General Secretary of The General, Municipal, Boilermakers and Allied Trades Union*

Mr W A Eltis *Director General of The National Economic Development Office*

The Rt Hon Norman Fowler MP *Secretary of State for Employment*

Mr E A Hammond OBE *General Secretary of The Electrical, Electronic, Telecommunications and Plumbing Union*

Sir Trevor Holdsworth *President of the Confederation of British Industry*

Mr W Jordan *President of The Amalgamated Engineering Union*

The Rt Hon Robin Leigh-Pemberton *Governor of the Bank of England*

Admiral Sir Raymond Lygo KCB *Chief Executive of British Aerospace plc*

The Rt Hon John MacGregor *Secretary of State for Education and Science*

Mr D A G Monk *Chairman & Chief Executive of The Gateway Corporation plc*

Sir Bryan Nicholson *Chairman of The Post Office*

Mr T J O'Connor *Chairman & Managing Director ELTA Plastics Ltd*

The Rt Hon Christopher Patten MP *Secretary of State for the Environment*

The Rt Hon Nicholas Ridley MP *Secretary of State for Trade & Industry*

Sir Thomas Risk *Governor of the Bank of Scotland*

Mr R Todd *General Secretary of The Transport & General Workers Union*

The Rt Hon John Wakeham MP *Secretary of State for Energy*

Mrs R E Waterhouse CBE *Chairman of The Consumers' Association*

Mr N Willis *General Secretary of The Trades Union Congress*

Mr B G Wolfson *Chairman of Wembley Stadium Ltd*

THE COUNCIL'S SECTOR GROUPS AND WORKING PARTIES AND THEIR CHAIRMEN

AGRICULTURE AD-HOC SECTOR GROUP

Sir John Quicke CBE DL

Sir John Quicke, a highly successful farmer, is a member of the Consultative Board, Joint Consultative Organisation for Research and Development in Food and Agriculture, Chairman of the Council of RURAL, and of the National Trust Estates Panel. A former President of the Country Landowners' Association, he is currently Deputy Lieutenant of the County of Devon and Chairman of the Countryside Commission's Countryside Policy Review Panel.

NEDO Contact: 01-217 4065

CLOTHING SECTOR GROUP

John Gratwick OBE

John Gratwick has been the Chairman of Empire Stores since 1978. Before that he had a career in consultancy with Urwick Orr, and was Managing Director of that company from 1968. He has been Chairman of the Clothing Sector Group since 1985, having been a member of its predecessor the Clothing Economic Development Committee since its formation in 1967.

NEDO Contact: 01-217 4047

COMMITTEE ON INDUSTRY AND FINANCE

Walter Eltis, Director General of the National Economic Development Office

NEDO Contact: 01-217 4109

CONSTRUCTION INDUSTRY SECTOR GROUP

Sir Christopher Foster

Sir Christopher Foster was a Fellow of Jesus College Oxford, Director General of Economic Planning in the Ministry of Transport from 1966 to 1970 and Professor of Urban Studies and Economics at the London School of Economics before he joined Coopers & Lybrand Associates in 1978 where he is now a Director. He has served on a number of special committees including the Audit Commission, the Committee of Inquiry into Road Haulage Licensing and Sizewell B. He has been a Special Economic Adviser to the Department of the Environment.

NEDO Contact: 01-217 4016

FOOD AND DRINK MANUFACTURING SECTOR GROUP

Henry Strage

Henry Strage is a Director of McKinsey & Company. He has had the responsibility for directing a variety of studies for institutions and enterprises in the private, public and multinational sectors, covering chemicals, energy, textiles, electronics and financial institutions in the private sector; health care, economic development, social policy, education and industrial policy in the public sector at both national and local levels.

NEDO Contact: 01-217 4064

ELECTRONIC APPLICATIONS SECTOR GROUP

Ivor Cohen CBE

Ivor Cohen has enjoyed a lengthy career with Philips, becoming one of only two United Kingdom national Directors on the United Kingdom's main board and Managing Director of the Philips components subsidiary, Mullard. He is presently Chairman of Remploy and Director of AB Electronics and Oce (UK). He is a former member of the Prime Minister's Information Technology Advisory Panel.

NEDO Contact: 01-217 4041

ELECTRONIC COMPONENTS AND TECHNOLOGY SECTOR GROUP

Eric Hammond OBE

Eric Hammond joined the Electrical Electronic Telecommunications and Plumbing Union in 1945 as an apprentice electrician. He was elected to the Executive Council of the Union in 1964 and became General Secretary in September 1984. He is also a member of the General Council of the British Approvals Board for Telecommunications; the National Electronics Council; the Economic and Social Committee of the European Community; the Engineering Council and the Advisory Council for Applied Research and Development. He became a member of the National Economic Development Council in January 1989.

NEDO Contact: 01-217 4025

ELECTRONICS INDUSTRY SECTOR GROUP

Silvan Robinson CBE

Since joining the Shell International Petroleum Company in 1954, Silvan Robinson's career has focussed on international commercial negotiations and trading activities both in the United Kingdom and abroad. He was appointed President of the Shell International Trading Company in 1983.

NEDO Contact: 01-217 4032

ENGINEERING INDUSTRY SECTOR GROUP

Bill Jordan

Bill Jordan has been President of the Amalgamated Engineering Union. He began his career in Guest Keen & Nettlefold where he became one of the Amalgamated Engineering Union's leading lay members. He became a full-time Official of the Amalgamated Engineering Union in 1977 and served on the Executive Committees of the Confederation of Shipbuilding and Engineering Unions, the Regional TUC and was also a member of the West Midlands Industrial Development Board. He is a member of the TUC General Council and major committees, including the Economic Committee; International Committee; Energy Committee. He is a member of the National Economic Development Council.

NEDO Contact: 01-217 4006

INNOVATION WORKING PARTY

Sir Robin Nicholson

Sir Robin Nicholson was Professor of Metallurgy at the University of Manchester until 1972 when he became Director of Research of Inco Europe Ltd and Managing Director in 1976. He was Co-Chairman of Biogen NV, from 1979-81 and he served as Chief Scientific Adviser to the Cabinet Office from 1981 to 1986. He is presently an Executive Director of Pilkington plc.

NEDO Contact: 01-217 4038

KNITTING SECTOR GROUP

Sir Ronald Halstead CBE

Sir Ronald Halstead joined the Beecham Group in 1954 and he became Chairman and Chief Executive in July 1984. He was appointed Deputy Chairman of the British Steel Corporation in 1986 and is also currently non-executive Director of American Cyanamid Company; The Burmah Oil plc; and Davy Corporation plc. He is a Director and Honorary Treasurer of the Centre for Policy Studies and Chairman of the Industrial Development Advisory Board, Department of Trade and Industry. He studied marketing at New York University Graduate Business School.

NEDO Contact: 01-217 4051

PACKAGING WORKING PARTY

Rowena Mills

After a career in the packaging industry leading to her appointment as Economist to the MB Group (Metal Box), Rowena Mills is now an independent consultant and Chairman and Chief Executive of RMA Ltd, her own company. She is a Fellow of the Institute of Packaging.

NEDO Contact: 01-217 4071

PHARMACEUTICALS SECTOR GROUP

David Barnes CBE

David Barnes joined the Biochemical Research Department of ICI in 1957, was appointed Commercial Deputy Chairman in 1977, Chairman of ICI Paints Division in 1983 and an Executive Director of ICI in 1986 with responsibility for Pharmaceuticals, Colours and Fine Chemicals, Agrochemicals and Seeds. He is also Territorial Director for India, Pakistan and the Middle East.

NEDO Contact: 01-217 4027

PLASTICS PROCESSING SECTOR GROUP

John Chelsom

John Chelsom joined the Ford Motor Company in 1959 from the British Iron and Steel Research Association. He subsequently worked in finance, the Supply Activity in Parts Operations, and in Ford of Europe for three years, before resuming an operational role in 1974 as Purchasing Manager,

Machinery and Tooling. He was appointed Director, Facilities and General Supplies, Ford of Europe Incorporated in 1981.

NEDO Contact: 01-217 4042

SPECIALISED ORGANICS SECTOR GROUP

Dick Homan CBE

Dick Homan joined ICI Head Office as Internal Consultant, United Kingdom and Overseas Division in 1950. He was appointed Manager, ICI Metals/IMI Corporate Planning and European Sales in 1957 and Head of Management Services and Computer Department, ICI Agricultural Division in 1964. He joined the National Economic Development Office in 1968, retiring as Industrial Director in 1985. He is presently Consultant to the Central Electricity Generating Board.

NEDO Contact: 01-217 4024

TOURISM AND LEISURE INDUSTRIES SECTOR GROUP

Brian Wolfson

Brian Wolfson is Chairman of Wembley Stadium Ltd, International Director of Kepner-Tregoe Incorporated, Princeton, New Jersey and a Director of Charles Ede Ltd, a leading antiques dealer. He has been Chairman of Anglo-Nordic Holdings. He is Chairman of the National Training Task Force. He became a member of the National Economic Development Council in January 1989.

NEDO Contact: 01-217 4068

IN PROCESS OF ESTABLISHMENT

Biotechnology Working Party

Pollution Abatement Technology Working Party

Traffic Management and Road Pricing Working Party

THE DIRECTORS AND HEADS OF DIVISION OF THE NATIONAL ECONOMIC DEVELOPMENT OFFICE

THE DIRECTOR GENERAL

Walter Eltis

Walter Eltis became Director General in November 1988, after two years as Economic Director. He was a Consultant to the National Economic Development Office from 1963 to 1966. From 1963 until 1988, he was Official Fellow and Tutor in Economics at Exeter College, Oxford.

Contact: 01-217 4049

INDUSTRIAL DIRECTOR

Douglas Fraser

After graduating from Manchester Business School Douglas Fraser spent 12 years with EMI Ltd where he held a number of management positions before joining the National Economic Development Office in 1979. In the National Economic Development Office he has been responsible for work in information technology and engineering before being appointed Industrial Director in 1988.

Contact: 01-217 4159

ECONOMIC DIRECTOR

Ken Mayhew

Ken Mayhew will be Economic Director during 1989 and 1990 while he is on leave from Oxford University where he is Fellow and Tutor in Economics at Pembroke College, and a University Lecturer in Economics. He has been an Economic Assistant at the Treasury, Consultant at the CBI and Senior Tutor of the Oxford University Business Summer School.

Contact: 01-217 4129

SECRETARY TO THE COUNCIL/HEAD OF ADMINISTRATION

Martin Couchman

After reading Law at Oxford University, Martin Couchman spent seven years in the building industry. He joined the National Economic Development Office in 1977 as an Industrial Adviser on the domestic electrical appliances industry and, subsequently, air cargo. He became Head of Administration in 1984. He was seconded as UK Director of European Year of the Environment in 1987-88 and he returned to the Office as Secretary to the National Economic Development Council in 1988.

Contact: 01-217 4149

HEAD OF MANPOWER DIVISION

John Stevens

After a period in the chemical industry John Stevens worked in the Economic Department of the Trades Union Congress. He joined the National Economic Development Office in 1978 where he has been responsible for work on manufacturing systems engineering, human resource development and the management of change. He was responsible for the Office's manpower work in the construction and engineering industries before being appointed Head of the Manpower Division.

Contact: 01-217 4099

HEAD OF COMMUNICATIONS DIVISION

Liza McKinney

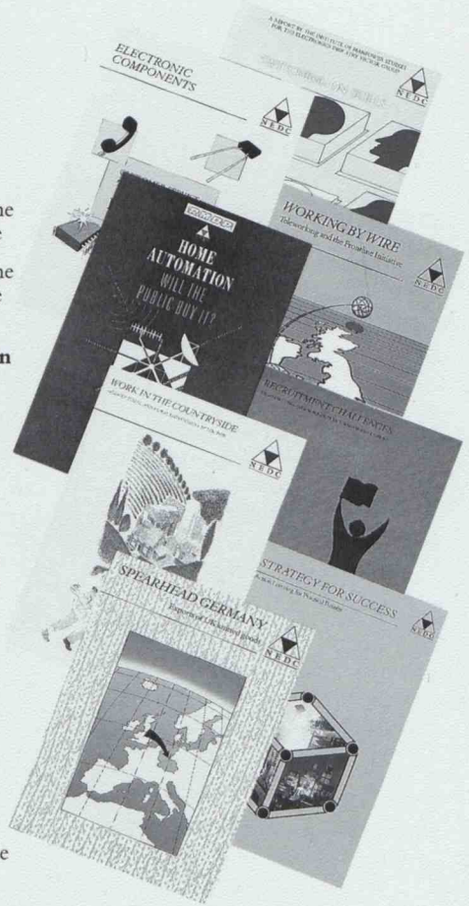
Liza McKinney was a broadcaster and journalist until she joined the Government Information Service in 1975. She served in the Department for National Savings until 1977 when she moved to the Press Office of the Department of Transport. In 1981 she was posted to the Information Division of HM Treasury where she helped to serve two Chancellors. She came to the National Economic Development Office as Chief Press Officer in 1986 and became Head of Communications Division in 1987.

Contact: 01-217 4059

RECENT PUBLICATIONS AND FORTHCOMING EVENTS

RECENT PUBLICATIONS

- **Talking Heads:** Planning Human Resource Development A Series of Interviews by Julian Haviland
- **Working by Wire:** Teleworking and the Frontline Initiative
- **Recruitment Challenges:** Tackling the Labour Squeeze in Tourism and Leisure
- **Recruitment Challenges:** Tackling the Labour Squeeze in Tourism and Leisure – Case Studies
- **Technology Transfer Mechanisms in the UK and Leading Competitor Nations**
- **Customised Silicon Circuits**
- **UK Packaging – Food for Thought**
- **Switching on Skills**
- **Plastics in IT:** Business Opportunities for the UK Plastics Processing Industry in Information Technology and Telecommunications Equipment
- **BUILD:** Building Users' Insurance Against Latent Defects – summary of findings and recommendations.
- **Faster Building for Commerce**
- **Physical Distribution:** Efficiency of Delivery to Shops
- **Work in the Countryside:** Agriculture and Rural Employment in the 1990's



AVAILABLE FROM:

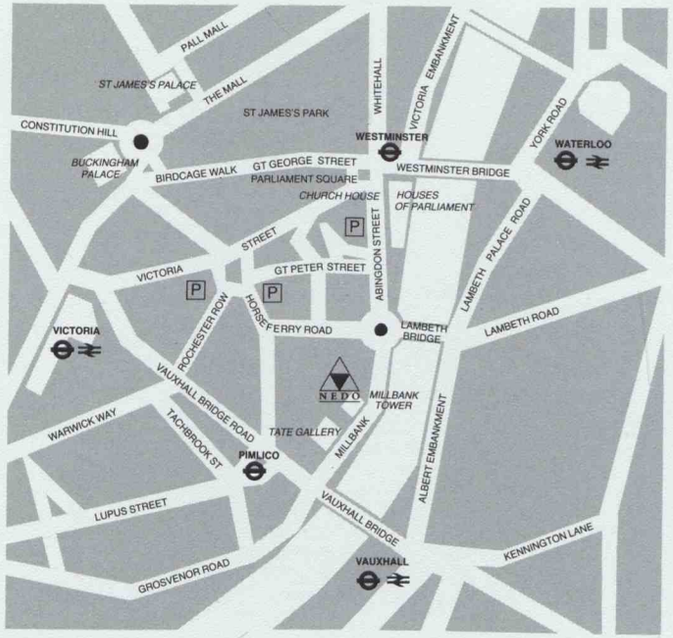
NEDO Books, Millbank Tower, Millbank, London SW1P 4QX
Telephone: 01-217 4037/4036

The National Economic Development Office bi-annually publishes NEDO Books & videos, a catalogue of Council papers, publications and videos currently on sale, as well as free material.

FORTHCOMING EVENTS AND CONFERENCES

'The Way Forward' Workshop Contact Julian Scantlebury **01-217 4028**	12 Sept	Hilton National Hotel, Berks
Project Record Launch Contact Felicity Bull **01-217 4133**	19 Sept	Royal Garden Hotel, London
BUILD Contact Beryl Garcka **01-217 4016**	26 Sept	Cafe Royal, London
Low Pay Policy Seminar Contact Alex Bowen **01-217 4089**	26/27 Sept	Oxford University
Making the Most of the Managers Contact Mike Cannell **01-217 4048**	5 October	Holiday Inn, Leicester
Marketing by Design Contact Elizabeth Bailey **01-217 4051**	16 Nov	Belmont Hotel, Leicester
Marketing Opportunities – Who is Importing What? Contact Don Webb **01-217 4043**	14 Dec	Millbank Conference Centre, London
Construction to and beyond the Year 2000 Contact Beryl Garcka **01-217 4016**	31 Jan/1 Feb 90	Tara Hotel, London
European Public Purchasing Contact Don Webb **01-217 4043**	18/19 April 90	Queen Elizabeth II Conference Centre, London
Regional Issues Policy Seminar Contact Alex Bowen **01-217 4089**	26/27 April 90	Lumley Castle, Durham

WHERE TO FIND US



Underground

- The nearest stations are Pimlico (Victoria line) and Westminster (District & Circle lines).

Bus routes

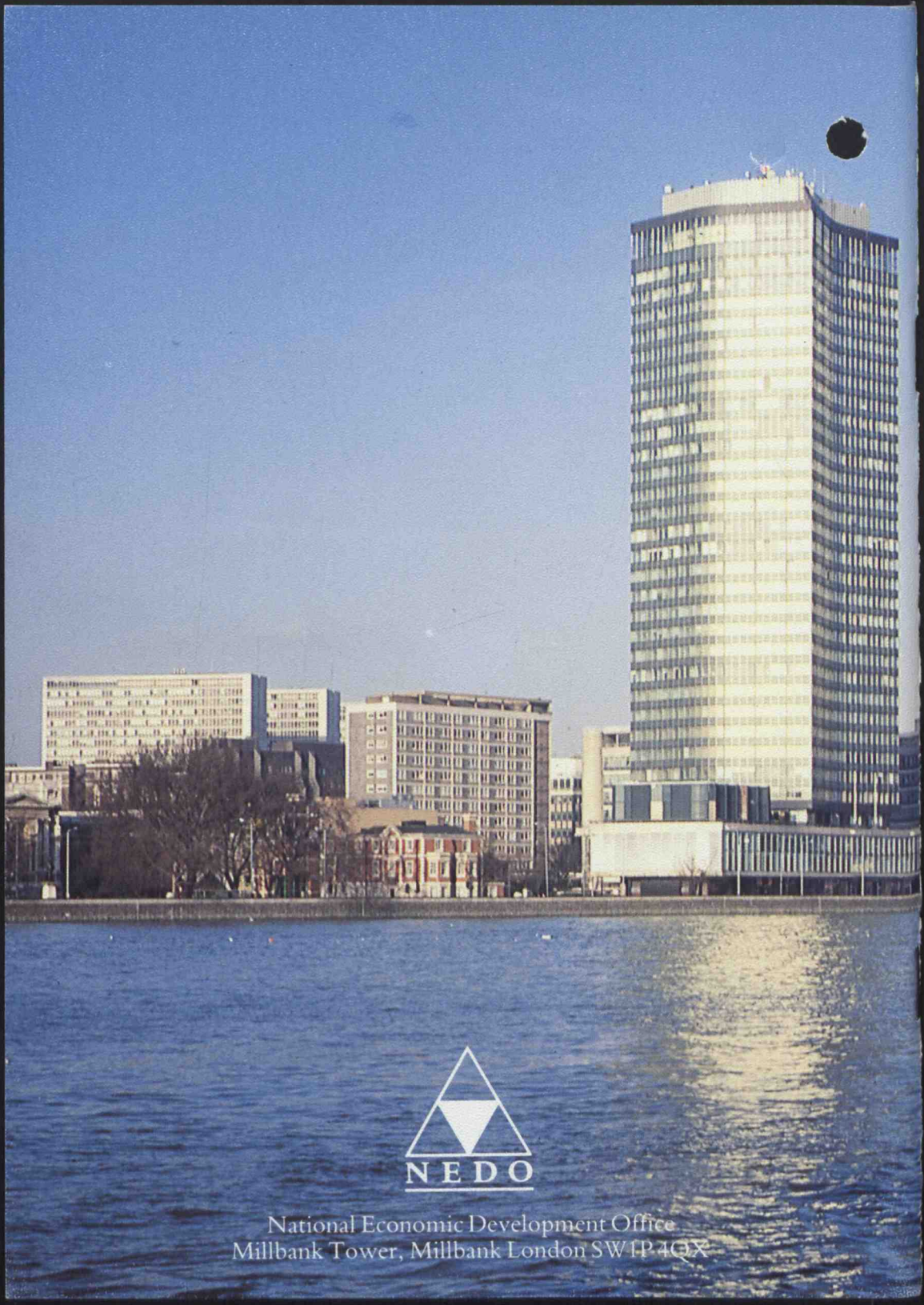
- 77A from Charing Cross and Westminster. Stops on Millbank near Millbank Tower.
- 507 between Victoria and Waterloo stations. Stops in Horseferry Road near Lambeth bridge.

Car parking

- The nearest public car parks are shown.
- There are a few parking meters near the Tate Gallery.

Car parking is difficult in the Millbank area. Visitors are recommended to use public transport wherever possible.

National Economic Development Office
Millbank Tower, Millbank London SW1P 4QX



National Economic Development Office
Millbank Tower, Millbank London SW1P 4QX

Walter Eltis
Director General
Direct Line 01-217 4049
Personal Secretary 01-217 4122

30 June 1989

NEDO

TO ALL COUNCIL MEMBERS

National Economic Development Office
Millbank Tower, Millbank
London SW1P 4QX

Telex 945059 NEDO G
Fax 01-821 1099
Reception 01-217 4000

Dear Council Member,

NEDC Meeting - Wednesday 5 July 1989 at 10:00am

This briefing note outlines questions on which dicussion might helpfully focus.

Item 1: THE CITY AND INDUSTRY

The Governor's paper outlines extremely helpfully some of the extensive benefits that the United Kingdom economy derives from the efficiency with which the City provides financial services, and how its recently enhanced competitiveness ensures that these are generally offered at lower prices than by European equivalents. Possible questions for discussion include:

(i) Do small firms benefit as much as larger companies from the low interest rate spreads between deposit rates and borrowing rates which the Governor refers to? The CBI is concerned that they may often have to borrow short at far higher rates than larger companies pay, and these can also obtain long term finance (which is unavailable to small firms) still more cheaply. How can the availability of finance to smaller companies be improved a question of particular concern to the NEDC's Committee on Industry and Finance?

(ii) Is it paradoxical that highly successful German and Japanese industry is supported by a financial sector which is far less competitive and which offers a narrower range of services than the City of London? Are there nonetheless features of the German or the Japanese financial sector which members of the Council would wish to see in the City of London? The CBI may take the view that the long term development of Japanese and German companies has benefited because they cannot be as readily taken over on the basis of adverse short-term financial assessments as United Kingdom companies.

(iii) Does 1992 offer exceptional opportunities to the City in view of its present relative efficiency, and will the regulatory environment allow these to be fully exploited?

(iv) Is the narrowing of City profit margins to which the Governor refers placing pressure on United Kingdom banks, etc, to run extensive advertising and promotion campaigns to persuade the personal sector to borrow more heavily? Has the rapid growth of personal borrowing which the banks have pressed so hard for damaged the personal savings ratio and obliged industry to pay higher interest rates in its competition for funds?

Item 2: SECTORAL REPORT: INNOVATION WORKING PARTY

Sir Robin Nicholson will report on the actions undertaken by the Working Party in response to its remit which arose from the Council's concern with the level of industrial innovation in the United Kingdom. In particular, he will seek the support of the Council for the dissemination of a 'tool-kit' developed by the Working Party to assist, in particular, smaller companies to become better innovators. In the early 1980s R&D expenditure in the United Kingdom - and by inference, expenditure on innovation more generally - fell behind that of our principal competitors. Since then it has improved but it is not at all clear how far, and it would be valuable to have the perceptions of members of the Council on whether United Kingdom innovation continues to be a serious cause of concern. The discussion of trade issues at the April meeting of the Council highlighted the need for United Kingdom companies to produce new products and services as well as producing existing ones more efficiently. There is continuing disquiet in many quarters about the seeming unwillingness of many companies not only to invest in innovation but even also to buy technology or copy good management practices from others. Members of the Council may wish to explore this problem of receptivity which may prove to be a key factor in the next phase of our industrial recovery.

Item 3: INFRASTRUCTURE IN THE REGIONS

The TUC and CBI papers occupy much common ground on the problems of our transport infrastructure. They are both concerned that congestion is proving costly, that not enough has been spent on infrastructure investment, that there has been inadequate policy and strategic coordination between the different transport modes, and that the combined total of public and private finance is likely to be limited in the foreseeable future. Council might wish to discuss the following questions:

(i) Are the government's present plans to raise real expenditure on roads by 25 per cent in the next three years and on rail by nearly 50 per cent an adequate response to the scale of the problem? Are faster increases than these actually feasible?

(ii) Will present government initiatives to encourage private funding make a significant further impact?

(iii) Is infrastructure investment biased towards the South East in a manner that might prejudice regional development especially in view of the probable impact of the Channel Tunnel?

(iv) Can the lead-times for completing major public projects be reduced?

(v) Is the public expenditure planning process able to properly accommodate multi-year funding of major infrastructure projects?

Yours sincerely,

Walter Eltis.

Appts

Mr Prm

(66)

ccPS

Original file
Appointments

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

28 November 1988

NEDC MEMBERSHIP

The Prime Minister was grateful for the Chancellor's minute of 23 November. She is content with the proposal to invite Eric Hammond, Sir James Ackers and Brian Wolfson to serve on the Council.

I am copying this letter to Clive Norris (Department of Employment), Roger Bright (Department of the Environment), Neil Thornton (Department of Trade and Industry), Tom Jeffery (Department of Education and Science) and Stephen Haddrill (Department of Energy).

Paul Gray

Alex Allan, Esq.
H.M. Treasury.

CONFIDENTIAL

chex.md/mw/121 CONFIDENTIAL

Original with Appointments

Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

Prime Minister

Agreed no Reflects that you agreed informally with the Chancellor. Content formally to approve the appointment of Hammond, Ackers and Wolfson?

PRIME MINISTER

NEDC MEMBERSHIP

In the wake of the TUC's expulsion of the EETPU I have been giving some thought to the future membership of the NEDC.

In my view it is no longer reasonable for the TUC to nominate all the union representatives on the Council when at least one trade unionist in seven is in a non-TUC union (not to mention the fact that the majority of the labour force are not union members at all). I have discussed this with Norman Fowler and David Young and we have concluded that the least controversial option in the short term would be to leave the TUC with its existing quota of six seats, but to find another place for a non-TUC union representative. Our preference for this seat would be Eric Hammond.

I have also been considering the balance of membership more generally. There have been two nationalised industry representatives on the Council since its inception in 1962. This too seems anomalous now that the nationalised industry sector has been reduced by nearly 40 per cent. I therefore propose that when Sir Robert Haslam's term on the Council ends on 30 November we do not replace him with another nationalised industry representative. Instead I think we should use the seat for an additional private sector employer. I discussed with Norman and David how we might

fill this slot. We do not think we should give a further slot to the CBI. The TUC's quota will remain unchanged, and treating the CBI in an identical fashion would make it more difficult for the TUC to complain. We discussed a number of possibilities, and concluded that, subject to your and colleagues' views, the best would be Sir James Ackers, President of the Association of British Chambers of Commerce.

These two extra seats could be found without affecting the overall number of Council members. One seat would be found by not renewing Sir Robert Haslam's term. And there is also the seat which we decided to leave vacant when Sir Bryan Nicholson moved from the old MSC slot to sit as a nationalised industry representative.

This brings me to my final suggestion. It was always expected that when a permanent head of the Training Commission was appointed he or she would join the Council. Although the Training Commission is to be abolished and its functions absorbed within the Department of Employment, Norman Fowler believes that Brian Wolfson, who will be chairing the new National Training Task Force, should nevertheless be appointed to the NEDC, and would make a valuable personal contribution to it. David Young agrees. Since NEDO's Financial Memorandum allows me to alter the number of independent members of the Council at my discretion, I therefore propose to create an extra seat and invite Brian Wolfson onto the Council.

I should be grateful for your agreement, and the agreement of other NEDC ministers to my inviting Eric Hammond, Sir James Ackers and Brian Wolfson to serve on the Council. If this is agreed, I will then set in train appropriate procedures for consulting the CBI and the TUC. I will also ensure that the Nationalised Industries Chairmen's Group is informed of the change.

Copies of this minute go to Norman Fowler, Nicholas Ridley, David Young, Kenneth Baker and Cecil Parkinson.

[NL]

23 November 1988

10 DOWNING STREET

Prime Minister

This is the Chancellor's proposed draft for a statement to NEDC. He has already incorporated drafting suggestions which I offered, to make it more tactful.

Content?

DLW
30/6.

4256/012c2

PERSONAL AND CONFIDENTIAL

Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

The Rt Hon Lord Young of Graffham
Secretary of State for Trade and Industry
1-19 Victoria Street
LONDON SW1

30 June 1987

Dear David

NEDC, 1 JULY

This letter is to provide you and Ministerial colleagues on the NEDC with copies of the draft statement I intend to make at the Council meeting tomorrow morning and the defensive Q&A prepared in consultation between our officials.

In the circumstances, I would propose to release my statement to the Council to the press. The Q&A can then be used as appropriate by our press offices and all officials concerned with the NEDC and its activities as appropriate. I should therefore be grateful if you and colleagues could arrange for the statement and Q&A to be circulated to press offices and all interested officials within your department as soon as I have made my statement at tomorrow's Council. Given the extreme sensitivity of this announcement, I should be grateful if you could keep these papers on a personal and confidential basis within your offices until that time.

I shall be writing separately tomorrow, to you and other colleagues who have lead responsibility on deciding the future of individual Economic Development Committees and the like, with a view to putting together by the end of this week a list of those we are willing to continue funding beyond the end of the current financial year.

Copies of this letter go to the Prime Minister, Willie Whitelaw, Norman Fowler, Nicholas Ridley, Kenneth Baker, and Cecil Parkinson.

Yours ever
Nigel

NIGEL LAWSON

LATEST DRAFT OF STATEMENT TO BE MADE AT NEDC MEETING - SUBJECT TO ALTERATION

This first meeting after the election had to be a short one. The date was fixed long before we knew when the election would be, and as it has turned out four NEDC Ministers - of which I happen to be one - have to prepare major speeches today and tomorrow in the Debate on the Address. Unfortunately, it was not possible at short notice to find an alternative date suitable for all council members between now and the holidays. We do not normally meet in August or September and the next meeting will therefore not be until October.

I would therefore like to take this early opportunity to let the Council know of some conclusions the Government has reached after careful thought about future arrangements for the Council and the EDCs. It is more than a quarter of a century since one of my predecessors set up the Council. The time has now come we believe to make some changes to help meet present day needs.

The subjects and problems the Council discusses are of course important ones. The contributions by members are usually frank and thoughtful. But I think that few of us around this table, if we are honest, can believe that our common interest in improving the country's economic performance requires us to meet virtually every month. The Government has therefore concluded that the Council should in future meet quarterly, probably in July, October, January and April.

I will of course continue to take the chair at the April meeting after the Budget and NEDC will continue to be under the aegis of the Chancellor. The other three meetings will be chaired by the Secretary of State for Trade and Industry, the Secretary of State for Employment, and another NEDC Cabinet Minister. The Chief Secretary will probably substitute for me. Those other three meetings should I believe focus on the work of the EDCs and other micro-economic subjects.

We see a number of advantages in the new arrangements. Four meetings a year will help ensure that we retain much of the value of Council discussions. The involvement of other Cabinet Ministers in taking the chair will be useful as we continue to shift our emphasis away from macro-economic policy to supply side issues.

I have always believed that Neddy's most important contribution is at sectoral level. The work of some EDCs and other similar activities shows the value of this approach. But the record is uneven and the present pattern has become rather too rigid.

I do not believe we can justify continuing the EDCs and similar activities on their present scale. We therefore intend to put forward a list of those EDCs we consider are doing a job which would justify continued public funding after the end of the current financial year. I would expect this to lead to a significant reduction in the number of publicly-funded EDCs. The continuing EDCs will as at present report on their work to the Council, and I am sure Council will wish to continue to give a high priority to this task.

For each of the other EDCs the Government would need to be persuaded that continued public funding should be made available from 1 April 1988. I have to say that we shall not easily be persuaded. If, in some cases, one or more of the other parties wishes to take over the financing of all or part of the activities done in an EDC, it would, of course, be open to them to do so.

As a consequence of all these changes, there is bound to be a corresponding reduction in the size of the Office.

I very much hope that both the CBI and the TUC will work to make these new arrangements effective. I understand that a meeting of Group of Four has been arranged later this month and the practical implications of the changes I have outlined can be discussed then.

4256/006c2

NEDC, 1 JULY ANNOUNCEMENT - DEFENSIVE BRIEFING

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A - MOTIVES

B - COUNCIL ARRANGEMENTS

C - EDC ARRANGEMENTS

D - NEDO AND ITS STAFF

E - PUBLIC EXPENDITURE

CONFIDENTIAL

DEFENSIVE

(A) - MOTIVES

1. Why no prior consultation to this announcement?

NEDC was set up and has remained a body wholly funded by Government. Government must be able to make key decisions about its size and scope, as it thinks necessary. Decided, in this instance, that move to new procedures was best announced without delay, since no further NEDC meeting until October in any event.

2. Did you consult CBI, NICG or others?

No.

3. Why not simply abolish NEDC?

Council meetings serve a useful purpose. But four meetings enough to serve that purpose. Hope that the CBI and TUC will help to make these new arrangements effective.

4. Is this the first stage in a rundown to abolition?

No: it is a sensible streamlining.

5. Calculated to force TUC to withdraw?

No. Hope TUC, CBI and others will work to make new arrangements effective.

6. What does this mean for the MSC?

Any proposals that may arise on the MSC front are unrelated to what I have explained today, which is felt to be best way of gearing the NEDC/NEDO structure to today's needs.

7. Is this part of a general rundown of tripartite bodies? [as Banham suggested to CBI Council]

No. Each case looked at on its merits.

8. How firm are these "conclusions"?

The Government has reached and announced clear decisions. Group of Four [G4 - Mr Cassels, Mr Banham, Mr Willis and Sir P Middleton] later this month can discuss practical implications of the changes I have outlined.

9. Can TUC/CBI come to discuss these proposals with Chancellor?

See no point in protracted discussions about substance of these changes. But understand a meeting of G4 has been arranged later this month and the practical implications of the changes I have outlined can be discussed then.

10. NEDC discusses subjects crucial to the economy. Why decimate discussions in this way?

Subjects and problems we discuss are of course important. But few of us, if we are honest, can believe that our common interest in improving the country's economic performance requires us to meet virtually every month. A quarterly meeting will fully serve the purpose of NEDC.

11. Goodwill generated in NEDC is priceless. Why sour it?

Hope goodwill will continue and that CBI, TUC and others will help to make these new arrangements effective.

12. Deliberate attempt to shift away from macro issues?

Council already - rightly - devotes most of its discussions to micro issues. The involvement of other Cabinet Ministers in taking the chair will be useful as we continue to shift our emphasis away from macro-economic policy to supply side issues. I would still propose to discuss macro issues following my Budget at the April meeting each year, if the parties so wished. Council's other three meetings will focus on the work of the EDCs and other micro-economic issues.

13. This is done simply because NEDC is an embarrassment to you?

No. It is a commonsense streamlining.

14. These changes motivated by your personal dislike of chairmanship?

No. My attendance record, during four years as Chairman, - and 18 months as a member before that - has been good. But the involvement of other Cabinet Ministers in taking the chair will be useful in the continuing shift of emphasis in Council discussions from macro policy to supply side issues.

(B) - COUNCIL ARRANGEMENTS

1. Simple recognition of poor Ministerial attendance?

No party can claim to have maintained full attendance for all meetings. We all can think of instances when one or other party's attendance has been very thin. Despite considerable pressures, we have almost always managed to field the relevant Minister for each of the issues and will continue to do so.

2. Will level of Government representation fall further?

In some cases there will be Ministerial substitution, as there is currently. Have already indicated the Chief Secretary may well substitute for me at the three non-Budget meetings. Will be for other departments to decide on their level of representation, taking into account issues to be discussed.

3. Is the make-up of Council membership to be changed and, if so, will you consult first?

No change is being made in the balance of representation on NEDC.

4. What happens to regular Autumn Statement discussion?

For Steering Group on Council Programmes to consider whether Autumn Statement raises issues for proposed January meeting or not.

5. Will you be willing to see CBI and/or TUC separately?

Yes, as now, on specific matters - eg Budget representations each year.

6. What is basis for months chosen?

Each three months apart and each a month in which Council meeting is already held. Should therefore present fewest diary problems. Also fits best with likely Parliamentary timetables, conferences etc.

7. Will quarterly meetings be all day/have longer agendas?

Would not foresee changing normal practice of half-day meetings with three item agendas. Practical ramifications of this can be discussed by G4.

(C) - EDCs

1. How will you decide on EDCs in your list?

Following consultations with other Government Departments which sponsor EDCs we will be putting forward a list of those EDCs we consider are doing a job which would justify continued public funding after the end of the current financial year. [See No 6 below for more detail].

2. When will you produce the list?

As soon as possible, consistent with appropriate liaison between Government departments. Hopefully by end of this week.

3. How big will the substantial reduction be?

Need to consider each EDC on its merits. But would be surprised if more than half of present committees etc justify ccntinued public funding.

4. Why not delay it until you have other parties' views on each EDC?

Unfair to all concerned to delay list.

5. Will you accept representations?

We will be putting forward a list of those EDCs and the like which we think merit further public funding from 1 April 1988. For each of the other EDCs, not on the list, HMG will need persuading that continued public funding should be made available from 1 April 1988.

6. How exactly will the surviving EDCs be chosen?

- shall select those that justify continued public funding and provide sufficient economic benefits.

- shall take account of each EDC's past track-record and recent performance and base our selection on whether there remains real, solid work for the EDC to do to benefit the sector in question.

- All EDCs have doubtless done some work of use to some parties - some more than others - but that does not mean they all justify continued public support. Shall fund EDCs where they have a real contribution to make. Do not believe every sector needs an EDC. New approach will be more flexible and pragmatic.

If other parties wish to see an EDC continue, they are welcome to provide the financial and secretariat support for it.

7. What merits do you see in EDCs?

In some cases, can be helpful to discuss particular sectoral problems on tripartite basis. But does not apply to all sectors, nor to a particular sector for all time.

8. Where have EDCs failed?

None has been a total failure, but in a number of cases the result produced has not justified the substantial time and resources put in by all concerned. Some EDCs have duplicated work going on elsewhere; in some, the tripartite discussion has not added anything; some have strayed into general rather than sectoral issues and some have just come to the end of their useful lives.

9. What happens to EDCs not on your list?

All existing EDCs will be funded up to the end of current FY, though those that come to the end of their 2 or 3 year life cycles before then may cease at that point. Nine months remaining in current FY should allow more than adequate time in which to complete the great majority of current, worthwhile projects.

[**BACKGROUND** - Each EDC is subject to review or reconstitution after 2 or 3 years of its life under existing procedures. 7 are already under review; a further 21 of the other 29 would have been due for review under those procedures by the end of the present FY.]

10. For what period will the "continuing" EDCs be supported?

For up to 2 year life cycles. We shall review all those EDCs on the list to be published at any time up to two years from their last reconstitution date; or, for those few already undergoing reconstitution, up to two years from their next reconstitution date. Whether each EDC continues to receive public funding beyond 2 year period will depend crucially on whether it provides sufficient economic benefits. All sectoral work will be subject to continuous review, under new, more flexible arrangements. While noting others' views, HMG will ultimately take decisions concerning whether to continue with public funding or not.

11. What scope will there be for new EDCs?

The list will not be fixed for all time. But would not propose to complicate process of adjustment by allowing any new committees to start up over the next

nine months. Once NEDO running smoothly on a revised basis, if there is a good case for a new EDC we shall consider it. Equally, some EDCs on the list may reach end of their useful lives. Would not expect the total number of EDCs and the like funded by HMG to rise above that in the list. But other parties welcome to provide secretarial and financial support if they feel a particular activity is worth preserving or establishing.

12. Will EDCs meet so frequently?

Not necessarily. Aiming for a flexible approach in order to get good VFM for each EDC. In some cases EDCs may continue to meet as frequently as now. But in others it may be more appropriate to meet only as occasion demands.

13. (After the list is published) Why was a particular EDC not on the list?

Although it has done some useful work, HMG did not feel continuing public funding was, on balance, justified.

14. What about EDC reports to Council?

Those EDCs which are to continue to receive public funds into 1987/88 will continue to report on their work to the Council, according to Steering Group decisions. Am sure Council will wish to continue to give a highly priority to this task.

15. What about Task Forces?

Shall deal with these as if they were EDCs.

16. What about NEDO Working Parties and other NEDO involvment in HMG work?

We shall decide about these as soon as possible, as for EDCs.

) - NEDO AND ITS STAFF

1. What future for Mr Cassels (sitting on your right)?

My announcement does not remove the continuing need for a Director General to lead the Office. I hope John Cassels will continue to fulfill this role.

2. What future for NEDO staff?

Depends partly on any interest by other parties in stepping in to employ relevant staff and finance anything they particularly wish to see continued. Obviously proper procedures will be followed if some early retirements/redundancies are the end result. My staff will be considering this in detail with the management of the Office during the coming weeks.

3. Isn't this a terrible way to announce redundancies to NEDO staff?

Felt it only right that Council should be informed first of our conclusions. Change will be implemented over a period of time. We will fund all EDCs to end of current financial year, which is another nine months. Thereafter, public funds will only support those EDCs we think justify continued public funding.

4. How many redundancies will result from this?

Too early to say. But I expect this to lead to a significant reduction in the number of public-funded EDCs. However, if one or more of the other parties wishes to take over the financing of all or part of the activities done in an EDC, they are, of course, free to do so. Proper redundancy arrangements will be followed.

(E) - PUBLIC EXPENDITURE

1. Aren't you motivated by penny-pinching public expenditure savings?

No: simply making what I see as long overdue and necessary changes in Council and EDC structure. It is not good VFM to continue EDCs and similar activities on anything like their present scale.

2. What public expenditure savings will there be?

Too early to say. Will be worked out as a result of changes I've just announced and in light of list of EDCs which will receive continued public funding beyond current FY.

RC6.79

cc BG

Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

29 June 1987

David Norgrove Esq
10 Downing Street
LONDON
SW1

Prime Minister cc BG

I have suggested a few small changes to soften the tone a little.

Otherwise content?

DCR 29/6.

Dear David,

NATIONAL ECONOMIC DEVELOPMENT COUNCIL

... I attach a redraft of the statement the Chancellor proposes to make at the 1 July meeting of the National Economic Development Council on the future of NEDC. I should be grateful to know if the Prime Minister is content.

Yours,

Cathy

CATHY RYDING
Assistant Private Secretary

pa. (Comments passed to the Treasury, who have provided a revised version.)

DRAFT - TO BE MADE AT NEDC MEETING

This first meeting after the election had to be a short one. The date was fixed long before we knew when the election would be, and as it has turned out four NEDC Ministers - of which I happen to be one - have to prepare major speeches today and tomorrow in the Debate on the Address. Unfortunately, it was not possible at short notice to find an alternative date suitable for all council members between now and the holidays. We do not normally meet in August or September and the next meeting will therefore not be until October.

I would therefore like to take this early opportunity to let the Council know of some conclusions the Government has reached after careful thought about future arrangements for the Council and the EDCs. It is more than a quarter of a century since one of my predecessors set up the Council. The time has now come to streamline it to we believe make some changes to help meet present day needs.

~~The first change is~~ We think it right that the Council ~~will~~ should in future meet quarterly, probably in July, October, January and April. The subjects and problems the Council discusses are of course important ones. The contributions by members are usually frank and thoughtful. But I think that few of us around this table, if we are honest, can believe that our common interest in improving the country's economic performance requires us to meet virtually every month.

I will of course continue to take the chair at the April meeting after the Budget and NEDC will continue to be under the aegis of the Chancellor. ~~The Chief Secretary will probably substitute for me at~~ The other three meetings, ~~which~~ will be chaired by the Secretary of State for Trade and Industry, the Secretary of State for Employment and another NEDC Cabinet Minister and the Chief Secretary will probably substitute for me. Those other three meetings ~~will~~ should I believe focus on the work of the EDCs and other micro-economic subjects.

~~The new arrangements will have~~ We see in the new arrangements a number of advantages. Four meetings a year will help ensure that we retain ~~what is~~ much of the value ~~in the~~

Council discussions. The involvement of other Cabinet Ministers in taking the chair will be ~~appropriate to the~~ useful as we shift ~~of~~ our emphasis away from macro-economic policy to supply side issues.

I have always believed that Neddy's most important contribution is at sectoral level. ~~As~~ The work of some EDCs and other similar activities ~~have shown~~ shows the value of this approach. But ~~the record is patchy~~ some of the EDCs are more effective than others and the present pattern has become rather too rigid.

~~It is not good value for money to continue~~ I do not believe we can justify continuing the EDCs and similar activities on ~~anything like~~ their present scale. ~~I therefore propose to bring forward~~ We shall therefore be assessing the performance of the EDCs and intend to put forward a list of those EDCs we consider are doing a ~~sufficiently worthwhile~~ job which ~~, on the basis of recent experience,~~ would ~~to~~ justify continued public funding after the end of the current financial year. These EDCs will continue to report on their work to the Council, and I am sure Council will wish to continue to give a high priority to this task.

For each of the other EDCs the Government ~~will~~ would need ~~a great deal of~~ to be persuaded that continued public funding should be made available from 1 April 1988. I have to say that we shall not easily be persuaded. If, in some cases, one or more of the other parties wishes to take over the financing of all or part of the activities done in an EDC, ~~they are~~ it would be open to them to do so, of course, ~~free to do so~~.

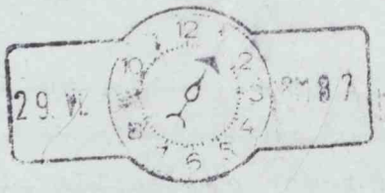
Why say this - may all find out.

~~I would expect this to lead to a substantial reduction in the number of publicly-funded EDCs. In some cases this will mean EDCs coming to an end earlier than previously planned. But this should not happen where genuinely useful work is being done.~~

Does this need to be said now?

As a consequence of all these changes, there ~~will inevitably need~~ is bound to be a corresponding reduction in the size of the Office.

I very much hope that both the CBI and the TUC will ~~help~~ work to make these new arrangements effective. I understand that a meeting of Group of Four has been arranged later this month and the practical implications of the changes I have outlined can be discussed then.



PERSONAL AND CONFIDENTIAL

File

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

26 June 1987

NATIONAL ECONOMIC DEVELOPMENT COUNCIL

Here is a draft of my minutes of this morning's meeting, not proof-read. An authorised version will be issued later.

You will see that I have left open the question of whether EDCs should report to NEDO or to Departments. But clearly this idea cannot be floated at the 1 July meeting.

David Norgrove

N. J. Monck, Esq.,
H.M. Treasury.

PERSONAL AND CONFIDENTIAL

PERSONAL AND CONFIDENTIAL

SUBJECT
cc MASTER

file D92BZH

cc BG

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

26 June 1987

Dear Cathy,

NATIONAL ECONOMIC DEVELOPMENT COUNCIL

The Prime Minister this morning held a meeting to discuss the future of the NEDC. There were present the Lord President, the Chancellor of the Exchequer and the Secretaries of State for Trade and Industry, Employment and Environment.

The Chancellor of the Exchequer said that the NEDC was a relic of a corporatist era. It was a waste of time, and its sole result was to provide a platform for union opposition. His preference would be to abolish it, a view which was shared fully by the CBI, both Sir David Nickson and Mr. John Banham. Some of the EDCs, though a minority, should be preserved. (The CBI would prefer the EDCs to report to sponsoring Departments.) The Chancellor noted that the Prime Minister's preference at an earlier meeting had been to reduce the number of meetings of the Council to four a year, rather than to abolish it. Each of the four meetings would have a different Chairman, to include himself, the Secretaries of State for Trade and Industry and Employment, and a varying Chairman for the fourth. The National Economic Development Office would be slimmed down. A decision on the future of the NEDC was needed now since the Government would be asked at the meeting on 1 July to state its intentions.

In discussion it was argued that to abolish the NEDC now would be seen as arrogant. There was, however, agreement that the Government's aim in due course should be abolition. This objective would need to be approached gradually, though the situation would be different if the TUC were to pull out of the MSC or of the NEDC itself.

It was agreed that the Chancellor should announce at the meeting on 1 July the Government's intention to reduce meetings of the NEDC to four a year, in October, January, April and July. The April meeting would, as had become customary, discuss the macro-economic situation in the light of the Budget. It should be made clear that a central purpose of the NEDC would be to take reports from the EDCs (and privately the Government would aim to reduce the number of

DTJ

PERSONAL AND CONFIDENTIAL

NEDO papers). The Chancellor could also make clear that the number of EDCs would be greatly reduced. It would be most important to secure strong support from the CBI, the Chairmen of nationalised industries and others. EDCs should be set up to carry out specific tasks and should not be continuing organisations. Departments should not be consulted about which EDCs were to be retained until after the announcement. If EDCs were to report to Departments, there would be a risk that they would cease to be "self help" organisations and would become vehicles for lobbying Government. The number of staff employed by NEDO was excessive and should be substantially reduced.

I am copying this letter to Tim Walker (Department of Trade and Industry).

Yours,

David.

David Norgrove

Mrs. Cathy Ryding,
H.M. Treasury.

PRIME MINISTER

FUTURE OF THE NEDC

You have called this meeting to check that your colleagues are content with the proposal to reduce the number of NEDC meetings to four a year. The number of EDCs would be reduced, but the CBI and TUC would be offered the opportunity to finance extra EDCs if they so chose.

There is, I believe, a case for saying that abolition of the NEDC would be less controversial and difficult than a reduction in the number of meetings. Abolition would allow the TUC to argue that the Government was simply being its usual ideological self, whereas a reduction in the number of meetings might be seen as disdain - Ministers not being prepared to find the time to discuss the economic and industrial issues of the day.

The Chancellor has told me that the CBI would warmly support either abolition or a reduction in the number of meetings. John Banham has described meetings of the NEDC as being worse than meetings of Sheffield City Council.

Clearly it would be a tremendous help if the CBI made the first move towards reducing the number of meetings or abolition. They might say at the next meeting or at an early meeting in the autumn that they doubt the value of a meeting a month or indeed the NEDC itself. The Chancellor could then say that he shares the doubts of the CBI and invite members of the Council to reflect on what had been said. Alternatively, and perhaps better, the CBI would write round to other Council members a couple of weeks before a meeting proposing that the number of meetings be reduced (or that it be abolished) and the Chancellor would then announce the Government's decision at that next meeting. Either way, the CBI role would reduce the appearance of the Government acting as the arrogant aggressor.

The Chancellor's statement needs to be drafted in any event with much greater sensitivity.

DAVID NORGROVE

25 June 1987

VC2AOV

PRIME MINISTER

FUTURE OF THE NEDC

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The Chancellor's statement needs to be drafted in any event with much greater sensitivity.

DAVID NORGROVE

25 June 1987

VC2AOV

CONFIDENTIAL AND PERSONAL

FLE
PMMAAO
ABG

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

23 June 1987

THE NATIONAL ECONOMIC DEVELOPMENT COUNCIL

The Prime Minister has seen the draft statement attached to your letter to me of 22 June which the Chancellor proposes to make at the 1 July meeting of the National Economic Development Council.

The Prime Minister views the proposal to reduce the number of meetings of the NEDC as a major step and she has decided that she would wish to hold a wider discussion among colleagues before such a decision was made public. We shall be in touch to arrange this.

I am copying this letter to Tim Walker (Department of Trade and Industry).

D. R. NORGROVE

Ms. Cathy Ryding
H. M. Treasury

CONFIDENTIAL AND PERSONAL

PRIME MINISTER

THE NATIONAL ECONOMIC DEVELOPMENT COUNCIL

The Chancellor has provided, below, a draft of the statement he would use at the next NEDC meeting to announce the Government's decision on the future of the NEDC and the EDCs.

I believe that as drafted it will give great offence, possibly to both sides. No doubt the drafting can be improved, but I wonder even then whether unnecessary offence can be avoided. Whatever the Chancellor says it will look as though he and his colleagues cannot find a morning a month to discuss with the CBI and the TUC the major economic and industrial questions of the day. Coming particularly from Mr Lawson this will look like arrogance, and more generally the Government is likely to be accused of the arrogance of power which has come with a fresh enormous majority.

What to do? There are perhaps three options:-

(i) Do nothing and reconsider later;

(ii) Accept the Chancellor's and Lord Young's preferred option of outright abolition but retaining some of the EDCs. This would be open to the same objection of arrogance if it were carried out now, but it might be a possibility for some months time, particularly if a gradual effort had been made to erode the status of the NEDC in the meanwhile;

(iii) Work towards the proposal for four meetings a year, but stimulate a study by the NEDC members of its effectiveness and work with the CBI for a smaller number of meetings.

My recommendation is for the second of these options. The Chancellor would gradually begin to attend fewer meetings,

leaving other Ministers to take the chair more frequently. He would after the recess discuss abolition privately with the CBI and the aim would be abolish by Christmas.

If you think this too abrupt and difficult, I recommend that the Chancellor be invited to propose a study of the NEDC's effectiveness, to be carried out with the other members, but the Chancellor would first make sure that the CBI would be likely in due course to accept a reduced number of meetings.

How would you like to proceed?

David Norgrove
22 June 1987

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CONFIDENTIAL

CCB/6
CCB/UP.

Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

22 June 1987

David Norgrove Esq
10 Downing Street
LONDON
SW1

Dear David,

NATIONAL ECONOMIC DEVELOPMENT COUNCIL

... I attach a draft of a statement the Chancellor proposes to make at the 1 July meeting of the National Economic Development Council on the future of the NEDC. I should be grateful to know if the Prime Minister is content.

Yours,
Cathy.

NP

CATHY RYDING
Assistant Private Secretary

The Government has not had a discussion about this

DRAFT - TO BE MADE AT NEDC MEETING

As I said at the outset, this first meeting after the election had to be a short one. We do not normally meet in August or September and the next meeting will therefore not be until October.

I would therefore like to take this opportunity to let the Council know of some conclusions the Government has reached about future arrangements for the Council and the EDCs. It is more than a quarter of a century since one of my predecessors set up the Council. The time has now come to make some changes.

Our first conclusion is that we should now reduce the number of NEDC meetings to four a year, probably July, October, January and April. The subjects and problems the Council discusses are of course important ones. The contributions by members are usually frank and thoughtful. But I think that few of us around this table, if we are honest, can believe that our common interest in improving the country's economic performance requires us to meet virtually every month.

I will continue to take the chair at the April meeting after the Budget and NEDC will continue to be under the aegis of the Chancellor. The Chief Secretary will probably substitute for me at the other three meetings, which will be chaired by the Secretary of State for Trade and Industry, the Secretary of State for Employment, and another NEDC Cabinet Minister.

The new arrangements will have a number of advantages. Four meetings should be enough to retain what is of value in the Council discussions. The involvement of other Cabinet Ministers in taking the chair will be appropirate to the shift of emphasis away from macro-economic policy to supply side issues. The Council will continue to address its major areas of interest: the economy, industry, employment, training and education.

I have always believed that Neddy's most important contribution can be made at sectoral level, as the work of some EDCs and other similar activities have shown. But the record is patchy and the present pattern has become too rigid. All around the table have recognised this, but progress to bring necessary improvements has been slow.

It is not good value for money to continue EDCs and similar activities on anything like their present scale. Over the next few weeks I shall indicate which EDCs we consider are doing a sufficiently worthwhile job to justify continued public funding after the end of the current financial year. These EDCs will continue to report on their work to the Council.

I would expect this to lead to a significant reduction in the number of publicly-funded EDCs. In some cases this will mean EDCs coming to end earlier than previously planned. But this should not happen where genuinely useful work is being done. If, in some cases, one or more of the other parties wishes to take over the financing of all or part of the activities done in an EDC, they are, of course, free to do so.

I thought it right to explain at the outset the conclusions the Government has reached on its contribution to NEDC during the period of the new Parliament. I hope that the CBI and TUC will help to make these new arrangements effective. I understand that a meeting of Group of Four has been arranged later this month and I hope the practical implications of the changes I have outlined will be discussed then.

DRAFT - OPENING REMARKS AT START OF MEETING

This first meeting after the election had to be a short one. The date was fixed long before we knew when the election would be, and as it has turned out [3] NEDC Ministers - of which I happen to be one - have to prepare major speeches today and tomorrow in the Debates on the Address. Unfortunately, it was not possible at short notice to find an alternative date suitable for all Council members between now and the holidays.

(copied to Mtg record file) CONFIDENTIAL AND PERSONAL

FILE DA

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

19 June 1987

NATIONAL ECONOMIC DEVELOPMENT COUNCIL

I should add to my letter of yesterday recording the Prime Minister's meeting to discuss the future of the NEDC that the Secretary of State for Education was also mentioned as a possible Minister to chair meetings. The Secretary of State for Energy was not thought to be a suitable candidate on the grounds of his particular responsibility for electricity privatisation.

I am copying this letter to Timothy Walker (Department of Trade and Industry).

(D.R. NORGROVE)

Mrs. Cathy Ryding,
HM Treasury.

CONFIDENTIAL AND PERSONAL

file

SRW

SUBJECT CC

MASTER

CONFIDENTIAL AND PERSONAL

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

18 June 1987

Dear Cathy,

NATIONAL ECONOMIC DEVELOPMENT COUNCIL

The Prime Minister this morning discussed with the Chancellor of the Exchequer and the Secretary of State for Trade and Industry the future of the National Economic Development Council (NEDC).

The Chancellor of the Exchequer said he had been a member of NEDC for six years and Chairman for four. It had no place in the Government's economic policy; it was a relic of corporatist philosophy, costing £7 million a year and very time-consuming. It was also used by the TUC as a forum for propaganda. It should be abolished. Some of the little NEDCs were however more useful and these could be retained, though their financing should be changed so that support was provided equally by the Government, the CBI and the TUC.

The Prime Minister was dubious about the wisdom of abolishing the NEDC. The role of the unions had been substantially reduced in most areas of national life. Membership of the NEDC gave union leaders some continuing prestige, and to abolish the NEDC as a forum for their views could cause greater difficulties elsewhwere. It would be preferable to run down the NEDC gradually, rather than to abolish it.

After further discussion it was agreed that the number of meetings should be reduced to four a year, on the basis that 10 or 11 a year were unproductive and time-consuming. The Chair might be taken by the Chancellor of the Exchequer at only one of these four meetings with possibly the Secretaries of State for Trade and Industry, Employment and Environment taking the others. The Chair should not, however, rotate automatically in a way which might cause particular meetings to become associated with particular subjects. Some junior Ministers might deputise for their senior colleagues (for example the Chief Secretary in place of the Chancellor) at meetings at which the senior Minister was not taking the Chair. Whilst financing the little NEDCs by subscriptions would reduce their number and save public expenditure, the result would be to raise the status of the little NEDCs and would also place a burden on the CBI. This possibility should not be pursued. However it would be right to reduce the

DA

number of little NEDCs perhaps to the point where a report could be taken from each over two years (say 16, on the assumption that each quarterly meeting took two reports). It was finally agreed that if the TUC were to walk out of the NEDC the opportunity should be taken to wind it up.

I am copying this letter to Timothy Walker (Department of Trade and Industry).

Yours,

David.

(DAVID NORGROVE)

Mrs. Cathy Ryding,
HM Treasury.

PERSONAL AND CONFIDENTIAL

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10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

1 May 1987

Dear Tony,

FUTURE OF THE NATIONAL ECONOMIC DEVELOPMENT COUNCIL

The Prime Minister and the Chancellor this morning discussed very briefly whether the National Economic Development Council should be abolished, whilst retaining some of the "little NEDCs". The Prime Minister was very doubtful about this proposition, pointing to a need to maintain some status for senior trades unionists for fear that they might otherwise engage in more damaging activities. The Prime Minister suggested that it might be possible for another Minister to take the chair (possibly the Secretary of State for Trade and Industry) or for the Chairmanship to rotate amongst Ministers.

Yours,

David.

David Norgrove

A.W. Kuczys, Esq.,
H. M. Treasury.

PERSONAL AND CONFIDENTIAL

BM

ps2/13R

Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

16 March 1987

The Rt Hon Sir Keith Joseph, Bt, CH, MP
House of Commons
LONDON
SW1

Thank you for your letter of 9 March. I am most grateful to you for taking the time to write.

I am sure the "little Neddies" should be harnessed to assist in the very worthwhile project on which you and your group have embarked. Equally, I agree that this in no way prejudices the wider question of the future of NEDC/NEDO.

I am copying this letter to the Prime Minister.

NIGEL LAWSON

Director General
J S Cassels CB
Direct Line 01-211 5386
Secretary 01-211 3073

NEDO

5 March 1987

The Rt Hon Margaret Thatcher MP
10 Downing Street
London SW1

National Economic Development Office
Millbank Tower, Millbank
London SW1P 4QX

Telex 945059 NEDO G
Fax 01-821 1099
Reception 01-211 3100

Dear Prime Minister 4

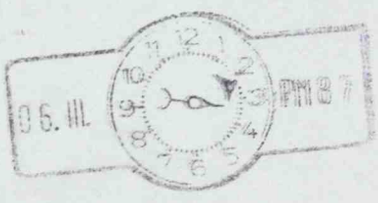
I am writing on behalf of my colleagues as well as myself to say how delighted we were that you took the chair at the 25th Anniversary meeting of the National Economic Development Council.

The theme that emerged clearly at the meeting was the need to accentuate the positive. It is right to examine closely and face squarely the facts of our situation and performance so that the lessons can be used to build success for the future. Other work we have recently done in NEDO on Britain's new export opportunity and on management education, training and development - subjects discussed by the Council in January and February - well illustrate the same theme.

In opening the meeting you referred to our 25th anniversary conferences on Company Success and on People - the Key to Success. We shall do our very best to ensure that these too make a positive contribution.

Yours sincerely

John Cassels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PRIME MINISTER

NEDO POINTS TO GET OVER

1. Constructive and real discussion about pay, taking in performance, productivity, competitiveness and jobs.

2. CBI presented an optimistic picture of

- pay settlements coming down
- productivity rising
- unit labour costs improving in relation to our competitors
- outlook for jobs more encouraging

3. Industry alive to unique post-war opportunity and need to grasp it. Driven much more by consumer needs. This good news should be more widely known in a sceptical, down-beat nation.

4. Visitors from abroad glowing in praise of changes occurring - especially Americans and Germans.

5. But we must learn lessons of the past. Pay must be related to performance. We must maintain prudent economic policies.

6. Encouraged by the way in which we are now discussing pay in relation to performance, output, profitability, and competitiveness.

7. Also greater recognition of need for R&D training, design, and customer satisfaction. But more needs to be done in these areas as well as keeping costs down. Pay is still rising faster than performance and unit labour costs faster than our major competitors.

8. Training not a paliative for unemployment. It is the key to future industrial and economic sucess.

9. We need to look at output as producers inn the same terms of value for money as we look at goods as buyers. Otherwise we shall not get new businesses or retain existing ones and create more jobs.

10. But after this meeting you feel even more encouraged. And feel more inclined to accentuate the positive things that are really happening in our economy.

BERNARD INGHAM

4 March 1987

SPECIFIC POINTS ON THE THIRD PAPER

1 Wider recognition of the importance of competitiveness is producing new jobs. The only way of lasting new jobs.

2. Long-term unemployed are unemployed for a wide variety of reasons. There is recognition of the need for special action to help the long-term unemployed.

3. Extent of the help specifically directed towards the long-term unemployed; by the end of the year Government assistance shall be running at the rate of

Community Programme	300,000
Voluntary projects	70,000
Enterprise allowances	40,000
Job training schemes	220,000
Ordinary training	120,000
Job clubs handling	400,000
TOTAL	1,150,000

All figures long term unemployed only.

(200,000 three years ago)

4. Unemployment now on a falling trend and long-term unemployed down by 19,000 over the past year. ~~Tow years ago~~ Afew ~~it was 200,000~~

THE TIMES THURSDAY MARCH 8 1962

NEDC OPENS QUIETLY

No mention of wages

By JOHN COLE,
our Labour Correspondent

The National Economic Development Council began its work yesterday in an atmosphere of great calm. The Chancellor gave it a flattering send-off, with yet another assurance that he wanted the council to have "an important impact on Government policy during the formative stage."

The 17 lay members listened to this, each, no doubt, with his own degree of commitment or non-commitment, and they then began a non-controversial discussion on how they should work. Incomes, the subject which may eventually have fists banging on the table, were not mentioned.

Everyone seemed prepared to leave the running to the director-general, Sir Robert Shone, who has been commissioned to produce a paper for the next meeting on May 9, advising it on a programme of work for his staff and for the council.

Members astonished

Some members were astonished afterwards at the cordiality of the atmosphere. There may have been an idea among the naïve after the preliminary talks between Mr Lloyd and the TUC that the first council meeting would see the Chancellor and Mr Cousins locked in a life-and-death struggle, or that Messrs Douglass and Woodcock would be leading their men out after ten angry minutes.

The mood on all sides is quite different from that—rather like "softly, softly catches monkey," even though some fear that they may be cast for the rôle of monkey. But yesterday the business was so uncontroversial and everyone so determined to let Sir Robert have his head that it was impossible to tell which were trade unionists, employers, academics, or Ministers.

The part of the Chancellor's opening statement issued for publication positively beamed with hopefulness. He did not actually say that generations yet unborn might praise and magnify the name of NEDC, but he came very near to it.

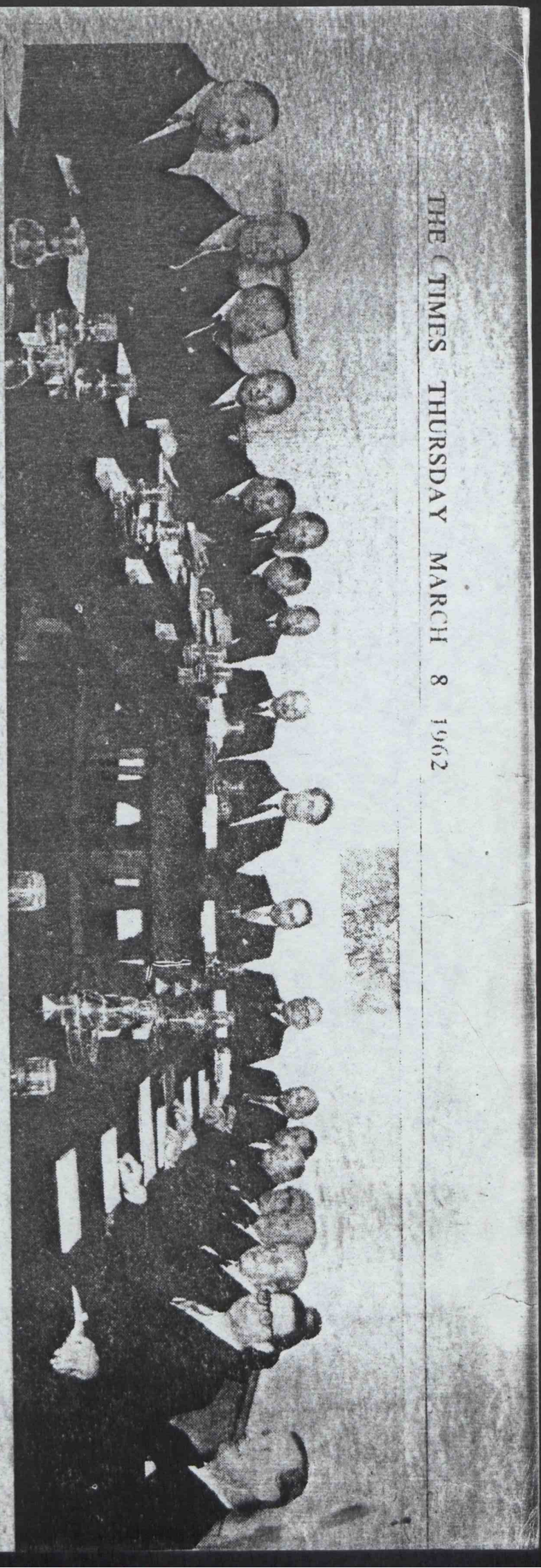
He warned the nation not to succumb to its fault of complacency and expect conjuring tricks. On the other hand, he warned the council not to engage in the exchange of "platitudinous generalities"—which, coming from the Chancellor, is a pretty stern warning.

Three tasks

He defined the tasks in three sections—to examine the economic performance of the nation with particular concern for plans for the future in both the private and public sectors; to consider what are the obstacles to quicker growth, what can be done to improve efficiency, and whether the best use is being made of resources; and to seek agreement on ways of improving economic performance, competitive power and efficiency—in other words, to increase the rate of sound growth.

Finally, he disowned any idea that he, the Minister of Labour, or the President of the Board of Trade would try to "fix the agenda."

Sir Robert has gathered about a



The National Economic Development Council met for the first time in London yesterday. From the left: Lord Robens, chairman, National Coal Board; Sir Oliver Franks, Provost of Worcester College, Oxford; Sir Robert Shone, Director General of the staff of the Council; Mr. Selwyn Lloyd, Chancellor of the Exchequer; Mr. John Hare, Minister of Labour; Mr. F. J. Erroll, President of the Board of Trade; Mr. J. N. Toothill, director, Ferranti Ltd.; Dr. R. Beeching, chairman, British Transport Commission; Professor E. H. Phelps Brown, London School of Economics; Mr. R. Smith, General Secretary of the Union of Post Office Workers; Mr. S. F. Greene, General Secretary of the National Union of Railwaymen; Mr. F. Cousins, General Secretary of the Transport and General Workers' Union; Mr. E. J. Hunter, chairman, Swan, Hunter and Wigham Richardson Ltd.; Mr. J. M. Laing, managing director, John Laing & Son Ltd.; Mr. W. J. Carron, President of the Amalgamated Engineering Union; Mr. George Woodcock, General Secretary of the T.U.C.; Mr. H. Douglass, General Secretary of the Iron and Steel Trades Confederation; Mr. C. E. Harrison, vice-chairman, English Sewing Cotton Company Ltd.; Mr. F. A. Cockfield, managing director, Boots Pure Drug Company Ltd.; Mr. R. M. Geddes, managing director, Dunlop Rubber Company Ltd.

Three tasks

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Finally, he disowned any idea that he, the Minister of Labour, or the President of the Board of Trade would try to "fix the agenda."

Sir Robert has gathered about a quarter of the staff of 60 with which he intends to operate in the meantime. It will be in two main divisions—one concerned with broad economic questions, the other with the problems and programmes of particular industries and sectors of the economy.

3391/026

NATIONAL ECONOMIC DEVELOPMENT COUNCIL MEMBERSHIP LIST (24 MEMBERS)

The Government Team

The Rt Hon Nigel Lawson MP	Chancellor of the Exchequer.
The Rt Hon Kenneth Baker MP	Secretary of State for Education and Science.
The Rt Hon Paul Channon MP	Secretary of State for Trade and Industry.
The Rt Hon Nicholas Ridley MP	Secretary of State for the Environment.
The Rt Hon Peter Walker MP	Secretary of State for Energy.
The Rt Hon Lord Young of Graffham	Secretary of State for Employment.

The CBI Team

Mr D W Nickson CBE DL	President of the CBI.
Sir Terence Beckett KBE	Director General of CBI
Sir Timothy Bevan	Chairman of Barclays Bank PLC
Mr J S MacFarlane CBE	Director General of the Engineering Employers' Federation.
Mr D A G Monk	Chairman and Chief Executive of the Dee Corporation
Mr A E C Stote	Past Chairman, CBI Small Firms Council.

The TUC Team

Mr N Willis	General Secretary of TUC
Mr R Bickerstaffe	General Secretary of NUPE, (National Union of Public Employers)
Mr J Edmonds	General Secretary of GMBATU, (General Municipal, Boilermakers and Allied Trade Union).
Mr C Jenkins	General Secretary of ASTMS, (Association of Scientific Technical and Managerial Staffs)
Mr W Jordan	President of the AEU, (Amalgamated Engineering Union)
Mr R Todd	General Secretary of TGWU, (Transport and General Workers Union)

Nationalised Industries Chairmen

Sir Robert Haslam	Chairman of British Coal
Lord Marshall of Goring CBE FRS	Chairman of CEGB

Independent Members

Mr Bryan Nicholson	Chairman of MSC.
Mrs R E Waterhouse CBE	Chairman of Consumers'Association
The Rt Hon Robin Leigh-Pemberton	Governor of the Bank of England.

NEDO

Mr John Cassels CB	Director General of NEDO.

2874/14

CONFIDENTIAL

NATIONAL ECONOMIC DEVELOPMENT COUNCIL

WEDNESDAY 4 MARCH 10AM

	Agenda Item	Suggested Timing
1.	Pay	¾ hour
2.	Sectoral : Food and Drink Manufacturing	½ hour
3.	The British Labour Market and Unemployment	¾ hour

MEMBERS

Mr Channon will not attend. Mr Clark takes his place.

Mr Baker will have to leave after 1½ hrs. Mr Dunn will take his place.

Mr Ridley may be up to half an hour late because of attendance at QL.

The Governor of the Bank of England will attend for item 1, but will have to leave by 11.15 am - he is briefing TCSC members on City matters.

GUESTS

Prof. Raymond E Thomas. Aged 63. OBE, 1978. Professor of Business Administration, University of Bath. Head of School of Management, University of Bath, 1965-73, 1978-82. Pro-Vice-Chancellor, University of Bath, 1978-83. Chairman, MSC, Avon Area Manpower Board. Director, South-Western Industrial Research Ltd. Has not met Prime Minister before, but knows Lord Young via his MSC activities.

Mr Jopling will attend for item 2.

NOT FOR PUBLICATION

NEDC

National Economic
Development Council

NEDC(87)
3rd Meeting

Meeting to be held at the
National Economic Development Office
on Wednesday 4 March 1987 at 10.00 am
Luncheon will be available in the Office.

A G E N D A

1 PAY

Pay in the 1980s: Memorandum by the Confederation of British Industry (NEDC(87)13 already circulated).

2 SECTORAL REPORT: FOOD AND DRINK MANUFACTURING

Memorandum by Professor R E Thomas OBE, Chairman of the Food and Drink Manufacturing EDC (NEDC(87)14 already circulated).

3 THE BRITISH LABOUR MARKET AND UNEMPLOYMENT

Memorandum by the Director General (NEDC87)16 circulated herewith).

4 RELEASE OF PAPERS

5 ANY OTHER BUSINESS

National Economic Development Office
Millbank Tower
Millbank
London SW1P 4QX

23 February 1987

THIS PAPER IS NOT
FOR PUBLICATION

SRWARW

SPEAKING NOTE TO OPEN THE MEETING

Mrs Waterhouse - Gentlemen

Lady - and I am glad to see that Rachel Waterhouse is still holding the fort here for women, though the CBI and TUC have not responded to my equal opportunities encouragement in 1981 - and Gentlemen

1. I am glad to take the Chair for the Silver Jubilee meeting of this Council. NOTE open Cambridge.

2. ~~I hope~~ we are all on the side of an ~~flourishing~~ industry, which both at home and in export markets, which products that compete on price, quality, design and delivery. flourishes

3. The work of the little Neddys on individual industries has always been aimed at improving competitiveness.

4. I understand that Mr. Cassels, the Director-General, has arranged two major conferences to celebrate the Jubilee. I wish them every success. [Conferences: "Company Success" and "People - The Key to Success"]

5. This is the last Council meeting which Sir Terence Beckett and Alan Stote [CBI small firms representative] will be attending. I should like to thank them for their contributions to its work, which I am sure have always been constructive.

6. Apology for absence from Mr. Channon and that Mr. Ridley may be a little late.

PRIVATE AND CONFIDENTIAL

N.E.D.C.(62) 1st Meeting

Copy No. 60

NATIONAL ECONOMIC DEVELOPMENT COUNCIL

MINUTES of a Meeting of the Council held at the National Economic Development Office, 1 Bridge Street, Westminster, S.W.1, on WEDNESDAY, 7th MARCH, 1962, at 4 p.m.

Present:

The Rt. Hon. Selwyn Lloyd, Q.C., M.P., Chancellor of the Exchequer (in the Chair)

Dr. R. Beeching
Mr. F. A. Cockfield
Mr. H. Douglass
The Rt. Hon. Sir Oliver Franks
Mr. S. F. Greene
Mr. C. E. Harrison
Mr. J. M. Laing
Lord Robens of Woldingham
Mr. R. Smith
Mr. G. Woodcock
Mr. W. J. Carron
Mr. F. Cousins
The Rt. Hon. Frederick Errol, M.P., President of the Board of Trade
Mr. R. M. Geddes
The Rt. Hon. John Hare, M.P., Minister of Labour
Mr. E. J. Hunter
Professor E. H. Phelps Brown
Sir Robert Shone
Mr. J. N. Toothill

The following were also present:

Mr. D. F. Hubback, Treasury
Sir Donald MacDougall, National Economic Development Office
Mr. L. Murray, Trades Union Congress

Secretary:

Mr. F. Pickford

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PRIVATE AND CONFIDENTIAL

1. OPENING STATEMENT BY THE CHAIRMAN

The CHAIRMAN welcomed members to the first meeting. He was particularly glad that all his invitations to serve on the Council had been accepted. He hoped that its establishment would come to be regarded as a major step in Britain's economic history. There were pitfalls. The establishment of the Council was not the cure-all for our economic troubles and it would have failed if it produced nothing more than a facade of co-operation.

The CHAIRMAN said that he would define the tasks of the Council as follows:-

(a) To examine the economic performance of the nation with particular concern for plans for the future in both the private and the public sectors of industry.

(b) To consider together what are the obstacles to quicker growth, what can be done to improve efficiency, and whether the best use is being made of our resources.

(c) To seek agreement upon ways of improving economic performance, competitive power and efficiency, in other words, to increase the rate of sound growth.

He would not seek to exclude any subject from the discussions and he would not arrogate to Ministers the right to fix the agenda. He wanted the Council to have an important impact on Government policy during the formative stage, and on the economic life of the nation.

The Council -

Took note of the Chairman's statement.

2. PLACE AND TIME OF MEETINGS

The CHAIRMAN suggested that future meetings should take place at No. 1 Bridge Street, Westminster, and that it would be preferable to meet on one particular day of the week, possibly Wednesday. He proposed that the Council should meet again on Wednesday, 9th May, and that dates before the Summer Recess for two further meetings should be fixed.

In discussion there was support for the suggestion that the Council should meet regularly on a certain day. This would be difficult at the beginning because of engagements which had already been made, but so far as possible it should be the aim in 1963, and the first Wednesday in the month might be most suitable. The dates for meetings before the Summer Recess should be fixed on days which would suit as many members as possible. The timing of further meetings this year could be fixed later according to the progress made by the Office in preparing papers. If the Council met in the morning it would be better to reserve the possibility of meeting again at 3.30 the same afternoon than to have an over-long morning

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The Council agreed -

(1) To meet at No. 1 Bridge Street, Westminster.

(2) To meet on:

Wednesday, 9th May, at 2.30 p.m.
Wednesday, 6th June, at 11 a.m.
Wednesday, 18th July, at 11 a.m.

(3) To reserve the possibility of resuming at 3.30 p.m. on days when a morning meeting at 11 a.m. was fixed.

(4) To fix later the dates of further meetings this year after the Summer Recess.

(5) To aim in 1963 at regular meetings on the first Wednesday in the month.

3. ATTENDANCE AT MEETINGS

The CHAIRMAN proposed that meetings should be held in private and that there should be no substitutes when members of the Council were unable to attend. A minimum of members of the Council staff should attend. It would be open to the Council to invite to a particular meeting a non-member specially concerned with the subject under discussion. This might be another Minister, a representative of a particular industry or an expert concerned with the preparation of a paper. The T.U.C. members had indicated that they would like Mr. L. Murray to attend. The Chairman said that he would like to bring one Civil Servant and he asked whether Mr. Harrison would wish to bring someone of similar status.

MR. HARRISON replied that he would like to do so.

The Council agreed that -

(1) Meetings should be private.

(2) There should be no substitutes.

(3) A minimum of the Council's staff should attend.

(4) It would be open to the Council to invite to a particular meeting a non-member specially concerned with the subject under discussion.

(5) Mr. L. Murray, a Civil Servant accompanying the Chairman, and someone designated by Mr. Harrison could attend meetings.

4. FORM OF MINUTES

The CHAIRMAN proposed that the minutes of Council meetings should normally be in the style used for the Cabinet, not ascribing opinions to named individuals except on special occasions.

The Council -

Agreed that the minutes of meetings should follow Cabinet practice

5. CONFIDENTIALITY

The CHAIRMAN said that if the discussions on the Council were to be worth while, all must feel free to provide information and to express views on a confidential basis. This would be very relevant if Ministers were providing information not disclosed to Parliament. Industry would the more readily give information to the staff if it could be shown that its confidential nature would be respected. Members would, however, wish to obtain the views of others on matters to be discussed by the Council. The trade union members had made that clear to him from the beginning of their discussions on the setting-up of the Council. He proposed, therefore, that there should be two classes of paper. The first class would be marked "Private and Confidential." Such papers would be for the eyes of members of the Council only, not to be divulged to any outside person at all. This class would include the minutes of meetings. The second class would be marked "Restricted." Papers in this second class should not be published or used in any public way but members could divulge the contents to others whose help and advice they needed. He would ask the Director General to make arrangements with members to help in the safeguarding of papers and the Director General would also be arranging a suitable method of circulating papers.

In discussion the need for confidentiality of the Council's proceedings was accepted, but it was suggested that it would be necessary to get some experience of the proposed method of working before coming to final decisions. The Council would have to feel its way. Members would have to take industry along with them and for that reason it would be necessary to reveal something of the way in which discussions were going, though without attributing views to any particular members. Replies to Parliamentary Questions, letters from Members of Parliament and speeches which members of the Council would be invited to give also raised the question of confidentiality. Private and confidential speeches by members of the Council speaking as individuals could very well assist the work of the Council. The classification of papers was, however, essential if the Council was to be given the information it would need for its work. At this stage it might be best to adopt the Chairman's proposals and to see how these worked out in practice.

The Council -

(1) Agreed that there should be two classes of paper:

(i) those marked "Private and Confidential" which would not be divulged to any outside person, and that minutes of meetings should be included in this class;

(ii) those marked "Restricted" which would not be used in any public way but which could be discussed with others whose help and advice a member of the Council required.

(2) Invited the Director General to assist members of the Council in the safeguarding of papers and to make suitable arrangements for the circulation of papers.

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6. RELATIONS WITH THE PRESS

The CHAIRMAN said that the Press would expect some report on the meetings of the Council. He did not think that the actual agenda should be made public or that the existence of specific papers should be suggested. The Director General might, however, issue a short communique after each meeting and if desirable see the Press and make a short statement covering some though not necessarily all the subjects discussed. If the Council decided to publish conclusions or recommendations on any particular subject, this was clearly a different matter. The Chairman also said that on this occasion he would like to give part of his opening statement to the Press.

In discussion, it was suggested that care would be needed to avoid creating a feeling of frustration among the Press by following too rigid a line. The Council needed experience of the problems which would arise. The danger might be not of saying too much but of saying too little. The desirable course might be to give to the Press the general picture of the way in which the Council was thinking but without going into detail or suggesting the existence of specific papers. It would be important to avoid ascribing views to particular members or groups of members. On particular occasions it might be useful for two or three members of the Council to meet the Press after a meeting. It might be necessary to make it clear to the Press that speedy results could not be expected from the Council's work.

The Council -

(1) Noted that the Chairman would issue to the Press part of the text of his opening statement.

(2) Agreed that the Director General should issue a short Press communique after meetings of the Council and that, if desirable, he should see the Press to make a short statement.

(3) Agreed that in any statement views should not be attributed to particular members or particular groups in the Council.

(4) Agreed that the actual agenda of meetings should not be made public and that the existence of specific papers should not be suggested.

PRIVATE AND CONFIDENTIAL

7. PROGRESS STATEMENT ON THE ESTABLISHMENT OF THE OFFICE.

The DIRECTOR GENERAL said that he took up his appointment on 15th January, 1962. The first task was to obtain offices. The present building had only limited accommodation and is due for demolition in about two years. It was the best that was available at short notice to house a total staff, including all grades, of about fifty to sixty. He hoped it would prove satisfactory for the first year's work. In building up the staff, he was aiming at two main divisions. One would deal with the broader economic questions involved in formulating a plan covering several years ahead. This division would consider the main elements in such a plan - the growth of output, the balance of payments, investment requirements, manpower needs, and so on - as well as general obstacles to growth. The Director General was very grateful to Nuffield College for releasing so promptly Sir Donald MacDougall to take charge of this economic work. The other main division would relate to the problems and forward programmes of particular industries and sectors of the economy. He hoped to get a head of this division of comparable standing to Sir Donald who would have had extensive practical experience in industrial matters. He was enlisting the help of organisations, including the Trades Union Congress, the Federation of British Industries, the British Employers' Confederation, as well as individual firms in endeavouring to build up a staff which would be limited in numbers but experienced in the main issues relating to major industries. The third section of the Office was responsible for administrative questions. The Ministry of Labour had been most helpful in suggesting names of possible staff. Mr. Pickford would act both as Secretary of the Council and as Administrative Secretary of the Office. The Director General said that it was not proving easy to build up a small but highly qualified staff at short notice. Many good people could not be released at once from their jobs within industry, the universities, the public service or elsewhere. He was satisfied, however, that good progress was being made. He hoped that if necessary he would be able to call on members of the Council for advice and assistance.

In discussion it was suggested that members of the Council should not feel inhibited by the small number of staff at present from raising questions in which they were interested. The amount of work which could be carried out was not related solely to the size of the Office. It would be possible for the Office to arrange for work to be contracted out to other appropriate bodies.

The Council -

Noted the Director General's statement.

8. WORK OF THE COUNCIL

The CHAIRMAN said that it was too late for the Council to have a discussion on budgetary policy, with a view to influencing the next Budget since this had been broadly decided by now. For the future he would be very glad to have a discussion in good time in general terms on budgetary policy. The arrangements for this year's Economic Survey were also well in hand. In due course he would welcome the Council's views on how the Survey should be handled in future years. Since the staff of the Council was not yet fully functioning, he suggested that it would be useful for him to put before the Council three Treasury papers designed to provide a background for discussion at the early meetings. These papers were in course of preparation and would, if the Council agreed, be circulated as soon as possible. The three papers were:

(a) A study of economic growth in the 1950s.

(b) A paper looking to the future on obstacles to economic growth.

(c) A paper on the balance of payments.

It was necessary to have papers on which to begin discussions and these papers would be a pump-priming operation. In addition the Chairman proposed to circulate a monthly report on the economic situation, and six-monthly reports on export trends and on world economic prospects. At some stage he thought the Council should also consider a paper on the collection of economic information, on the basis of which the Council could assess how far the information available is sufficient, and how far and in what form it should be made available regularly to members.

In discussion it was suggested that the three papers which the Chairman had proposed to circulate would provide useful background material while the proposals for the work of the Council's own staff were being worked out. The papers could not fix the Council's objectives but they could supply fact and comment about this country's performance and the obstacles to growth which would be helpful in setting the scene for members. It was important, however, that figures given to the Council should be broken down as far as possible into their constituent elements so that the Council could see the trends clearly as they affected particular industries and products. It was suggested that the Council would require detailed information about investment policy. It would be necessary also to think about the balance of payments in relation to growth and it would be most useful if papers were prepared with the particular interest of the Council in mind. For example, what would specific figures for faster growth rates involve as regards the existing obstacles to economic growth and the balance of payments.

The Council -

(1) Invited the Chairman to arrange for the circulation of the three Treasury papers on economic growth in the 1950s, obstacles to economic growth, and the balance of payments for consideration at future meetings.

(2) Noted that the Chairman would circulate a monthly report on the economic situation, and six-monthly reports on export trends and on world economic prospects.

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9. WORK OF THE STAFF

The CHAIRMAN said it was also necessary to consider the work which the Director General and his staff should be carrying out. He suggested that the Director General and the staff should begin by collecting information about the future plans of major industries (investment, exports, skilled labour, etc.). Their purpose would be to build up and to concentrate attention on a comprehensive picture of our future economic prospects and to appraise the various obstacles to a faster rate of growth, and submit a report to the Council on these matters. He proposed that the Council should ask the Director General to circulate a paper for consideration at the next meeting of the Council indicating how he would propose to set about the task and the probable timetable. The Chairman thought it essential that the Council should not duplicate work already being done elsewhere, and that it should not complicate existing activities. He was sure that the Director General would be at pains to co-operate closely with the Government Departments and other bodies concerned. Considerable work had already been done to make estimates of future development, both in the private and in the public sectors of industry, and there was already in existence a great deal of information about these various matters which would be of use to the staff.

In discussion it was emphasised that it was very desirable to begin discussions with the individual industries as soon as possible. There was considerable enthusiasm and good will for the work of the Council and this should be kept alive. Individual industries were in the best position to supply much of the information the Council would need and they should be encouraged to get ahead and plan their own future on certain assumptions and on the basis of a questionnaire the staff of the Council should draw up. Approaches to particular industries might in some cases indicate weaknesses of structure which it would be important to put right. It was also suggested that it was important not only to consider factual information about actual plans but how far these plans measured up against hypothetical figures of possible higher growth rates.

The DIRECTOR GENERAL said that he would be glad to prepare a paper for the next meeting, as the Chairman had suggested. He would examine in this paper whether, in addition to seeking factual information from industries about their future plans, they should also be asked about the implications for them of a faster specified rate of growth of the economy as a whole. In the paper he would also deal with the relations with specific industries. He recognised the need for urgency in approaching particular industries but it seemed important to ensure that the staff should approach each industry with the same kind of objectives in mind.

The Council -

Invited the Director General to submit to the next meeting a paper setting out his proposals for the future work of the staff and the probable timetable.

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10. NATIONAL PRODUCTION ADVISORY COUNCIL ON INDUSTRY

The CHAIRMAN said that he had been considering what changes in the National Production Advisory Council on Industry (N.P.A.C.I.) might be made to supplement the work of the National Economic Development Council. The next meeting of the N.P.A.C.I. would be held before the next Council meeting on 9th May and he would therefore inform members by letter of his proposals.

The Council -

Noted the Chairman's statement.

National Economic
Development Office.

14th March, 1962.

12/2/JS

ITEM 1: CBI PAPER "PAY IN THE 1980s"

Handling

1.1 You should ask the CBI (probably Sir Terence Beckett) to introduce their paper. You might then ask TUC members to comment. The Chancellor will reply for HMG, and others may then wish to contribute.

Your Objectives

1.2 i. Welcome the recent small fall in settlement levels and improvement in UK relative unit labour cost performance but stress position still unsatisfactory and need for further progress.

ii. Support CBI argument that pay systems need to be more flexible to tailor pay more closely to performance and labour market conditions. Mention role of Profit Related Pay as a Government initiative but avoid being drawn on the Budget. Also mention initiatives in the public sector: performance related pay for senior civil service and General Managers in the NHS.

iii. Aim for reasonable degree of consensus on i. and ii. above, as improving the prospects for growth and employment. Avoid, if possible, the regional pay issue (discussed at the November and December NEDC meetings and very unpopular with the TUC) and the other controversial parts of Mr Clarke's recent speech. Concentrate on the positive aspects of the CBI paper.

The Paper

1.3 A follow-up to a CBI paper presented at the July Council. Reports on research amongst CBI members on factors influencing pay settlements. Repeats the CBI's message that overall settlement levels should be lower and stresses the need to link pay to performance. Argues that progress is being made but still long

way to go. In particular points out that continuing skill shortages cause upward pressure and some companies still find it difficult to adjust internal relativities. The paper contains some evidence that too many companies rely too much, and unnecessarily, upon comparability although this conclusion is not explicit.

Views of TUC/CBI

1.4 The CBI will speak to their paper, saying they have deliberately made no proposals, but simply tried to set out objectively their research and an analysis of the cause of current problems. They will promise to continue their dialogue with CBI members to seek further improvements in the UK's relative unit cost position.

1.5 The TUC may argue that the data in the CBI paper supports the case for national pay bargaining. It shows that employers set the pace of pay settlements, not workers, and so there is a hollowness about the CBI deploring higher settlements. They may also mount a general attack on the Paymaster-General's recent remarks which they saw as an assault on national collective bargaining, job evaluation and pay comparability.

Follow-Up

1.6 This paper fulfils CBI obligation to report back from July Council. It says (paragraph 17) that there will be a further report on decentralisation of pay decision making "shortly" but does not mention the forum. The TUC may pick this up, as it implies contradiction of the Government argument that national pay bargaining plays the dominant role, and request another CBI paper when these results are available.

1.7 There have been four pay discussions in the last nine months and a firm commitment to yet another should be avoided. However, the Government should not be seen to be trying to block discussion of this subject. If the TUC request a further paper, you should say that the Government would be interested to see this evidence when it is available, and the arrangements can be discussed in the Steering Group.

Conclusion

1.8 i. Government's aim is a high pay - high productivity economy. This means being competitive: both price and non-price competitiveness important.

ii. Recent - small - fall in settlement levels and improvement in UK's relative unit labour cost position, welcome. But, long way to go. UK average earnings still increasing faster than our competitors. Recent improvement in relative unit labour cost position derives from higher UK productivity growth and lower productivity growth in Japan and West Germany. This may not continue.

iii. We must do much better if we are to improve competitiveness, and take advantage of favourable exchange rate, as all parties agreed in January NEDC meeting. This will generate more jobs.

iv. Key is pay system which relates pay to performance and allows it to deal flexibly with labour market problems. Need to move away from uniform "going rate" increases for everyone towards differentiated increases rewarding best performers and those with skills in most demand.

v. A matter for concern that CBI paper still reports skill shortages and problems in adjusting internal relativities. Need for more flexibility to tackle these problems in a directed way without provoking generalised "catching-up" increases elsewhere.

vi. Interesting that employers believe employees attach more importance to comparability than they really do. Employers may encounter less resistance than they fear in introducing more flexible pay systems.

vii. Government is introducing such systems for its own employers. Recent announcements about performance related pay in senior civil service and for General Managers in the Health Service.

SUPPLEMENTARY POINTS

Factual

1.9 i. Private sector pay settlements falling slightly. CBI figures show manufacturing settlements averaging 4.9 per cent (1986-Q4) compared with 6.1 per cent in 1986 Q1 and Q2; and service settlements 5.7 per cent (1986 H2) compared with 6.7 per cent (1986 H1). Other surveys show broadly similar pattern (but see defensive i.).

ii. Average earnings in whole economy increasing at 7¾ per cent in 12 months to December 1986. Increase from 7½ per cent rate prevailing for 4 years until November 1986. Reflects recent bonus payments and settlements over previous 12 months. Should fall as lower recent settlements feed through.

iii. Unit wage and salary costs in manufacturing:
International comparisons (per cent annualised)

	1986 Q3 / 1985 Q3	1985 / 1984	April 1979 / March 1974	October 1986 / May 1979	October 1986 / June 1983
UK	3.7	5	15¼	7.7	4.0
West Germany	4.5	0	3	2¾	1.1
USA	0.0	2	7	3.0	-1¼
Japan	3.5	-5	7¼	1¾	- ½

UK relative position improving but average earnings still increasing much faster than competitors. Improvement occurs because UK productivity improving while productivity faling in West Germany and Japan for cyclical reasons (that may be soon reversed). Components of percentage increase in unit wage costs (1986 Q3 - 1985 Q3):

	Hourly Earnings	Output Per Person Hours	Unit Wage Costs
UK	7	3¼	3.7
West Germany	4	-½	4.5
USA	2½	2½	0
Japan	3	-½	3.5

iv. Real earnings 20 per cent above 1980 level by end-1986. Rose 4½ per cent in 1986.

v. Pay-jobs Treasury estimate that every 1 per cent reduction in real earnings would over time increase jobs by 110,000 to 220,000.

vi. International evidence of pay-jobs link. Between 1974 and 1985 real wages in UK rose 12 per cent, employment fell 3 per cent (700,000). In USA real wages fell 4 per cent, employment rose 23 per cent (20 million).

vii. National Pay Bargaining. According to New Earnings Survey 37 per cent of manual and 43 per cent of non-manual workers pay determined by national agreement only and 56 per cent of manual and 52 per cent of non-manuals by a process that includes a national agreement. Pay for other workers - not covered by such agreements - is often influenced by them.

viii. Regional Pay Variation. Little correlation between regional earnings variations and unemployment rates. Male manuals average earnings (excluding overtime) were 1 per cent higher in North than South East excluding London even though unemployment in North was double South East excluding London. [April 1986 New Earnings Survey].

ix. Regional Pay Movements. Above pattern not changing much over time. Between April 1980 and April 1986 male manual earnings in North increased 95 per cent while unemployment rate increased 8 per cent. For South East excluding London earnings rose 101 per cent but unemployment only 5½ per cent.

Positive

1.10 i. Inflation low and will stay low. Pay negotiators should take this into account.

ii. Lower settlements overall justified by low inflation. Room for further reduction, while maintaining living standards (RPI 3.9 per cent, TPI 2.6 per cent).

iii. Government not aiming to reduce anyone's living standards. But, a reduction in the rate of growth of real earnings would create jobs. Every 1 per cent reduction means an extra 110,000 to 220,000 new jobs over time.

iv. Securing moderate private sector wage settlements is responsibility of employers and employees. Government does not believe in interfering in individual negotiations.

v. Government contribution to process is to set the climate. Low inflation; prudent fiscal and monetary policies; industrial relations reform; and moderate public service settlements. Rest is up to employers and employees.

vi. As well as a lower overall settlement level, need to target pay increases to deal with specific labour market problems.

vii. Skill shortages still a problem. Only long-term answer is more training. Government doing its bit: time for employers to pay more attention. Also work can sometimes be re-organised to alleviate skill shortages.

viii. Differential pay rewards for skilled workers may also be necessary. But essential that such increases are "ring-fenced" and do not produce leapfrogging comparability problems as CBI paper suggests is still a problem. (72 per cent reported problems shifting differentials). Unions could help here.

ix. Welcome trend towards relating pay to performance. Government has shown one avenue: profit related pay. Bonuses, share options etc related to genuine improvements in performance are another route.

x. We practice what we preach. Moderate settlements for own employees: initiatives to relate pay and performance eg senior civil service, NHS General Managers.

xi. Pay systems linking pay to performance help unit wage costs and competitiveness in two ways. First, keeping pay increases down to level earned by performance steps unit costs increasing. Second, such pay systems encourage people to perform better and raise productivity.

Defensive

1.11 i. Pay settlements rising again as inflation takes off. [CBI's 4.9% average for manufacturing in 1986-Q4 adjusted up from 4.6%; IRS says median settlement in January 5.2% compared with 5.0% in 1986 Q4 - blames worsening inflation prospect].

Settlements are 1½% lower than year ago. No justification for any increase. Government will keep inflation under control and future prospects are for continued low inflation.

ii. Average earnings growth increasing, not falling [Whole economy underlying up 7¾% in December from 7½% in November].

Recent increase reflects bonuses and settlements last year. As current low settlements feed-through rate of increase will fall.

iii. Government policy for producing lower settlements is unemployment

Nonsense. Cause of unemployment is excessive growth in wages. Every 1% reduction in real wage growth would increase employment by 110,000 to 220,000 over time. The Medium Term Financial Strategy is the guarantee against inadequate demand and of the pay-jobs link.

iv. Low pay enemy of motivation. Need minimum wage

Minimum wage would raise labour costs and price many of the "low paid" out of jobs altogether. Answer to low pay is higher productivity.

v. Unions not the cause of pay increases (see paragraph 9)

Agree that moderating pay increases is a joint

employer-employee responsibility. By no means all blame for past excessive settlements on unions.

vi. High settlements justified by recruitment difficulties (paragraph 22 and Table 6)

Main answer training. Skill shortages may justify higher pay increases for those in short supply. Problem is that through the operation of rigid internal differentials these increases have gone to everyone. (72% of employers report such difficulties). Result higher general settlements and skill shortages remain.

vii. Unit labour cost increases now same as competitors: no need for lower pay settlements

Welcome recent improvement in relative UK performance. But UK earnings still increasing much faster than competitors. Improvement follows better UK productivity growth. We should take advantage of this to improve our competitive position and make up some of the ground lost in previous years. Folly to let settlements rise just when UK is getting more competitive.

viii. Greater decentralisation of pay decision taking: disproves Chancellor's thesis that national agreements predominate (see paragraph 17)

Look forward to hearing evidence of this. Any decentralisation welcome. At present small regional differences in earnings for a given occupation and little variation in increases in earnings. National agreements have played a part.

ix. National pay bargaining: Government attacks designed to reduce pay in poor parts of the country

High degree of uniformity in average earnings in particular occupations throughout the country, regardless of

differences in labour market conditions. Greater variation would improve labour market flexibility and attract new jobs to high unemployment areas. This would increase their prosperity.

x. Lots of regional pay variations already

Average hourly earnings show little variation and certainly far less than variations in local unemployment rates. Furthermore growth in average hourly earnings across country has not reflected changes in unemployment.

xi. Areas with highest average earnings have lowest unemployment and vice versa

Does not invalidate regional pay argument. Point is that greater variation in earnings between areas would create more jobs in high unemployment regions.

xii. Regional pay in civil service

Under consideration. [Separate briefing being provided].

027/72

CONFIDENTIAL

ITEM 2 - FOOD AND DRINK MANUFACTURING EDC

Handling

2.1 Professor R E Thomas OBE, will introduce his paper. You might then ask the CBI and TUC to comment, followed by Mr Jopling who will respond for HMG on this item. Mrs Waterhouse and Mr Monk (Chairman and Chief Executive of Dee Corporation, food retailers) are each likely to comment.

Objectives

2.2 (i) To give broad endorsement to work of EDC on this important sector to date and to its plans.

(iii) To stress it is primarily for the industry to help itself - eg through more innovation, R&D and funding of Food From Britain (FFB).

The EDC and its Paper

2.3 The EDC was set up in April 1986 to study and improve economic performance, effeciency and prospects in the food and drink industry. Its existence will next be reviewed in August. Working groups cover (i) milk and milk products, (ii) meat and meat products, (iii) employment and training, and (iv) technology. As normal, members represent management and unions in the industry, plus MAFF and three independents, including Professor Thomas as Chairman.

2.4 The EDC has recently concentrated largely on mergers policy, reflecting the high degree of merger activity in this sector, and has submitted written evidence to the DTI Review. Over recent years it has also studied problems of employment and training, developing a pilot training scheme under the YTS. Recently established a Technology Manpower Group to examine the impact of new technology on employment. A useful recent study looked at pigmeat marketing in the UK, Denmark and Netherlands. Study

on prospects for the milk industry is underway and one on the poultry industry may start soon. The principle objective of such studies is to identify new opportunities for UK manufacturers. The EDC is also involved with other interested bodies in creating the Food Chain Liaison Group - too early to say whether this will prove useful.

2.5 The paper gives statistics for this large sector and goes on to highlight key issues - changing demand, the trade balance, changing technology/employment patterns, and the interdependence with agricultural production and food and drink distribution. It points to the need to counter inaccurate statements on health and dietary matters and the low level of R&D investment, though it makes an invalid comparison with pharmaceuticals and defence where conditions are very different. It demonstrates how internationalisation of markets is a spur to competitiveness, while reflecting the view of many members of the EDC that the UK should join the Exchange Rate Mechanism of the EMS. It urges more informative food labelling throughout the EC and highlights the relatively low level of funding FFB enjoys from the industry and HMG (compared to the funding enjoyed by similar bodies in our principal competitors eg France and Germany).

2.6 Paras 15-18 on mergers reflect extensive recent discussion in the EDC. Para 17 summarises the evidence given to the DTI review - notably, more account should be taken of the international dimension; and in cases of contested bids the burden of proof should fall on a bidding company to justify a merger. (See defensive brief below). The EDC has prepared an advisory document for the industry on protecting pension funds in takeovers, besides a separate guidance paper on early retirement and pensions practice. In the latter, the EDC was impressed by the possibility of an early retirement scheme linked to opportunities for the young unemployed (see defensive brief).

2.7 NEDC is invited to endorse the EDC's work and priorities, with various points flagged up for discussion in para 28.

Views of the TUC/CBI

2.8 The CBI will focus on mergers and takeovers policy - calling for adquate regard to international competitiveness, predictablility and the need to keep mergers policy free of other objectives.

They may applaud the EDC's work, while regretting the low level of investment in R&D and training.

2.9 The TUC will also give their views on mergers policy - need to keep workforce closely involved and informed of deals. HMG should assess wider public interest considerations on each potential merger (eg likely effects on R&D, or exports, or employment).

Follow-up

2.10 The EDC-NEDC should be able, broadly, to endorse its work and priorities (eg highlight creation of "Manpower and Technology Group" in para 20 and future work on milk products and poultry meat in para 24). Emphasise need for industry primarily to help itself and to retain flexibility within increasingly competitive market.

2.11 HMG - note views of EDC on competition and mergers policy and EMS; resist special pleading for additional funds for R&D or FFB; reject suggestion of major review of early retirement/ jobs for the young scheme, primarily on grounds that in the long term it damagingly reduces the supply of skills and labour to the economy, while proving costly.

Conclusions

2.12 (i) Thank Prof. Thomas and briefly summarise other speakers.

(ii) Many positive aspects to this sector's performance. Vital, since this EDC covers greater proportion of greater UK manufacturing industry than any other.

(iii) Welcome fact that the percentage rise in the value of UK exports has been greater than that of imports over the past decade. But, nonetheless, as paper shows our trade deficit in processed food and drink has increased significantly and it will be necessary to continue to improve our competitiveness.

(iv) Encouraged by EDC's realism. Note (para 9) that two myths dispelled - that UK production efficiency cannot compare with the best in Europe; and that our major competitors enjoy unfair advantages such as illegal state subsidies.

(v) International competition in this sector is growing fiercer. In certain areas (pigmeat), EDC made valuable contribution in identifying what can be done. Welcome focus on competitiveness.

(vi) HMG can also contribute, most of all by providing right economic climate for industry to invest. But also took lead in setting up FFB in 1983 - already supported with over £14m of public money. Have offered further support in proportion to industry's own efforts - hope they will be prepared to contribute so as to ensure FFB's success.

028/72

CONFIDENTIAL

ANNEX

SUPPLEMENTARY POINTS

FACTUAL

2.13 UK Trade in Food and Beverages - As the paper shows (paragraph 2) the trade deficit in processed food and drink has increased in recent years. Nevertheless over the past decade exports have risen more rapidly than imports as is shown below.

UNITED KINGDOM TRADE IN FOOD AND BEVERAGES (£'m)

		1975	1985	% Change 1975 to 1985
EXPORTS	Processed	958	2,815	+194
IMPORTS	Processed	2,081	5,119	+146
Trade Balance		-1,123	-2,304	

Reasons for discrepancy with EDC figures:-

(i) MAFF figures exclude animal feed.

(ii) Problems over definition of what is "processed".

Other key figures:

- MAFF think gross output figure in first paragraph of EDC paper is an inderestimate. Gross output in 1985 approaching £40b, with contribution to GDP £8 or 9b = 3.2% of GDP.

- Profitability - (on current cost accounting basis) - return on capital (%):-

	1980	1984
Brewing/Distilling	6.5	11.8
Food Manufacturing	9.1	9.2
All industrial groups	6.2	11.4

[Source - BEQB Sept '85]

2.14 Marketing - FFB set up 1983 to promote British food and drink in home and overseas market. HMG agreed to provide £14m over 5 years to 1987-88 as initial finance. Has also given lead for three years starting 1988/89 with promise to contribute in proportion to industry's own contribution on a £1 for every £2 from industry basis, up to a HMG maximum of £2½m. Onus on industry to take up the challenge.

2.15 Mergers and Takeovers - Mergers currently referred to the MMC by SoS for Trade and Industry primarily on competition grounds. Designed to give a greater degree of stability and predictability to policy. Mergers are considered for reference by OFT if the two firms involved would have a combined share of 25% of a particular market in the UK and/or the assets of the acquired enterprise exceed £30m. NOT FOR USE - DTI Minister now considering first report from Review Team (on changes that might be made to mergers policy on the basis of present legislation); Team now starting to consider what might be done by way of new legislation. No public announcement of Teams recommendations yet made.

POSITIVE

2.16 See factual section above for positive points on trade balance.

2.17 Mergers Policy - By making competition primary focus, present reference policy avoids instability and predictability. Important this area should not be subject to an arbitrary policy. Current policy in tune with HMG's general policy of promoting competition within the economy in the interests of consumer, and of effeciency and hence growth and jobs.

2.18 Whisky and Beer Duties

WHISKY - Whisky industry has benefitted from duty standstill in 1986, following two years of increases below inflation (real duty level now over 10% below 1983 level).

BEER - Brewing industry will have benefitted from duty

standstill in 1986 (real duty level only slightly above 1983 level - largely due to EC infraction proceedings on beer/wine duty ratios, implemented in 1984).

DEFENSIVE

2.19 R&D effort should be increased by HMG - HMG expenditure on food R&D increased from £13.5m in 1981/82 to £23m 1985/86, within static overall programme. Further increases planned. But vital industry continues to fund most R&D work itself. Not appropriate for HMG to seek to develop new products so vital to meeting competition and satisfying "quest for novelty". HMG expenditure will concentrate on basic research, nutritional quality and food safety. For industry to use results in finding ways to meet market demands.

2.20 Industry needs further help from HMG with marketing - HMG spend on FFB £14m over 5 years to 1987/88 and promise of further support to 1990/91 on basis of £1 for every £2 provided by industry, up to a maximum of £2½ million. But best form of help is self-help. Note the voluntary scheme, entirely funded by participants run by the Apple and Pear Development Council - the "Kingdom" scheme. This successful quality assurance and marketing scheme has reduced import penetration of the UK market. Others should follow suit.

2.21 Manufacturers welcome recent moves towards fundamental CAP reform (Para 13). What is HMG doing? - HMG wholeheartedly supports efforts to reform CAP. Continues to lead the campaign for economies in agriculture, and for community support prices to more closely reflect market conditions.

2.22 Mergers policy should give adequate regard competitiveness in world, as opposed to to domestic market - When evaluating the competitive situation in individual cases, regard is already given to both the competitive position of UK firms in overseas markets and actual and potential competition from imports.

2.23 Mergers policy should take account of effects of mergers on investment, R&D and employment - HMG agrees that investment, particularly in R&D is crucial to securing long term competitiveness. But HMG cannot by use of mergers policy second guess companies in such matters. Shareholders are best placed

to make judgements. As regards effect on employment, this is taken into account where a significant reduction seems likely. But existing patterns of employment cannot remain unaltered regardless of changes in market or industry itself.

2.24 Need for protection for pension funds [Unions may say some takeovers motivated by desire to raid large pension fund surpluses - eg Hanson on Courage, which failed. Finance Act 1986 helps to reduce surpluses to 5% over next few years, but no specific protection]. - Action is being taken by HMG to reduce surpluses in pension funds, thus making them less attractive as possible acquisitions. Free standing 40% tax on returned surpluses also disincentive. Case not made for having any special provision for pension funds in mergers policy. Up to trustees and trust members to seek to protect funds under trust law (depending on wording of specific trust deeds).

2.25 Companies should be required to consult trade unions and have regard for employees' rights when ownership changes - Appropriate degree of consultation is for individual companies to determine in each case, not for HMG decree. Transfer of Undertakings Regulation 1983 already requires a company taking over another to honour existing terms and conditions in employees' contracts.

2.26 Suggestions put by EDC to DTI Review should be implemented - Cannot pre-empt outcome of Review. EDC's submission will be fully considered.

2.27 Government action over improprieties in Guinness bid for Distillers? - Cannot comment before investigation is complete.

2.28 Freeze Whisky and Beer Duties in Budget? - Cannot anticipate Budget on March 17.

2.29 Give assurance that VAT will never be extended to food and drink? - [VAT extended to hot take-away food and drink from 1 May 1984.] - 1985 Budget speech said it was not the intention to extend the VAT base during the life of this Parliament. [If pressed]. No present plans to do so, but tax policy has to be conditioned by the requirements of prudent fiscal policy at the time.

2.30 NEDC should consider a national early retirement scheme with replacement by young, unemployed workers, for all sectors (para 23) - Such schemes (including DE's Job Release Scheme) have major disadvantage that they reduce skills and ultimately labour supply within the economy. Also tend to be very costly. Much better for industry to improve its competitiveness and investment in training so it can take on more of unemployed in straightforward way. [IF PRESSED - Therefore see no case for any follow-up work on this for NEDC.]

ITEM 3 - THE BRITISH LABOUR MARKET AND UNEMPLOYMENT

Handling

3.1 The Director General (DG) should introduce his paper. You could then ask CBI members to speak, followed by TUC members. The defence of Government's measures for long term unemployed falls mainly to Lord Young. Finally the Chancellor might speak on some wider aspects.

Objectives

3.2 (i) Place onus on employers and unions to reach more moderate pay settlements so that there can be sustained reductions in unemployment; or, if already achieved under item 1, refer back to that;

(ii) Gain recognition of scale and quality of Government programme for the long term unemployed and of success of overall policies: good recent performance of economy (as well as DE measures) has led to fall in overall unemployment and within that long term unemployment as well;

(iii) Ward off pressure for additional Government expenditure to help long term unemployed and undermine arguments for recruitment subsidy.

The paper

3.3 The two page memorandum by Mr Cassels, the Director General of NEDO, tries to provide something for everyone: it **applauds Government's measures** for long term unemployed, including new Job Training Scheme (which TUC dislike); calls for encouragement to **employers not to discriminate** against the long term unemployed as recruits; for more **labour-intensive infrastructure** work, and for **grants to employers** who recruit very long term unemployed.

3.4 The attachment is by Walter Eltis, the new Economic Director. It rejects the theory that high UK unemployment will reduce pay settlements, increase employment, and so disappear automatically. Big increases in unemployment may reduce wage settlements; a high but constant level will not. "Insiders" feel no threat of redundancy; employers would rarely consider replacing them with the unemployed even at lower wages. The long term unemployed do not seek work actively and are not seriously considered by employers.

3.5 The paper goes on to argue that as the economy grows, short term unemployment will fall, but long term not so much. Labour shortages will emerge and pay settlements rise. Additional measures to bring the long term unemployed

back into the mainstream labour market may be needed if non-inflationary growth is to be sustained. A recruitment subsidy may be a serious candidate, although it could cost up to £1½b. Walter Eltis has also circulated to advisers, but not to NEDC members, a technical annex citing various work by economists in this field.

Views of the TUC/CBI

3.6 CBI - may suggest their members more interested in tackling unemployment problem in practical way than vagaries of the Phillips curve. Will refer back to their efforts on pay under item 1. On three issues for consideration in Cassel's para' 6 - (i) a campaign of exhortation to employers to hire unemployed, by CBI, unions and Jobcentres as wrong approach; (ii) have urged further £300m expenditure on infrastructure; (iii) not pressing wage subsidy for long-term unemployed, but would help with trials if HMG wished to undertake an initiative.

3.7 TUC - will reject insiders/outsiders thesis; question whether growth is sufficient to bring down unemployment significantly; broadly support special measures, though with some scepticism on JTS. May suggest Eltis prepares another paper on how to minimize deadweight/displacement on special measures. On three issues in Cassels para' 6 - (i) sceptical about campaign unless for long-term unemployed; (ii) definitely in favour of large boost in infrastructure expenditure; (iii) not clear on principle of wage subsidy (fear hidden wage cuts), but would prefer such schemes for assisted areas rather than LTU.

Follow-up

3.8 (i) HMG will maintain economic policies allowing sustained non-inflationary growth of output and employment, and helping the long term unemployed return to real employment.

(ii) NEDC, CBI & TUC should encourage more moderate pay settlements taking account of the unemployed, and as DG suggests should encourage employers not to discriminate unfairly against long term unemployed.

(iii) Resist TUC suggestion of further NEDO paper on deadweight/displacement on special measures, on grounds that extensively covered previously - eg HMG response to Employment Committee - see 3.16 below, HMT Working Paper "Measuring Output and Performance in Central Government: Progress in Departments", and numerous DE gazette articles [DE to list if required]. IF PRESSED - remit to Steering Group to consider.

Conclusions

3.9 (a) Unemployment and long term unemployment of concern to us all. Good that both now on firm downward path. Wide recognition of need for sound overall economic policies to achieve steady increases in output and employment.

(b) Agreement on need for measures to help LTU back into employment. Government's measures welcomed [by all?]. Offer help back towards employment to all the roughly 1½m people who become 6 month unemployed each year. Welcome paper's support for these, especially Restart, and new Job Training Scheme (helping up to ¼m people a year).

(c) No agreement on need for major new measures. Government will keep scope and balance of measures under review as circumstances change; not convinced that arguments for recruitment subsidy can be erected on basis of econometric work. Approach geared to individual needs of unemployed required.

(d) Output and employment will grow yet faster, and unemployment fall faster, if pay settlements moderate in response to unemployment, as DG's paper urges.

Infrastructure spending

Skill shortages.

1 in 4. Middle ground not numerate.

ANNEX

SUPPLEMENTARY POINTS

Factual

3.10 NEDC (86) 1 (by the Director General) said:

"The unemployed do not sit at the bargaining table and so far little recognition of their interests has been shown by those who do".

3.11 Developments since 1983 Election:

- GROWTH - Between 1983 Q2 and 1986 Q3 risen by nearly 3% a year.
- INFLATION - averaged less than 5%.
- MANUFACTURING PRODUCTIVITY - up 4½% a year.
- AVERAGE EARNINGS - up 7½% a year, but should improve (see brief para' 2.7(ii)).
- LABOUR MARKET - total employment up by 1 million, more than rest of EC combined.
  - unemployment up by 232,600 (2.89m to 3.12m), but down by over 100,000 in last six months.
  - long-term unemployment up by about ¼m; but fallen in last two quarters.
  - youth unemployment down around 80,000 (down 120,000 in last 2 years). Youth unemployment rate below EC average.

3.12 **Unit wage and salary growth: annual percentage increases**

		UK	USA	GERMANY	JAPAN
1983		0	-3	-1	2
1984		3	-2	-1	-5
1985		5	2	0	2
1986	Q1	8	1	3	4
	Q2	7	2	3	5
	Q3	4	0	5	4

3.13 Government spend on employment and training measures: £3.1 billion 1987-88, almost £3.4 billion 1989-90 - 5 times (cash) 1978-79 spend; total DE group programme up to 93% (real) 1987-88 on 1978-79.

3.14 Numbers helped by major employment measures and YTS

	Numbers on scheme December 1986	Total numbers helped to date
Community Programme	248,000	750,000
Enterprise Allowance Scheme	74,000	200,000
YTS	347,000	1,400,000
Other employment measures	68,000	875,000
Restart interviews	n/a	780,000

Over 3m people helped by major measures (excluding Restart) since inception; over 1m opportunities available in 1986-87, in addition to over 1.3m interviews under Restart.

3.15 Regional split of employment and training spend: Approximate spend per head of labour force on employment and training measures in MSC regions:

	£/year/head of labour force
South East	59
South West	121
Midlands	116
Yorks and Humbs	129
North West	131
North	179
Wales	161
Scotland	143
GB average	**107**

3.16 Select Committee on Employment:

- **First Report** (1985-86) recommended £3.3b (net) package to eliminate long term unemployment (ie over 1 year) by creating ¾m jobs. Included building improvement programme, more health and social services jobs and £40/week recruitment subsidy. Said measures should: create additional jobs at lowest feasible cost to Exchequer; produce regular jobs; involve private sector as much as possible.

- **Endorsed** by Labour Party, SDP/Liberals, Employment Institute and Charter for Jobs.

- **Government** response published in Committee's Third Report: rejected proposals as less practicable and cost-effective than Government's own approach.

- **Third Report** (1985-86) proposed interim scaled down package of £1b to help those unemployed for over 3 years (not spelt out in detail), with pilots to test feasibility of original proposals.

3.17 CBI proposals: "Fabric of the Nation III" proposed £300m building improvement programme along same lines as Employment Committee.

3.18 TUC "Medium Term Employment Strategy" published 4 February: advocated nearly £5b extra on construction, expanding public services and assistance to industry, and nearly £3.5b on social benefits. Borrowing up by £6.5b. Reflected in 1987 Budget submission: continued expansion in 1988 Budget would reduce unemployment by 1m, with inflation cost of +2%. Includes £2.4b increase in public investment (housing, schools, water, roads).

3.19 Strathclyde Regional Council has since 1984 run a recruitment subsidy for LTU. Poor take-up to date has made evaluation difficult: although generous, the subsidy has only attracted about 700 applications a year (equivalent to about 15,000 if extended GB wide). Better not to mention if others do not.

Positive

3.20 Macro-economic policy allows for sustainable growth of output and employment, as paper recognises. 1m new jobs since 1983. Now into sixth year of sustained growth. Must stick to macro-economic policies and bring taxes down if sustained reductions in unemployment to be achieved.

3.21 More moderate wage settlements prerequisite for faster reductions in unemployment, as paper recognises. Biggest difference between UK and countries where unemployment is lower is that our unit labour costs have grown far faster than theirs. As rough guide, if pay settlements slowed to leave average real wages 1% lower than otherwise, could expect 110,000-220,000 new jobs over time.

3.22 Unemployment already firmly on downward trend: fallen by over 100,000 since July; now lower than 1 year ago. Long term unemployment also coming down. Employment rising steadily. Slower increase in population of working age than over last 3 years will help translate that into faster reduction in unemployment.

3.23 Government's measures on employment and training: pleased to see paper's recognition of scope and value. Targetted on individual and best way to help back into labour market. All those unemployed over 6 months to be offered regular 6 monthly interviews; individual help to get back into labour market. Options include:

- **Jobclubs:** 2/3 of participants leave for jobs; provision for 150,000 people a year.

- **Enterprise allowance:** 200,000 already helped.

- **new Job Training Scheme:** training and vocational work experience; up to ¼m trainees a year, quality permitting.

- **Community Programme:** about 300,000 people helped each year; participants twice as likely to get jobs at end.

Defensive

3.24 True that settlements coming down only slowly. But wrong to react by addressing recommendations to Government.

3.25 Analysis in paper simplistic and exaggerated. Eg:

- evidence on determinants of wages not clearcut;

- asserts that there is no adjustment in labour market: too extreme;

- evidence that long term and short term unemployed are sharply delineated groups with different effects in labour market far from conclusive;

- not enough simply to assert that long term unemployed play no part in labour market; hundreds of thousands of them get jobs every year;

- distinction between voluntary and involuntary unemployed is simplistic; those who price themselves out of a job might be called voluntary;

- many other factors involved in both inflation and unemployment than allowed for in paper.

3.26 Focus in paper on recruitment subsidy misguided:

- subsidy only works if it reduces growth of wages; but unclear how or when would achieve that; better for TUC (and CBI) to encourage wage bargainers simply to alter their behaviour now;

- scheme depends on false view that unemployed become totally different when cross 12 month threshold;

- ignores differences between individual long term unemployed, their histories and prospects and needs; in this sense subsidy would be untargetted and indiscriminate;

- unlikely in practice to induce extra jobs on large scale or to help many of the long term unemployed (fewer than the new JTS);

- much less cost-effective than the Government's own measures (might cost up to £8-10,000 per person no longer unemployed);

- Employment Institute thought more cost-effective than Government because assumed away deadweight and substitution: sheer fantasy;

- introduces distortions in companies' decisions, encouraging them to take on as temporary workers the 12 month unemployed instead of the 11 month unemployed;

- paper suggests switch within existing public expenditure; switch would be needed to reconcile recruitment subsidy with medium term financial strategy. But whatever cuts NEDO have in mind to provide £1.5b required likely to affect jobs adversely.

3.27 Select Committee policies: Government has taken account of Committee's criteria more closely than Committee's own packages: measures more comprehensive, cost-effective, practicable, and better tailored to individual needs of each long term unemployed person. Glad to see Committee's and CBI's welcome for Restart programme.

3.28 Infrastructure/construction Government makes every effort to find room for worthwhile public sector projects within framework of Medium Term Financial Strategy - which is essential for sustained growth and investment in economy as a whole. Selective increases in 1987 PEWP evidence of this (eg housing +£450m in 1986-87). All expenditure must be assessed on merits. [See Annex of bull points attached.]

3.29 TUC calls for public sector investment boost to create employment now [see para 3.18]. Accept extra HMG spending may boost employment in short-term. But in long-term job creation dissipated as inflation/interest rates rise. TUC (and Labour Party) calling in effect for massive reflation which would in time destroy jobs and damage infrastructure.

3.30 Some economic models suggest spending on infrastructure creates more jobs than tax cuts. Such models which purport to demonstrate such effects typically allow only for short-term demand effects, with little about the relative supply-side merits of tax cuts versus infrastructure spending. Absence of such supply-side effects in models is also an important argument against basing policy on any short-term "cost per job" numbers which models produce.

3.31 Fewer jobs today than 1979 [Fall of 0.6m; employees in employment down 1.4m, self-employed up 0.9m]. Recession not unique to UK. Overmanning rife under last Labour government to detriment of competitiveness and sustained growth. Strong employment growth for nearly 4 years now.

3.32 Unemployment trend only down because of special measures? Change in trend not just due to Restart and employment measures. Reflects success of HMG's sound financial and economic policies, which have contributed to creation of 1m new jobs since 1983. The employment figures (80,000 rise in employed labour force in Q3; manufacturing employment virtually flat in Q4) show a major underlying improvement since H1 1986.

3.33 Unemployment costing £24b a year? Benefits to unemployed (excluding housing benefit) cost £6b. Effect on exchequer of bringing all unemployed back into employment completely unknown: all depends on how it happens. Would be likely to be particularly costly if done through massive subsidies to public sector employment.

3.34 Lower wages means less demand and so fewer jobs? No. Slower rise in real wages means improved competitiveness and increased profits, so expanded output and employment.

3.35 18/19 changes to unemployment count since 1979. 1985 Labour Force Survey, based on independent unemployment definition confirms claimant count fair measure. And OECD figures, based on internationally accepted guidelines, very similar to our own. Only 6 changes have discernible effect on adult claimant count.

3.36 LBS in favour of extra spending on LTU [February 1987 Economic Outlook argues that expenditure targetted on long term unemployed has supply side benefits]. Agree that expenditure on LTU has important role. Hence Government spending £1.3b on that in 1987-88. LBS favours training scheme directed at young people: welcome support for approach adopted in new Job Training Scheme.

3.37 "Economist" article (14.2.87) favours schemes focussed on LTU - see 3.23 above.

3.38 High unemployment at core of north/south divide?

Not surprising larger fall in employment/rise in unemployment in North than South since 1979, given concentration of traditional heavy industry in north. But:

- employment in all regions up since last election, except Wales and there little changed;

- recent falls in unemployment spread across most regions (with exception of Scotland, which is mainly due to difficulties in oil-related sector, and Scotland has seen some rise in employment since last election);

- unemployment rate fallen fastest over last 12 months in Wales and North;

- youth unemployment fallen in every region over last three years. Fallen proportionately faster in Wales, North, North West and West Midlands.

- "North's" share of unemployment fallen [from 69% to 66% since 1979].

- rate at which unemployed find a job does not vary markedly between regions (82% of newly unemployed cease to be unemployed within a year in South East, 79% in Scotland, 78% Yorkshire and Humberside, 77% in North).

N

ANNEX

NB All figures in cash except where stated.

CAPITAL SPENDING AND INFRASTRUCTURE: SPECIFIC SECTOR BULL POINTS

Roads: Since 1978-79, capital spending on motorway and trunk roads increased by almost 30 per cent in real terms. Since 1979, over £3 billion invested in improvements to national road system; current road programme provides for further investment of £650 million in 1987-88. Planned expenditure in 1986-87 on motorway and trunk roads in England of £895 million - increase of 10 per cent over 1985-86. Provision sufficient to start all road schemes programmes for 1986-87 as soon as ready. Backlog of motorway and trunk road repairs planned to be eliminated by 1991. Between 1978-1979 and end July 1986 over 600 miles of new motorway and trunk roads completed. M25 London Orbital (largest city bypass in world) now opened at cost of over £1 billion. 23 bypasses now being built and over 130 bypass schemes in preparation. In 1986-87 work planned to start on more than 34 new schemes worth £372 million. On average, 4 miles of motorway and trunk road for price of 3 (in real terms) in 1979-80.

Water and Sewerage (England and Wales): Between 1978-79 and 1986-87 estimated to be public investment of over £6 billion. Estimated to be £984 million invested in 1986-87. Further increase in investment to over £1 billion planned in 1988-89.

Rail: Since 1978-79 investment of some £3 billion in railways and further £455 million planned for 1986-87 (£500 million for 1987-88). Over next 5 years £300 million expenditure planned on East Coast main line electrification - greatest single railway investment in last 25 years. BR has investment plan for Channel Tunnel involving expenditure of about £390 million.

Electricity: Capital expenditure on fixed assets (including Scottish electricity) rises from £810 million in 1978-79 to estimated £1,783 million in 1986-87 - broadly in line with inflation. Torness and Heysham 2 AGR power stations planned to be completed in 1987-88 at estimated cost of £3.5 billion. 2 gigawatt Cross Channel Link with France expected to be completed in 1986-87 at estimated cost of £390 million.

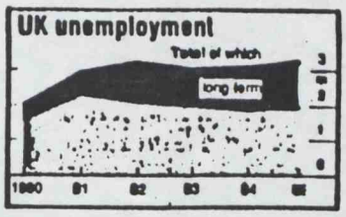
NHS: Between 1978-79 and 1985-86 capital spending on NHS increased by 31 per cent in real terms; planned to increase to over £900 million in 1987-88 and to over £1 billion by 1989-90. Over £1 billion yearly now being spent on NHS capital repair and maintenance. Since 1979, in England, over 170 health building schemes each with works cost of at least £1 million have been started and completed, including 30 large developments each costing between £5 million and £20 million. Over 400 more schemes worth nearly £3 billion in total at various stages of planning, design and construction; of these about 110 schemes planned to be completed by 1989.

Educational buildings: In 1987-88 11 universities will have major building projects in progress, at total estimated cost to public funds of £92 million. £8 million extra in both 1987-88 and 1988-89 on voluntary schools' capital.

Housing (England): Capital spending on housing renovation increased from £481 million in 1978-79 to estimated £1,450 million in 1986-87 - 54 per cent in real terms. Gross expenditure on housing over period covered by PEWP planned at about £3½ billion a year.

Prisons (England & Wales): Programme of 16 new prisons, at cost of £427 million, plus 4 at design stage. Between 1978-79 and 1986-87 capital spending on new buildings planned to increase by 121 per cent in real terms.

The jobless curse



Why Britain's unemployment went up in a slump and stays high in a boom

Eight years ago Margaret Thatcher took an economic theory with her to Downing Street. It did not depend on the monetarist technicalities that have befuddled her allies and enemies alike. The vital parts of the theory said that two things damaged Britain's economy: inflation and trade unions. Crush both, she said, and output and employment will flourish. So the Tories squeezed out most of the inflation, and a lot of the trade-union power. For four years output and employment have been growing respectably. But the theory also said that unemployment would fall once Britain achieved low-inflation growth; instead it climbed inexorably to more than 11% of the labour force.

Where did Mrs Thatcher's theory go wrong? The commonest answer is that it misunderstood the role of demand management: the government's monetary and fiscal policies were too tight for too long, so output slumped in 1980-82 and unemployment soared.

Partly true. Sharp changes in demand have immediate effects on output and employment. For much of the period up to 1983 the government's policies—thanks mainly to those monetarist technicalities—were tighter than intended. No longer. The economy has grown steadily for the past four years. Pre-election demand is running so high that there are signs of faster inflation ahead. Yet, fiddles apart (see page 20), Britain's unemployment has hardly budged. Lack of demand may once have driven unemployment up, but it is not to blame for keeping it there.

Something similar goes for the power of Britain's trade unions. When they had clout they caused labour-market rigidities that pushed unemployment higher; taking that clout away has not, by itself, pushed unemployment back down. In 1979, 13.3m British workers were in unions; by the beginning of 1986, membership had fallen to 10.7m. The reward has been more efficient working practices and much faster growth of manufacturing productivity. But wages have carried on rising at a job-inhibiting 8% a year.

Mrs Thatcher and her critics need to alter their theories to take account of something they have all underestimated: unemployment's built-in persistence. Start from the old idea that stable inflation is consistent with a particular rate of unemployment—in the jargon, the non-accelerating-inflation rate of unemployment (NAIRU). When unemployment is higher than the NAIRU, inflation will fall as wage pressure eases. When it is lower, increasing wage pressure will push inflation up. This idea, once controversial, is now accepted in one form or another by most mainstream economists.

A conspiracy against the unemployed

Until recently, economists thought the NAIRU could move up and down only when nudged by changing microeconomic conditions (eg, a rise in the level of unemployment benefits would push it higher). They did not foresee that the actual rate of unemployment can gradually drag the NAIRU up with it—leaving behind a high rate of unemployment that does nothing to reduce wage pressure in the labour market.

The longer somebody is out of work, the less able and/or willing he is to compete for a new job. For a given amount of unemployment, therefore, a greater proportion of long-term unemployed will mean less competition for jobs—and hence a higher NAIRU. Worse, wage-bargaining contains a built-in bias against job creation. The parties directly involved are firms and their existing workers, not firms and all would-be workers. Wage settlements leave the unemployed out of account. These two facts explain why unemployment can ratchet upwards from one cycle to the next.

Estimates of Britain's NAIRU put it at not much less than the actual rate of unemployment, so a demand boost would mostly mean faster inflation, not more jobs. The new economic theories call for extra caution on that account: if unemployment is easier to send up than down, that is another way of saying that the cost of cutting inflation is higher than governments believed in the 1970s. So they should not give themselves an inflation sickness that has to be cured later at much greater cost than they once thought. Instead, Mrs Thatcher ought to take supply-side steps to reduce the NAIRU. Options include lower payroll taxes, lower income taxes for the low-paid and a stricter unemployment-benefit regime (Britain's is still one of the most generous in the world).

A newer idea reflects the fact that long-term unemployment is a powerful force driving the NAIRU up. So focus job schemes on people out of work for longer than six months—even if that means an increase in the number of those unemployed for shorter spells. The government's new Restart scheme may have this effect, though it has probably been designed to massage down the jobless count. Quibbles apart, such ideas are more likely to cut unemployment than the splurge in demand that the Tories are currently supervising.

psl/9A

UNCLASSIFIED

CCBT
BLUP

Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

3 March 1987

David Norgrove Esq
10 Downing Street
LONDON
SW1

Dear David

NEDC BRIEFING: RAIDING PENSION FUNDS

I attach a note by the Inland Revenue which describes some points about pension fund surpluses and raids. It highlights two steps the Chancellor took in last year's Budget:

(i) where funds within a pension scheme are returned to the employer (or predator) they are now subject to a freestanding tax charge of 40 per cent (with no set-off against losses). This makes pension fund raids significantly less attractive to a would-be predator;

(ii) if any current schemes have large surpluses, they must take steps to reduce them either by improving benefits or by reducing or suspending further contributions. A reduction in the size of pension fund surpluses automatically reduces the incentive for a predator to try to raid them.

2. The ways in which pension funds can protect themselves against predators involve complicated matters of trust law (as the Courage case revealed). The Food and Drink Manufacturing EDC is considering draft guidelines on how to protect company pension funds in "takeover situations". This includes action to ensure that a fund is firmly under the control of its trustees, and that the power of appointment and dismissal of the trustees is independent of the parent company. The posible steps include spelling out benefit entitlements clearly in the rules of the scheme (as opposed to having all benefit increases at the trustees' discretion); making provisions to increase benefits if the scheme is wound up; and handing the power to appoint trustees to an independent body.

3. I also attach a revision to one page of the main briefing, setting out who will be attending (the changes are that Mr Ridley may be a little late; and the Governor will now attend for Item 1, but will have to leave shortly thereafter).

Yours Alec

A C S ALLAN

MERGERS AND TAKE-OVERS : PENSION FUND RAIDS

1. The problem of a pension fund raid typically arises where a company is in financial difficulties, but its pension scheme has a substantial surplus (comparing the value of its assets with its projected liabilities - ie the cost of providing pensions for its members). The surplus may be due to:

- a contracting workforce; and/or

- unexpectedly high returns on fund investments in recent years.

2. Another relevant point concerns how pension schemes are funded (ie by employer and employee contributions). Most funding levels include some provision for future salary increases, through inflation or career progression, up to retirement.

3. If a scheme is wound up prematurely, members will only get (deferred) benefits based on their current salary and service to date. After these benefits have been secured, any funds remaining must be returned to the employer. A surplus on this basis can be very large.

4. But even a continuing scheme may show an excessive surplus. The Chancellor recognised last year that it would be a misuse of the tax reliefs if schemes took no action in these circumstances. So, under legislation introduced in the 1986 Finance Act, schemes must take steps to reduce large surpluses by:

- improving benefits (subject to the tax approval limits); or

- reducing (or suspending) further contributions; or

- a payment to the employer (subject to certain safeguards)

or a combination of all three methods.

5. The need to reduce excessive surpluses will therefore limit the scope in future for pension scheme raids.

6. The Chancellor also took steps to ensure that where funds within a scheme were returned to the employer or predator, a proper recovery of previous tax reliefs took place. Before last year's Budget, any surplus payment to the employer was added to his taxable profits in that year. But, if the employer was tax-exhausted, no immediate tax charge arose - so this was little deterrent to a predator. Under the 1986 Finance Act, any such payment will be subject to a free-standing tax charge of 40 per cent (with no set off against losses, etc). So pension fund raids will be significantly less attractive to a would-be predator.

E.R.

PRIME MINISTER

NEDC

Inside the folder is a note from Bernard about the media: it now seems likely that the TUC will be holding a press briefing with radio and television interviews.

Also enclosed is a re-typed version of your speaking note to introduce the meeting, together with a report of the first meeting of the Council which appeared in the Times on 8 March 1962, and the minutes of the first meeting. Television cameras will be present for your opening remarks.

Who said?

DN

(DAVID NORGROVE)

3 March 1987

3 March 1987

PRIME MINISTER

NEDC MEDIA

I will let you have a press digest on the economic scene before you go to NEDC tomorrow.

It seems likely that some of the papers at least will be trying to stir it up. We understand that Keith Harper, Labour Correspondent, Guardian, has got hold of a copy of the Director General's paper on the labour market and unemployment and will be using it tomorrow. No doubt this has been leaked by a TUC member.

I further understand that the TUC is to hold a press briefing, with radio and television interviews, at Congress House at 2pm. The CBI have been tipped off about this.

All this I think demonstrates that the TUC intend to play it for all it is worth politically.

In these circumstances I think the following action is required:

i. to monitor the departure of TUC members (Christine is doing this);

ii. to be ready at the end of the meeting with a guidance note which meets your political need; in appropriate circumstances I could get this quietly to PA to dominate the news;

iii. to ensure that a member of the Government goes down to be doorstepped either to set the tone or immediately to respond to a TUC line;

iv. to arrange for you to give interviews in No 10 or in Norman Shaw North, regardless of whether you or any other member of the Government gives ~~doorstep a~~ doorstep interviews.

BERNARD INGHAM

Mr Willis Mr Todd Mr Edmonds Mr Bidwell-Tate Mr Gordon

Mr Maybury

Mr Rhodes.

Mr Bidwell-Tate

SPEAKING NOTE TO OPEN THE MEETING.

Lady - and I'm glad to see that Rachel Waterhouse is still holding the fort here for women, though the CBI and TUC have not responded to my equal opportunities encouragement in 1981 - and Gentlemen, I am glad to take the chair for the Silver Jubilee meeting of this Council.

(1)

Hope all on the side of a business will benefit. Home + export markets with products that compete in price, quality + delivery.

(2) Over 25 years, NEDC has seen many discussions about important economic themes which have led to both agreements and disagreements. But the discussions have led to a better understanding of others' views. And the work of the little Neddys on individual industries has always been aimed at improving competitiveness.

(3)

(4) I understand that Mr Cassels has arranged two major conferences to celebrate the Jubilee. I wish them every success. [Conferences: "Company Success", "People - the Key to Success".]

(5) This is the last Council meeting which Sir Terence Beckett and Alan Stote will be attending. I should like to thank them on behalf of the Council for their contributions to its work, which I am sure have always been constructive.

CBI Small Business Rep.

~~Apologies for absence (Mr Channon and the Governor; Mr Ridley may be late).~~

Apology for absence from Mr Channon; Mr Ridley may be late.

SPEAKING NOTE TO OPEN THE MEETING

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Apologies for absence (Mr Channon and the Governor; Mr Ridley may be late).

C2SS7

DEPARTMENT OF EDUCATION AND SCIENCE
ELIZABETH HOUSE YORK ROAD LONDON SE1 7PH
TELEPHONE 01-934 9000

FROM THE SECRETARY OF STATE

David Norgrove Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

3 March 1987

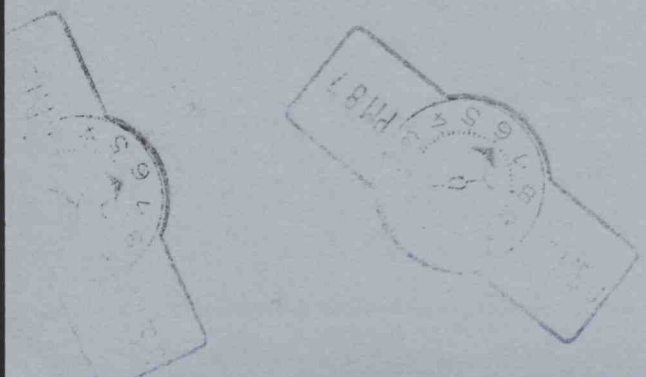
Dear David

My Secretary of State has asked me to put in writing his request to leave NEDC at 11.30am on Wednesday 4 March as he has a long-standing commitment to attend a function for another MP. Mr Dunn will be able to attend NEDC from 11.30am onwards.

I understand that Cathy Riding in the Chancellor of the Exchequer's Office has already contacted you informally about this request and I am copying this letter to her.

Yours sincerely
Christine

MISS C M TRUDGETT
Private Office



Also copy to David Norgrove

SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434
My ref:

Your ref:

The Rt Hon Nigel Lawson MP
HM Treasury
Parliament Street
LONDON
SW1

2 March 1987

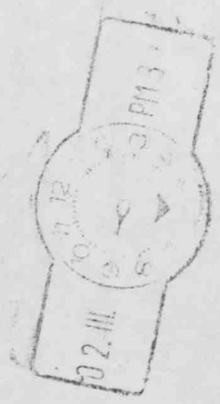
Dear Nigel

This is just to confirm that I will be attending NEDC this Wednesday, 4 March. I am afraid I may be a little late as it is necessary for me to be present at 'QL' at 9.15am although I hope this will only be for half an hour.

NICHOLAS RIDLEY

CHANCELLOR
- 2 MAR 1987
2/3

Mr Wynn Owen
Sir P Middleton
Mr FER Butler
Mr Monck
Mr Burgner
Mr P Gray


02. III

DASADX

PRIME MINISTER

NEDC: 4 MARCH

You have a briefing meeting for an hour (all of which may not be needed) to discuss the NEDC meeting on Wednesday. The Chancellor, Lord Young, the main Treasury officials concerned with this and a MAFF official (for the food and drink item) will be present.

The papers are:

A Note by Bernard on press handling
B Possible lines for the Press Association
C Draft speaking note to open the meeting
D Letter from John Cassells

The Treasury briefs and NEDC papers then follow.

The attitude of the TUC will be the key to how the meeting goes. Earlier, there were reports that the TUC planned to make this the occasion for an attack on the Government. The Treasury's latest assessment is that Norman Willis is likely to pursue a constructive approach, though one or two of his younger colleagues could be more combative. You might ask for the Chancellor's and Peter Middleton's assessment of this.

The next point for discussion might be the press handling. You saw Bernard's note on this over the weekend (Flag A). At Flag B are possible lines to take to be given to the Press Association after the meeting, one to be used if the meeting goes smoothly, the other to be used if there is an attack by the TUC. I have circulated these to the Treasury and the Department of Employment; their comments, if any, could be sorted out after your meeting. You agreed with Bernard that the question whether you should give interviews can be decided in the light of the outcome of the NEDC meeting and whether other participants give interviews.

The TUC's reaction on pay is largely predictable. The CBI's is more difficult: at one moment they appear to want to defend the record of their members and, at the other, to agree there is a need to maintain their campaign for lower settlements. The CBI, as you know, always claim that the official figures understate the improvements in manufacturing output, and there is some justice in this, since the census of employment, for example, showed a larger fall in manufacturing employment than the Department of Employment had estimated on the basis of successive labour force surveys (the CBI always tend to concentrate on manufacturing).

But equally, we should not score the effect of a cyclical upswing in manufacturing productivity as if it were part of the underlying trend: our manufacturing unit labour costs are rising at perhaps 3 or 4 per cent a year if you abstract from the surge in manufacturing productivity which has come with the upswing in the second half of last year.

There is nothing which will be unfamiliar to you in either of the papers on pay.

DKN

D R NORGROVE
2 March 1987

Director General
J S Cassels CB
Direct Line 01-211 5386
Secretary 01-211 3073

D

NEDO

27 February 1987

National Economic
Development Office
Millbank Tower, Millbank
London SW1P 4QX

Telex 945059 NEDO G
Fax 01-821 1099
Reception 01-211 3100

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
H M Treasury
Parliament Street
London SW1P 3AG

Dear Chancellor

NEDC 4 March 1987

A few thoughts about the NEDC on 4 March.

We are in touch directly with No 10 about the organisational arrangements, including security.

There will be photographs of the Council before the meeting begins - advisers will be outside the room at this stage to prevent inconvenience.

As regards the agenda, there are two comments I would make on the CBI paper on pay. I myself do not go along with their downplaying (in paragraph 3) of the significance of earnings (as opposed to pay rates) at least when it comes to looking at the economy as a whole. Secondly their survey conclusions (see paragraph 25) - that employers think employees are more interested in comparability with other settlements that the employees themselves say they are - could well be an additional explanation of why the "going rate" goes on: the NEDC may have a role here in helping to stir the inertia of management.

Professor Thomas' report on food and drink concludes with four issues, three of which, while important and topical for this industry, are also of wider significance. I expect Professor Thomas in introducing the report to emphasise the scope for exports and for import-substitution and I hope that the Council will respond very positively to this.

My own paper on the labour market - which owes a great deal to Walter Eltis - ties in with that of the CBI in enquiring why pay settlements are not giving more help in the campaign against unemployment. It draws attention to research emphasising the link between the level of unemployment and the effective pressure of the unemployed on the general level of pay: many of the the long term unemployed play little or no active part in the labour market, partly because they are discouraged but also because employers (according to survey evidence) do not regard most of them as worth considering when recruiting. There appears, therefore, to be a pay-off for steps which will get the long-term unemployed working again, even if they sometimes get jobs which would alternatively have gone to others. The pay-off is seen by some in social terms, and the cost may

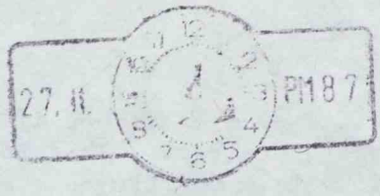
therefore seem high; but if there is macroeconomic significance as well, the picture alters. This suggests a need not only for measures aimed at the long-term unemployed themselves, where the Government is already doing a great deal, but also persuasion - and possibly incentives as well - to induce employers to act differently.

This meeting is of course being held on the 25th anniversary of the first meeting of the NEDC, and no doubt the Prime Minister will refer to this in opening the meeting. It is also Sir Terence Beckett's last meeting.

I am sending a copy of this letter to the Prime Minister's office.

Yours sincerely

John Carlisle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CONFIDENTIAL

CC B/Up

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

27 February 1987

David Norgrove Esq
Private Secretary
10 Downing Street
LONDON SW1

Dear David,

NEDC, 4 MARCH: STEERING BRIEF

The steering brief for use in chairing the March NEDC is attached. The meeting will start at 10am. With three items on the agenda, the Prime Minister might aim to finish soon after noon. The three items are briefly discussed below.

2. Pay in the 1980s - The CBI paper describes their research on the determinants of pay. Sir Terence Beckett is likely to introduce this paper, in his last NEDC meeting. He is likely to emphasise the need for continued downward pressure on unit labour costs, while explaining the diversity of approach in different companies. The CBI will pledge to maintain their efforts to influence their members. The TUC may well criticise the Paymaster General's recent reported remarks on national collective bargaining etc - defensive briefing is provided.

3. Food and Drink Manufacturing EDC - Professor Thomas, Chairman of the EDC and Professor of Business Administration at the University of Bath, will introduce a paper from one of NEDO's Economic Development Committees (EDCs). This EDC covers a larger sector of British manufacturing industry than any other. Mr Jopling, although not a member of NEDC, will attend to give the Government's response.

4. The British Labour Market and Unemployment - John Cassels, Director General of NEDO, will present a paper written by Walter Eltis, the Economic Director of NEDO. It examines further measures which might be taken to help the long-term unemployed. Though it favours some form of wage subsidy for the long term unemployed, the TUC and, to a lesser extent, the CBI, may focus their remarks on Mr Cassels' suggestion of more employment-creating infrastructure expenditure. On this and other items, should

the Prime Minister find the TUC or others particularly persistent in demanding specific follow-up which we would rather not have the fallback is to remit the matter to the Steering Group of advisors (on which all parties sit) for consideration.

OTHER MATTERS

5. It is possible that the TUC team will raise at some point the Green Paper on "Trade Unions and Their Members" published on 24 February and a short note is provided at the back of the Steering Brief. If the TUC ask for a future discussion of this Green Paper, the Prime Minister can agree to one if pressed, subject to the Steering Group finding a slot for it. But she should be aware that DE Ministers would prefer to avoid such a NEDC discussion if possible.

6. Also attached is a one page list of the NEDC membership. If you require any further briefing on the individuals concerned, please let me know. The Prime Minister will doubtless recall that she has attended NEDC on three previous occasions as Prime Minister - in January 1980, February 1981 and February 1982. She was preparing to do so in both February 1983 and May 1984, but other commitments intervened. In opening the meeting, the Prime Minister might draw on some of the following points, bearing in mind that this meeting marks the Silver Jubilee of NEDC:

- Lady [I'm glad to see Rachel Waterhouse is still holding the fort here for women, though the CBI and TUC have still not responded to my equal opportunities encouragement in 1981 -] and Gentlemen, I am pleased to be able to return to the National Economic Development Council, for its Silver Jubilee meeting.

- I gather the Director General, Mr Cassels, with the assistance of all the parties, has also organised, by way of celebrating the Jubilee, two major conferences at the Queen Elizabeth II Conference Centre, this month and next, which will explore the important themes of "Company success" and "People - the Key to Success". I gather several Council members are taking part and I wish Mr Cassels and his team every success for those two days.

- Over 25 years, NEDC has seen many discussions about important economic themes which have led to both agreement and, it must be said, often disagreements between the various parties. But the better understanding of each others' views, which arises from both agreement and disagreement, has been of value.

- Could I also, on behalf of the Council, take this opportunity to thank Sir Terence Beckett and Alan Stote for their loyal service to the NEDC, since they are both attending their last meeting today.

CONFIDENTIAL

- Move on to apologies for absence and then item 1.

7. The outcome of this Jubilee meeting may largely depend on whether the six TUC members take a constructive or combative approach to the unique opportunity of putting their views to the Prime Minister. Norman Willis is likely to pursue a constructive approach - his recent Daily Express article (attached) points to his desire to achieve consensus and the value he attaches to the NEDC. But one or two of his younger NEDC colleagues are quite recent arrivals on the Council and could be more combative.

8. Press Matters - I gather NEDO and No 10 press offices have been in touch and NEDO have accordingly released a press notice announcing the agenda and confirming the Prime Minister will be in the chair. I also gather they have discussed arrangements for the media and that various TV cameras and one or two photographers may take pictures at the start, although they will be asked to leave before the meeting begins.

9. Please let me know if the Prime Minister requires any further briefing.

Yours,

Cathy

CATHY RYDING

WEDNESDAY, FEBRUARY 11, 1987
DAILY EXPRESS

Norman Willis GENERAL SECRETARY OF THE TUC

8/11

A PERSONAL VIEW ON HOW INDUSTRY CAN GRAB THE CHANCE OF A BETTER BRITAIN

We must work together to save the nation

THE GOVERNMENT has been saying a lot about "Booming Britain" lately. I wish it were true, rather than just the product of overworked professional optimists.

No-one should be wearing any rose-coloured spectacles this year.

Instead of paying heed to all that wishful thinking there should be only one topic of conversation in the boardrooms and on the factory floors of British industry at the moment—"How can we sell more, both abroad and at home?"

In the past year the pound has been devalued against the West German mark—the currency that matters most for our exports—by about 30 per cent and has, if anything, risen slightly against the U.S. dollar.

The potential is there for our exporters to cut their prices substantially on sales to West Germany and to buy in raw materials, mostly priced in dollars, if anything a little cheaper.

If British industry reacts to this opportunity with its normal mixture of inertia and pessimism, then the only consequence is that even more jobs will go in manufacturing and throughout the economy. Export success is crucial to jobs both in engineering and our vital community services in local government.

Crucial

How can we ensure that this chance to stimulate exports is not thrown away? On the National Economic Development Council—bringing together each month Cabinet Ministers and leaders of both the TUC and CBI—we are on this all agreed.

I proposed—and the Government and the CBI accepted—that all sectors of the economy must be advised immediately to place the emphasis on selling abroad.

At factory and company level urgent discussions should take place between management and unions on how best to take advantage of the change in the external value of the pound. Trades unions must be urged to take up the question of exports with management at every opportunity.

Quite frankly, I am desperately worried about what is going to happen to our economy this year. I don't know when the Election is going to be, but I do know that we cannot afford a year of "wait and see". The situation is just too dangerous for that.

Firms really must do all they can to maximise exports and maximise jobs. And that can only be done if they cut the price of their products sold abroad by the full amount the pound has fallen against the German mark.

The Express, Feb. 2: But Norman Willis disagrees

What I fear is that some firms may be tempted to choose a quiet life, and sit back and take the benefits of this devaluation in higher profits. That would be a near-sighted, short-term decision.

Profit is not a dirty word as far as I am concerned, but unless we start selling more abroad and competing more effectively against imports we may find those profits melting away like the snow in Spring-time.

I know very well that lower prices alone will not sell more of our products abroad—that design-quality, performance, reliability and proper research and development all have their part to play in persuading foreign markets to buy our goods.

Delight

I would be delighted if the TUC's agreed proposals at NEDDY led to detailed union/management discussions about all these factors. But when all is said and done price is the key.

If our exports are cheaper, more people will buy them, and we can afford to lower prices because of the effective devaluation of the pound.

Trade unionists, like employers, desperately want Britain to succeed. It is our country. We have nowhere else to go. Britain's success is our prosperity. Britain's failure hurts us most of all. No-one can take any delight in the looming prospect of a balance of payments deficit which threatens jobs.

We place a great deal of importance on NEDDY. A regular opportunity for Government and both sides of industry to sit down and talk to each other is not to be passed up in these turbulent times.

We do not always agree—it would perhaps be astonishing if we did—but on some issues we can and must work together.

That is why I welcome the support of the other members of NEDDY for the TUC's proposals. That is why I am acting now. Yesterday I wrote to all 88 of our unions urging them to get the message out to their branch representatives and full-time officials and shop stewards.

Talk to your companies. Emphasise the crucial importance of cutting export prices and boosting sales. If we all act together there is just a chance that we can clinch a bigger share of World trade, cut down on our import bill and staunch the jobs haemorrhage that is costing our country so dear.

The window of opportunity is open NOW. We must move quickly to grab the prize in view.

PRIME MINISTER

NEDC, 4 MARCH

This briefing is less bulky than it looks. After introductory material, the Treasury have provided good short steering briefs on each item, which includes possibly points for your summing up, followed by a larger mass of detailed material which you might draw on during the discussion.

A speaking note etc. will follow next week.

Julie Bowers
Duty Clerk

pp D R NORGROVE
27 February 1987

Prime Minister

This seems fine to me. But we shall need to check that the Chancellor is content. Would you be content if he is? DRS 26/2

c: Mr Wicks

A

1. MR NORGROVE
2. PRIME MINISTER

NEDDY

You are to preside at the 25th anniversary of Neddy on Wednesday.

There is potentially a very contentious agenda - see Annex I - with papers on pay and unemployment. The Green Paper on trade unions and their members - "a blacklegs' charter", as they put it - will not have improved their temper and they will be electioneering.

On the last occasion you went you played it by the rules and gave no interviews. The TUC readily responded to doorstep interviews.

The unions' frustration is greater now and I would not be surprised if they didn't stage some kind of demonstration of disapproval or snub. That in itself would be counter productive. But you will need to get your points over and the only way to do that is to give interviews.

I suggest that to safeguard your interests you need to:

1. Get a briefing line out to the Press Association immediately after the meeting to colour reporting and to meet any doorstep comments by early TUC leavers; and

2. to offer 4 short news interviews to BBC radio and television, ITN and IRN at 2.30 in, say, my room at No 10. [NB: I do not think it would be wise to offer to attend the Neddy Director General's press conference which is normally held at 3pm, or to get yourself in the negatively hostile position of allowing doorstep interviews].

This level of media activity is, of course, irregular in Neddy's terms, but your observance of the rules was abused by the TUC last time and this is in any case the 25th anniversary meeting.

It is, however a matter for consideration whether to inform Neddy of your intention to give interviews in advance. If you were to do that you could be sure that the TUC would play it for all it is worth on television and might well be tempted generally to increase the temperature.

You could perhaps reasonably withhold a final decision on whether to give radio and television interviews until immediately after the meeting, or until you have evidence that others have given interviews.

Content to approach the meeting with radio and television interviews at No 10 at 2.30 very much in mind; not to consult Neddy in advance; and to take a decision during lunch? cue to what others have done

BERNARD INGHAM
26 February 1987

NOT FOR PUBLICATION

NEDC

National Economic
Development Council

NEDC(87)
3rd Meeting

Meeting to be held at the
National Economic Development Office
on Wednesday 4 March 1987 at 10.00 am
Luncheon will be available in the Office.

A G E N D A

1 PAY

Pay in the 1980s: Memorandum by the Confederation of British Industry (NEDC(87)13 already circulated).

2 SECTORAL REPORT: FOOD AND DRINK MANUFACTURING

Memorandum by Professor R E Thomas OBE, Chairman of the Food and Drink Manufacturing EDC (NEDC(87)14 already circulated).

3 THE BRITISH LABOUR MARKET AND UNEMPLOYMENT

Memorandum by the Director General (NEDC87)16 circulated herewith).

4 RELEASE OF PAPERS

5 ANY OTHER BUSINESS

National Economic Development Office
Millbank Tower
Millbank
London SW1P 4QX

23 February 1987

THIS PAPER IS NOT
FOR PUBLICATION

PRIME MINISTER

NEDC ON 4 MARCH

You are to Chair the Silver Jubilee NEDC on 4 March. I have heard today that the Department of Employment plan to publish their Industrial Relations Green Paper on 3 March. I wonder whether this is sensible. The Agenda for the meeting on 4 March is already quite difficult with the TUC attacking the Government's ideas on regional pay vehemently, and the CBI also reported as having serious doubts. Moreover, the TUC plan to mount an attack on the Government at this meeting for general reasons quite apart from the content of the Agenda itself.

I suggest that publication of the Green Paper should be held over for a few days.

Agree?

Yes no

G. Le Stevens
Duty Clerk
pp DAVID NORGROVE

16 February 1987

L04AKK

CCBG.

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET
Telephone (Direct dialling) 01-215)
GTN 215) 5422
(Switchboard) 01-215 7877

Secretary of State for Trade and Industry

PS/

12 February 1987

Cathy Ryding
APS/Chancellor of the Exchequer
Treasury Chambers
Parliament Street
London SW1P 3AG

Dear Cathy,

NBPN.

Thank you for copying us your letter to Liz Morris of 6 February about the NEDC meetings on 4 March and 1 April.

Unfortunately my Secretary of State will not be able to attend the meeting on 4 March as he will be in the US on that date. I should be grateful if the Chancellor would agree to Alan Clark, Minister for Trade, attending on his behalf.

I can confirm that Mr Channon will attend the 1 April NEDC.

Copies of this letter go to Andrew Bearpark (No 10), Brian Leonard (DOE), Shirley Trundle (DES), Nick Baxter (DE), Stephen Sklaroff (D/EN) and Liz Morris (MAFF).

Yours sincerely

Gina M. Davis

GINA M DAVIS
Private Secretary

DW3BRK

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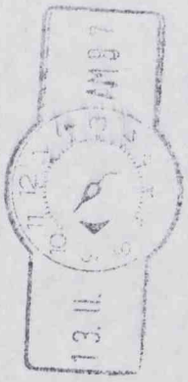
NEDC

PTY



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EA

cc Press
Dets.

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

9 February 1987

NEDC CALL ON 4 MARCH

Your letter of 6 February to David Norgrove refers. The Prime Minister has confirmed that she would like to stay on for lunch, and I have therefore assumed that she will be at Millbank Tower from 10 am to 2 pm. I agree that she will wish to be accompanied by one Press Secretary plus one Private Secretary - this will be David Norgrove.

I have copied your letter to our Press Office to consider the points about the stage at which we might make public the Prime Minister's attendance, and to our security people who will contact David Young as you propose.

P.A. BEARPARK

Mrs. Cathy Ryding,
H.M. Treasury.

CONFIDENTIAL

PRIME MINISTER

SILVER JUBILEE MEETING OF NEDC

You have agreed to chair the Silver Jubilee meeting of NEDC on 4 March.

NEDO offer lunch after the meeting, a cold buffet. Some Council members stay, others do not.

I think there would be something to be said for you staying on to lunch. If there is a major confrontation with the TUC, by staying on you could show that you were not put out by it and if the TUC storm out without staying to lunch that would look ungracious.

Agree to stay to lunch? Yes

The note attached describes the agenda for the meeting.

DAVID NORGROVE

6 February 1987

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CCBS Cepolicy Unit

Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

6 February 1987

David Norgrove Esq
Private Secretary
10 Downing Street
LONDON
SW1

AB

I have asked the PM about lunch. Would you deal with the other points please?

DRW 6/2

Dear David,

Your letter of 30 January to Tony Kuczys confirmed that the Prime Minister wishes to chair the Silver Jubilee meeting of NEDC on 4 March. This letter covers administrative arrangements and the likely agenda.

Administrative arrangements

The intention is for the Prime Minister to chair the NEDC meeting on a "business as usual" basis. The meeting is timed to start at 10.00 am, so you will want to leave No.10 for Millbank Tower by 9.55 am at the latest. There are three items on the agenda. Recent experience suggests the meeting could last about 2½ hours, but I would not suggest you put anything in the diary before 1 o'clock if the Prime Minister does not wish to stay for lunch, or 2 o'clock if she does.

NEDO normally provide a good, cold, buffet lunch for NEDC members and advisers, available for whenever the meeting finishes. The Prime Minister would be welcome to stay for this lunch, at which it should be possible to have more informal contact with various Council members. By no means all Council members normally stay for the lunch, but it seems likely more might do so if they know the Prime Minister will be there. It would therefore be helpful to know at an early stage whether she wishes to attend.

Perhaps you could also let me know how many advisers the Prime Minister will want with her in the Council room. Our advice would be that one Press Secretary plus one Private Secretary should suffice. If you have any security matters, you should discuss them with David Young at NEDO (211 3486). It would also be helpful if you could let us know when No.10 would propose to make it known publicly that the Prime Minister will be chairing this NEDC, bearing in mind that the CBI and TUC are already aware of this and there must therefore be a chance that the news may reach the press from a non-Government source.

CONFIDENTIAL

Agenda

The agenda currently agreed between officials of all the parties is:

(i) Pay - a paper from the CBI;

(ii) The Food and Drink Manufacturing EDC - a paper from NEDO;

(iii) The British Labour Market and Unemployment - a paper from NEDO.

It is likely that the TUC will adopt an aggressive stance on both (i) and (iii) - particularly the latter. There may also be one or two small notes below the line, though these would not be for discussion and if possible they will be held over to another meeting.

The Pay paper would report on the latest surveys of the level and trend of settlements by the CBI. It is standard practice for an EDC to report at each meeting. In this case Professor Thomas, Chairman of the Food and Drink Manufacturing EDC, will report on his Committee's work. This may include reference to recent takeover activity in this sector. MAFF officials represent the Government on this EDC and we are therefore requesting the attendance of Mr Jopling or one of his Ministers for this item.

The major item is likely to be a paper from NEDO on the British Labour Market and Unemployment, prepared by Professor Walter Eltis, who was appointed last Autumn as Economic Director at NEDO. This is likely to range fairly widely in its analysis of the insider/outsider, and short- and long-term unemployment problems. It is also likely to favour measures (including those recommended by the Employment Committee and endorsed by the Opposition) which could be taken to assist the long-term unemployed. Lord Young and the Chancellor should both be present to speak on this item and full briefing will be provided to the Prime Minister in the chair.

Yours,

Cathy

CATHY RYDING

ECON POL: Mtg of the NEDC

Pt 4

FLE
DA
BG

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

30 January 1987

NEDC

The Prime Minister confirmed to the Chancellor today that she will wish to chair the silver jubilee meeting of NEDC on 4 March.

(DAVID NORGROVE)

Tony Kuczys, Esq.,
HM Treasury.

C/T papers file

JA
cc BG

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

9 June 1986

NEDC SILVER JUBILEE 1987

Thank you for your letter of 30 May.

The Prime Minister would now be content for Sir Peter Middleton to sound out the other NEDC parties to confirm that they would be happy for her to attend.

The Prime Minister has said that she would intend to stay for lunch as well as chairing the meeting.

(David Norgrove)

Mrs. Rachel Lomax,
HM Treasury.

PRIME MINISTER

NEDC SILVER JUBILEE JULY 1987

Sir Peter Middleton would like to begin discussions with the other NEDC parties to confirm that they would be happy for you to Chair the NEDC Silver Jubilee meeting on 4 March next year. This would be a formality to be gone through before discussions can start about the agenda. There seems no reason to object.

The meeting is planned to start at 1000. If you then stayed for lunch it would take up as much as 4 hours of your time. I suggested that you might take the Chair towards the end of the meeting for formal proceedings or alternatively that the meeting might start later than usual. It is felt that this would not be very acceptable and that if you did not want to stay for the whole time it would be better for you to arrive at 1000 but leave before lunch, which anyway is likely to be an informal affair even for the Silver Jubilee.

Would you want to stay for lunch as well as Chair the meeting?

Yes no

DAVID NORGROVE
6 June 1986

CC CBG

NBPT at present

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

D Norgrove Esq
No 10 Downing Street

30 May 1986

R 2/6

Dear David,

NEDC SILVER JUBILEE 1987

Your letter of 29 April responding to mine of 14 April, suggested the Prime Minister might attend the NEDC meeting in March 1987.

The normal practice on previous occasions when the Prime Minister has attended has been for the Treasury Permanent Secretary to ask senior representatives of the other parties at an early stage whether they are content for the Prime Minister to be invited to attend. This is a formality, but an important one in that it then enables us to build a consensus that the relevant agenda should contain meaty, but not too controversial subjects, on which the Council can be seen at its best and most united. We cannot be sure of securing such an agenda. But if we could float the possible attendance of the Prime Minister at an early stage, it should improve the chances of avoiding any acrimony on the day. It would also help in scotching several other unhelpful ideas for celebrating the NEDC Jubilee, such as a book of essays, to which the Chancellor is strongly opposed.

The March NEDC is planned for Wednesday 4 March at 10a.m. Would the Prime Minister now be content for Sir Peter Middleton to sound out the other NEDC parties discreetly to confirm that they would be happy for her to attend? This could be done in such a way as to ensure there would be no embarrassment should her diary force a postponement nearer the time.

Yours ever
Rachel

RACHEL LOMAX

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Vhdc

PTY

CONFIDENTIAL

BM BMDALG CJBG

10 DOWNING STREET

From the Private Secretary

29 April 1986

NEDC SILVER JUBILEE 1987

Your letter of 14 April to Nigel Wicks discussed how the Prime Minister might mark the NEDC Silver Jubilee next year.

The Prime Minister has considered this and would prefer to mark the Jubilee by chairing an NEDC meeting. (She fears, among other things, that an offer to host a dinner would risk being abused by some members of the Council, using a last minute refusal to attend as a means to score points).

The agenda for the meeting would, of course, need to be carefully chosen and it could presumably have a "ceremonial" element. No doubt you will seek the Prime Minister's views on the agenda in due course. The Prime Minister would be happy to stay on to lunch after the meeting.

The Prime Minister's present inclination is that her attendance at the meeting should not be made known to the NEDC until the last moment.

Bf

It would obviously be better for the Prime Minister to attend the meeting in March 1987 if possible and I should be grateful to know the date.

(DAVID NORGROVE)

Mrs. Rachel Lomax,
HM Treasury

CONFIDENTIAL

SRW

RT8.74 CONFIDENTIAL

CR
For diary meeting.
NEDC is not a favourite institution, but a dinner seems appropriate.
14/4.

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

14 April 1986

N L Wicks Esq
10 Downing Street
LONDON
SW1

Dear Nigel,

NEDC SILVER JUBILEE 1987

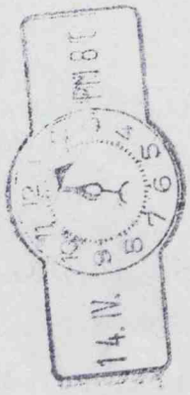
As you may be aware, the NEDC's Silver Jubilee falls in March 1987.

Two possible ways of marking the occasion might be for the Prime Minister to give a dinner or chair the March NEDC meeting in Silver Jubilee year. The idea of a dinner was last suggested to mark the return of the TUC to the NEDC, but fell through because Mr Willis could not get his team together for the date suggested. The alternative to chairing a Council meeting was rejected at the time because it might have encouraged the TUC to make political capital out of the occasion. The Prime Minister and the Chancellor concluded that the best occasion for the Prime Minister to be associated with the NEDC again might be to mark the 25th Anniversary.

The Chancellor wonders if the Prime Minister is still of the same opinion on the matter, and if so, whether she would prefer to host a dinner for NEDC members or chair an NEDC meeting, possibly the actual Silver Jubilee meeting in March 1987. (The Prime Minister has attended meetings of NEDC in January 1980, February 1981 and February 1982.) The Chancellor would recommend the dinner as the better bet.

Yours ever
Rachel

RACHEL LOMAX
Principal Private Secretary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PART 4 begins:-

HMT Go NW 14/4/86

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