

Edm R

PRIME MINISTER

Strategy Proposals

The Cabinet Office brief is below. I would like to add one general, and one specific, point.

The various proposals under discussion, taken together, could do a lot to improve the working of the market economy. As such, they are potentially the Government's answer to the criticism that we are doing nothing to "get the economy moving". But to be successful, speed is of the essence. Although a lot of work has clearly been done, there is a risk - as with all exercises of this kind - that there will be bureaucratic delays, especially where a number of Departments are involved. I know that the C.P.R.S. and some of the more positive people in DOI would welcome a strong push from you to move the work along.

I think the study of "Biases against Investment in Productive Assets" needs a special push (this is Item 4 of the Chancellor's paper). On past form, the Revenue will be a stumbling block. It is very important, in my view, that they come up with serious proposals for tax relief on investment in equities.

R.

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PRIME MINISTER

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Priority Strategy Proposals

(E(79) 42) ~~(E(79) 42)~~ (E(79) 42)

BACKGROUND

Earlier this year, you asked a number of Ministers to send in specific proposals for desirable initiatives in economic strategy. The CPRS produced a marshalled list of the suggestions in E(79) 24, and Mr. Hoskyns suggested a way forward in E(79) 28, by identifying certain items for "priority" treatment. These were the items on which quick action was possible, not necessarily the most important items, though naturally the priority list included some of these.

2. E Committee considered the two papers on 24th July (E(79) 6th Meeting, Item 4) and invited the lead Department for each priority item to press on with work on it and to report back to a steering committee (MISC 14) to be chaired by the Chancellor of the Exchequer.

3. MISC 14 considered the Departmental reports in September. The Chancellor of the Exchequer circulated his report to E Committee on 24th September, but pressure of more urgent business has delayed its consideration until now.

4. In his paper, the Chancellor of the Exchequer reports progress on all the priority items; invites E Committee to endorse a number of decisions provisionally taken by MISC 14; and invites E Committee's decisions on two major issues on which MISC 14 have agreed recommendations, but did not feel able to authorise further work before they had been considered by E Committee. Finally, the paper suggests a possible timetable for new initiatives arising from the proposals and their consideration.

HANDLING

5. You will want the Chancellor of the Exchequer to introduce his paper. Then I suggest that you take the Committee through the conclusions on pages 10 and 11.

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Conclusion 1: Take note of work in progress

6. I suggest that you invite the Committee to do no more than take note. At some stage you may want to organise a general discussion of progress towards strategic objectives but you would want a different sort of paper for that purpose. If Ministers have points on particular items of work in progress, other than those which fall to be discussed under other heads below, you might invite them to discuss them directly with the Minister in the lead for that item, and the Chancellor of the Exchequer as Chairman of MISC 14. If there are several such points it might be appropriate for the Chancellor to hold a further meeting of MISC 14, with appropriate invitees, to discuss them.

Conclusion 2: Endorse MISC 14's decisions to commission further work on five subjects

7. You might take the Committee quickly through the list. In each case, MISC 14 felt that the decision to commission further work would be uncontroversial and it will be surprising if E Committee does not fairly readily endorse MISC 14's decisions. But Ministers may want to make points on individual projects on which a brief discussion would be useful.

- (a) Planning procedures (Item 11). Work is well in hand at official level and there will be a report back, probably to E(EA) in due course.
- (b) Goods Vehicle Licensing (Item 14a). A good deal of work has been done on this recently, and it casts doubt on the allegation, reported in the Chancellor's paper, that different practices in different regions impose heavy costs on operators. However, I imagine that the Committee will want to confirm the remit to officials, if only to bring the facts of the case before Ministers collectively.
- (c) Different approaches to reducing restrictive labour practices (Item 21). This is with the CPRS, in consultation with the Departments concerned. You might check whether the Secretary of State for Employment wishes to comment, but I imagine that the Committee will want the review to go ahead.

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- (d) Reducing nationalised industry monopolies (Item 25). The Chancellor of the Exchequer's paper reports that with two exceptions, Departments have not come forward with firm proposals on this subject. MISC 14 has therefore asked officials to try again, and in particular has asked them to put forward to Ministers all the possibilities they have considered, even if the proposals do not have the support of the sponsoring Department. This last request is particularly important if we are trying to get radical ideas put forward for collective Ministerial discussion, and you might like to ask for the Committee's specific endorsement of it.
- (e) Contracting out of public sector services (Item 6). Some Ministers may want to ask about the scope of the review, since it could affect their Departments and they will not have seen the MISC 14 papers. You might ask the Chancellor of the Exchequer to field any such questions. As with the previous item, you might like to get E Committee's agreement that radical suggestions should come forward for Ministerial discussion even if they are not endorsed by the Department directly concerned.

Conclusion 3: Agree that officials should be asked to produce interim reports on two subjects

8. You will want to check that the Committee agree. This proposal has been included for completeness rather than because objections were foreseen, and I imagine that it will go through on the nod.

Conclusion 4: Take decisions on two issues

9. You will want to take the two issues in turn.
10. The first is whether an interdepartmental group of officials should be set up under Treasury chairmanship to review various issues affecting incentives for the lower paid. I imagine that the Committee will agree fairly readily to this but they should not underestimate the size of the task. The review will take a lot of work by officials, and I think it is this aspect which has led the Chancellor of the Exchequer to seek E Committee's views first

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rather than commission the work subject to E Committee's endorsement. If the Committee agree that the review should go ahead, you might ask the Chancellor of the Exchequer to report, either at the meeting or soon after it, on how long he expects the review to take.

11. The second issue is whether the CPRS should examine the implementation of policies concerning health and safety at work and if so, whether their examination should extend to the institutional framework within which the policies are applied. MISC 14 were convinced that a review was needed, but they could hardly authorise it themselves without consulting the Secretary of State for Employment. You might start by seeing what he thinks. If he objects, you might turn to other members of the Committee - there will probably be very strong support for a review.

12. If the Committee agree on a review, they will need to decide whether it should take the existing institutional framework for granted, or - as MISC 14 recommend - should look at the institutional framework as well. There was some feeling at MISC 14 that the existing framework is wrong. In theory, the Health and Safety Commission should balance employers' and employees' interests, containing as it does representatives from the CBI and the TUC. But it may be that the representatives on both sides are safety conscious rather than money-conscious, so that the Commission becomes part of the Health and Safety lobby.

13. The Secretary of State for Employment may argue that there is no need to look at the institutional framework, since it will be reviewed anyway in the Pliatzky review of quangos. But this misses the point. Pliatzky will ask whether a quango is needed. The answer may well be yes. In that case he will not ask what sort of quango is needed, and it is precisely this point that MISC 14 want to get at. You might guide the Committee to agree that the CPRS should be free to look at the institutional framework in this sense.

Conclusion 5: Endorse the target timetable for initiatives

14. Pages 8 and 9 of the Chancellor of the Exchequer's paper give a very provisional timetable stretching from the Party Conference to next summer. It is naturally beginning to be overtaken by events. I doubt if the Committee need

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to discuss it in detail - they might simply endorse it as a general guide to the timing of various initiatives. The underlying point which they will no doubt all agree is that the pressure should be kept up but that initiatives should come forward in a steady flow rather than all at once.

CONCLUSIONS

15. You will want to record the Committee's decisions on Conclusions 1-5 of the Chancellor of the Exchequer's paper as set out above.

*JH*

(John Hunt)

22nd October, 1979