

THE CAMPAIGN GUIDE 1983

FOREWORD

This edition of the Campaign Guide runs along well established lines. Like good Conservatives, we do not change things for the sake of changing them. However, there is one departure from tradition—a departure which is perhaps symbolic. This time we have reprinted in the Campaign Guide the full text of the Manifesto on which the last General Election was fought.

Margaret Thatcher's Government was returned to power in 1979 with a clear and well developed set of policies. Her Government has stuck to those policies and implemented them. The 1979 Manifesto is reprinted in this volume as an aid to the user, and with no fear that it will be compared critically with the Government's record as set out in the rest of the book.

It has become customary for Directors of the Research Department to record their gratitude to Tony Greenland for his work as editor of the Campaign Guide. I do this with no less feeling than my predecessors. Having first worked alongside Tony some thirty-two years ago, I am in a good position to recognise his consistency of purpose and his utter dependability. I should also like to thank all my other colleagues in the Research Department who have worked so hard in the production of the book, and to acknowledge the assistance of a number of the Department's "Old Boys"—some of them now Special Advisers—who have helped with particular chapters.

I hope that this Campaign Guide, together with the Research Department's other publications, will be found useful by those who will be fighting the forthcoming General Election at the sharp end, whether in the constituencies or on the media.

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INTRODUCTION

Policies and Programmes, 1974–9

The Conservative Party fought the 1979 General Election on a well developed set of policies and a clear programme. This Campaign Guide is largely an account of how those policies and that programme have been put into practice.

The gradual evolution of the Party's programme during the period 1974 to 1979 was marked by several documentary statements. *The Right Approach*, which was published in October 1976, reviewed the facts of Britain's economic failure and of the country's loss of confidence. *The Right Approach to the Economy*, which was published a year later, in October 1977, concentrated particularly on the role of inflation as 'the great destroyer—of jobs, living standards and a stable order', and on the evils of high personal taxation and the dangers of irresponsible pay bargaining.

The Manifesto Commitment

The Conservative Manifesto 1979 pulled the strands together in these terms:

'Our country's relative decline is not inevitable. We in the Conservative Party think we can reverse it, *not* because we think we have all the answers but because we think we have the one

answer that matters most. We want to work *with the grain* of human nature, helping people to help themselves—and others. This is the way to restore that self-reliance and self-confidence which are the basis of personal responsibility and national success.’

The Manifesto set out the five main tasks of the next Conservative Government:

1. ‘To restore the health of our economic and social life by controlling inflation and striking a fair balance between the rights and duties of the trade union movement.’
2. ‘To restore incentives so that hard work pays, success is rewarded and genuine new jobs are created in an expanding economy.’
3. ‘To uphold Parliament and the rule of law.’
4. ‘To support family life, by helping people to become home-owners, raising the standards of their children's education, and concentrating welfare services on the effective support of the old, the sick, the disabled and those who are in real need.’
5. ‘To strengthen Britain's defences and work with our allies to protect our interests in an increasingly threatened world.’

Once back in office, and supported by a comfortable working majority in the House of Commons, the Conservative leadership set to work to implement the programme. The Prime Minister made clear that she did not expect the task to be completed within the span of one Parliament. So the radical restructuring of public affairs, which is portrayed in this Guide, is, of course, incomplete. In the forthcoming General Election the Conservative Party will be seeking a mandate to continue a job well started.

The Record, 1979–83

The record of four years' work, set out in the following pages, is a record of major achievement. It can be considered under nine headings:

1. *Stabilisation of the Economy.* During the 1960s and 1970s, recurrent crises, inflation and loss of markets came to be known as the ‘British disease’. Conservatives recognised that until the economy could be restored to an even keel, no government would be able to reinforce the country's industrial and social structure, or maintain the country's standing in international affairs. By strict monetary and fiscal control, the Government has stabilised the economy. Inflation is down well into single figures and government expenditure has been brought under control.

2. *Defence.* The most important duty of any government is to provide secure defences against external attack. The Conservatives have substantially increased the resources committed to that task. The successful conduct of the Falklands conflict showed that Britain could still be expected to defend her interests.

3. *International Leadership.* By her determination in economic affairs, and as a reliable member of NATO, of the European Community, and of the British Commonwealth, Britain today enjoys a focal and influential position in world affairs. The Conservative Party has built on that achievement; and unlike Labour it has resisted every temptation to turn the country's back on the rest of the world and look inwards.

4. *Maintenance of Law and Order.* The Conservative Government has honoured its commitment to strengthen the police, to spend more on the war against crime, and it has improved compensation for the victims of crime.

5. *Rolling Back the Frontiers of the State.* Government controls have been removed from prices, wages, dividends, hire purchase and foreign exchange. In four years the Conservatives have made impressive progress in reducing the monopoly powers of the nationalised industries and returning them, where appropriate, to the private sector. We have legislated to give parents more say in their children's education, and to give council tenants the right to buy their own homes. We have encouraged private medicine, which reduces the strain on the National Health Service, and provided special tax reliefs to help charities and other voluntary organisations.

6. *Reduction of the Tax Burden.* The Government has cut the basic rate of Income Tax from 33 per cent to 30 per cent, and raised tax allowances by more than the increase in prices. It has also reduced the absurdly high top rates of Income Tax. The partial switch from taxes on earning to taxes on spending has been carried out. The Government would have liked to reduce Income Tax further, but that aim had to take lower priority than maintaining social security payments to the unemployed and reducing government borrowing.

7. *Encouragement of Enterprise.* The Conservative Government has encouraged and assisted new industries—particularly in the field of micro-technology. The climate for small businesses and new businesses has been greatly improved by over a hundred measures specifically designed to help them. Capital taxes have been reduced and many of their more damaging features removed.

8. *Preservation of the Welfare State.* Only a healthy economy can provide adequate social services. Conservatives believe that a free market economy and proper care for those in need go together. The present Government has improved the value of supplementary benefits (the 'safety net'), raised Child Benefit to its highest ever real value, increased pensions faster than prices, and boosted the National Health Service.

9. *Trade Union Reform.* Conservatives believe that a strong, democratic trade union movement has a vital part to play in society, but that safeguards are necessary to prevent the abuse of union powers and to protect individual union members. Two important Employment Acts—those of 1980 and 1982—have been placed on the statute book, and a wide-ranging consultative Green Paper has been published.

This Guide

This Campaign Guide shows, in some detail, how the Conservative Party's 1979 programme has been worked out in practice. It is a reference book, not a policy document. For those who are looking for more detail about Conservative plans for the mid-eighties, we commend the General Election Manifesto. For those in search of topical arguments we draw attention to the Research Department's fortnightly publication 'Politics Today', and to our loose-leaf book of 'Speakers' Notes', prepared for the General Election.

1. THE ECONOMY

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(A) HISTORICAL BACKGROUND

1. INTRODUCTION

The major challenge which faced the Conservative Government in 1979 was the need to restore economic stability, self confidence and self respect to Britain. Britain's economy had been declining relative to others for over a century. Deep-seated problems in industry had been allowed to accumulate. Extensive overmanning, pervasive restrictive practices and excessive trade union power had been allowed to undermine our industrial efficiency. The process of wage negotiation had become divorced from the fact that the nation needed to compete in world markets. The public sector had grown over-large, inefficient and responsive primarily to its own employees. The economy was subject to continual balance of payments crises and, particularly after 1973, to inflation at a higher rate than in competitor countries. The condition became known as the British disease.

The Conservatives came into office committed to the permanent reversal of Britain's relative economic decline, and the re-establishment of the conditions for sustainable economic growth. After four years, the Conservative Government can claim to have set the economy on a fresh course. Economic crises have ceased to be a characteristic feature of British life. The balance of payments is strong, and the pound has ridden through three periods of major turbulence—during the Falklands crisis; when oil prices weakened in late 1982; and in the course of the current disarray in OPEC—without the crises of confidence and panic measures which had been characteristic of the years since 1945, and particularly between 1974 and 1979. In addition:

- Inflation is well down in single figures.
- Productivity in industry is sharply up.
- New businesses are flourishing.
- Strikes are much reduced.
- Overseas indebtedness has been virtually halved.

Unemployment is the remaining blackspot. The number of unemployed doubled under the Wilson/Callaghan Government. Since 1979 it has doubled again. The Conservative Government has already done a great deal to promote new jobs and to minimise the hardship of those remaining out of work. But sound money and a healthy economy are the real answer to unemployment.

2. THE INHERITANCE

For more than a century, the British economy had been growing more slowly than most other industrial economies. Between 1870 and 1976, output per head in Britain increased less than fourfold; in fifteen other countries, over the same period, the increase in output per head averaged more than sixfold. Over much of this period, our competitors were merely catching up. As recently as 1960, Britain was still the most prosperous European nation. From then on, however, the British economy began to decline in relation to those of other countries. It was this long relative economic decline which the Government came into office in 1979 pledged to reverse. The Chancellor of the Exchequer, Sir Geoffrey Howe, made plain the Government's resolve in his first Budget speech:

‘In the last few years, the hard facts of our relative decline have become increasingly plain, and the threat of absolute decline has gradually become very real. That is not a prospect that I am prepared to accept. Nor, I believe, are the British people. They realise that we cannot for ever go on avoiding difficult choices in the fatal, and increasingly futile, quest for easy solutions’ (*Hansard*, 12th June 1979, Col. 237).

The task was formidable, given Britain's poor performance over the last twenty years, as measured by virtually every economic indicator:

- a. **Low Productivity.** Between 1960 and 1980, output per employee in British manufacturing grew more slowly than in any other OECD country—2.3 per cent a year compared to 4 per cent for the 24 OECD countries as a whole. By 1980 UK output per head in manufacturing was only two thirds that of Italy; half that of Belgium and France; and less than half that of Germany, Japan, Holland and the USA.
- b. **Excessive Money Wages.** Slow productivity growth was accompanied by rapidly rising money wages. Over the 1960 to 1980 period wages in British manufacturing rose 2 per cent per annum faster than the average for the seven major OECD countries. Between 1963 and 1980 unit wage costs roughly doubled in the USA, Canada, Germany and Japan, while in Britain they virtually quintupled.
- c. **Lost Competitiveness.** By paying ourselves more to produce relatively less, British industry became less and less competitive. Between 1973 and 1980 unit labour costs in manufacturing in Britain rose by 18.6 per cent, twice as fast as in the OECD as a whole. The IMF index of relative unit labour costs—the best measure of competitiveness—deteriorated by almost a third over this period, despite a 14 per cent drop in the trade weighted index for the exchange rate.
- d. **Poor Profitability.** High wages and poor productivity eroded investment, thus preventing future jobs. The real rate of return in manufacturing industry fell from 13 per cent in 1960 to 7½ per cent in 1970 and 2 per cent in 1981. The average rate of return between 1976 and 1979 was under a third of that in the USA, Canada and Germany.
- e. **Higher Inflation.** Relatively high inflation compounded Britain's problems by impairing economic stability and efficiency. Between 1960 and 1980, retail prices in Britain rose at an average annual rate of 8.8 per cent, compared with 6.1 per cent per annum for the OECD as a whole. The disparity was particularly bad after the 1973 oil crisis. Between 1973 and 1980 the average annual rate of inflation in Britain was 16 per cent, compared with 10.4 per cent for the OECD as a whole.
- f. **Higher Unemployment.** All these factors added up to a major loss of competitiveness, and thus of markets and jobs. Between 1960 and 1980, domestic demand in Britain increased by just over a half, but imports doubled. Britain's share of world trade halved

between 1955 and 1980. As a result, unemployment in Britain rose at an annual average rate of 8.5 per cent between 1960 and 1980, more than twice as fast as the OECD average of 4.2 per cent a year.

(B) LABOUR'S RECORD 1974–9

1. IRRESPONSIBLE FISCAL AND MONETARY POLICIES

On taking office in February 1974, the Labour Government took a deliberate decision to increase spending and borrowing. This reversed the prudent cuts in public expenditure introduced by the Conservative Chancellor, Mr Anthony (now Lord) Barber, in response to the changed economic outlook which followed the quadrupling of oil prices in late 1973. This reflected not only party dogma, but Labour's anxiety to buy votes in another general election with lower VAT and higher food and housing subsidies. Higher public spending was also part of the price of the 'Social Contract' (see p. 11). Mr Joel Barnett, Chief Secretary to the Treasury throughout the last Labour Government, has admitted:

'The Chancellor (Mr Healey) ... made the fundamental decision to react to the oil crisis in a different way from the Germans and the Japanese, and indeed from many other developed countries. Instead of cutting expenditure to take account of the massive oil price increase of 1973 ... (he) decided to maintain our expenditure and borrow to meet the deficit. The whole course of the next five years might have been changed had we decided not to plan for such a high PSBR and therefore not increased public expenditure to the extent that we did' (*Inside the Treasury*, Andre Deutsch, 1982).

Increased Public Expenditure and Borrowing. Labour's first Public Expenditure White Paper (Cmnd. 5879, January 1975) planned to increase Government spending, in real terms, by 7 per cent in each of the four years from 1974–5. The level planned for 1974–5 alone was 9½ per cent higher than a year earlier and the eventual outturn over 12 per cent higher. A token attempt at 'cuts' of £1.1 billion in 1976–7 was steadily eroded by ministerial pressure, and the second Public Expenditure White Paper (Cmnd. 6393, February 1976) revealed that another 3 per cent had actually been added to planned expenditure for 1975–6. The planned level for 1976–7 had also risen.

The Public Sector Borrowing Requirement (PSBR) rose inexorably: the forecast for 1974–5 was originally £2.7 billion; the actual outturn £7.6 billion. In 1975–6, it rose to £10.7 billion or two and a half times the level Labour had inherited from the Conservatives two years earlier. Undeterred, Mr Healey forecast a PSBR of £12 billion for 1976–7 in his (sixth) Budget speech of April 1976. In the light of his previous record of consistently underestimating the outturn figure, many observers of Britain's economy feared the outturn would be even worse, and the pound started to slide. The need to cut public expenditure became pressing.

Recourse to the IMF. On 22nd July 1976, Mr Healey announced cuts of £950 million in planned expenditure for 1977–8 and a PSBR of £9 billion, but the pound continued to fall. Matters came to a head on 28th September 1976, when the pound dropped sharply and Mr Healey had to return to London from Heathrow Airport, where he had been in transit for the IMF annual conference at Manila. The following day application was made to the IMF for a loan of £2.4 billion (\$3.9 billion), at that time the largest sum that had ever been requested from the

Fund. It was a gross national humiliation. The IMF did, however, force more realistic policies on the Labour Government. In his ninth Budget, of December 1976, Mr Healey announced planned reductions in the PSBR. The outturn for 1977–8 was only £5.6 billion and public expenditure was down by 6½ per cent on the previous year. But real problems remained. Public expenditure was still 3.6 per cent higher than it had been in 1973–4 and the cuts had increasingly fallen upon capital, rather than current, spending. Between 1974–5 and 1977–8 capital spending fell, in real terms, by 45 per cent, whilst current spending increased by 4 per cent. The debts mounted up. Debt interest alone increased by 84 per cent. UK official overseas debt increased from only \$7.8 billion at the end of 1973 to \$25.3 billion at the end of 1977, a threefold increase. The IMF loan was in fact the fifth major international loan negotiated by Labour.

Return to Irresponsibility. The IMF measures in 1977 started to have a beneficial effect. Sterling stabilised, and inflation came under better control. This was an opportunity for Labour to begin to face up to the country's chronic industrial problems. Instead, as soon as they were freed from the IMF, they started to boost public spending and borrowing again. In 1978–9, public expenditure rose by 5.7 per cent in real terms. The 1979 Public Expenditure White Paper (Cmnd. 7439, January 1979) contained plans for further real increases of around 2 per cent per annum in each of the four subsequent years.

The PSBR increased dramatically from £5.4 billion in 1977–8 to £9.2 billion in 1978–9, and without the changes introduced in the Conservatives' first Budget in 1979, would have reached £11.3 billion in 1979–80. Thus the present Government was left an inheritance of public spending and borrowing once more moving rapidly out of control, even before the second oil crisis of June 1979 began to take its toll.

2. THE SOCIAL CONTRACT

The 'Social Contract' had its origins in the TUC/Labour Party Liaison Committee set up in January 1972 to repair the broken bridges between the two parts of the Labour Movement following the debacle over *In Place of Strife* (see Chapter 6, p. 99). The Labour Party hoped that in return for measures such as repeal of the 1971 Industrial Relations Act, sweeping new legal privileges for unions, price controls, a rent freeze, food subsidies, punitive taxation and further nationalisation, the TUC would be able to persuade its member unions to co-operate in a programme of voluntary pay restraint. Inflation would be contained, since wages would grow in line with production.

Trade union leaders proved both unwilling and unable to deliver their side of the bargain. The miners won pay increases of over 30 per cent in 1974 and in 1975. Other groups followed suit. Wage inflation reached 30 per cent in the first half of 1975 and price inflation a post-war record of nearly 27 per cent in August 1975. Far from keeping in line with production, wages had dramatically outstripped it. GDP fell by 1 per cent between 1974 and 1975, and industrial production by 5 per cent.

Labour blamed accelerating inflation not on their own failure to control public spending and borrowing but on the failure of trade union leaders to restrain wage demands. The result was the introduction of not-quite-statutory pay restraint in the White Paper of July 1975, *The Attack on Inflation* (Cmnd. 6151). The two years to July 1977 did actually see union compliance with the formal policy on pay. In July 1977, a 10 per cent guideline was set, and a 'blacklist' of companies breaking it drawn up. It did not succeed: average earnings rose by 14.2 per cent in the year to July 1978.

‘Winter of Discontent’. A 5 per cent pay guideline was introduced in a White Paper (Cmnd. 7293) of July 1978, but the Trades Union Congress overwhelmingly rejected wage restraint in any form on 3rd October 1978. The ‘Winter of Discontent’ followed, in which nearly 9½ million working days were lost through industrial disputes.

The cost of ending the ‘Winter of Discontent’ was high. The Price Commission Bill was rushed through Parliament in three weeks in early 1979, to effect tighter price controls; an increased pay limit was offered to the low paid; and additional areas of the public services were brought within the scope of the Clegg comparability studies. Cash limits were relaxed to meet the inevitable increases in public expenditure. Following these concessions, the TUC felt able to sign the ‘Concordat’ of February 1979 (*The Economy, The Government and Trade Union Responsibilities*, 14th February 1979). Labour denied that the Concordat was a new Social Contract, yet it had the same weakness as the Social Contract. As Mr Barnett observed:

‘To my mind, the only give and take in the contract was that the Government gave and the unions took’ (op. cit.)

As Labour left office, industrial relations were more bitter than ever and pay increases were careering out of control.

3. INFLATION AND UNEMPLOYMENT 1974–9

The Labour Government's attempt to spend its way out of the consequences of the 1973 oil crisis meant that Britain experienced much more serious and persistent inflationary consequences than other countries—until the IMF prescription brought relief.

Consumer Price Index

(Percentage increase on previous year)

	1973	1974	1975	1976	1977	1978
UK	9.2	16.0	24.2	16.5	15.8	8.3
USA	6.2	11.0	9.1	5.8	6.5	7.7
Japan	11.7	24.5	11.8	9.3	8.1	3.8
Germany	6.9	7.0	6.0	4.5	3.7	2.7
France	7.3	13.7	11.8	9.6	9.4	9.1
OECD total	7.8	13.4	11.3	8.7	8.9	8.0

(Source: OECD *Historical Statistics*, 1982)

Labour adopted their irresponsible policies largely to placate the unions. In return, the unions were to deliver lower wage settlements. This they signally failed to do, except for the short-lived 1975–7 period. Excessive wage rises combined with worsening productivity to produce excessive increases in unit labour costs:

Unit Labour Costs in Manufacturing

(Percentage increase on previous year)

	1973	1974	1975	1976	1977	1978
UK	5.0	23.6	32.6	12.4	11.0	14.8
USA	1.8	13.3	8.7	3.5	5.8	7.2

Unit Labour Costs in Manufacturing

(Percentage increase on previous year)

Japan	10.5	26.2	12.5	-1.9	1.3	-0.5
Germany	7.3	8.7	7.5	0.9	4.3	4.6
France	8.8	16.1	16.1	5.8	8.9	7.6
OECD total	5.3	15.2	13.3	4.1	6.5	6.3

(Source: OECD *Historical Statistics*, 1982)

Falling competitiveness led to rising unemployment. When Labour came to power in February 1974, seasonally adjusted unemployment in Great Britain was around 600,000. By August 1975, not only had inflation in Britain reached an all-time record (27 per cent); unemployment also rose above 1,000,000. In the summer of 1977 it rose above 1,500,000, and it did so again in the summer of 1978. The level in May 1979 was double the level Labour had inherited in February 1974, and the economy was seriously weakened.

Price controls cut into profit margins and destroyed many private sector jobs. The new trade union powers made it harder than ever for managers to remove restrictive practices and reduce overmanning. Government policies on pay removed the most important management tool which companies have. When pay policy broke down, managers were powerless to resist the demands of powerful trade unions.

(C) CONSERVATIVE POLICY 1979–83

1. CONTROL OF INFLATION

A stable currency is a pre-condition for more general economic stability. It is essential to the efficient operation of the market economy. It is essential to protect the savings of the thrifty and to protect the less well-off from erosion of their living standards. It is essential if nominal interest rates are to fall, if industry is to have the confidence to invest, and if industrial relations are not to be dogged by a continual leapfrogging of wages and prices.

Accelerating inflation tends to be self-perpetuating. By protecting themselves against anticipated rises in prices, individuals and businesses take actions which themselves fuel inflation. Government spending is driven up by inflation; the temptation to cover it by printing money increases; and the dangers of future inflation thus intensify. This is precisely the vicious circle which gripped the country under Labour.

The present Government has developed a flexible and workable monetary policy. It has come to grips with the need to control and reduce the Budget deficit. Thus a sustainable reduction in inflation has been achieved, and more important still, people's expectations have been transformed. It is now accepted that, as long as the Conservative administration lasts, Britain's days as one of the most inflation-prone economies are over.

This is good news for jobs. The **Chancellor of the Exchequer** has said:

‘Today’s rise in unemployment is not the bill we pay for reducing inflation now. It is the bill we pay for having allowed it to remain so high for so long in the past’ (New York, 21st September 1982).

Low inflation helps jobs by:

- Increasing consumer spending, as savers have to put less aside to preserve the value of their capital.
- Encouraging higher spending by companies on stocks and investment, by lowering interest rates and improving profitability.
- Easing the burden of mortgage repayments, helping housebuyers and the construction industry.
- Bringing common sense back into wage bargaining.

The present Government is set to be the first in over twenty years to achieve a lower average rate of inflation over its period of office than its predecessor. The **Prime Minister** has said:

‘Those who have seen what inflation can do to undermine a whole society—not only its currency and its economy but its self-confidence and its moral standards—know just how valuable the achievement of this Government is’ (London, 15th November 1982).

She has condemned those who would try to reduce unemployment by policies which fuel inflation:

‘The destruction of the savings of the past could never be the way to build the jobs of the future. Indeed, it would be hard to think of surer ways to condemn our children to impoverishment and debt’ (Edinburgh, 26th November 1982).

2. FIRM MONETARY POLICY

Firm financial policies are an essential tool in the reduction of inflation, in the improvement of economic performance and in laying the foundations of sustainable economic growth. Sir Geoffrey Howe has summarised his monetary policy as one of:

‘Steady though not excessive downward pressure on the monetary variables over a period of years, making due allowance for events in the world beyond our shores’ (London, 21st October 1982).

The Medium Term Financial Strategy (MTFS), which was first set out in the Financial Statement and Budget Report, 26th March 1980, prescribed such a path for monetary policy, and a consistent and supporting path for borrowing. Adjustments have been made from year to year, but the consistent sense of direction of the policy has been maintained.

The techniques of monetary control have been adapted to cope with innovations in financial markets, and with other developments such as the recent increased volatility of world interest rates. Flexibility has been maintained, but this has been achieved without a drift into laxity. In the MTFS published on 9th March 1982, targets of 8–12 per cent per annum were set for the growth of both broad and narrow measures of money in 1982–3, and in his Budget speech on

15th March 1983 the Chancellor was able to confirm that all three monetary aggregates (M1; £M3; PSL2) were within this target range. The other financial indicators—the exchange rate, real interest rates and the progress against inflation itself—also reflect moderately restrictive monetary conditions. The monetary targets have been tightened to a band of 7–11 per cent in 1983–4; 5–10 per cent in 1984–5; and 5–9 per cent in 1985–6.

3. SOUND FISCAL POLICY

Control of the money supply needs to be supported by firm control of public sector borrowing to avoid pushing up interest rates. Therefore, the Government's main concern in determining the size of the Public Sector Borrowing Requirement has been the need to finance it honestly and without undue strain on interest rates. Government can all too easily crowd industry out of capital markets by allowing its own borrowing to get out of control.

The achievement of control over borrowing has not been easy. The world recession which followed the 1979 oil crisis was the principal factor that forced the Government into increased public spending and threatened to take the PSBR in 1981–2 significantly above the level consistent with the MTFS. The 1981 Budget therefore involved some very hard decisions. To correct the situation, and cut £4 billion off the prospective PSBR, the real burden of taxation had to be allowed to increase (see Chapter 2, p. 47).

As a result of those efforts, interest rates in Britain remained significantly below those in other countries throughout the summer of 1981 and subsequently.

Britain's PSBR was planned to fall as a percentage of GDP in each year from 1980–1 to 1984–5. Under Labour it reached a peak of nearly 10 per cent in 1975–6, and during the later 1970s it averaged 6 per cent of GDP.

Public Sector Borrowing Requirement

	<i>£ billion</i>	<i>% GDP</i>
1979–80	9.9	5
1980–81	13.2	5.7
1981–82	8.7	3.5
1982–83	9.2	3.25
1983–84 ¹	8	2.75
1984–85 ¹	8	2.5
1985–86 ¹	7	2

¹Projection in the FSBR, March 1983.

4. SUPPLY SIDE POLICIES

Successive post-war governments sought to maintain full employment by expansionary fiscal and monetary policies. Governments increased their borrowing in order to add to the demand for goods and services. This was assumed to have favourable effects on output and employment without boosting inflation. The policy became known as 'demand management'. However, as the following table shows, expanded demand was increasingly dissipated in higher inflation without reducing unemployment.

<i>Government</i>	<i>Average Annual Increase in Retail Prices (per cent)</i>	<i>Average Number Unemployed (UK adults, seasonally adjusted)</i>
Conservative 1951–64	3½	330,000
Labour 1964–70	4½	500,000
Conservative 1970–4	9	750,000
Labour 1974–9	15	1,250,000

The present rise in unemployment is demonstrably *not* due to deficient demand. Real domestic demand has been rising at an annual rate of 2–3 per cent since the end of 1981 and is set to continue. Unfortunately, too much of the increase has been met by imports, because of our failure to compete. Despite this evidence, the opposition parties have consistently pressed upon the Government an expansionary course of action. However, as Sir Geoffrey Howe made clear in his first Budget speech:

‘... the poor performance of the British economy in recent years has not been due to a shortage of demand. We are suffering from a growing series of failures on the supply side of the economy. ... Many of these failures are themselves the result of actions and interventions by Governments themselves—laws that stand in the way of change and stifle enterprise; and, as important as anything, a structure of taxation that might have been designed to discourage innovation and punish success’ (*Hansard*, 12th June 1979, Col. 240).

The UK share of world trade in manufactures fell from 20 per cent in 1955 to 10 per cent in 1980. During the same period its share of world car exports fell from 33 per cent to 3 per cent; of merchant ship exports, from 27 per cent to 2 per cent; and of motorcycle exports from 70 per cent to 1 per cent. Total imports as a percentage of home demand rose from 17 per cent in 1970 to 27 per cent in 1981; for cars from 11 per cent to 42 per cent; for textiles from 14 per cent to 30 per cent.

Since 1977, the volume of world trade has risen by 18 per cent. UK exports of manufactures did not rise in line with this; indeed, they were unchanged. Over the same period, demand for manufactures here in Britain changed very little, but import volumes rose by 40 per cent, while output from British manufacturers fell by 14 per cent. These trends confirm that Britain's rising unemployment is largely due to failures not of demand but of supply.

5. CREATING THE CLIMATE FOR ENTERPRISE

The task of making British industry a more competitive supplier of products lies with managers and their workforce. There are now clear signs that management has risen to its responsibilities (see Chapter 5, p. 79). The Government, also, has acted to improve the climate for enterprise.

(a) Price controls have been ended. Profit margins had been dangerously low since the mid-1970s. If British industry is to attract investment and prove resilient in recession, margins must be rebuilt.

(b) Controls over dividends, foreign exchange movements and lending on hire purchase have been ended. So too have Office Development Permits and Industrial Development Certificates. These measures allow markets to work more freely.

(c) Centralised pay control has ended. Of course, the Government must take a view on the total pay bill in the public sector, and it is responsible for negotiating with its own employees. But elsewhere, responsibility for negotiating pay has been given back to management.

(d) Lower inflation has provided confidence for investors and for industrial planning. It is another factor which has brought increased efficiency to the operation of the market.

(e) Lower government borrowing has allowed fairer competition for investment capital, and increased efficiency in the allocation of investment funds. The way has been cleared for major companies to borrow at fixed interest through the stock market.

(f) Enterprise Zones (see Chapter 4, p. 70) have offered businesses in some deprived areas a régime of particularly low taxation and light regulation.

(g) Small business measures (see Chapter 4) and the innovation measures (see Chapter 3) have improved the prospects of new and small businesses, and those in high technology areas.

(h) The overall tax burden on industry has fallen. If non-North Sea business were to pay the same share of taxes as it did in 1978–9, the 1983–4 bill would be £3 billion higher than is actually in prospect. Personal tax cuts are also a vital stimulus to business (see Chapter 2).

(i) A policy of privatising nationalised industries and liberalising further public sector monopolies (see Chapter 3) has increased the size of the free market economy and opened up new private sector jobs.

Most important of all, a start has been made on reducing the share of the national income taken and spent by the State, which had been rising inexorably for decades. The persistent tendency for public expenditure to take more of national resources must be reversed. As the **Chancellor** has warned:

‘If governments (world wide) go on taking more and more out of the total national resources then they end up with tax systems that are oppressive, intolerable, unworkable. They literally destroy the engines of economic growth’ (*Weekend World*, London Weekend Television, 10th October 1982).

(D) CONTROL OF PUBLIC EXPENDITURE

The Government's first Public Expenditure White Paper (Cmnd. 7746, November 1979) started with the diagnosis:

‘Public expenditure is at the heart of Britain's present economic difficulties’.

Where the State spends and borrows too much, taxes, interest rates, prices and unemployment all rise so that in the long term there is less wealth with which to improve the standard of living, the social services and job prospects. Yet public spending has consistently risen to consume ever more of the national income. The ratio of public expenditure to GDP rose from 33.2 per cent in 1960 to 37.6 per cent in 1970; and to a peak of over 46 per cent in 1975, the year before the IMF

stepped in. This steady upward trend brought problems not only in the economic field. More state spending meant more state interference in the affairs of individuals and businesses.

Labour had cut public spending back to around 41 per cent of GDP after 1977–8, at the behest of the IMF. They planned, however, to increase the percentage each year after 1978–9.

The new Government's estimated 1982–3 spending total of £112.5 billion was some £7 billion less than the amount planned by the Labour Government. Furthermore, Labour's commitments on public sector pay, entered into to end the 1978–9 industrial chaos, would have taken the outturn well above the published intentions.

The 1979 oil crisis, and consequent world recession, imposed a cyclical increase on top of the already rising trend, making the Treasury's financing problems even harder. The aggregate cost of unemployment benefit naturally rose and job creation measures were costly too. In addition, the Government was determined to honour its commitments to increase spending on defence, law and order and the health service, and to protect the living standards of the growing numbers of old age pensioners.

Measures to control the expenditure programmes; to reduce waste and increase public sector efficiency; to roll back the public sector; and to return state industries to commercial viability—all take time to have an impact upon the level of expenditure. Indeed, up to 1982–3 the Government was only able to reduce its predecessor's plans. But the latest Public Expenditure White Paper (Cmnd. 8789), published on 1st February 1983, showed that public spending was now firmly under control, and this was confirmed in the Financial Statement and Budget Report (FSBR) published at the time of the 1983 Budget. Public expenditure has been held well within the levels set in earlier plans. For 1982–3 the estimated outturn of £112.5 billion is nearly £2½ billion below the original estimate. For 1983–4 the plans are for £119.3 billion, well over £1 billion less than the 1982 Budget forecast while for 1984–5 the planned £126.4 billion is over £1 billion less than envisaged at the time of the 1982 Budget. Expenditure is also set to fall as a proportion of GDP from 44½ per cent in 1981–2 to a planned 43½ per cent in 1983–4 and only 41½ per cent in 1985–6. As Mr Leon Brittan said:

‘We are now on course for reversing the apparently inexorable rise in the share of our national resources controlled by the State.... for Britain's long-term economic future, that is excellent news’ (London, 16th November 1982).

Public Expenditure by Programme

	1979– 80 ¹	1982– 83 ²	1983– 84 ³	1985– 86 ³
	£m	£m	£m	£m
Defence	9,227	14,411	15,987	18,330
Overseas aid and other overseas services				
<i>Overseas aid</i>	788	959	1,057	1,130
<i>Net payments to EC institutions</i>	839	580	380	530
<i>Other overseas services</i>	454	663	737	800
Agriculture, fisheries, food and forestry	1,007	1,784	1,754	1,730
Industry, energy, trade and employment	2,881	5,854	5,622	5,410
Transport	2,966	4,340	4,302	4,690
Housing	4,514	2,579	2,792	3,110

Public Expenditure by Programme

Other environmental services	2,702	3,433	3,564	3,800
Law, order and protective services	2,579	4,284	4,583	5,040
Education and science	8,946	12,628	12,560	13,340
Arts and libraries	404	579	563	600
Health and personal social services	8,899	13,879	14,608	16,070
Social security	19,417	32,473	34,394	37,900
Other public services	1,159	1,670	1,675	1,830
Common services	1,009	1,652	997	1,190
Scotland	4,447	6,263	6,384	6,790
Wales	1,790	2,379	2,528	2,720
Northern Ireland	2,452	3,568	3,806	4,210
Government lending to nationalised industries	1,941	1,363	1,113	940
Local authority current expenditure not allocated to programmes (England)			904	250
<i>Adjustments</i>				
Public corporations' net overseas and market borrowing	-481	-1,085	-292	-660
Special sale of assets	-999	-550	-750	-500
Contingency reserve		250	1,500	
Provisional reserves				3,000
General allowance for shortfall		-950	-1,200	
Changes since Cmnd. 8789 ⁴		-500	-300	
Planning total	76,939	112,500	119,300	132,260
Percentage of GDP	40.5	44	43.5	41.5

1. Outturn

2. Estimated Outturn

3. Plans

4. Revisions of PEWP in FSBR

(Source: Public Expenditure White Paper (Cmnd. 8789), February 1983; Financial Statement & Budget Report, March 1983)

New Methods of Control. This significant improvement in control over public expenditure has been helped by an important institutional innovation, namely cash planning. The practice of planning public expenditure in volume terms has been abandoned. Since plans are now made in cash, there is no automatic mechanism for protecting them from inflation and from differential upward movements in public sector costs. Cash planning has strengthened cost consciousness throughout Whitehall.

The fact that the 1983 Public Expenditure White Paper showed that public spending plans for 1984–5 and 1985–6 had been held within the totals announced at the time of the 1982 Budget was also important. As Mr Brittan explained:

‘the process known as “creep”, by which plans for the year X are revised and increased as it comes closer and closer has now stopped’ (London, 23rd November 1982).

It means public expenditure over the four years will, in real terms, stop growing. The 1983 Public Expenditure White Paper marked the first time since 1977 that 'creep' has not occurred—and in 1977, the discipline came not from government but from the IMF.

Policies for Reducing Expenditure. The Government's critics have maintained that the arrest of the rising trend of public spending would require drastic cuts in public services. However, as inflation and interest rates have fallen there has been more room within announced cash plans for real increases in expenditure. The Government was able to earmark increased expenditure in 1983–4 on defence, social security, employment measures, law and order, health, education and science and local authority spending, all within the planning totals announced in the 1982 Budget.

Equally important has been the Government's success in selling council houses to their tenants. This is of vital social importance in bringing home ownership to hundreds of thousands of tenants. It also frees resources which can then be used for new capital expenditure on housing. Increased efficiency within the Civil Service is another helpful factor. Cuts in staff of nearly 11 per cent achieved so far are worth £500 million per year. Finally, the improved methods of control and the attendant new emphasis on value for money has played its part.

If success is to be maintained, continued pressure is needed. Mr Brittan told the Conservative Party Conference in Wales:

'It is easy to get a cheer at a Tory gathering when one calls for curbs on public spending generally. But, if any particular curb is suggested, there are always very good reasons why that programme should not be cut or that service should actually be improved... If you are serious... in wanting lower taxes, more incentives, more choice, then you must show it where it counts. Insist that central and—above all—local government provides only those services which private enterprise cannot provide better. Insist that your local and national representatives pursue with determination policies to rein back public spending which alone can responsibly reduce the heavy burden of taxation ... Over the longer term, government in Britain must do less and spend less if more individual choice and prosperity is to result' (Llandrindod Wells, 12th June 1982).

Local Authority Expenditure accounts for about a quarter of total public expenditure. Government publishes plans for the total which it hopes local authorities will spend, and funds a proportion of the total current spending through the Rate Support Grant (currently 53 per cent in England).

Since the Government took office, the local authorities have consistently spent in excess of the published plans (see Chapter 16, p. 261). The consequences of this are seen in higher rates. Both industry and individual families have been hit. The ratio of industrial and commercial companies' rates to their profits (net of depreciation and stock appreciation) rose sharply from 23.8 per cent in 1979–80, to 37 per cent in 1980–1, and to 52.3 per cent in 1981–2.

In a speech to the Society of Local Authority Chief Executives, Mr Brittan said:

'My main message to you today is that it is in the interests of the national economy and of the health and viability of local government to seek to overcome the real problems which repeated overspending brings with it' (York, 16th July 1982).

The measures taken to try to prevent overspending in future are discussed in Chapter 16.

Capital and Current Spending. The Government is concerned to ensure there is a proper balance between current and capital expenditure. Under Labour, capital spending of central and local government declined sharply from 21 per cent of total expenditure in 1974–5 to 13 per cent in 1978–9. There has been a further fall in this percentage since then. To help correct this, total public sector capital expenditure in 1983–4 (£11¼ billion) is planned to be 12 per cent higher than the outturn in 1982–3. Expenditure on construction is expected to rise by 10 per cent to £10¼ billion.

	<i>1979– 80</i>	<i>1980–1</i>	<i>1981–2</i>	<i>1982–3</i>	<i>1983–4</i>
	<i>out-turn</i>	<i>out- turn</i>	<i>out- turn</i>	<i>estimated out- turn</i>	<i>plans</i>
Capital spending £ billion	10.8	11.8	10.5	10.0	11.2
As % of total spending	14	13	10	10	10
Capital spending on construction £ billion	7.9	8.9	8.8	9.4	10.4

(Source: Public Expenditure White Paper (Cmnd. 8789), February 1983, Tables 1.8 and 1.13)

The Government would like to see more capital spending on projects of social value. The key to this lies in the restraint of current spending, otherwise more capital spending leads only to a larger PSBR or to higher taxes. Local authorities overspent on current account by £2 billion in 1982–3.

The immediate problem, however, has been not to make more funds available for capital spending, but to encourage local authorities and nationalised industries to spend the capital allocations made available to them. Both local authorities and nationalised industries underspent on capital account in 1982–3, the local authorities by £1½ billion. The main reason for this was a reluctance on the part of the local authorities to plough back into capital projects the proceeds from the sale of land and council houses. The Prime Minister wrote to local authorities and nationalised industries in November 1982 urging them to make full and proper use of their capital allocations. Changes are also being made in the capital allocation procedures for local authorities to prevent underspending in future years (see Chapter 16, p. 262).

Expenditure by Programmes. These are discussed in detail in the appropriate chapters of this Guide. Public spending fully reflects Conservative spending priorities:

- The living standards of pensioners have been and will be protected over the life of this Government. For the whole period November 1978–November 1983, prices are likely to have risen by about 70 per cent and pensions by 75 per cent. (see Chapter 14, p. 236).
- Our NATO commitment of a real increase in defence expenditure of about 3 per cent per annum has been honoured. In addition, the extra expenditure of the Falklands war has been accommodated within announced expenditure plans (see Chapter 24, p. 378).
- Increased spending on law and order has led to more, better paid, better equipped police (see Chapter 19, p. 304).
- Special employment measures, to help those most vulnerable to unemployment, cost £1.7 billion in 1982–3 and will cost £2 billion in 1983–4 (see Chapter 5, p. 80).
- Spending on health has increased from £7½ billion in 1978–9 to £14½ billion in 1982–3, i.e., by 16 percentage points more than the increase in retail prices (see Chapter 13, p. 219).

- Wages and salaries account for well over a quarter of public spending. That is why the Government's firm line on public sector pay and its success in cutting civil service numbers are so important (see Chapter 20, p. 329).

(E) THE CONTINUING PROBLEM OF UNEMPLOYMENT

1. WORLD RECESSION

Every country in the Western World faces the problem of high and rising unemployment (see Chapter 5, p. 75). In part, this is a legacy of the burst of inflation which followed the first oil crisis of 1973. In part, it is due to the recessionary effect of the 140 per cent increase in oil prices in 1979–80. Industrialised countries have had to spend more on oil and less on other goods. As a result, world trade was more or less static throughout the second half of 1981 and the whole of 1982.

Unemployment rose in Britain earlier than in other OECD countries because of our accumulated industrial problems. These became of crucial significance as competition in world markets increased. As the **Prime Minister** has said:

‘... In this world recession the competition our industries face has really hotted up. The easy days of the fifties and sixties are gone—and gone for good. *Then*, many of our present competitors were still recovering from the devastation of war. The challenge from new industries of the Far East—from Japan, Taiwan, South Korea, Singapore—had not begun. They were our traditional markets. Now they are competing for our markets both here and throughout the world. This new competition is here to stay. Life will never be the same again’ (London, 26th March 1983).

If British industry could secure one per cent more of the home market, it would create 80,000 jobs; and one per cent of world export orders would create 250,000 jobs. Many of the solutions to Britain's chronic industrial problems—which would secure more jobs—can only be found by managers and their workforce. But the Government has taken those steps that it can to help create jobs. They include:

- Keeping inflation and interest rates at or below the level of our competitors.
- Providing tax incentives for businessmen and ordinary citizens.
- Restoring the balance of power in industry between management and unions.
- Improving the system of training, particularly for young people.
- Spending substantial sums on special measures to help the most vulnerable.

However the key factor affecting unemployment in Britain is pay and its relation to productivity. If pay increases are not matched by higher output, then unit costs increase, competitiveness declines, markets are lost and jobs destroyed.

2. PAY AND PRODUCTIVITY

Union wage bargainers became uniquely powerful under the last Labour government. Settlements around 30 per cent became quite common at various times between 1974 and 1979.

Phrases like ‘catching up’ and ‘cost of living increases’ gained currency. More and more, the level of settlements was dictated by factors quite separate from the need to price British goods into world markets. The result was that British workers were increasingly priced out of jobs.

The pay juggernaut was difficult to stop. The Government committed itself to honouring the Clegg and related awards which its predecessor had negotiated in the public sector. However, it was made clear that, in future, wage negotiators would need to fix their sights on the Government's monetary policy as laid down in the MTFS. Within the monetary targets set for 1983–4 to 1985–6 (see p. 14) there is now ample room for sustained and prudent growth in output and employment if the trade unions do not pre-empt available resources in excessive wage claims.

The unions were slow to learn the lesson on pay. Under Labour, monetary targets were usually abandoned in the face of union pressure on wages. It seems likely that the unions thought that this disastrous state of affairs would continue after the 1979 election. It did not.

Wages soared in the 1979–80 pay round, even though world recession had intensified the competition faced by British goods. The **Chancellor** spelled out the consequences in a speech in Birmingham on 26th June 1981:

‘pay ... is crucial to the prospects for output and employment. ... A year ago, we had average earnings 22 per cent up on twelve months earlier. This was little short of suicidal at a time when unemployment was accelerating towards 100,000 per month’.

Since then, there has been a growing awareness on the part of wage bargainers that they cannot ignore the commercial realities. Average earnings increases in the 1980–1 pay round were halved compared with the previous year, and the underlying increase by early 1983 was below 8 per cent. Sir Geoffrey Howe has stressed that greater realism still is essential if unemployment is to fall:

‘In the not too distant future, the notion of an automatic annual pay increase must become as exceptional as it was novel a generation ago’ (London, 22nd October 1982).

He has called upon Labour to support the Government in its efforts to secure lower pay settlements:

‘If the Labour Party is to be taken seriously in its pressure to turn the rising tide of unemployment, it must put its shoulder behind the case for pay responsibility and mean it. The Labour Party must not make the intellectual case in the House at one moment and go up and down the country at the next giving tacit and often explicit support for industrial action wherever it takes place’ (*Hansard*, 10th November 1982, Col. 575).

There has been a welcome improvement in productivity in recent times. Productivity in manufacturing by early 1983 had risen by 16 per cent since the end of 1980. Improved productivity and moderation on pay have meant that unit wage and salary costs in manufacturing in Britain were broadly in line with our major competitors in the year to January 1983. This progress must continue if we are to regain markets and win new ones.

3. GOVERNMENT HELP TO REDUCE COSTS

Conservatives stand by the need for workers themselves and their managers to produce what is necessary to secure their jobs and the prosperity of their companies. This demands realism on pay, common sense on working practices and sheer hard work to keep up with the competition on productivity.

For most businesses, labour costs are the most important factor in competitiveness. However, the Government has been able to help reduce costs elsewhere:

- Each 1 per cent off interest rates, secured by control over government borrowing, benefits company cash flow by about £300 million over a full year. The fall since autumn 1981 has thus been of great benefit to industry.
- Three cuts in employers' National Insurance Surcharge, reducing the rate by 2½ per cent since April 1982, are worth nearly £2 billion to the private sector in a full year.
- Measures worth £250 million were introduced in the 1981 and 1982 Budgets to help with industry's energy bill. The Government has also ensured that the vast majority of industrial users of gas and electricity pay prices comparable with those paid by their European competitors.

4. NO SHORT CUTS

Governments throughout the OECD are clear that the long-term solution to the problem of unemployment lies in the control of inflation, the reduction of government borrowing and the creation of a climate for economic growth. The Socialist government in France, no less than the other OECD countries, now accepts this.

There has been a suggestion that concerted reflation by a number of countries, especially those with low inflation, would solve the problem. However, deliberately expanding demand would only rekindle inflationary expectations and jeopardise the successes—low inflation and lower interest rates—from which real and sustainable increases in demand are already being derived. Indeed, it was because Britain was quicker than many other countries to see the need for sound monetary and fiscal policies that our inflation rate is amongst the lowest in the OECD, and our overall economic performance in 1982 was better than most. As the OECD *Economic Outlook* (July 1982) pointed out:

‘a significant part of any stimulus to demand would increase public sector deficits, and dissipate itself rather quickly as an increase in inflation’.

Sir Geoffrey Howe has also warned against the danger in pressing for increased government borrowing on a world-wide scale:

‘an attempt to boost the world economy by the indiscriminate creation of international credit would only add to the problems of servicing and repaying existing debts, and would risk the hard-won progress towards more stable prices, exchange rates and lower rates of interest’
(*Hansard*, 10th November 1982, Col. 576).

A second short cut, favoured by some opposition spokesmen, is devaluation of the currency. Recent falls in the exchange rate have helped competitiveness, but as the **Chancellor** has explained:

‘The lower exchange rate gives industry an opportunity to improve its competitiveness, but only if other costs are tightly restrained. ... That is why I cannot emphasise too strongly our view that devaluation brought about by monetary and fiscal laxity would be damaging and that to seek it as a deliberate act of policy would be a grave mistake. It would be a signal to the world of the willingness to accommodate rising inflation—inflation that would undoubtedly be fuelled by demands for higher wages to offset its effects. Confidence would collapse and jobs would be destroyed. That is not the way we intend to go’ (*Hansard*, 15th March 1983, Col. 140).

The **Prime Minister** has added:

‘In a world recession, when you've got old industry running down and new competitors coming up, it's a slow and arduous business creating new jobs. You can't just urge business to take on extra people. That would only add to their costs. You've got to go at it the hard way by creating new products in the new industries, or better designs and better quality in the old’ (London, 26th March 1983).

(F) OPPOSITION POLICIES

1. LABOUR PARTY

In Government, between 1974 and 1979, Labour Ministers often spoke out against the disastrous policies pressed upon them by the trade unions and the Left wing of their party. For example, Mr Joel Barnett, Chief Secretary to the Treasury, warned:

‘To suggest that there is an alternative economic strategy that would allow immediate increases in public expenditure is to do a great disservice to the Labour Movement, for it deludes our own supporters and does maximum harm by building up great expectations which cannot be delivered’ (London, 16th July 1976).

The alternative economic strategy, so often rejected by Labour Ministers in government, is now the official policy of the Labour Party.

Public Spending and Borrowing. Central to Labour's economic policy is a massive increase in public spending. Labour's campaign document, *The New Hope for Britain*, published on 29th March 1983, promised an increase in expenditure of £10 billion in the first year of a Labour government taking office. The same figure was used in the TUC/Labour Party Liaison Committee document, *Partners in Rebuilding Britain* (23rd March 1983), with an additional promise to divert £30 billion into public investment over a five-year period. Mr Peter Shore, in a document, *Programme for Recovery*, published by himself and other Shadow Treasury Ministers in November 1982, had promised a phased increase in public expenditure of £5 billion in the first year of a Labour government, rising to £18 billion in the fifth year. Yet even these sums seem insufficient to cover the myriad spending proposals contained in *The New Hope for Britain*. As Mr Leon Brittan has pointed out:

‘In all, between £30 billion and £40 billion more annual public spending is probably involved’ (Nottingham, 6th April 1983).

The increased expenditure would be met by increased borrowing:

‘Like any other expanding industrial enterprise, we shall borrow to finance our programme of investment’ (*The New Hope for Britain*).

Yet, as Mr Callaghan, then Prime Minister, told his Party Conference:

‘We have lived too long on borrowed time, borrowed money and even borrowed ideas. ... For too long this country has trodden the primrose path and borrowed money from abroad—it still goes on—instead of grappling with the fundamental problems of British industry’ (Blackpool, 28th September 1976).

Labour now propose to return to the primrose path, which would inevitably lead to soaring inflation and interest rates and a collapse of confidence. It would overturn everything that the Conservative Government has done to repay our debts and face up to the fundamental problems.

Monetary Policy. After their experiences in government in 1974–6, Labour Ministers became convinced of the need to keep firm control over the money supply. Mr Denis Healey, in 1976, became the first British Chancellor to set a target for money supply growth. He said:

‘I am convinced that a firm control of the growth of money and credit is an essential part of our strategy against inflation’ (Third Joint Session of the IMF, 2nd January 1976).

When pressure for excessive wage settlements built up in 1978–9, he warned:

‘Because we are observing strict monetary and fiscal policies, if wage increases continue at the sort of rate at which they have been running ... the result will be seen in rising prices, fewer jobs, lower output and more bankruptcies’ (*Hansard*, 16th January 1979, Col. 1628).

Unfortunately, these resolute words were not translated into deeds and Labour's resolve wilted in the face of trade union pressure. Labour's policy in government was to set monetary targets and then to allow the unions to demolish them. Mr Peter Shore has commented:

‘The rightful charge against (Mr Healey) is that he *adumbrated* the target for money supply, but he was not a true monetarist’ (*Hansard*, 6th April 1982, Col. 845).

He has made it clear that he will not repeat the charade:

‘I do not propose to set target figures for the money supply’ (London, 2nd March 1982).

Moreover, he claims that monetary control is irrelevant:

‘It is totally unproven that the increase in the money supply has a short term or medium term connection with inflation and prices’ (*Hansard*, 11th November 1981, Col. 552).

Thus Labour now reject a fundamental proposition of economic management which is accepted by governments of every other major industrial country in the free world.

Fiscal Policy. Labour also reject the proposition that interest rates will fall only when governments bring their own borrowing under control. As Chancellor, Mr Healey understood this:

‘Our aim will be to bring about a reduction in interest rates ... There is no short cut available here ... It will depend on our ability to restrict the PSBR’ (*Hansard*, 26th March 1974, Col. 284).

As usual, however, he did not match his words with action, and Labour have now abandoned any pretence. As Mr Shore has said:

‘It remains for me to rebut the shallow argument ... that any increase in government borrowing will provide an automatic rise in interest rates’ (London, 2nd March 1982). ‘It is for the authorities to set and guide the expectations of the market’ (*Hansard*, 11th November 1981, Col. 552).

Labour expect to be able to beguile investors into lending to the Government at low rates of interest, despite accelerating inflation. If this fails, they are prepared to resort to force:

‘We will make sure that public borrowing is financed, through the financial institutions and national savings, without disruptive or damaging changes in interest rates’ (*The New Hope for Britain*).

A National Investment Bank would be set up to

‘put new resources—both from private institutions and government—on a large scale into our industrial priorities’ (*Partners in Rebuilding Britain*).

The savings of the British people would in other words be diverted to finance Labour's profligacy, and banks would be forced to ration credit, in order to give the Government priority over other borrowers. The justification for taking these enormous risks with the economy, and particularly with people's pensions, is the need to secure a reduction in unemployment. But even Labour, in government, came to realise that borrowing cannot create jobs. As Mr Callaghan said:

‘We used to think that you could just spend your way out of recession and increase employment by cutting taxes and boosting government borrowing. I tell you in all candour that that option no longer exists; and that in so far as it ever did exist, it worked by injecting inflation into the economy. And each time that has happened, the *average level of unemployment has risen*. Higher inflation followed by higher unemployment. That is the history of the last twenty years’ (Blackpool, 28th September 1976).

Mr Foot has repudiated these words:

‘Those words have hung round our necks too long. They were taken out of context. They were said during a period when we were emerging slowly and painfully from a recession. They were claimed to be all-embracing and eternal in their validity. That is just monetarist nonsense; always has been and always will be’ (*New Statesman*, 26th November 1982).

Yet it is clear from Mr Callaghan's speech that he did regard his observations as of lasting validity. Even if Mr Foot were right, and reflation is only to be abjured at times of world recession, he would have to agree that that is precisely the condition of the world economy today.

The Siege Economy. Labour recognise the danger that massive reflation would suck in imports and lead to a balance of payments crisis. They therefore intend to reintroduce exchange controls; use agreed development plans with large companies to influence their purchasing plans; and

‘introduce back-up import controls, using tariffs and quotas, if these prove necessary’ (*The New Hope for Britain*).

Mr Shore had earlier proposed an alternative to import controls—devaluation—which has now been downgraded. In *Programme for Recovery* he implied the need for a devaluation of 15 per cent each year for two years. Devaluation is in fact nothing new to Labour; indeed, Labour governments have always devalued. In 1949, it was by 30 per cent; in 1967 by 14 per cent; and in 1976 their attempt to engineer a controlled devaluation led to a run on the pound and the eventual calling in of the IMF. *The New Hope for Britain* refers only to

‘maintaining the pound at a realistic and competitive rate’.

The abandonment of Mr Shore's prescription reflects opposition from the Left wing of the Labour Party, largely because it could only work if accompanied by an incomes policy. Mr Shore should anyway have realised that a future Labour government, whose intention to devalue had been announced in advance, would be faced not with a controlled devaluation but a collapse in the pound as investors and speculators fled from sterling. Exchange controls would be powerless—as they were in 1976—to prevent such a collapse; indeed, the threat of them would only add to the panic. Moreover, on the Right of the Party, Mr Healey has found both import controls and devaluation to be unrealistic options:

‘Faced with the difficulties of unilateral reflation some socialists are tempted to seek salvation through trade restrictions or competitive devaluation. But such beggar-my-neighbour policies, if pursued on the scale required ... are more likely to lead to a trade and currency war than to insulate their sponsors from the recession in the outside world’ (Paris, 12th November 1982).

In the past, import controls were rejected by successive Labour governments despite constant pressure in favour of them from the Left wing. Their adoption now as official Labour Party policy is one mark of the extent to which the Left is in the ascendancy. They would, however, simply provoke retaliation against our exports; shelter inefficient industries; and raise prices and restrict consumer choice.

Incomes Policy. Labour's proposed reflation would be bound to provoke an explosion in wage demands. Mr Foot has acknowledged this:

‘It would be easy for the trade unions, if they so chose, to exploit the enhanced power which will undoubtedly accrue to them from the expansion we plan for the economy, to push wages ahead strongly. And there is no point in deluding anybody that this would not be inflationary. Of course it would be’ (*New Statesman*, 26th November 1982).

Yet although *The New Hope for Britain* also acknowledges this danger, it makes no mention of wage restraint. Instead, Labour pin their hopes on the National Economic Assessment. This will be reached in a new tripartite National Planning Council. It will be an annual event, and

‘will set out the likely growth in the national output and how it could be shared. It will cover the allocation of resources, and the distribution of income between profits, earnings from employment, rents, social benefits and other incomes’ (*The New Hope for Britain*).

Pay bargaining will take place within this framework, and pay norms established by the Government or the TUC are specifically ruled out. The document states:

‘We will not, however, return to the old policies of government-imposed wage restraint’ (ibid.).

When pressed by Sir Robin Day to explain exactly what this meant, Mr Shore explained:

‘Well, whatever figures come out for the course of the economy—what the economy can afford in terms of an increase in incomes, consistent with the reduction of unemployment and consistent with the maintenance of a low level of inflation—that will, of course, emerge ... a figure or a rate’ (BBC Radio 4, 24th March 1983).

That sounded perilously close to a norm. Mr Shore does accept the need for a norm. He has himself illustrated, in a simulation of his *Programme for Recovery* on the Treasury model, that Labour-style policies do not work without pay restraint. Inflationary pressures and imports build up, the reserves are drained, and after five years inflation is at 18 per cent and the balance of payments is in deficit by £25 billion. In practice confidence, the pound, output and employment would all have collapsed long before the fifth year.

Labour have paid a high price without securing any firm union commitment to pay restraint (see Chapter 5, p. 86). The only conclusion to draw is that Labour did not seriously seek a *quid pro quo*. As Sir Geoffrey Howe has said:

‘Behind the grandly named “National Economic Assessment” would lie not a national consensus but rather a deal to divide the economic and political spoils of Britain between the unions and the Labour Party’ (London, 26th March 1983).

Inflation. Labour presided over a post-war record in inflation—almost 27 per cent a year in August 1975. Inflation was higher than in other major countries throughout almost their entire period of office (see p. 12). Given the massive reflation now proposed, the danger from inflation is even greater.

The National Economic Assessment would be powerless to contain the inevitable wage explosion, and a crumbling currency would lead to imported inflation. Against these pressures Labour offer only a temporary disguise for the symptoms—namely, cuts in VAT, subsidies and price controls.

These are precisely the sort of cosmetics applied in the summer of 1974. They allowed Mr Healey to claim, for electoral purposes, that he had got inflation down to 8.4 per cent. Less than a year later, it was at 26.9 per cent. Under any future Labour government, the problems of inflation would be much worse.

Unemployment. Every Labour government has promised to solve unemployment and every Labour government has increased it (see Chapter 5, p. 85). Mr Neil Kinnock, Shadow Education Secretary, has been forced to admit:

‘Statistically it is true’ (BBC 2 *Newsnight*, 24th March 1983).

Labour would destroy jobs again by:

- a. Driving up inflation, interest rates and money wages through reckless spending and borrowing priorities.
- b. Pulling out of the EEC, the market to which some two fifths of our exports go and upon which some 2½ million jobs depend.

- c. Imposing import controls, inviting retaliation against our exports and sheltering decaying industries.
- d. Imposing price controls, eroding profitability, aborting investment and destroying jobs, both present and future.
- e. Tilting the balance of bargaining power in industry heavily towards the trade unions, rendering management powerless to resist unjustified wage claims.
- f. Inflicting a vast new centralised bureaucracy and a battery of controls on struggling businesses.

2. THE SDP

The SDP have promised, in a series of speeches and policy papers, to reduce unemployment by a million within two to three years of taking office, and by a further million over the lifetime of a single Parliament.

Reflation. The SDP prefer ‘selective’ reflation to ‘general’ reflation, as Mr John Horam, an SDP economic spokesman, explained:

‘A reduction in unemployment would be extremely difficult in any reflationary programme. That is the problem with reflation. General reflationary measures are disappointing’ (*Hansard*, 5th May 1982, Col. 200).

Nevertheless, the latest version of this policy—the SDP/Liberal Alliance Budget proposals of 28th February 1983—proposed general as well as selective reflationary measures. Part of a proposed £5.2 billion increase in borrowing (net PSBR cost of £3 billion) would be spent on selective public investment and special employment measures, but part on general steps such as abolition of the National Insurance Surcharge, cuts in VAT, direct tax cuts and subsidies to the nationalised industries.

The tax cuts and subsidies would be temporary steps to restrain inflation. Their inclusion marks a shift within the SDP away from control of the money supply. Whilst the policy document *Economic Policy* (Autumn 1982) emphasised the importance of money GDP targets, the Budget proposals regarded them only as a useful discipline and guide to the markets, not as a binding constraint.

The *Financial Times* described the costings of the Alliance Budget proposals as a case of ‘sleight of hand’ (1st March 1983). The net PSBR cost of their proposals was nearer £7 billion than £3 billion. Nor did the Alliance adequately explain how they would fund the increased PSBR without undue upward pressure on interest rates. In all, the package represented a significant repudiation of the prudent fiscal and monetary policies pursued by the Government, which would have an extremely damaging effect on confidence in the financial markets. The SDP objectives in fact bear a remarkable similarity to those of the Labour Party. No wonder, then, at the verdict of the *Financial Times*:

‘It is sad to see Mr Roy Jenkins, who was a distinguished and imaginative Chancellor, lending his prestige to the idea that a new middle way can be found by combining Socialist objectives with Conservative costing’ (ibid.).

International Reflation. The SDP, and Mr Jenkins in particular, have expressed an interest in ‘concerted’ reflation by the industrialised countries. Mr Jenkins explained:

'If countries are successfully to expand, they must do so together. Otherwise, if one country makes a "dash for growth" alone, its expansion is likely to be brought to an end by balance of payments difficulties and the inflationary pressures which follow from a collapsing exchange rate' (Bridge of Weir, 10th December 1982).

Mr Jenkins repeated this call on 13th January 1983, as did Mrs Shirley Williams on 10th January, but neither explained how they would get such an international agreement when most countries are committed to a sustained reduction in fiscal deficits to ease inflation and interest rate pressures. Indeed, the United States is under strong pressure from other industrial countries to cut its daunting structural deficit and so ease the pressure on interest rates. A more general call for increased government debt, at a time when the servicing of present debts is so problematic for many countries, would seem equally strange.

The Exchange Rate. The Alliance Budget proposals (28th February 1983) stated:

'Government policy with regard to the exchange rate must balance the need for competitiveness against the importance of containing inflationary pressures.'

This represents a slight shift from the position taken earlier—that devaluation should be sought as a deliberate act of policy in order to recoup and retain lost competitiveness. It is not clear whether this represents a recognition of the fact that a 'controlled' devaluation is a contradiction in terms, since holders of sterling would sell at the mere prospect of a spendthrift government committed to devaluation. The SDP did refer to that danger in the *Economic Policy* document, and although they initially favoured only the use of the reserves to prop up the pound they did not rule out the later use of import and exchange controls.

The SDP is still committed to membership of the Exchange Rate Mechanism of the European Monetary System (ERM/EMS), though our European partners would scarcely approve of devaluation and exchange and import controls. Mr Jenkins and Mrs Shirley Williams have also referred—in January 1983—to a 'tripod' exchange rate system between the ERM/EMS, the dollar and the yen.

The SDP do not seem to have understood that greater exchange rate stability can only be achieved if national governments reduce their own inflation. The experience of participants in the ERM/EMS has shown that simply joining it is no guarantee of greater exchange rate stability.

Incomes Policy. The SDP have acknowledged that reflation carries with it inflationary dangers, and propose to overcome these with a pay policy:

'... the momentum of expansion can only be maintained without unacceptable inflationary pressures being generated to the extent that effective means of pay restraint can be established' (*Economic Policy*, Autumn 1982).

The policy they have in mind has been variously described as permanent, flexible, decentralised, gradually redistributive, working with the market, fair and not entirely voluntary. Given these criteria, it is not surprising that the SDP have had difficulty establishing exactly what they want. Mr Jenkins's original proposal that, initially, an old-fashioned statutory policy should be imposed, followed by a second phase enforced by tax and price penalties, was overturned by the Council for Social Democracy on 14th October 1982. The word 'statutory' was later written out by the Council in January 1983.

Continuing differences within and between the Alliance partners is reflected in the fact that the Alliance Budget proposals of 28th February 1983 made no direct reference to incomes policy at all. The package aimed simply to contain inflation by cost-cutting measures, such as reducing VAT and the National Insurance Surcharge. However, since the effects of these would be strictly 'one-off', the need for an incomes policy would become quickly apparent. Presumably this is where phase two would come into operation.

The *Economic Policy* document gave details of phase two. Public service pay would be determined by comparability studies, with arbitration as a last resort. Nationalised industries would be set External Financing Limits which would prevent them passing on inflationary pay awards in the form of prices or covering them by extra borrowing. They would also be liable to the tax and price penalties which would apply to private sector firms which exceeded a certain pay norm. The norm itself would be devised by a tripartite National Forum, which would establish some appropriate trade-off between pay and jobs. It bears a curious resemblance to Labour's 'National Economic Assessment' (see p. 26).

The agonising seems, in any case, to be irrelevant, since there is no prospect of the trade union leadership acquiescing in an SDP incomes policy anyway. Even the Labour Party, despite granting the unions their every wish, cannot yet secure a firm agreement on pay (see p. 27). The SDP, committed to further trade union reform (see Chapter 6, p. 110) would have little chance of succeeding where Labour have failed.

Prices. The SDP would revive the old Price Commission, as the Pay and Prices Commission. Where pay increases exceeded the established norm, it would have power to cut proposed price increases. Yet profit margins are already dangerously low, and price control could only make them lower. This would endanger both present and future jobs. When she was Labour's Prices Secretary, Mrs Shirley Williams boasted that:

'we have controlled profit margins'

and

'profit margins fell substantially last year to the lowest real money level for several years' (Labour Party Political Broadcast, 24th June 1975).

A new Pay and Price Commission would give her a chance to finish the job.

SDP Turncoats. Mr Jenkins used to believe:

'You can not push public expenditure significantly above 60 per cent of GNP (which, because of changed definitions since, corresponds essentially to the present level) and maintain the values of a plural society with adequate freedom of choice' (Anglesey, 23rd January 1976).

Now, the SDP *do* plan to exceed Mr Jenkins's level. Obviously, he cares less for the values of the plural society than he used to.

The SDP promise to increase the proportion of capital spending in the total. It was under the last Labour Government that most of the erosion of capital spending since 1975 occurred. Mr Joel Barnett reveals that, in the expenditure cuts exercise, Mr Jenkins, as Labour Home Secretary, would:

‘usually choose to cut capital rather than current expenditure’

preferring

‘to defer expenditure on prisons rather than cut the size of the prison staff’ (*Inside the Treasury*, Andre Deutsch, 1982).

2. LIBERAL PARTY

There are relatively few differences between the economic policy of the Liberals and that of the SDP. Indeed, the Alliance document *Back to Work* (Liberal/SDP Alliance Commission on Employment and Industrial Recovery, August 1982), reproduced verbatim excerpts from the SDP document *Economic Policy*. The 1982 Liberal Assembly endorsed the proposals contained in *Back to Work*.

The Liberals, like the SDP, understand that incomes policy is crucial to their reflationary strategy. Mr David Penhaligon has affirmed:

‘I do not pretend anything but that our policy has some coherence only if we accept an incomes policy as part of the general strategy’ (*Hansard*, 26th November 1981, Col. 1083).

Yet the Alliance documents have all been deliberately vague about whether or not the incomes policy should be statutory. Liberals have in the past been quite clear that it should be. Mr David Steel has said:

‘I most certainly believe that for an incomes policy to succeed, the Government of the day may have to provide a statutory framework’ (*Hansard*, 27th July 1981, Col. 840).

The former Liberal leader, Mr Jo Grimond, has concluded:

‘We should not delude ourselves into thinking that an incomes policy is other than a serious infringement of freedom.... Nor have the Liberals explained how it is to be worked, and even if they had, it is certainly not a permanent answer to our economic troubles’ (*Journal of Economic Affairs*, October 1981).

The Liberals, like the SDP leaders, are also guilty of hypocrisy on the National Insurance Surcharge (NIS). Both now wish to abolish it, but Mrs Williams, Mr Rodgers and Dr Owen were all members of the Labour Government which introduced it, and the Liberals were members of a coalition which supported an increase in the Surcharge in 1978. Indeed, Liberal spokesmen had sought to increase it further. The Conservative Government, by contrast, has slashed NIS from 3½ per cent to 1 per cent.

Mr Jo Grimond has summarised Alliance economic policy:

‘At present, the Liberal-Social Democratic Alliance occasionally looks too much like a half-way house on the old road to state socialism. It will spend more than the Tories but rather less than Labour.... Such compromises may win votes, but they will not improve the country’ (ibid.).

2. TAXATION

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(A) THE LABOUR GOVERNMENT OF 1974–9

In 1973, Mr Denis Healey promised that the next Labour Government's tax changes would bring 'howls of anguish' from the rich (Blackpool, 1st October 1973). In the event, it was not only the rich who howled in anguish; the Labour Government of 1974–9 imposed an intolerable tax burden on all the people, from top to bottom of the income scale, in a desperate effort to pay for its uncontrollable public spending. During the vicious onslaught of 1974–6, the Labour Government raised income tax right across the board, two entirely new taxes were introduced, and the tax system was made more complex at every point.

1. The basic rate of Income Tax was raised from 30p in the pound to 33p and then to 35p in 1975.
2. The personal allowances were raised by less than inflation; thus more and more people were caught in the tax net.
3. The starting point for the higher tax rates was reduced and the starting point for Investment Income Surcharge was halved.
4. The top rate of tax on earned income was raised from 75 per cent to 83 per cent, while the top rate on investment incomes rose from 90 per cent to 98 per cent, "A beacon of fiscal absurdity".
5. Corporation Tax was raised.
6. Stamp duties were increased.
7. Development Land Tax was introduced, with a penal rate of 80 per cent, discouraging land and property development.
8. The Capital Transfer Tax was introduced, imposing a new levy on lifetime gifts and transfers.

9. A Wealth Tax was threatened.
10. A complex range of new taxes was levied on employee benefits, taxing private health insurance and destroying many incentive option schemes and employee loan schemes.

The Conservative Opposition kept up a heavy counter-attack on Labour's tax programme. In 1977, the Government cut the basic rate of income tax from 35p in the pound to 34p. In 1978, the Conservatives carried an amendment reducing the rate to 33p, and forced increases in the upper rate bands. Also, in 1977, the Government was forced, by a combination of the Conservatives and two of its own backbenchers, to accept a measure of indexation for income tax allowances.

Conservatives secured substantial improvements in the operation of the Capital Transfer Tax. The original legislation had 34 clauses; by the end of 1978 the Labour Government had been obliged to place 71 amending clauses on the statute book. The Labour Government also adopted Conservative tax policies in the fields of Small Business and the Heritage.

Nevertheless, by 1978–9 there were 2¼ million more taxpayers than there had been in 1973–4, and 2¼ times as many people paying the higher rates of Income Tax.

Towards the end of his premiership, Mr Callaghan seemed to realise how unpopular Labour's tax programme had become:

‘If you want to retain power you have got to listen to what people—our people—say and what they want. If you talk to people in the factories and in the clubs, they all want to pay less tax. They are more interested in that than the Government giving money away in other directions’ (*Daily Telegraph*, 14th March 1978, reporting his advice to Labour's NEC).

But the advice that was taken was that of Mr David Basnett, General Secretary of the General and Municipal Workers Union, who said:

‘Tax cuts would benefit those who are already well off—and this I regard as anti-social’ (*Daily Telegraph*, 21st March 1978).

(B) THE CONSERVATIVE PROGRAMME

The 1979 Conservative Manifesto carried a clear commitment to tax reform:

‘We shall cut income tax at all levels to reward hard work, responsibility and success; tackle the poverty trap; encourage saving and the wider ownership of property; simplify taxes—like VAT; and reduce tax bureaucracy’ (p. 13).

In more detail, the Manifesto committed the Government to:

- i. Cut the absurdly high marginal rates of tax both at the bottom and top of the income scale.
- ii. Raise tax thresholds, to let the low-paid out of the tax net altogether.
- iii. Bring unemployment and short-term sickness benefit into the computation of annual income.
- iv. Cut the top rate of Income Tax to the European average, and widen the higher tax bands.
- v. Reduce the burden of the Investment Income Surcharge in order to encourage saving.
- vi. Switch to some extent from taxes on earnings to taxes on spending.

- vii. Deal with the most damaging features of the Capital Transfer Tax and Capital Gains Taxes.
- viii. Propose a simpler and less oppressive system of capital taxation in the longer term.
- ix. Expand and build on existing schemes for encouraging employee share ownership.
- x. Simplify VAT and review the 714 certificate system.
- xi. Undertake a thorough review of the enforcement procedures of the Customs and Excise and the Inland Revenue.

(C) EXECUTION OF THE PROGRAMME

Less than six weeks after the General Election, the Chancellor of the Exchequer, Sir Geoffrey Howe, presented his first Budget. Introducing it he said:

‘In the last few years the hard facts of our relative decline have become increasingly plain, and the threat of absolute decline has gradually become very real. That is not a prospect that I am prepared to accept. Nor, I believe, are the British people. They realise that we cannot for ever go on avoiding difficult choices in the fatal, and increasingly futile, quest for easy solutions’ (*Hansard*, 12th June 1979, Col. 237).

The Budget made numerous changes in the tax system, cutting rates, raising allowances, removing abuses and creating opportunities. It was greeted in *The Sun* with the comment:

‘We asked for a bold Budget. We have got a bold Budget. The tax revolution for which the nation voted last month has at long last begun, ... To his everlasting credit (Sir Geoffrey Howe) has shrugged off the gloom merchants who said it couldn't be done’ (13th June 1979).

Since then, Sir Geoffrey Howe has introduced four more Budgets; the chronological record is set out in an appendix to this chapter.

An analysis of these five Budgets shows that Mrs Thatcher's administration has made significant progress towards its objective of a reformed tax system. It has not, however, proved possible to reduce the total burden of taxation as far as had been hoped, because of the over-riding importance of restoring health to an economy ravaged by Socialist maladministration. On coming into office the Government found it had inherited a Public Sector Borrowing Requirement of £9 billion, surging towards £15 billion. This meant that interest rates were high and rising, constituting a threat to the whole of the private sector. And it meant that the trend of inflation was strongly upwards. Meanwhile, unemployment, which had doubled under the Labour Government, was also rising fast. Social security payments to the unemployed already constituted a menacing threat to the balance of the Budget.

It is against this background that Sir Geoffrey Howe's five Budgets must be judged. The first priority has been to bring down the level of borrowing; the £8 billion PSBR planned for 1983–4 is (in today's money terms) barely half the level in the years 1978–9 and 1979–80. Money used in bringing down the PSBR is money that might otherwise have been available for tax cuts. Meanwhile, there has been a very large increase in the amounts needing to be set aside for the unemployed. Nevertheless, taxes have been cut, and they have been made less damaging in their impact. The benefits to be derived from strict financial management will begin to be seen when the economy starts to recover from the recession.

(D) PERSONAL TAXATION

In the course of five Budgets, the Government has, within the limits imposed by the recession and the need to reduce government borrowing, made substantial progress in reducing Income Tax.

- The basic rate of tax has been reduced from 33% to 30%.
- The top rate has been reduced from 83% to 60% for earned income and from 98% to 75% for investment income.
- Personal allowances have been raised more than enough to cover the rise in the Retail Price Index.
- The starting point for the upper rates of tax has been raised and the bands widened.
- Investment Income Surcharge starting point has been raised substantially, from £1,700 to £7,100.

1. Basic Rate. The cut from 33 per cent to 30 per cent was made in the first Budget, 1979. The small £750 band of income taxed at the reduced rate of 25 per cent was abolished in 1980, following the substantial increase in personal allowances of that and the previous year, for the saving of 1,300 Revenue staff. The ultimate target of a 25 per cent basic rate has to remain an aspiration.

2. The Higher Rates. The 1979 Manifesto contained a commitment that 'the top rate of income tax should be cut to the European average and the higher rate bands widened'. This commitment was honoured in 1979, when the top rate on earned income was reduced from 83 per cent (to which Mr Healey had raised it in 1974) to 60 per cent. In the case of investment income, where the Investment Income Surcharge applied, the top rate became 75 per cent instead of 98 per cent.

Higher Rate Income Tax Bands

Tax Rate	1978-9	1979-80	1983-4
%	£	£	£
40	8,001-9,000	10,001-12,000	14,601-17,200
45	9,001-10,000	12,001-15,000	17,201-21,800
50	10,001-11,000	15,001-20,000	21,801-28,900
55	11,001-12,500	20,001-25,000	28,901-36,000
60	12,501-14,000	over 25,000	over 36,000
....		
83	over 24,000		

3. Personal Allowances. Under the terms of the Finance Act 1977 (the Lawson-Rooker-Wise measure), personal allowances have to be increased by at least the amount of the previous year's rise in the Retail Price Index, unless the Government specifically seeks House of Commons approval to do otherwise. Sir Geoffrey Howe raised the allowances by twice the necessary amount in 1979; and by an amount roughly equivalent to the RPI in 1980. In 1981 the allowances were left unchanged, in 1982 they were raised ahead of the RPI and in the 1983 Budget they were raised by the amount of the RPI plus 8½ per cent.

Personal Allowances and Prices

RPI Percentage Change in Allowances

1979	8½%	+18%
1980	17%	+18%
1981	15%	0
1982	12%	+14%
1983	5½%	+14%

Over the period as a whole, from 1978–9 to 1983–4, the personal income tax allowances have been raised by 5 per cent more than the rise in the Retail Price Index.

Personal Allowances

	Single Person	Married Couple	Age Allowance (single)	Age Allowance (married)
	£	£	£	£
1978–9	985	1,535	1,300	2,075
1979–80	1,165	1,815	1,540	2,455
1980–1	1,375	2,145	1,820	2,895
1981–2	1,375	2,145	1,820	2,895
1982–3	1,565	2,445	2,070	3,295
1983–4	1,785	2,795	2,360	3,755

4. The Burden of Taxation. Given the recession and the need to bring down government borrowing, the burden of taxation has inevitably risen since 1979. As a proportion of Gross National Product, total taxation (including National Insurance contributions) has risen from 34½ per cent in 1978–9 to 39 per cent in 1983–4. However, the earnings of those in work have also risen. It is estimated that in 1983–4 the real take-home pay of all types of household in work will be higher than in 1978–9, assuming that they have an increase in earnings in line with the average. By concentrating in the 1982 and 1983 Budgets on raising the tax thresholds, those at the lower end of the income scale were given the greatest proportionate advantage. Furthermore, Child Benefit has in 1983–4 reached the highest real value since its introduction. To the accusation that the rich have done best under the Conservative Government, the answer is that no one seriously disputes that it was right to cut the absurdly high rates of tax on high incomes applying under Labour in the late seventies.

5. Investment Income Surcharge. In the last year of Labour government, Investment Income Surcharge applied at 10 per cent to investment income above £1,700, and at 15 per cent above £2,250. The starting point was raised to £5,000 in 1979 and subsequently increased in line with other tax allowances, to reach £7,100 in the 1983–4 Budget. This increase has gone some way to rectify the unfair incidence of tax on the person who invests his savings directly, by comparison with the person who saves through the medium of a pension fund or self-employed annuity.

6. Widows. In the 1979 Budget, war widows' pensions were made entirely exempt from tax at a cost of about £6 million in a full year, whereas they had previously been exempt as to half the liability. In 1980, a new allowance was introduced, by which the married tax allowance would in effect continue to operate for the remainder of the fiscal year in which a widow had lost her husband. In 1983, this allowance, known as the Widows Bereavement Allowance, was extended to cover the whole of the fiscal year after the husband's death.

7. Self-Employed Retirement Annuities. The limits on the amount of money that could be put aside through self-employed retirement annuity premiums were relaxed in the 1980 Budget. For those born after 1915, the percentage of net relevant earnings allowed against tax was raised from 15 per cent to 17½ per cent. The limits for older people were also raised by 2½ per cent and the £3,000 per annum limit removed. In the 1982 Budget the percentages were again raised. For those born after 1933, the figure remained at 17½ per cent; for those born in 1933 or before, the percentage would range from 20 per cent up to 32½ per cent.

8. Gallantry Awards. The pension addition paid to holders of the GC, MC, DFC, DCM, CGM, DSM, MM, DFM is now exempt from tax—in the same manner as the Victoria Cross.

9. Employee Benefits. Following the sharp reduction in higher tax rates in 1979, it was felt appropriate to move gradually towards the levy of a reasonable amount of tax on benefits in kind—particularly the benefit of having a ‘company’ car and free petrol for private use.

In the 1980 Budget, it was announced that, as from 1981–2, the then existing scale charges for cars would be raised by 20 per cent. The annual business mileage required to obtain a reduction of the scale charge to one half was reduced from 25,000 to 18,000. Further increases of 20 per cent were announced in 1981 and 1982, and of 15 per cent in 1983.

Meanwhile a parallel tax on the benefit of free petrol has been introduced, taking effect in 1983–4 on the same scale as the car benefit itself. For 1984–5, the taxable value attributed to a car of under 1300 cc will be £375 per annum, with a similar amount for the value of free petrol.

10. Medical Insurance Premiums paid by employers ceased to be a taxable benefit in the hands of the lower paid (below £8,500 per annum) under the terms of the 1981 Finance Act.

11. Taxation of Husband and Wife. In 1979, the Conservative Government introduced minor measures aimed at equalising the tax treatment of men and women. The major remaining inequalities were fully explored in a consultative Green Paper on the Taxation of Husbands and Wives published in December 1980. The key problem is how to deal with the present situation whereby various family groupings are entitled to widely differing personal tax allowances.

Personal Tax Allowances 1983–4

Single Person	£1,785
Married Couple, husband only working	£2,795
Married Couple, both working (married allowance plus wife's earned income allowance)	£4,580

The present system is regarded as giving strong encouragement to married women to go out to work. Various proposals are examined in the Green Paper, whereby the wife would be entitled to a personal allowance of her own; this allowance could be partly or fully transferable to the husband if the wife was remaining at home, perhaps to look after young children or elderly relatives. The Government is studying the responses to the Green Paper.

12. Taxation of Short-Term Benefits. The 1948 legislation intended that short-term social security benefits should be taxable, like any other form of income. Successive governments have found the administrative difficulties too great. In his 1980 Budget speech, Sir Geoffrey Howe announced that plans were in hand for bringing the bulk of sickness payments into tax through PAYE, and for bringing unemployment pay within the tax net. These plans could not be implemented immediately, so as a temporary measure these short-term benefits were, in 1980,

uprated by five per cent less than called for by forecast price movements. In respect of unemployment pay, the benefit was brought into tax from July 1982, and the five per cent abatement was restored in the Budget of 1983, to take effect from November 1983.

The transfer of responsibility for payment of short-term sickness benefit to the employer, which was a corollary of bringing it within the ambit of PAYE, took effect in April 1983 (see Chapter 14, p. 241).

(E) INDIRECT TAXES

The Conservative Party entered the 1979 General Election firmly committed to switching part of the burden of personal taxation from direct taxes to indirect taxes, i.e. from taxes on earning to taxes on spending. This switch was effected in the first of Sir Geoffrey Howe's Budgets, when the burden of Income Tax was reduced at all levels and—to pay for that reduction—the rates of Value Added Tax were increased. The need to bring the borrowing requirement under control meant that no net reduction could then be contemplated.

Value Added Tax. In the last year of Labour government, 1978–9, Value Added Tax was levied at two rates—8 per cent and 12½ per cent. The latter rate applied to what Mr Healey called ‘things we can afford to do without’, including boats, caravans and electrical appliances. Petrol was also charged to VAT at 12½ per cent. The weighted average rate on taxed items was about 9.0 per cent.

In the 1979 Budget, the two rates of Value Added Tax were unified and the new rate was fixed at 15 per cent. This standard rate was lower than that found in many other countries; about half of all items of expenditure remained exempt or zero-rated including food, travel, heating, light, newspapers, books and children's clothes. The unification of the two VAT rates made life easier for traders.

Value Added Tax is generally agreed to be a straight-forward tax to collect, and one which is difficult to evade. It is also fair to poorer people, because untaxed goods such as food, heat and light bulk large in their expenditure. The tax is also very productive of revenue. Whereas in 1978–9 Value Added Tax raised £4,900 million (compared with £18,776 million for Income Tax), in 1983–4 VAT is expected to yield £15,500 million, compared with £31,400 million for Income Tax.

Excise Duties. In 1979, when VAT was substantially increased, the excise duties on drink and tobacco remained unchanged. Petrol duty was raised in that year. The excise duties were raised moderately in 1980 and substantially (by twice the amount of inflation) in 1981. The increases of 1982 and 1983 were broadly in line with inflation.

Rates of Duty on Drink and Tobacco

	Cigarettes (packet of 20)	Beer (pint)	Spirits (bottle)	Standard Table Wine (bottle)
1979	37.5p	7.5p	£3.16	56p
1980	42.1p	9.1p	£3.56	64p
1981	58.1p	12.6p	£4.08	76p
1982	62.8p	14.3p	£4.34	86p
1983	66.0p	15.3p	£4.59	91p

Vehicle Taxation. Apart from rises in Petrol Duty and Value Added Tax on petrol, Vehicle Excise Duty was raised in 1980 and subsequent years. Over this period the rate of VED on motor cars has risen from £50 to £85.

(F) CAPITAL TAXATION

The Conservative Opposition mounted a powerful campaign against the capital tax measures of 1974–9, and secured many amendments during the progress of Labour's punitive legislation, especially on Capital Transfer Tax. The Conservatives promised to 'draw the teeth' of the Capital Transfer Tax once they were returned to office. In his 1980 Budget speech, Sir Geoffrey Howe set out the Government's position on capital taxation in the context of an enterprise package:

'I start with capital taxation, which is widely regarded, and rightly so, as a severe discouragement to those seeking to build up a business and pass it on to the next generation. We have, as I promised last year, subjected capital taxation to a thorough review. Representations from a large number of bodies have confirmed that the damage done by these taxes in their present form is out of all proportion to their yield. There is, of course, a place for capital taxation, including in particular a charge on death. But change is needed' (*Hansard*, 26th March 1980, Col. 1482).

The new administration was determined to avoid Labour's mistake of rushing into unconsidered legislation; instead, it consulted widely and adopted a step-by-step approach. Some supporters were disappointed; most now agree that the process of reform has gone smoothly and that much has been achieved. There are still changes needing to be made—but they tend to be the changes that would be the most costly in revenue terms.

Most of the smaller taxpayers have been taken out of liability to Capital Gains Tax and Capital Transfer Tax altogether. More than half the CGT cases have been relieved at the lower end, and two-thirds of estates liable to CTT have been taken out of liability. Not least, this has resulted in big administrative economies, both at the Inland Revenue and at the taxpayer's own desk.

Capital Transfer Tax. Introduced in a special winter Finance Bill in 1974–5, Capital Transfer Tax was intended by the Labour Government as an improvement on the former Estate Duty. A levy on lifetime transfers was introduced, removing the former *inter vivos* reliefs, and gifts were to be cumulative for tax purposes right through the lifetime as well as at death. CTT was immediately seen to be a deadly menace to family businesses, farming and the heritage. The incoming Conservative administration set about removing this threat.

- i. In 1980, the starting point for both lifetime and death transfers was doubled from £25,000 to £50,000, and the 50 per cent relief for business assets and agriculture was retained.
- ii. In 1981, the lifetime transfer scale was made less onerous, reaching a top rate of 50 per cent instead of 75 per cent.
- iii. In 1981 the cumulation period for lifetime transfers was limited to ten years and the annual exemption limit for lifetime gifts was raised from £2,000 to £3,000.
- iv. The small gifts exemption was raised in 1980 from £100 to £250.
- v. A 20 per cent relief was introduced for tenanted farm land in 1981 and there were new reliefs for charitable giving and for transfer of heritage assets. The 20 per cent relief was increased to 30 per cent in 1983.

- vi. In 1982, after extensive consultation, the application of CTT to trusts was reviewed and simplified.

In 1977 a group of senior Conservative Shadow Ministers wrote:

‘We would not think it right to remove all restraints on the aggregation and transmission of substantial wealth. It is no part of our aims to encourage the concentration of the country's assets in fewer and fewer hands. We are deeply concerned to enable many *more* people to acquire and transmit property, through the reduction of penal imposts on incomes, savings and transfers’ (*The Right Approach to the Economy*, 1977, p. 30).

Capital Transfer Tax is now approaching a form which meets these requirements.

Capital Gains Tax. Apart from the severity of its impact on small gains, the main criticism of Capital Gains Tax has always been that it failed to distinguish between real gains and those which just represented the inflationary rise in the money value of assets. The Conservative Government has met both criticisms:

- i. The former complicated scale of Capital Gains Tax, starting with annual gains of £1,000 was replaced, in 1980, by a flat rate of 30 per cent starting at £3,000. In 1982, the starting point was raised to £5,000 and in 1983 to £5,300.
- ii. In 1982, a form of indexation was introduced for Capital Gains Tax. Inevitably complicated, this reform meant that all gains arising on disposal of assets after March 1982 would, broadly, be indexed in respect of rises in the Retail Price Index index after that date—subject to the over-riding rule that indexation would not apply to the gain arising in the first twelve months after making a purchase.

There was some disappointment that the Chancellor had found it impossible to allow indexation of gains which had arisen during the period of most rapid inflation, 1973 to 1980. This, it was felt, would have involved a large and unacceptable loss of revenue.

Capital Tax Overlap. In the 1980 Budget a roll-over relief was introduced for CGT in order to remove the double charge on gifts resulting from the overlap between CGT and CTT. The following year this relief was extended to gifts into trust.

Investment Income Surcharge. Higher starting points have reduced the unfair impact of this tax on those with small and medium savings income (see p. 00).

Development Land Tax. The damaging impact of this tax, introduced in 1976, was greatly reduced in 1980 and 1981 when the starting point was raised from £10,000 to £50,000 and the rate was reduced from 66 $\frac{2}{3}$ per cent and 80 per cent to a simple 60 per cent. Other changes removed most of the damage done by this tax in discouraging the development and improvement of property assets; the tax remains in place to control the possibility of abuse.

Wealth Tax. The Conservative Manifesto of 1979 stated: ‘We reject Labour's plan for a Wealth Tax’. This remains one of the clearest differences between the Conservative and Labour Parties. The Labour Party is firmly committed to an annual Wealth Tax starting at quite modest levels of personal wealth.

(G) RELIEFS FOR ENTERPRISE

The Conservative administration has introduced a battery of tax and other measures to encourage small business and new enterprise. Penal rates of tax on higher incomes and on investment incomes have been cut, boosting incentives and rewards and making it easier to accumulate capital for business purposes. Enterprise Zones and Freeports are being established and an impressive range of new schemes has been launched. These schemes, including the Venture Capital Scheme, the Loan Guarantee Scheme, the Business Start-up Scheme, and others, are detailed in Chapter 4 of this Guide.

(H) COMPANY TAXATION

A consultative Green Paper, *Corporation Tax* (Cmnd. 8456) was published in January 1982. It examined various possibilities for reforming the tax system to take into account inflation and the modern accounting practices arising from it. Following a lengthy consultation process, the Government decided that the balance of advantage lay with stability. The **Chancellor of the Exchequer** said in his Budget speech on 15th March 1983:

‘There is one impression that stands out, and that is the overwhelming desire on the part of industry for stability in the corporation tax regime. I recognise the force in this. Change is not costless. I have therefore concluded that there should be no change in the broad structure of the present arrangements’ (*Hansard*, 15th March 1983, Col. 149)

Stock Relief. In the 1979 Budget, Sir Geoffrey Howe honoured an undertaking given by the Labour administration that deferred tax liabilities arising from the stock relief scheme would be written off after six years. This removed a heavy contingent liability from companies, following a period of rapid inflation.

International Business. In order to prevent excessive tax avoidance by companies, the Government consulted widely on proposals for changes in the law relating to company residence, ‘upstream loans’ and tax havens. Proposals on tax havens have been made in the Finance Bill 1983, to take effect in April 1984.

Banks. Following a period of very high interest rates, which enabled the banks to make exceptional profits on their customers' current accounts, the Government imposed a once-for-all levy on them, equivalent to 2½ per cent on their non interest bearing sterling deposits in 1981.

North Sea Oil. Various changes have been made to the structure of North Sea oil taxation, as the oil price has varied and fields have come on stream. Rates of Petroleum Revenue Tax were raised in 1979, along with the ‘uplifts’. Payments of the tax were advanced in 1980. A new tax, Supplementary Petroleum Duty, was introduced in 1981. In his 1983 Budget speech, the Chancellor announced an £800 million programme of tax encouragement for North Sea oil companies, to be spread over four years and including the phasing out of Advance PRT.

National Insurance Surcharge. The National Insurance Surcharge was introduced at the rate of 2 per cent in 1976 as an additional source of revenue for a spendthrift government. The rate was subsequently raised to 3½ per cent, representing a very heavy employment tax payable by employers. The incoming Conservative Government was resolved to reduce this tax on jobs. In 1982 the rate was cut from 3½ per cent to 2½ per cent. Subsequent cuts brought it down to one per cent by March 1983, representing in total a relief to the cash flow of private business of about £2 million a year. The Government hopes eventually to phase the surcharge out altogether.

(I) SHARE OWNERSHIP AND HOUSE PURCHASE

Profit Sharing Schemes. In 1980 a number of amendments were introduced to encourage the establishment of employees' share schemes set up under the Finance Act of 1978.

- i. The period of retention, during which shares allocated under a scheme might not be disposed of (other than on death, retirement or cessation of employment), was reduced from five years to two years.
- ii. The release date, beyond which no income tax liability would arise on the original value of allotted shares, was reduced from ten years to seven years.
- iii. The annual limit on allotment of shares under a Profit Sharing Scheme was raised from £500 to £1,000 (and increased to £1,250 in 1982).

In the 1983 Budget, an alternative upper limit to the annual allotment was introduced alongside the £1,250 limit. This took the form of a limit of 10 per cent of earnings, subject to an overall annual maximum of £5,000. The number of schemes in operation had grown from 30 in 1979 to 550 in 1983.

Stamp Duty. Scales were raised twice in the five Budgets 1979–83. Initially, the threshold was £15,000 and the full 2 per cent rate was reached at £30,000. The bands were all raised by £5,000 in 1980 and £5,000 in 1982. Thus the starting point in 1982–3 became £25,000, and the top rate was reached at £40,000.

It is estimated that in 1983 one in three house purchasers and about one in six first-time buyers would be liable for stamp duty. A consultative document on the possibilities for reforming the system of stamp duties was issued on 21st March 1983.

Mortgage Interest Relief. In the 1983 Budget it was proposed to increase from £25,000 of £30,000 the limit on loans qualifying for mortgage interest relief.

(J) CHARITIES AND THE HERITAGE

The tax treatment of gifts to charities has been much improved since 1979. A seven-point package introduced in 1980 included the following:

- i. Reduction in the duration of a covenant qualifying for Income Tax relief, from 'exceeding six years' to 'exceeding three years'.
- ii. Tax relief introduced against higher rates of tax and Investment Income Surcharge, subject to a limit of £3,000 a year, for covenanted gifts to charities.
- iii. Gifts to charities to be allowed tax relief as trading expenses, subject to normal rules governing deductibility of business expenditure.
- iv. Capital Transfer Tax relief for gifts to charities, made on or within a year of death, raised from £100,000 to £250,000.
- v. Charities to be completely exempt from Development Land Tax.

In the 1983 Budget, further changes were made:

- a. The exemption against higher rates of tax was raised from £3,000 to £5,000.
- b. Gifts to charities were made exempt from Capital Transfer Tax without limit.
- c. The cost to an employer of remunerating an employee who was seconded to work for a charity to be a tax deductible expense.

Value Added Tax on Charities' Non-Business Purchases. The Chancellor has found it impossible to accede to pressure to allow the recovery by charities of VAT on their non-business purchases. Such a scheme would involve at least 100,000 charities, and be very expensive to operate, both in terms of revenue forgone and in terms of staffing. It would be indiscriminate in its effects, benefiting not only those charities which do valuable work in the community, but also—and sometimes disproportionately so—many other bodies with very limited or controversial aims. Help to charities has been channelled in other ways.

The Heritage. Following passage of the National Heritage Fund Bill, the Finance Act 1980 provided for the Fund to be treated as a charity. At the same time the maintenance fund provisions were recast, giving tax advantages where the public was given access to historical buildings, collections and gardens.

(K) TAX ADMINISTRATION

By simplifying the tax system at a number of points and tightening up on administration, the Conservative Government has made possible a substantial reduction in the manpower of the two Revenue Departments.

Staff Reductions. The total staff of the Inland Revenue fell by 11,000, or 13 per cent, between May 1979 and 1st March 1983. A further reduction of 3,400 was then envisaged by 1984, making a 17 per cent reduction in all. Staff of the Customs and Excise had been cut by 11 per cent at March 1983, with a 12½ per cent reduction envisaged by 1984. The ability of Customs and Excise to reduce its staff has been constrained by the major growth in drug detection work.

Tax Simplification. The net-of-tax system for life insurance premiums, and the parallel arrangement for building society interest (MIRAS) have simplified the annual tax return and reduced the number of people for whom an annual tax computation is needed. Staff economies at the Inland Revenue have also been made possible by elimination of half the Capital Gains Tax cases and two-thirds of Capital Transfer tax cases in 1980.

Enforcement Powers. During the latter part of the 1970s there was growing disquiet about the enforcement powers of the Inland Revenue and Customs and Excise, and how they were used. The incoming Conservative Government set up an independent enquiry under the chairmanship of Lord Keith of Kinkel, a Lord of Appeal. The first part of the Committee's Report, with recommendations, was published in March 1983 (Cmnd. 8822).

(L) STATISTICS OF TAX REVENUE

The following table shows the estimated central government revenue in 1983–4, with comparative figures for earlier years.

Central Government Taxation

	£ million				
	1973-4	1978-9	1979-80	1982-3	1983-4
				(prov)	(est)
Income Tax	7,058	18,776	20,500	30,222	31,400
Surtax	305	15	11	—	—
Corporation Tax	2,245	3,938	4,650	5,480	6,200
Petroleum Revenue Tax	—	183	1,435	3,280	5,250
Supplementary Petroleum Duty	—	—	—	2,400	—
Capital Gains Tax	320	353	410	630	600
Development Land Tax	—	13	25	65	55
Death Duties	405	46	30	13	10
Capital Transfer Tax	—	323	400	500	540
Stamp Duties	192	433	610	850	975
INLAND REVENUE	10,525	24,080	28,071	43,440	45,030
Value Added Tax	1,805*	4,900	8,000	13,900	15,500
Oil	1,580	2,460	2,925	5,250	5,675
Tobacco	1,065	2,445	2,580	3,500	3,700
Spirits, beer and wine	945	2,335	2,395	3,025	3,900
Betting and Gaming	186	345	400	580	610
Car Tax	100	380	515	575	615
Other	469	10	10	20	20
CUSTOMS AND EXCISE	6,150	13,835	16,825	26,850	30,020
Vehicle Excise Duties	535	1,113	1,137	1,792	1,944
National Insurance Surcharge	—	1,914	2,964	2,830	1,697
SET (net)	112	—	—	—	—
TOTAL	17,250	40,942	48,997	74,912	78,691

*Including Purchase Tax

(Source: *Financial Statements*)

(M) INTERNATIONAL COMPARISONS

International comparisons of tax levels are notoriously difficult to make because of differences in earnings levels and exchange rate variations. However, some impressions can be derived from OECD and other figures.

(1) As a percentage of Gross Domestic Product, the burden of taxation in the UK is below other European Community countries, but higher than in the United States and Japan.

Tax Revenues as Percentage of GDP (1981)

	<i>Per cent</i>
UK	36·8
France	42·9

Tax Revenues as Percentage of GDP (1981)

	<i>Per cent</i>
West Germany	37.2
Netherlands	45.8
Sweden	51.5
Japan	26.1 (1980)
USA	30.7 (1980)

(Source: *OECD Revenue Statistics*)

(2) For those seven countries the United Kingdom balance between direct taxation (45.3%) and indirect taxation (54.7%) is about average. Social security contributions in the UK (both by employer and employee) are below average.

(3) The United Kingdom is more or less in the middle when average rates of Income Tax and social security contributions are related to the earnings of the average production worker (expressed in sterling).

Relation of Tax to Average Earnings

Sterling Equivalent of APW Earnings Combined Tax and Social Security

	£	%
France	6,420	15
Germany	10,190	29
Italy	7,260	24
Japan	12,600	20
Netherlands	9,820	39
Sweden	7,620	33
USA	11,685	18
UK	7,537	27.9 (1983–4)

(Source: HM Treasury, forecast 1st April 1983)

(4) The United Kingdom still stands out as having a very high starting rate of Income Tax, impinging at a low level of income. The following figures relate to 1982 and 1983, and exchange rates of February 1983.

Tax Starting Rates and Thresholds

(Married Couple without Children)

Income Tax Starting Rate Including Social Security Threshold

	%	%	£
France	7	18	4,290
Germany	18	35	3,340
Italy	16	22	2,110
Japan	14	23	3,340
Netherlands	16	37	4,000
Sweden	32	32	1,235

Tax Starting Rates and Thresholds

(Married Couple without Children)

Income Tax Starting Rate Including Social Security Threshold

	%	%	£
USA (Federal)	11	18	3,480
UK (1983–4)	30	39	2,795

(Source: HM Treasury)

(N) OPPOSITION POLICIES

1. LABOUR PARTY

Labour's campaign document, *The New Hope for Britain*, published in March 1983, sets out a massive programme of reflationary government expenditure. Even on a conservative costing a figure of £10,000 million can be calculated. Labour propose to finance this initially by borrowing, but

‘once the economy gets much nearer to full employment, some taxes will have to be increased, both to shift the tax balance towards those who can best afford to pay, and to help finance our social programme’.

The document hardly faces up to the problem of raising the substantial extra revenues that would be needed if the programme were not to end up in an orgy of inflation. However, under the heading ‘Fairer Shares’, there is a foretaste of the sort of tax reform that would be likely. This includes a firm commitment to an annual tax on wealth:

‘Our plan for expansion must be supported by measures to create a fairer Britain. We shall reform taxation so that the rich pay their full share and the tax burden on the lower paid is reduced. By progressively increasing the real value of the personal allowance, we will help the lower paid and those on average earnings. We intend also to bring down the starting point of the highest rates of tax, and to remove the present ceiling on earnings-related National Insurance contributions. ‘In *Labour's Programme 1982*, we explain how we will reduce tax avoidance. This will include action on family trusts and children's investment income. We also intend to limit the open-ended availability to higher-rate tax payers of various tax reliefs. A determined attack will be mounted on illegal tax evasion. ‘We shall also reform indirect taxation. We will extend zero-rating under VAT, with different rates for essentials and non-essentials. ‘Capital taxes will be used to reduce the huge inequalities in inherited wealth. We shall reverse most of the Tories' concessions on capital transfer tax and introduce a new annual tax on net personal wealth, along the lines set out in *Labour's Programme 1982*. This will ensure that the richest 100,000 of the population make a fair and proper contribution to tax revenue.’

Elsewhere in the programme, Labour promise to increase personal tax allowances, make further increases in child benefit, and extend the Invalid Care Allowance. This would be partly paid for by phasing out the married man's additional tax allowance for those under the age of retirement. The ‘various tax reliefs’ referred to presumably include relief on Building Society interest, pension fund contributions and life insurance premiums.

Labour's programme fails to recognise that increased government expenditure can only be met by borrowing, printing money or raising taxes. Borrowing pushes up interest rates. Printing money leads to inflation. Increased tax revenue can only come, in a country where inequalities of income have been substantially reduced, from levying higher taxes on the great mass of taxpayers.

2. THE ALLIANCE PARTIES

When this Campaign Guide went to press, the Social Democratic Party had not published its Taxation White Paper. Liberal Party tax policies have always been indefinite and opportunistic.

The one firm proposal adopted by the Alliance parties is the Counter-Inflation Tax, associated with the name of Professor Layard. This scheme would be linked to an incomes policy, under which an annual norm would be set for wage increases. Payments in excess of the norm would not be forbidden, but they would be discouraged by the levy of a heavy tax surcharge on the payroll of an employer who decided in practice to exceed that norm. Apart from its complication, this proposal would have the drawback of penalising the successful firm which had actually done well and could afford to pay above average wage increases.

APPENDIX

CONSERVATIVE BUDGETS, 1979–83

Budget—12th June 1979

This Budget, introduced six weeks after the 1979 General Election, made a start on implementation of the Conservative Party Manifesto. In it, direct taxes were cut by £3½ billion (£4½ billion in a full year) and indirect taxes, or taxes on spending, were raised by £2½ billion (£4½ billion in a full year). The Public Sector Borrowing Requirement was set at £8¼ billion for 1979–80, or 4½ per cent of GDP, compared with £9¼ billion, or 5½ per cent of GDP, realised in 1978–9.

Income Tax: basic rate reduced from 33 per cent to 30 per cent for 1979–80. First £750 of income still to be taxed at 25 per cent. Starting point for higher tax rates raised from £8,000 to £10,000 taxable income. Top rate of tax on earned income reduced from 83 per cent to 60 per cent, to apply from £25,000.

Investment Income Surcharge to be charged at single rate of 15 per cent on investment income in excess of £5,000, compared with former starting point £1,700.

Main personal allowances up from £1,535 to £1,815 (married) and from £985 to £1,165 (single). Wife's earned income allowance up from £985 to £1,165. Age allowance up from £2,075 to £2,455 (married) and from £1,300 to £1,540 (single): age allowance income limit up from £4,000 to £5,000.

Corporation Tax: rate for ACT reduced to 3/7ths. Rate of 42 per cent for small companies to be charged on profits up to £60,000. Full rate of 52 per cent to be charged on profits over £100,000.

Stock Appreciation Relief: relief given for years 1973–4 and 1974–5 to be written off after an interval of six years—effectively restricting clawback of stock relief to previous six years. Rate of relief increased for individuals and partnerships by reducing the profits restriction from 15 per cent to 10 per cent.

Capital allowances on leased cars to be limited to annual allowance of 25 per cent. Capital allowances on private cars costing more than £8,000 to be limited to £2,000 per annum.

Capital Transfer Tax: the period of transitional relief for discretionary trusts to be extended by two years to 31st March 1982.

Development Land Tax: rate reduced to 60 per cent with first £50,000 of development value realised in any financial year exempt.

VAT to be at one rate of 15 per cent on all taxable supplies.

Petrol Duty raised by 7p a gallon to about 37p.

Relief for interest paid on qualifying loans to be extended by two years to 5th April 1982.

Petroleum Revenue Tax (PRT) raised from 45 per cent to 60 per cent for chargeable periods ended after 31st December 1978. Uplift reduced from 75 per cent to 35 per cent.

War widow's pensions to be wholly exempt from tax.

Pensions: from 12th November 1979, retirement and widows' pensions increased from £19.50 to £23.30 per week (single), and from £31.20 to £37.30 per week (married).

Child Benefit: premium for first child of one parent families raised from £2 to £2.50 per week.

Budget—26th March 1980

A Budget for enterprise and for continued war on inflation. Public Sector Borrowing Requirement down from £9,120 million actual in 1979–80 (4¾ per cent of GDP) to £8,500 million (3¾ per cent GDP) estimated for 1980–1.

Income Tax: lower rate of 25 per cent abolished, saving 1,300 Revenue staff. Basic rate band taxed at 30 per cent extended from £9,250 to £11,250: higher rate thresholds raised by 11 per cent with maximum rate of 60 per cent on income over £27,750. Higher rate bands, and Investment Income Surcharge threshold, to be indexed in future years unless otherwise provided.

Investment Income Surcharge threshold raised from £5,000 to £5,500.

Main personal allowances increased in line with inflation of 18 per cent. Personal allowance up from £1,815 to £2,145 (married) and from £1,165 to £1,375 (single). Wife's earned income allowance up from £1,165 to £1,375. Age allowance up from £2,455 to £2,895 (married) and £1,540 to £1,820 (single): age allowance income limit up from £5,000 to £5,900. Effective increase in allowances, allowing for abolition of £750 reduced rate band, about 11 per cent.

Widows' Bereavement Allowance introduced, allowing a widow to claim the married tax allowance for the whole of the financial year in which the husband dies.

Short-term social security benefits, including unemployment benefit, to be liable to Income Tax from April 1982.

Certain gallantry awards: pension addition made tax-free.

Benefits in kind: motor-car scale amounts increased by 20 per cent. Assessable benefits from other assets (e.g., suits, TV sets) increased from 10 per cent to 20 per cent of market value. Notional rate of interest on cheap loans increased from 9 per cent to 15 per cent with no charge if benefit below £200 (previously £50).

Retirement Annuity Relief for self-employed increased to 17½ per cent of relevant earnings with no overriding limit (previously £3,000).

Life Assurance Relief reduced from 17½ per cent to 15 per cent.

Profit Sharing Schemes improved. Annual limit on allocation of shares to employees raised from £500 to £1,000. Retention period reduced from five to two years. Release date shortened from ten years to seven years.

Capital Gains Tax: first £3,000 gains of an individual exempted (£1,500 for Trusts) with 30 per cent charge on excess. Roll-over relief for gifts of business assets extended to all assets, relieving the double charge to CGT and CTT.

Losses on investments made by an individual in shares of unquoted trading companies to be allowed for income tax (Venture Capital Scheme).

Corporation Tax for small companies reduced from 42 per cent to 40 per cent on profits up to £70,000: full rate chargeable on profits over £130,000.

Stock Appreciation Relief: tax payable on clawback deferred for one year for accounting periods ending in or after 1979–80.

Close Companies: Forced distributions of trading income abolished.

Pre-Trading Expenses and costs of raising finance allowed as deductions for tax purposes.

Demergers: Relief from taxation available on splitting off a trade or company from a group.

Capital Transfer Tax threshold for cumulative gifts before tax becomes payable raised from £25,000 to £50,000. Gifts to charity on, or within one year of death exempt up to £200,000 (previously £100,000). Exemption for gifts to charities doubled to £200,000.

The National Heritage: Transfers of property of national interest or outstanding natural beauty into Heritage Trusts, together with associated funds for their maintenance, relieved of CTT.

VAT registration limit raised from £10,000 to £13,500.

Petroleum Revenue Tax (PRT) raised from 60 per cent to 70 per cent for chargeable periods ended 30th June 1980. Advance payments of PRT required from 31st March 1981.

Stamp Duty bands on house-purchase increased by £5,000 to encourage first-time buyers.

Charities: From 1980–1 covenants exceeding 3 years to qualify for tax relief (previously 6 years), and for 1981–2 the donor to be able to claim relief from higher rates of tax up to a maximum of £3,000.

Enterprise Zones announced with exemption from Development Land Tax, 100 per cent capital allowances on costs of industrial and commercial buildings, 100 per cent derating of industrial and commercial property, etc.

Small industrial buildings less than 2,500 square feet—to qualify for 100 per cent capital allowance.

Excise Duties increased approximately as follows: beer 2p a pint; table wine 8p a bottle; spirits 50p a bottle; cigarettes 5p a packet of 20; Vehicle Excise Duty for cars up £10 to £60; petrol 10p per gallon; derv 4p per gallon.

714 Certificate scheme modified.

Keith Committee appointed to report on Enforcement Powers of the Revenue Departments.

Unemployment Benefit to be subject to tax from April 1982.

Pensions: from November 1980, retirement and widows' pensions increased from £23.30 to £27.15 per week (single) and from £37.50 to £43.45 per week (married).

Child Benefit increased from £4 to £4.75.

Budget—10th March 1981

A Budget to bring public sector borrowing down from £13½ billion (actual) in 1980–1 to £10½ billion in 1981–2. Extra revenue of £3,610 million to be raised in 1981–2.

Income Tax rates and personal allowances unaltered.

Blind Persons' Allowance doubled from £180 to £360 (single) and from £360 to £720 (married, both blind).

Benefits in kind: motor-car scale benefits to be increased by 20 per cent from April 1982. Medical insurance premiums paid by employer not to be taxable on employees earning less than £8,500. From April 1982, employees to be taxed on season tickets and credit cards provided at the employer's expense.

Redundancy payments: first £25,000 exempt from tax; excess liable to Income Tax of half the normal full amount.

Capital Gains Tax roll-over relief extended to include gifts by individuals into settlements.

Corporation Tax for small companies: limit for 40 per cent raised to £80,000, with full rate of 52 per cent chargeable on profits over £200,000.

Business Start-up Scheme: relief from tax to be given for investments in shares in new trading companies by outside and minority investors. For 1981–2 relief for Income Tax on up to £10,000.

Loan Guarantee Scheme: Department of Industry to guarantee 80 per cent of loans up to £75,000 made by selected banks to businesses which would not have qualified for loans under the banks' normal lending criteria.

Venture Capital Scheme extended to investment by investment companies.

Industrial Buildings Allowance: initial allowance raised from 50 per cent to 75 per cent.

Stock Appreciation Relief: in future, relief to be calculated on stock at the beginning of the financial period by reference to the increase in the All Stocks Index (similar to RPI). Clawback of relief on cessation to extend only to previous six years.

Capital Transfer Tax amended to encourage lifetime gifts. One half of death rates to apply to lifetime gifts from £50,000 to £110,000 rising to two thirds on gifts in excess of £2,010,000. The cumulation of lifetime gifts to run for only ten years. Annual exemption increased from £2,000 to £3,000.

Agricultural Relief for Capital Transfer Tax extended to include 20 per cent relief on let agricultural land.

VAT Registration limit raised from £13,500 to £15,000.

Oil taxation: a new Supplementary Petroleum Duty to apply from 1st January 1981 and levied at 20 per cent on the total value of oil and gas extracted in the UK and from the Continental Shelf.

Windfall tax on banks: A once-only tax to be levied on banks' current accounts at a rate of 2.5 per cent.

Excise Duties increased approximately as follows: beer 4p a pint; wine 12p a bottle; sherry 25p a bottle; spirits 60p a bottle; cigarettes 14p a packet of 20; petrol and derv 20p a gallon. Vehicle Excise Duty up about 15 per cent; for cars from £60 to £70.

Pensions: from 23rd November 1981, retirement and widows' pensions increased from £27.15 to £29.60 per week (single) and from £43.45 to £47.35 per week (married).

Child Benefit increased from £4.75 to £5.25 per week.

Tax avoidance: decision in the House of Lords cases Ramsay and Rawlings reduced opportunities for tax avoidance by artificial schemes.

Budget—9th March 1982

Public Sector Borrowing Requirement for 1982–3 set at £9½ billion against expected out-turn for 1981–2 of £10½ billion. The prime purpose of the Budget was “to help private commerce and industry to help itself, by cutting its costs”.

Income Tax basic rate band increased from £11,250 to £12,800. Higher rate bands widened to give top rate of 60 per cent on earned income over £31,500 (previously £27,750). Basic rate unchanged.

Investment Income Surcharge threshold raised from £5,500 to £6,250.

Income Tax allowances increased by about 14 per cent (i.e., two per cent ahead of inflation over the previous year). Personal allowance increased from £2,145 to £2,445 (married) and £1,375 to £1,565 (single). Wife's earned income allowance increased from £1,375 to £1,565 (single). Wife's earned income allowance increased from £1,375 to £1,565. Age allowance increased from £2,895 to £3,295 (married) and £1,840 to £2,070 (single); income limit up from £5,900 to £6,700.

Redundancy payments: first £25,000 exempt from tax. Excess over £25,000 to be taxed in slices so that tax on amount up to £50,000 reduced by 50 per cent, tax on next £25,000 reduced by 25 per cent, and excess over £75,000 taxed in full.

Retirement Annuity Relief for self-employed. Rate for those born between 1916 and 1933 raised from 17½ per cent to 20 per cent; other rates raised accordingly.

Capital Gains Tax for 1982–3 and subsequent years to be indexed for inflation occurring after March 1982 (but no relief for first year of ownership). Annual exemption increased from £3,000 to £5,000 for individuals and from £1,500 to £2,500 for trusts. Roll-over relief to be extended to include transfers of assets out of trusts.

Corporation Tax for small companies: limit for 40 per cent rate increased from £80,000 to £90,000 with full 52 per cent chargeable on profits over £225,000.

Business Start-up Relief: for 1982–3 allowance to be £20,000. Some restrictions of the scheme relaxed.

714 Certificate Scheme: school leavers enabled to obtain 714 certificate.

Companies purchasing their own shares: certain purchases of own shares by unquoted trading companies (mainly small and family businesses) to be subject to Capital Gains Tax rather than to ACT and Income Tax.

Profit Sharing Schemes: maximum value of shares appropriated to an employee in any one year, without Income Tax liability, increased to £1,250. Income Tax on share options outside appointed schemes to be collected over three years rather than in single sum.

Local Enterprise Agencies: contributions by businesses deductible from profits for tax purposes.

Industrial Buildings Allowance allowed on buildings used for certain repairing and servicing activities.

Assured tenancies: 75 per cent first year capital allowance on new dwellings for letting as assured tenancies.

Small Workshops Relief: extended for further two years.

Capital Transfer Tax: New rate schedules for both death and lifetime transfers. Threshold for cumulative gifts before tax becomes payable raised from £50,000 to £55,000. Exemption limit for gifts to charity on or within one year of death raised from £200,000 to £250,000. Charge to tax on Discretionary Trusts restructured, with CTT liability at ten-year intervals.

VAT Registration threshold raised to £17,000. Relief to be allowed for services as well as goods supplied prior to registration.

Oil taxation: Supplementary Petroleum Duty abolished from 31st December 1982 but PRT increased from 70 per cent to 75 per cent with provisions for an advance collection procedure.

Employee benefits: Charge on free petrol to be deferred for one year. Higher scale rates to apply to cars in 1983–4.

Excise Duties increased approximately as follows: beer 2p a pint, wine 10p a bottle, sherry 13p a bottle, spirits 30p a bottle, cigarettes 5p a packet of 20, Vehicle Excise (cars) duty £70 to £80, petrol 9p a gallon and derv 8p a gallon.

AVGAS duty to be charged at half rate for petrol.

Betting and Gaming duties raised, including that on pool betting from 40 per cent to 42.5 per cent.

Stamp Duty: exempt level up from £20,000 to £25,000, with other bands also raised by £5,000.

National Insurance Surcharge reduced from 3.5 per cent to 2.5 per cent for 1982–3.

Mobility Allowance for the disabled to be freed from tax and increased from £16.50 to £18.30 a week.

Pensions: from 22nd November 1982, retirement and widows' pensions increased from £29.60 to £32.85 per week, (single) and from £47.35 to £52.55 (married).

Child Benefit increased from £5.25 to £5.85.

Mortgage interest for 1983–4 to be paid net of basic rate income tax: individual still to claim higher rate of relief if applicable (scheme later known as MIRAS).

Budget—15th March 1983

Public Sector Borrowing Requirement for 1983–4 set at £8 billion against expected out-turn for 1982–3 of £7½ billion. A Budget for people, directed especially at taking the lowest incomes out of the Income Tax net altogether.

Income Tax basic rate band increased from £12,800 to £14,600. Higher rate bands widened to give top rate of 60 per cent on earned income over £36,000. Basic rate unchanged.

Investment Income Surcharge threshold raised from £6,250 to £7,100.

Income Tax allowances increased by 14 per cent, compared with 5½ per cent required under indexation rule. Personal allowance increased from £2,445 to £2,795 (married) and £1,565 to £1,785 (single). Age allowance increased from £3,295 to £3,755 (married) and from £2,070 to £2,360 (single). Income limit up from £6,700 to £7,600.

Widows' Bereavement Allowance extended to cover the year after the husband's death.

Mortgage Interest Relief allowed on loans up to £30,000 instead of £25,000.

Capital Gains Tax: annual exempt amount raised in line with inflation to £5,300, and to £2,650 for trusts. Retirement relief doubled to £100,000. Private residence relief allowed to those required by terms of employment to live in accommodation provided with employment, e.g., licensees.

Capital Transfer Tax: threshold raised from £55,000 to £60,000. Business relief for minority holdings and relief for tenanted land up from 20 to 30 per cent. Exempt ceiling on transfer to charities removed.

Corporation Tax: small companies' rate reduced from 40 per cent to 38 per cent. Limit raised from £90,000 to £100,000; marginal relief limit up from £255,000 to £500,000. Following consultations on Green Paper, no changes proposed in broad structure of Corporation Tax.

Deep Discount Bonds: relief from tax.

Profit Sharing Schemes: tax relief for borrowing by employees to purchase shares in a management buy-out. Alternative limit of 10 per cent of employees' earnings (or £5,000, whichever smaller) for shares allotted under 1978 Profit Sharing Schemes.

Development Land Tax: further reliefs.

Business Start-up Scheme extended to Business Expansion Scheme, by inclusion of existing small companies as well as new companies.

Small Engineering Firms Investment Scheme revived, with expenditure of £100 million over 1983–6.

Loan Guarantee Scheme: lending ceiling doubled to £600 million.

First-year allowances for expenditure on British films continued at 100 per cent until March 1987.

Freeports to be introduced in two or three places.

Tax Havens: rules on taxation of UK companies in tax haven countries to be tightened up.

Oil Company taxation. Advance Petroleum Revenue Tax to be phased out by 1987. Numerous reliefs to encourage development of new oilfields in the North Sea.

Value Added Tax starting point raised from £17,000 to £18,000.

Excise Duties increased approximately as follows: beer 1p per pint; table wine 5p a bottle; sherry 7p a bottle; spirits 25p a bottle; cigarettes 3p a packet of 20; petrol 4p a gallon and derv 3p a gallon. Vehicle Excise Duties up, including cars from £80 to £85.

National Insurance Surcharge reduced to 1 per cent and heading for abolition.

Employee benefits: car and petrol benefits—taxable amounts to be increased by 15 per cent in 1984. Company scholarships to be brought within taxation (but not existing awards).

Charities: limit on higher rate Income Tax relief for covenanted payments to charities raised from £3,000 to £5,000. CTT exemption limit abolished for gifts and bequests to charities. Tax relief to be available on employees' salary costs which a company continues to meet during a period of secondment to a charity.

Retirement Pensions: uprating to be fixed on basis of rise in RPI to May 1983.

Child Benefit increased by 11 per cent from £5.85 to £6.50, from November 1983.

Unemployment Benefit: the 5 per cent abatement restored.

Disablement Benefit: people over 60 in receipt of invalidity benefit to qualify immediately for long-term supplementary benefit rate.

Supplementary Benefit disregards. Capital disregards increased from £2,500 to £3,000. Disregard for single payments increased to £500. New disregard of £1,500 for capital held as life insurance policy.

3. INDUSTRY

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(A) THE GOVERNMENT'S INDUSTRIAL STRATEGY

1. THE BASIC APPROACH

Free enterprise and private industry play an essential part in the creation of wealth and jobs. They help provide the resources needed for education, health care, social security and defence. As the **Prime Minister** has said: 'flourishing public services depend on a flourishing private sector' (Institute of Directors' Annual Convention, 23rd February 1983).

Market forces are far more efficient than a centrally-planned economy in responding to changing demands and opportunities. This is because those responsible for private companies either reap the rewards of success or pay the penalties of failure in a way that state planners and civil servants never do. A market economy therefore encourages greater efficiency. In particular, it:

- a. Offers the customer a wider choice of goods and services.
- b. Provides savers and pensioners with a better return on their savings.
- c. Gives the citizen greater freedom from state control thanks to personal ownership (notably of his home).

The main aims of the Conservative Government's industrial strategy are therefore:

- a. to reduce the State's role in industry;
- b. to increase competition;
- c. to remove wherever possible obstacles and burdens imposed on the private sector;
- d. to provide a proper legal and administrative framework for industry and commerce;
- e. to facilitate where necessary the inevitable process of industrial change.

Conservatives believe that action taken to meet these objectives will help the efficient functioning of the market.

2. THE WORLD ECONOMIC BACKGROUND

This period of Conservative government has coincided with the worst economic recession the world has seen for half a century, partly triggered off by the major increase in oil prices in 1979.

Output has fallen and unemployment risen in all major Western industrialised countries. Britain has suffered along with the whole of the Western world.

Nevertheless, there have been substantial achievements during this time to help industry and to provide the basis for sustainable recovery.

3. ACHIEVEMENTS

Lower Inflation. The Government's greatest achievement has been the reduction of inflation from a level of over 20 per cent—which it reached in 1980 largely because of the inflation left in the pipeline by the last Labour government—down to a level of around 5 per cent (see p. 13). This will be the first government for a quarter of a century to have a lower average rate of inflation than its predecessor.

Reduced Interest Rates. The achievement of the Government in bringing public spending, government borrowing and the money supply under control—and in this way reducing inflation—has helped bring down interest rates. It is estimated that each percentage point fall in interest rates helps business by between £250–300 million in a full year. Between the autumn of 1981 and April 1983, bank base rates fell by 6 percentage points.

Cuts in National Insurance Surcharge (NIS). The Government has cut NIS (the tax on jobs introduced and then increased by the last Labour government and supported by the Liberals and Labour MPs now in the SDP) from the level of 3½ per cent, left by the Labour Government, to 1 per cent. The Conservative Government's cuts in NIS help private industry by a total of around £2 billion a year (see p. 41).

Removal of Controls. The Government has abolished controls on pay, prices, dividends, hire purchase, foreign exchange, the location of factories, and the siting of offices. Decisions in these areas can now be taken by industry and commerce, which are responsible for them and can therefore make better judgements than politicians or civil servants.

Higher Productivity. Since 1979, productivity (in terms of output per employee hour) has increased significantly. Comparing the third quarter of 1982 with the average for 1979, productivity in the UK increased by 10 per cent, compared with 10½ per cent in Japan, 9¾ per cent in the USA, and ¾ per cent in West Germany (*Source:* Department of Industry, April 1983).

Improved Competitiveness. For many years, UK competitiveness was weakened because our inflation rate was higher and our productivity growth lower than in competing countries. Between 1975 and the first quarter of 1981, UK manufacturing industry suffered a loss of 50 per cent in its competitiveness (as measured by the IMF index of relative unit labour costs). Since then, competitiveness has improved by around 25 per cent (*Source:* Department of Industry, April 1983).

Balance of Payments. In 1982, the UK increased its share of world exports of manufactured goods. Despite a fall in world trade of manufactured goods of some 2–3 per cent, UK exports of manufactures rose by 1 per cent. In 1982, the UK exports of manufactures exceeded imports of manufactures by about £2.5 billion. (These are the true figures. Figures published in *Overseas Trade Statistics* value imports on a crude basis and inflate the figure artificially by including freight and insurance charges. These charges should be deducted for a true comparison with exports to be made.)

(B) PRIVATISATION

1. RECORD OF THE NATIONALISED INDUSTRIES

- a. The total cost of the nationalised industries (in capital write-offs and grants) since the Second World War is a massive £40,000 million—expressed at today's prices (*Hansard*, 9th November 1982, Col. 456).
- b. Pre-tax returns on investment have lagged consistently behind those of the private sector. Since 1972, the average rate of return on nationalised industries has never been significantly above zero.
- c. The pre-tax real rate of return, including subsidies, on the capital stock of the nationalised industries (estimated at £94 billion at the end of 1980), was minus 1 per cent (*Hansard*, 28th June 1982, Col. 222).
- d. Seven out of ten days lost because of strikes in 1980 and 1981 were in the public sector.
- e. Nationalisation does not protect jobs. As Mr Patrick Jenkin, Secretary of State for Industry, has said:

‘Under the last two Labour Governments, about 200,000 jobs disappeared in the nationalised coalmining industry; ... about 40,000 jobs disappeared in British Steel under the [last Labour] Government; ... in British Rail three jobs out of five have disappeared in the last 20 years; ... of the 87,000 shipbuilding jobs that existed when the industry was nationalised, only 65,000 remain today’ (*Hansard*, 9th November 1982, Col. 454).

(f) Prices charged by the nationalised industries have risen more rapidly than prices as a whole. In February 1983 the overall rate of inflation was 5 per cent, but in the public sector it was 13 per cent (Source: *Employment Gazette*).

(g) Since they are not subject to the normal commercial disciplines, nationalised industries—especially where they are in a monopoly position—tend to be less responsive to the needs of the customer. As the **Prime Minister** has said:

‘Which is more genuinely accountable to the public—a private firm which has to satisfy its customers, or the nationalised monopolies where it sometimes seems that the customers have to satisfy the demands of the producers?’ (Institute of Directors' Annual Convention, 23rd February 1983).

2. THE NEED FOR PRIVATISATION

There is a view—shared by the SDP—that it is irrelevant whether industry is state-owned or privately-owned, and that therefore, as Mr William Rodgers has put it: ‘a further programme of privatisation ... is wholly irrelevant to the major economic and industrial needs of the country’ (*Hansard*, 9th November 1982, Col. 464).

But, as Mr Jenkin has said:

‘Anyone who argues in the light of nearly 40 years' experience that there must be a way of managing State monopolies that will increase their efficiency, satisfy their customers and yield a return on the taxpayers' investment instead of being a burden on the taxpayer must believe in fairies. ... Every device has been tried and none has solved the fundamental problem of the State

industries. ... The system has failed. Are we to sit back and do nothing about it?' (*Hansard*, 9th November 1982, Col. 457).

The problem of the nationalised industries is not just one of management but also one of ownership. The three fundamental weaknesses in the public trading sector—monopoly, finance and accountability—are all primarily questions of ownership.

Nor can nationalisation be justified—as Labour vainly try—as ‘public ownership’. That is simply an abuse of language. As Mr Jenkin has said:

‘A few Labour MPs should try telling Soviet citizens that if they don't have enough money to feed their families, they just need to sell their shares in Siberian Salt Mines plc’. (Gloucester, 5th February 1983).

Public ownership is in fact ownership by no one.

3. ADVANTAGES OF PRIVATISATION

- a. Managers, the people who know most about the businesses, can decide their strategy free from government direction and without the financial constraints imposed by the Treasury.
- b. Privately-owned companies can raise money without worrying about the effect on public borrowing. They will have to do this in fair competition with other borrowers, since their debt will no longer be guaranteed by the taxpayer. Greater efficiency will result from investment having to compete for capital.
- c. Customers benefit from the effects that a reduction in monopoly power and increased competition have on efficiency, prices and choice.
- d. Privatisation leads to wider share ownership. Not only can individual investors and pension funds, etc., buy shares, but the Government has taken the opportunity afforded by the sale of public corporations to extend share ownership amongst employees. Since 1979, 90,000 employees of former publicly-owned companies now hold shares in their companies. The National Freight Company (formerly Corporation) is now owned by a consortium of its managers and workforce.
- e. Privatisation helps reduce the burden on the Exchequer and the taxpayer. In 1981–2, 22 per cent of the PSBR was accounted for by nationalised industry financing. Privatisation removes from the PSBR any future borrowing by the companies concerned. The Exchequer also benefits from proceeds of the sales of these companies. From 1979 to 1982, approximately £2 billion was raised in this way, and it is expected that over £2 billion will be raised in the period 1982–5.

4. PROGRESS IN PRIVATISATION

The Government has embarked on the greatest ever programme of privatisation and has already made substantial progress. A list of the main measures is given below.

Main Privatisation Legislation

Industry Act 1980	National Enterprise Board (see p. 60).
British Aerospace Act 1980	British Aerospace was floated as a public company in 1980 raising £150 million for the Exchequer. Since then its turnover and, exports have all improved in the face of intense international competition

Main Privatisation Legislation

	and recession.
Civil Aviation Act 1980	British Airways (see Chapter 7).
Transport Act 1980	National Freight Corporation (see Chapter 11).
Transport Act 1981	British Rail subsidiaries and British Transport Docks Board (see Chapter 11).
Iron and Steel Act 1982	British Steel's peripheral activities.
British Telecommunications Act 1981	Nearly half the Government's shares in Cable and Wireless were sold for £182 million.
Oil and Gas (Enterprise) Act 1982	British National Oil Corporation and British Gas oil interests (see Chapter 8).
Energy (Miscellaneous Provisions) Act 1981	Amersham International (see Chapter 8).
Miscellaneous Sales	British Sugar Corporation; government's shareholding sold for £44 million. Road Construction Units privatised. Motorway service areas sold on long leases. International Aeradio.

Legislation introduced in Parliament, expected to be passed by summer 1983

British Shipbuilders Bill	
Telecommunications Bill	51 per cent of the shares of British Telecom will be sold after the next General Election.

(C) PERFORMANCE OF NATIONALISED INDUSTRIES SINCE 1979

One of the Government's principal objectives has been to reduce public spending on nationalised industries and, as Mr Jenkin said:

‘... to shift the emphasis of spending away from supporting the casualties of the past to backing the industries and products of the future. That is now being achieved ... support for British Leyland, the British Steel Corporation and British Shipbuilding, which was £1.75 billion in 1980–1, is forecast to be under £750 million in 1983–4. That is a major reduction’ (*Hansard*, 21st March 1983, Col. 554).

1. BL (BRITISH LEYLAND)

The Conservative Government has given considerable support to BL—a total of £1,230 million by April 1983—to help it return to viability. BL is now on target to break even, before interest, in 1983 and to break even, after interest, in 1984. In its corporate plan BL has said that it does not intend to apply for more money beyond the further £100 million announced on 28th February 1983, which will be made available to it if needed during 1983 and 1984 (*Hansard*, 28th February 1983, Col. 18). BL expects to introduce private capital into its mainstream activities within the next two years. The Government hopes that this will pave the way for the eventual return of BL to the private sector.

There have at the same time been major improvements in productivity. Productivity in BL's car operations improved by 70 per cent between 1979 and 1982. Longbridge and the new Maestro facilities at Cowley are believed to have achieved some of the best productivity figures in Europe. Productivity at Jaguar doubled between 1980 and 1982.

Some divisions of BL are now trading profitably, notably Jaguar—whose sales in 1982 were up 50 per cent and whose exports to the US doubled—and Unipart. Austin Rover is rationalising its product line; it has recently introduced the Metro and Triumph Acclaim and launched the Maestro in March 1983. Over 90 per cent of the Maestro's components are British made. BL has collaborated on development of new models with Honda; the Acclaim is one such model and work is now in progress on a new executive car, the XX, which is expected in 1984. The bus and truck divisions of BL have been badly affected by the recession; production has been cut and they are trading at a loss. Overall, the workforce at BL in this country has been cut from 174,000 at the end of 1977 to 82,000 in March 1983.

2. BRITISH SHIPBUILDERS

British Shipbuilders was formed out of the major private shipyards which Labour nationalised in 1977. It has had a troubled history under state ownership and is now facing severe trading difficulties, in common with all other shipbuilders, because of the slump in world shipping and the consequent dearth of orders. At the end of September 1982, the current order book was worth £2,417 million, compared with £2,765 million a year earlier.

Despite this, the corporation has managed to reduce its losses from £109.9 million in 1979, to £41.4 million in 1980 and £19.7 million in 1981. Productivity improved by 15 per cent during 1981 and 1982. The workforce has been reduced from 86,700 at nationalisation in 1977 to approximately 60,000. The corporation has been split into five autonomous divisions under their own managing directors—merchant shipbuilding, warship building, engineering, offshore work and ship-repair. Despite these measures, it is now accepted that owing to the recession British Shipbuilders will substantially exceed the loss limit in the current year. Since the present Government took office, British Shipbuilders has received public support amounting to £600 million, and in 1983–4 the External Financing limit will be raised to £160 million, compared with the current year's £120 million.

The British Shipbuilders Bill 1983 is an enabling measure which makes privatisation possible by two routes—outright disposal and the introduction of private capital. It makes possible joint ventures with other companies. The Government hopes that the private sector will play a greater role in both ship-repairing and warship building, but realises that merchant shipbuilding is unlikely to attract private capital at the moment, and will continue to need Government support. But the British Shipbuilders' board will have greater opportunities to decide which activities the corporation should be involved in and how best to finance them. Mr Norman Lamont, Minister of State for Industry, referred to the legislation as: 'An opportunity to allow a breath of private capital and enterprise into the State-owned industry' (*Hansard*, 23rd February 1983, Col. 1000).

3. BRITISH STEEL CORPORATION

The World Crisis in Steel. The crisis facing British Steel is not confined to the UK. World-wide capacity in the steel industry at the end of 1982 was about 1,000 million tonnes, compared with world demand of less than 700 million tonnes. In the United States, the steel industry has lost 180,000 jobs, about 40 per cent of which have gone since 1979. In the European Community,

steel production in 1982 was the lowest for 30 years. Even in Japan, it was the lowest since 1972. In the UK, the production of liquid steel is running at a rate of below 10 million tonnes a year compared with actual capacity (in 1981–2) of 14.4 million tonnes.

The United Kingdom. The UK steel industry is, therefore, not alone in facing a crisis. But the problems for the UK were made worse by the failure of the last Labour government to tackle the industry's gross overmanning and consequent uncompetitiveness. Closures in the UK since 1979 have arisen—not because of the European Community, as is sometimes alleged—but because of a lack of competitiveness. In 1979, the UK had a workforce 20,000 greater than in France but it produced significantly less. In 1979, West Germany had a workforce 50 per cent greater than that in the UK, but it produced over twice as much steel.

While the Labour Party bears much of the responsibility for the loss of jobs and reduction in steel capacity which have taken place since 1979, it has fallen to the BSC under the Conservative Government to take those painful decisions. Since 1979, the reduction in labour in the steel industry in the UK has been greater than elsewhere. Under the chairmanship of Mr Ian Macgregor, BSC has shed about 100,000 of its workforce, and has reduced operating capacity to 14.4 million tonnes. But taking the period since 1974, the reduction in UK steel capacity has been much in line with other EEC countries.

Imports. It is sometimes argued that imports into the UK are the problem. In fact, Britain has a lower proportion of its market taken by imports than many other European countries. But, on imports from outside the EEC, measures are being taken by the Community to reduce the amount of steel imported into the Community to 12½ per cent below the 1980 level.

Imports from the EEC accounted for about 17–18 per cent of the UK market in 1981 and 1982. Before 1980, the year of the thirteen-week strike, the figure was 12–14 per cent. Since the strike, the UK has lost a significant slice of the market to imports from Europe.

Prospects. In December 1982, Mr Jenkin announced that, because of both the increase in steel production in 1983 expected by BSC, and improved competitiveness:

‘...it would be wrong to take irrevocable decisions on future steel capacity. ... I am therefore asking BSC to prepare its plan for the next three years on the basis that steel making will continue at all five major integrated sites’ (*Hansard*, 20th December 1982, Col. 673).

These are Port Talbot, Llanwern, Scunthorpe, Ravenscraig and Teesside.

Mr. Jenkin also reaffirmed ‘the Government's firm resolve that the corporation should return to lasting viability, free of Government subsidy. That is the only way to have an efficient steel industry, providing steel at competitive prices to the market, and the only way to achieve secure employment in steel’ (*Hansard*, 20th December 1982, Cols. 672–3).

Privatisation. As Mr Lamont has said:

‘the BSC has rationalised its activities to a greater extent probably than any other enterprise in the country. ... The Government's view is that this will help pave the way to returning the industry to private ownership. Ultimately, there is no part of BSC that cannot be privatised’ (London, 8th March 1983).

Much has already been achieved, thanks to the Iron and Steel Act 1981 which provided for the privatisation of British Steel subsidiaries.

Mr Lamont also outlined the measures the Government has taken to help the **private sector** of the industry rationalise its operations. So far, £31 million of the £50 million the Government has allocated has been taken up by firms.

4. POST OFFICE

In 1981, the Post Office's profits were £96.2 million, some £46 million above target. The Post Office is now in a stronger position than when the present Government came to power. It is probably the most profitable postal system in the world, which has helped make it possible for tariffs to increase by less than inflation. In April 1983, the proposed 1p increase in the first class letter rate was reduced to ½p, and the second class did not go up at all. Productivity rose by 4 per cent overall in April–December 1982, and 11 per cent in London, following implementation of advice from the Monopolies and Mergers Commission. These achievements have taken place in the face of new competition, made possible by the Government's liberalisation policies, in express delivery services and parcels.

5. ROLLS ROYCE

Rolls Royce is required to run as a private company under the terms of the April 1980 memorandum of understanding with the Government, which still owns the company. However, it provides the Government with reviews of its plans and requires approval for any major capital investment. It reduced its losses from £63 million in 1979 to £3 million in 1981, but there was an increase to £134 million in 1982. It has streamlined its workforce (which has been reduced by 13,000 since December 1980) and its production methods. It is developing engines for the new range of civil aircraft due to come on the market in the mid-to-late 1980s. The RB 211–535 is a launch engine for the new Boeing 757. Rolls-Royce and the Japanese have been collaborating on the development of the new RJ 500 for the next generation of medium sized 150-seat airliners such as the Airbus A320. Agreement has recently been announced for three other countries, the USA (Pratt and Whitney), Germany and Italy, to join this consortium. Rolls Royce is also involved in a wide range of military work. The Government is not looking for an early sale of Rolls Royce shares to the public, but regards privatisation as its eventual objective.

6. BRITISH TELECOM

When the Conservative Government came into office, British Telecom (BT) was, apart from the city of Kingston upon Hull, the sole supplier of telephone services and most telephone equipment. This absence of competition was bad for the customer.

At the same time, as a nationalised industry, BT could not raise the money it needed for investment from the financial markets. It either had to increase charges to customers, which meant steep rises in charges, or it had to fund its investment from borrowing which is controlled by the Government. For instance, under the last Labour government, between 1975 and 1979, investment declined in real terms year by year. So under nationalisation, charges have risen steeply while BT has been starved of investment.

The British Telecommunications Act 1981 separated BT from the Post Office and was a first step towards greater competition. The Government has now licensed a second network operation, Mercury, to compete with BT. It is the first such competitive network in Europe. In addition, an ever-widening range of equipment is being opened up to competition.

The Telecommunications Bill (introduced in November 1982) provides for the privatisation of BT—that is, its conversion into a Companies Act company and the sale of shares in that company to the public. It is the Government's intention to sell up to 51 per cent of the shares after the General Election. The Bill also establishes a new regulatory framework, and provides for the creation of an independent Director-General of Telecommunications and of an Office of Telecommunications.

The Bill opens the field of telecommunications to competition and contains safeguards to prevent British Telecom from abusing the monopoly that it is likely to retain in the provision of most telephone services before competition develops.

On 7th February 1983, Mr Kenneth Baker, Minister of State for Information Technology, announced that the Government had accepted the main recommendations of a report by Professor Stephen Littlechild on the future regulation of BT. These will be incorporated in the licence, granted by the Government, under which BT will operate in the private sector. The main features of the new régime will be:

Rural Services. The Secretary of State, in issuing British Telecom's licence, and the Director-General of OFTEL (see below) in monitoring it, will have a duty to ensure that BT provides a universal telephone service. This duty will be laid down in law and it means that anyone who wants a telephone will be able to have one. There are no grounds for people in rural areas to fear that they will be deprived of their service.

Kiosks and the 999 Service. BT will also have a duty to run the 999 emergency service, which is free, and the call box service, despite the fact that it makes losses. This duty will be a condition of the licence. These services will be subsidised and safeguarded by the income BT will derive from the access fees that it charges all telecommunication operators for the right to interconnect with its local networks. The Director-General will have powers to issue directives to BT on the retention of uneconomic services and the prices to be charged for them.

Prices. BT will be obliged to keep price increases for five years, for domestic rentals and local calls, to a figure fixed below the retail price index. The Government is considering extending this formula to cover other services such as installation and trunk calls. This will ensure a continuing reduction in the real cost of telephone services to the consumer, and a spur to continuing improvements in BT's efficiency.

OFTEL. The new Office of Telecommunications (OFTEL) will police these regulations. The Director-General will have powers to issue directives to BT on matters such as the retention of uneconomic services and the charges to be paid for them.

Monopoly. BT will lose its monopoly on the first telephone in each home or business. Customers who have standard sockets will be free to purchase or rent their phone from the supplier of their choice.

Maintenance. The maintenance of new equipment will be opened to competition by firms licensed by the Department of Industry. BT will be able to offer its own service, on a fair commercial basis.

As Mr Baker said:

‘The Government recognise the importance to the national economy of BT's vital role in telecommunications. We are phasing in these new measures of competition in step with progress towards moving BT out of the public sector and out of the present web of Government control. This is an expanding and rapidly changing market, and the greatest benefit to Britain, the consumer and the telecommunications industry will come from fuller and fairer competition’ (*Hansard*, 7th February 1983, Col. 634).

British Telecom itself has welcomed this new freedom and reacted energetically to the new, more competitive, environment in which the present Government has placed it. In 1982–3 it is spending £1.6 billion in capital investment, which will rise to over £1.7 billion next year. BT's profits increased rapidly from £123.9 million in 1980 to £457.8 million in 1981. This was achieved at the same time as tariff increases were kept down to 3 per cent, rebates introduced for low users and many charges for trunk and international calls reduced. The next increase in charges has been deferred to July 1983, and when BT is privatised it will continue to hold its price increases below the rate of inflation. This compares with the situation under the last Labour government when charges for local calls doubled in its first year in office, and charges in general rose by 60 per cent between 1975 and 1976 alone.

7. BRITISH TECHNOLOGY GROUP

The British Technology Group (BTG) was formed by the amalgamation of the National Enterprise Board and the National Research and Development Council. The Conservative Government has ended the NEB's role as an agent of backdoor nationalisation, to which it was appointed by Labour, and directed it to sell off its profitable investments and rid itself of perennial lossmakers. As a result Nexos, the office equipment supplier, and Insac, the troubled computer company, have been disposed of; and the Government has taken back responsibility for Rolls Royce and British Leyland. Amongst the shareholdings in viable companies that have been sold were a £37.2 million stake in ICL, a £21.8 million holding in Fairey and £55.2 million of shares in Ferranti.

BTG is still making a loss. In 1981 it lost £56 million, due in part to the continuing costs of establishing its protégé Inmos, the micro-chip maker which is building a plant at Newport, Gwent, and in part to the expenses associated with Nexos and Insac. The first half loss for 1982 was £5.1 million, compared with £11.9 million in the same period of 1981. BTG will in future play a very much smaller role as an investor and financier, and concentrate more on the NRDC's functions. In the words of its then Chairman, Sir Freddie Wood, it is to be an organisation ‘with a clear responsibility to pull through inventions from the universities to the shop floor’ (*BTG Annual Report 1981*).

(D) INCENTIVES AND SUPPORT FOR INDUSTRY

1. SUPPORT FOR INNOVATION

The Government is giving much higher priority to increasing awareness of new technologies and encouraging their application in industry—not only in new, but also in established, industries. It has doubled its support for new technology and innovation. As Mr Jenkin explained:

‘Last year we regrouped the various schemes of support under the general title, “Support for Innovation”. It brought together all my Department's assistance for industrial research and development, for increasing awareness of the new technologies and for promoting their application. We raised the maximum grant level from 25 to 33½ per cent and, with the help of the Budget, the rate will be kept at 33½ per cent for a further year beyond May 1983’ (*Hansard*, 21st March 1983, Col. 556).

The technologies eligible for support include Computer-Aided Design and Computer-Aided Manufacture (in the mechanical and electrical engineering industries); Computer-Aided Design, Manufacture and Testing (in the electronics sector); Flexible Manufacturing Systems; and Robotics.

As Mr Jenkin said:

‘We must redirect our industrial support to the products, processes, companies and industries of the future, because that is where prosperity and jobs will come’ (*Hansard*, 21st March 1983, Col. 557).

2. RESEARCH AND DEVELOPMENT

The Government plays the leading role in supporting basic research and development in industry, in the universities and in its own research establishments. In some areas of high technology the pace of innovation is so rapid that without government support British industry would fall behind its competitors. The Government has nearly doubled expenditure on research and development since 1978–9, to around £4 billion in 1982–3, including defence research. The rate of assistance under the Science and Technology Act 1965 has been increased from 25 per cent to 33½ per cent for a period of two years from 1982.

Defence contractors have been instructed to consider ways in which more civil spin-off can be extracted from their research and development. The British Technology Group has a mandate to co-operate with the private sector in the development of new technology.

3. INFORMATION TECHNOLOGY

Particular emphasis has been placed on the promotion of information technology which, it has been calculated, will soon affect 45 per cent of the UK workforce. 1982 was designated IT year and Mr Kenneth Baker was made Minister for Information Technology. The Government is now spending more than £200 million a year in support of information technology. The planned privatisation of British Telecom and the liberalisation of its monopoly will have an important role to play in development in this field, as will the Government's acceptance of the recommendations of the Hunt Report on Cable TV (see Chapter 19, p. 318).

4. SPECIAL SCHEMES

- a. **Small Engineering Firms Investment Scheme** (see Chapter 4, p. 72).
- b. **Coal-Firing Scheme.** This scheme provides assistance to encourage agriculture, manufacturing and most service industries to switch from gas and/or oil-fired boilers and other industrial equipment to coal-firing. Grants of up to 25 per cent are available under this scheme.

Loans of up to 50 per cent of the project costs are also available from the European Coal and Steel Community. Exchange Risk Cover is available on these loans.

5. NATIONAL SELECTIVE ASSISTANCE (SECTION 8)

Selective assistance under Section 8 of the (consolidated) Industrial Development Act 1982 (formerly Sec. 8 of the Industry Act 1972) is available to manufacturing industry for major projects involving new investment of at least £0.5 million which will lead to a substantial improvement in performance or the introduction of new products, or will introduce a substantial degree of innovation and produce a significant contribution to United Kingdom output. Grants are negotiable and are given at a level sufficient to ensure that the project goes ahead.

6. INWARD INVESTMENT

The Government welcomes direct investment by foreign companies in this country, because, as Mr Jenkin has said:

‘Freedom of investment has greatly benefited the UK economy since the war. It has brought new products, new technology, new management skills; it has boosted our exports and reduced imports: above all it has provided jobs ... many of them in unemployment black spots’ (Conservative Local Government Conference, 13th March 1982).

Britain therefore offers potential investors incentives at least as good, if not better, than other countries, and treats overseas owned companies in exactly the same way as their British counterparts.

Conservative Record. Under the Conservatives, Britain has been very successful in attracting overseas investment, especially from developed countries outside the EEC such as Japan and the USA. In 1980, nearly 60 per cent of US manufacturing investment in the EEC took place in the UK and over 40 per cent of Japanese investments in the EEC were in this country. For instance, Sanyo and Mitsubishi recently announced that they would start video recorder production here and this is a particularly important move since at present nearly all video recorders are imported. Since 1979, over 600 projects of this sort have been established, creating 60,000 new jobs. Our success in this field is expected to continue to create 10–15,000 jobs a year.

(E) REGIONAL POLICY

The aim of regional policy is to redress the economic imbalance that exists between the different areas of the country, particularly in the provision of secure and long-term job opportunities. The Conservative Government accepts the need for such a policy because, as Mr Jenkin said:

‘Every European country has parts of its population living in areas where, through long-term industrial decline, or remoteness from markets or other natural disadvantages, levels of

unemployment are consistently higher, investment in existing industry is consistently lower, new business start ups are consistently fewer than the average for the nation as a whole' (Peterborough, 4th December 1981).

Under Labour, by 1979, nearly half the population (44 per cent) lived in assisted areas. It was clear that the more diffuse regional policy is the less effective it becomes, so the present Government decided to concentrate the available funds on the most deprived areas. Assisted areas now cover 27 per cent of the population and, in order to increase the impact of regional policy, the differentials between incentives for special development, development and intermediate areas have been increased. However, the Government has recognised that where companies' investment decisions are affected by regional policy that policy must be stable and predictable, and so these changes have been made slowly. Where an area has gone down more than one grading (e.g., special development to intermediate status), the process has been phased. This contrasts sharply with the way in which the Labour Government abolished the regional employment premium in a matter of weeks in December 1976.

At present, a review of regional policy is being carried out by the Government, but Mr John MacGregor, Parliamentary Under-Secretary of State for Industry, has promised that there will be no more major changes in the lifetime of this Parliament (*Hansard*, 7th March 1983, WA, Col. 288).

Flexibility. The Government has been flexible in its response to changed circumstances. As a result of steel closures, Shotton and Port Talbot have been made Special Development Areas, and Corby, Newport, parts of Cumbria and Scunthorpe designated as Development Areas. In July 1982 Teesside became an SDA and Rochdale and Rossendale a DA. All downgradings are subject to review after two years, and the use of selective regional assistance under Section 7 of the Industrial Development Act 1982 has increased the policy's flexibility further.

Regional Development Grants (RDGs). The new policy now operates primarily in Special Development Areas (SDAs) and Development Areas (DAs). The former are mainly in and around the old industrial cities, such as Glasgow, Newcastle and Dundee. The Development Areas cover more of Britain—for instance, north west Scotland, rural Wales, Cornwall and part of Cumbria. Both are eligible for regional development grants. These grants are non-discretionary: provided that a minimum threshold is reached, they apply to capital expenditure by a manufacturing company on new buildings, and new plant and machinery. The rates are 22 per cent in SDAs and 15 per cent in DAs. The amounts paid in RDGs in 1981–2, compared with 1978–9 were as follows:

Regional Development Grants

1981–2 1978–9

Northern Region	£144 m	£106 m
North West	£143 m	£44 m
Scotland	£143 m	£66 m
Wales	£122 m	£49 m
Others	£65 m	£21 m
Total	£617 m	£286 m

Regional Selective Assistance. Section 7 of the Industrial Development Act 1982 provides for selective assistance to manufacturing companies in assisted areas. Projects must be viable and

provide or safeguard jobs in the areas. In addition, this Government requires the applicant to demonstrate that the project would not go ahead without Government support and that it will strengthen both the regional and national economy. Between May 1979 and April 1982, £392.5 million was allocated under this section, 134,079 jobs were created and 86,802 safeguarded. Grants were distributed as follows:

Section 7 Grants			
	Grant (£m)	Jobs Created	Jobs Safeguarded
Scotland	127.3	36,081	23,537
North East	64.9	15,011	14,760
North West	74.7	23,119	25,647
Yorkshire & Humberside	29.3	19,392	11,973
East Midlands	13.0	6,892	50
Wales	71.4	28,875	10,608
South West	11.4	4,665	227

(Source: Department of Industry)

Factory Building. The English Industrial Estates Corporation and the Scottish and Welsh Development Corporations remain active in this field. This has proved a cost effective way of attracting firms to the regions, particularly since the Industry Act 1980 has increased the scope for private sector involvement.

Regional Development Agencies. There are four Regional Development Organisations in England; and Scotland and Wales each have their own Development Organisation. The Government has increased the grants to these bodies for their promotional and advisory work, and has also acted to end the situation in which the English organisations were treated worse than their Scottish and Welsh counterparts.

(F) OPPOSITION POLICIES

1. LABOUR PARTY

Labour's industrial policies are outlined in *Labour's Plan, The New Hope for Britain* (1983), together with the TUC-Labour Party Liaison Committee's *Partners in Rebuilding Britain* (March 1983). They promise more nationalisation and state interference which would have a destructive effect on industry and jobs.

Planning. Major companies would be forced to 'negotiate' agreed plans with a new planning bureaucracy (see below), 'so that such companies play a constructive role in supporting the national plan and our plans for individual regions and sectors'; in other words, they would be told what to produce, how and where to produce it and at what price. This system would in effect be compulsion, for as Mr Benn has said: 'Bribing and bullying businessmen will not be an adequate response to the task facing us' (*Hansard*, 28th January 1982, Col. 1037). Labour's Plan makes clear that these development plans would be enforced 'with new industrial powers including discriminatory price controls, financial support and access to credit, and ... powers to invest in individual companies, to purchase them outright or to assume temporary control'.

More Bureaucracy. Labour promise:

- A new Department of Economic and Industrial Planning, with more powers than the old Department of Economic Affairs. It would be staffed by graduates from a new National Planning College. The corollary would be to weaken the Treasury's control over public expenditure.
- A National Planning Council, superseding the NEDC, with committees 'developing strategies for whole sectors of industry'. It would contribute to the National Economic Assessment which 'will not be a once-a-year event but a yearly cycle in which conflicting claims on resources are sorted out and reconciled, and priorities are agreed. It will form the basis of a five-year planning strategy to be called forward each year with the Assessment'.
- 'A National Investment Bank to put new resources—both from private institutions and government—on a large scale into our industrial priorities.' Labour clearly intend to use this as an instrument to gain control over the country's savings and pension funds.

Nationalisation. Even *Labour's Programme 1982* admitted that a radical improvement was needed in the performance of existing public services, and that the practical benefits of so-called common ownership had yet to be demonstrated. Despite this, a massive increase in nationalisation is proposed.

- Businesses privatised by the present Government would be renationalised. The Labour Party Conference has called for 'compensation only to be given on proven need', but the campaign document *The New Hope for Britain* (March 1983) takes the Shadow Cabinet line that 'shareholders should be repaid compensation of no more than that received when the assets were denationalised'. In other words, the benefits of any investment made since privatisation by the new owners would be confiscated.
- The statutory monopoly in telecommunications would be restored.
- Existing nationalised industries would be allowed to exploit their subsidised and monopoly protected position to diversify.
- Nationalisation will be widely extended into the electronics industry, the building materials industries, pharmaceuticals, road haulage, major ports, forestry, and North Sea oil.
- One or more of the major clearing banks could be nationalised and powers taken to acquire other financial institutions, if they oppose Labour's reforms of the financial markets. It may be recalled that in 1976 Mr Callaghan, speaking at the Labour Party Conference, called bank nationalisation 'an electoral albatross'.
- Powers will be given to workers to establish co-operatives.

Co-operatives. *Labour's Programme 1982* stated:

'The next Labour Government will ... provide a statutory right and mechanism for workers in private firms—subject to Government's consent—to convert their enterprises into a workers' co-operative by acquiring the assets of the firm, and provide assistance for this purpose.'

This is reaffirmed in *The New Hope for Britain*, and there is no suggestion that the owners of the enterprise should be consulted, so it seems that small businessmen will not only face a rising tax burden but also the threat that their businesses may be confiscated. In his book *Inside the Treasury* (Andre Deutsch 1981) Mr Joel Barnett, Chief Secretary to the Treasury in the last Labour government, says that the workers' co-operatives financed by the last Labour government (Meriden Motorcycles, Kirby, and the *Scottish Daily Express*) were 'sometimes known as

“Benn's Follies””. These concerns were in a poor financial state when they became co-operatives. Labour now plan to commandeer profitable companies for further experiments of this sort.

Regional Policy. *The New Hope for Britain* promises to ‘develop regional development plans, with plans also being drawn up at a local level by local authorities. Regional development agencies will be established, extending our present commitment to a Northern Development Agency to other English regions in need of them’. This represents a proliferation of bureaucracy. Furthermore, Labour propose greatly to increase expenditure by these bodies and also to ‘consider using new regional job subsidies’. The last Labour government abolished the Regional Employment Premium in December 1976. This was a subsidy of the sort Labour now contemplates reintroducing.

2. SOCIAL DEMOCRATIC PARTY

The Social Democratic Party's industrial policies are outlined in its White Paper No. 2, and have to be examined in the context of its general economic policy as outlined in White Paper No. 1. In the latter the SDP advocates massive reflation and manipulation of the exchange rate as a means of reviving the economy, and appears to rely on hopes of a voluntary incomes policy and cuts in VAT, NIS and some other tax burdens to restrain inflation.

Expenditure. The SDP promises extra expenditure on specific subsidies to industry. It promises £100 million per annum for five years to subsidise £2 billion of cheap credit to industry at 5 per cent below current interest rates. This help would be given selectively, with bigger sums through the British Technology Group for high risk ventures, and more expenditure per annum on other projects like those of the present Government—regional policy, help to small firms, and training.

Selective help through low cost credit or specific grants by the BTG would mean the Government taking decisions which are better taken by the market. Workers in firms which are not so favoured would suffer at the expense of those who are, and cheap credit for some would mean expensive credit for others.

Planning. ‘There should be no attempt to draw up a grand plan in the sense of a detailed blueprint for the development of all parts of the industrial economy, but rather a gradual development of policy within each sector informed by an overall view of the sort of developments to be encouraged’. This encouragement would take the form of discriminatory or selective subsidy and investment.

Nationalised Industries. In searching for a non-existent ‘middle way’ in industry, the SDP has failed to come to terms with the problem of the nationalised industries. It is against both significant further privatisation and against further nationalisation, arguing that:

‘Social Democrats regard the question of ownership as of little interest in its own right and have no desire to change the frontier between the public and private sectors of industry for its own sake.’

The SDP divides the nationalised industries into two categories:

1. Those where the market operates. They want to turn those into Companies Act companies, subject to the discipline of the markets and able to finance themselves by

issuing equity. In this way they would gradually become privatised. Unprofitable parts of these companies would be closed.

2. Those, mainly utilities, which are regarded as natural monopolies and cannot easily be made subject to market disciplines. They should be exposed to competition wherever possible and be subject to more effective monitoring by a special Audit Commission. Their management should be appointed by supervisory boards independent of ministers and their capital financing requirements excluded from the PSBR.

Apart from the last point, this policy represents no real departure from that of the present Government. However, this last suggestion that ministers should have no control over the management or financing of these public charges could well lead to rogue public corporations unaccountable to the public, to Parliament, or to the Government, and left free to pile up debt on the State's credit.

3. LIBERAL PARTY

The Liberal Party agrees with the SDP on most industrial policy issues, but on the problem of the nationalised industries Mr Jo Grimond has accused his own Party of not knowing what to do about it. He argues:

‘We have to reduce the public sector, the State run sector and hand it over to other bodies. The economy is probably unmanageable so long as the State attempts to do so much’ (*Alliance* magazine, December/January 1982–3).

Co-operatives. The Liberals display more interest in industrial democracy, and support the concept of producer or worker co-operatives, seeing them as offering scope to help the country to meet many of its difficulties. The Conservative Government has done more than any previous government to encourage employee share ownership and the development of small industrial co-operatives along with other small businesses (see Chapter 4).

4. SMALL BUSINESSES

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(A) POSITION IN THE ECONOMY

The report of the Bolton Committee of Inquiry on small firms in 1971 defined a small firm as one with up to 200 employees in the manufacturing sector, and elsewhere one to which certain arbitrary limits were applied, e.g., a turnover of £50,000 or less in the retailing trades.

There are now estimated to be 1,700,000 small businesses in this country. They employ about 6 million people, a quarter of the working population, and account for 20 per cent of GNP. The Bolton Committee examined the state of the small business sector and found it in long-term decline. Its contribution to economic activity had fallen sharply since the Second World War. Small businesses' share of manufacturing output and employment had halved, and there had also been a considerable drop in the number of small firms in the retail trade and in the construction industry. The Committee highlighted the burdens of taxation and bureaucratic regulation laid on small firms and the difficulties in securing adequate capital and loans. The last Conservative Government implemented most of the Committee's recommendations and further progress has been made under the present Government; the decline has begun to be reversed.

Small firms still play a smaller role in our economy than is the case with our overseas competitors. We have fewer small firms relative to population and a smaller proportion of our workforce in small manufacturing establishments than any other industrialised nation. The evidence from other countries is that a high small firms ratio has been accompanied by high levels of growth and output. In both Japan and Switzerland the percentage of those employed in small firms is double the British figure.

Most of our rivals have, for much longer than this country, pursued positive policies of fostering small businesses and many, notably Japan, America, Germany and Holland, have long-established channels of communication between their small firms and their governments to ensure that small business interests are always considered when decisions are taken. Although the UK has, since 1979, done much to catch up with its competitors, the problems of the small firms sector have for a long time been a symptom and a cause of our comparative decline as an industrial nation.

(B) CONSERVATIVE COMMITMENT

Conservatives believe that the health of small businesses is vital to the future of the whole economy. As the **Prime Minister** stressed:

'No sector in industry is more representative of the entrepreneurial spirit of Britain than the small and independent business community. The foundations of this country's economic structure are based on the enterprise of those who started and developed small businesses. The health of big

business may reflect the true state of the economy's present position but it is the health of small business which provides the best measure of its future' (Message to the Lancaster House Conference, inaugurating European Year of Small and Medium Sized Enterprises 1983 (EYSME), 27th January 1983).

Important functions of small businesses have been described by Mr Patrick Jenkin, Secretary of State for Industry, as follows:

'Small firms make a major contribution to our economy. They create employment. They provide variety and diversity for a local economy. They reduce over-dependence on major firms in particular localities. They are flexible—they can respond quickly to changing markets. They are innovatory—and there are countless examples of small firms succeeding in the new technologies. Small firms also reflect the best virtues of business. They display initiative and enterprise. They show an exemplary dedication to detail and commitment to the customer' (Tokyo, 19th January 1983).

In recent years, as large firms have been reducing their workforces, it has been small businesses that have provided the main source of new jobs in the private sector.

(C) CONSERVATIVE ACHIEVEMENTS

This Government has done more to help and promote small business than any of its predecessors. Since 1979 it has introduced over 100 measures to encourage the foundation and growth of small firms, and each Budget has contained a package of measures specifically for this purpose. The emphasis has been on removing obstacles and improving incentives, especially through the tax system. Small firms have also benefited, like their larger counterparts, from the Government's efforts to improve the climate for commerce and industry in general, and in particular its policies to bring down inflation and interest rates (see Chapter 1).

1. REDUCING THE BURDEN OF REGULATIONS

Less Bureaucracy. Since coming into office the Government has scrapped over 750,000 questionnaires, which previously went to small businesses every year. There has been a reduction in the requirements for disclosure of information by small companies. Planning procedures for small businesses have been eased. Planning applications are no longer needed for small extensions to industrial buildings or for changes from general industrial to warehouse use.

Employment Laws. Labour's 1975 Employment Protection Act proved particularly onerous for small firms, and its amendment by the Conservatives has been particularly welcome to them. In particular, the qualifying period for unfair dismissal has been extended from 6 months to 1 year, and for firms with 20 employees or less, it is now 2 years for new employees. Industrial tribunals are now obliged to consider small firms' resources and post-maternity reinstatement can be waived for firms with 5 employees or less. By reducing these burdens the Government has actively encouraged the continued growth in the number of jobs in this sector.

2. TAX INCENTIVES

Many of the Government's general fiscal policies have been of great help to the small business sector.

Income Tax. The Government has reduced the top rate of income tax from 83 per cent to 60 per cent. This was the largest cut ever made in the top rate of income tax and puts successful small businessmen on much the same footing, in this respect, as their European counterparts. The top marginal rate on investment income came down from 98 per cent to 83 per cent, which helps people who sell their firms in order to retire and live on the proceeds. Other measures which have reduced the income tax burdens on small businessmen have been the raising of personal allowances, the increase in the threshold of investment income surcharge and more generous tax relief on the pension contributions of self-employed people. These changes, taken together, constitute a significant incentive to businessmen to take risks and increase investment.

Capital Gains Tax. In the past the disposal of a shareholding in a small firm often attracted a substantial liability to Capital Gains Tax. The gain on which this was assessed had often been purely inflationary, and the liability was a serious problem for small businessmen who wanted to retire or transfer control to their partners or other members of their family. Since 1982–3 both Capital Gains Tax itself and the annual increase in the exemption limits have been indexed, and this provides considerable relief for the shareholders in small firms.

This Government has introduced ‘hold-over’ relief, so that assets can be transferred between members of a family or settlement without an immediate requirement to pay tax, while the ‘roll-over’ provisions, whereby the proceeds of sales can be reinvested in other business assets without attracting tax, have been made more favourable. In the 1983 Budget, retirement relief was increased from £50,000 to £100,000.

Capital Transfer Tax. The impact of this tax on the transfer of business property and shares has been reduced by lower rates, the widening of the bands and the increase in the exemption limit to £60,000. The latter means that some small firms can be transferred without incurring any tax liability at all. Previous gifts are now no longer included in an individual assessment after ten years, and relief on minority shareholding in private trading companies has been increased to 30 per cent.

Corporation Tax. In the 1983 Budget the rate of small company Corporation Tax was reduced to 38 per cent from 42 per cent under Labour, and the threshold raised to £100,000 from £50,000. The full rate of 52 per cent is now charged on profits over £500,000, up from £85,000 under Labour.

National Insurance Surcharge. This was introduced by Labour, who raised it twice to 3½ per cent. The surcharge is effectively a tax, payable by the employer, on jobs. The Conservatives have reduced it three times, and from August 1983 it will be down to 1 per cent.

Value Added Tax. Labour levied VAT at two rates, which increased the administrative burden on small businesses. This Government simplified it by unifying the rate. The threshold is now £18,000 per annum turnover, which means that very small businesses do not have to register at all.

3. THE ENTERPRISE MEASURES

In each of his Budgets since 1980, Sir Geoffrey Howe has introduced or extended a series of measures specifically designed to encourage enterprise and new small businesses. These measures have included tax relief, grants and advice; they have transformed the position of unquoted trading companies seeking outside equity.

Venture Capital Scheme (1980) enabled losses on equity investment in unquoted trading companies, incurred after 5th April 1980, to be set off against income. This relief is available at the taxpayer's highest marginal rate. The Scheme was extended to investment by companies in 1981.

Small Workshops Scheme (1980). Industrial Buildings Allowance (IBA) has been raised to 100 per cent on workshops with a floorspace of less than 2,500 sq. ft. IBAs on all other industrial buildings have been raised to 75 per cent and up to a quarter of the space may now be used as showrooms or offices. The effect of the 100 per cent IBA on the provision of small premises has been dramatic. The Department of Industry conducted a survey of 22 local authority areas which showed that it led to a 300 per cent increase in the supply of small industrial workshops and a significant improvement in private sector investment in them. Private capital accounted for 79 per cent of units built, compared with 30 per cent before the introduction of this measure.

This Scheme, originally established for three years, has since been extended for a further two years.

Meanwhile, the Government is actively engaged in building small workshops in the assisted areas through the agency of the Scottish and Welsh Development Authorities and the English Industrial Estates Corporation. The Development Commission builds them in rural areas. These have proved very popular with small business. In the twelve months to July 1982 EIEC completed over 500 small units. By the end of 1982 a further 430 were under construction and 500 more were planned. These units are let very rapidly and demand remains strong.

Demergers (1980). Measures were introduced to facilitate the process of demerger, by easing the tax charge on assets of the 'demerged' company.

Enterprise Zones (1980). Sir Geoffrey Howe announced in his Budget speech 1980 the establishment of Enterprise Zones, along the lines he had outlined in a speech at the Isle of Dogs, London, on 26th June 1978. These were to be set up in areas of economic dereliction, and new businesses were to be encouraged by a variety of tax reliefs and reliefs from laws and regulations, including:

- Simplified planning procedures.
- 100 per cent capital allowances for industrial and commercial buildings.
- Complete exemption from Development Land Tax.
- 100 per cent derating of industrial and commercial property.
- Exemption from industrial training board rules and levies.

Initially about half a dozen Enterprise Zones were envisaged. There are now twenty-one.

Close Companies (1980). A complex mass of tax provisions were simplified by abolition of the apportionment of trading income both of close trading companies and of members of trading groups.

Pre-Trading Expenditure (1980). Relief for expenditure incurred up to three years before the commencement of a trade to be allowed as a deduction in a new business's first accounting period.

Purchase of Own Shares (1981). To help with certain problems arising in small and family businesses, arrangements were made for transactions involving the purchase by a company of its

own shares to be subject to Capital Gains Tax rather than to Advance Corporation Tax in the hands of the vendor.

Loan Guarantee Scheme (1981). A scheme developed to fill a gap in the capital market, where money had not formerly been available to start or develop a business, perhaps because of lack of collateral security. Loans extended by the major clearing banks and the ICFC would be guaranteed by the Department of Industry in return for a special risk premium. Individual loans were limited to £75,000 and the scheme started with an overall limit of £50 million. This limit was subsequently extended to £300 million, and in 1983 it was announced that a further £300 million would be available for the following three years. At the end of February 1983, some 8,861 guarantees had been issued, to a total loan value of £295 million. In November 1982, Mr John Macgregor, Under-Secretary of State for Industry (with special responsibility for small firms), stated that half the loans had gone to new businesses and half to existing firms. It is estimated that the Scheme has created well over 20,000 new jobs.

Business Start-up Scheme (1981). (Business Expansion Scheme (1983).) A novel scheme to encourage outside equity investment in new trading companies, by allowing the cost of such investment to rank as a deduction to the investor for income tax purposes at the time it was made. The relief, available at the investor's top marginal rate, was initially restricted to an investment of £10,000 in any one year. In 1982 that figure was increased to £20,000 and in 1983 to £40,000. The Scheme applied to most forms of enterprise, but not more than 50 per cent of a company's share capital was eligible, and the investor had to be an outsider, i.e. not the owner or employee of the business, or a close relative. The 50 per cent requirement was dropped in 1983. An investor was allowed to participate in the Scheme through the medium of an approved investment fund, which would enable his investment to be aggregated with others and invested in a wider range of qualifying start-ups than might have been available to him as a single investor. Mr John Macgregor told Parliament on 26th November 1982 that £13 million had been invested through approved funds.

In the 1983 Budget, the Chancellor of the Exchequer extended the Start-up Scheme to include investment in qualifying *established* unquoted companies as well as new companies. The life of the Scheme was extended for three years, and a possible annual take-up of £75 million was envisaged.

Local Enterprise Agencies, encouraged by the Government, are privately financed organisations providing help and advice to new businesses. In the 1982 Budget these agencies were assisted when contributing companies were allowed to deduct for tax purposes the value of their contributions.

Managerial Investment (1982). Tax relief for interest paid on money borrowed for investment in a close company extended to borrowers owning less than 5 per cent of its ordinary share capital, provided they act for the greater part of their time in the management or conduct of the business.

Enterprise Allowance (1982). This scheme was set up in 1982 to encourage unemployed people to set up in business, by paying them £40 a week for their first year to offset the loss of unemployment benefit. Five pilot schemes were originally set up and there were about 2,000 successful applications. In the 1983 Budget it was announced that the scheme would be extended to the whole country, with an allotment sufficient for 25,000 applicants. Applicants have to invest at least £1,000 of their own money.

Employee Buy-outs (1983). Interest relief to be available on loans raised by those involved in employee buy-outs, to enable them to take up shares.

Small Engineering Firms Investment Scheme (1983). Reintroduction of a scheme which had been successfully operated in 1982, whereby the Department of Industry assisted small engineering firms—many of them in the West Midlands. Total £100 million to be spread over three years.

Freeports (1983). Legislation to be introduced setting up two or three freeports on an experimental basis. A freeport is a secure area treated as being outside the customs territory where goods can be manufactured, processed and stored without payment of customs duty and subsequently exported to other countries.

4. OTHER MEASURES

Regional Aid. Small businesses, like all others, are eligible for Regional Development Grants and Selective Regional Assistance under Section 7 of the Industry Act 1972 and the new Industrial Development Act 1982. In 1981–2, 62 per cent of all offers under Section 7 went to companies employing less than 200 people.

Support for Innovation. Many small firms benefit from these schemes. In 1981–2, thirty per cent of grants under the Products and Processes Scheme went to projects under £100,000, and seventy per cent to projects under £250,000.

Rates. Rates are outside the direct control of the central Government, which has nevertheless made strenuous efforts to restrain their increase. Small business has been particularly hard hit by excessive rises imposed by authorities such as the GLC and the West Midlands, both Labour-controlled. The Government has moved to help small firms by giving all ratepayers whose property has a rateable value of less than £2,000 the right to pay by instalments, by increasing domestic rate relief for owners of mixed hereditaments, and by banning supplementary rate demands.

Business Opportunities Programme (1981). To back up the fiscal and other measures, the Government launched a Business Opportunities Programme to publicise the help, advice and incentives available to small business. Conferences were held, and improvements were made in the advisory service available to small business in urban areas and through the Council for Small Industries in Rural Areas (COSIRA).

European Loans. Small businessmen can obtain these loans from the European Investment Bank, which provides them under the EEC's Ortooli facility. They are administered in this country by the Midland Bank and ICFC. Firms from all areas are now eligible, the loans are for sums of £15,000 up to £2 million, and are for 50 per cent of the cost of fixed assets in either manufacturing or tourism, or services related to these two sectors. The Government operates an Exchange Risk Guarantee Scheme whereby it takes the exchange risks on loans made in foreign currencies. This enables firms to take advantage of the lower interest rates prevailing in some European currencies without running risks with the exchange rate.

Public Purchasing. The Government is anxious to encourage small firms to gain more public orders. On 26th November 1982, Mr John Macgregor announced (*Hansard*, Col. 1177) three measures designed to encourage this:

- Suppliers to most Government Departments are exempted from normal approved procedures for contracts under £2,000.
- Non-approved firms can tender for non-urgent contracts and be approved afterwards.
- Departments have been instructed to review regularly their approved lists and encourage new suppliers.

The Government has also obliged local authorities to offer their housing and highway maintenance services to tender.

The Design Advisory Service. Firms with between 60 and 1,000 employees will benefit from an extension to this service aimed at helping them to improve the standard of their product design. It provides the services of a design consultant for 15 days at no cost to the firm, and this may be extended by a further 15 days if the firm pays half the extra cost.

Small Firms Technical Enquiry Service. Introduced in June 1982, this service extends to firms with under 200 employees the type of advice previously only available through the Manufacturing Advisory Service. It aims to provide a fast answer to technical enquiries.

(D) LABOUR'S RECORD AND POLICY

1. LABOUR'S RECORD

The period of the last Labour Government was disastrous for small businesses, which suffered not only from Labour's general economic mismanagement, but also from Socialist hostility to free enterprise and privately owned small firms. The main problems they had to contend with were:

(a) **Rising Inflation and Costs.** Small businesses had to compete for labour with the public sector and with large companies, which had been forced by the unions to concede massive wage rises. Many small businesses could not afford to match these increases. Other costs soared, including those of materials, for which there was no adequate system of stock relief. The credit squeeze of 1976 led to the withdrawal of overdraft facilities for many small businesses, and penal interest rates stifled plans for investment.

(b) **Penal Taxation.** Under Labour an excessive level of personal taxation made enterprise and risk-taking very unattractive. Top tax rates under Labour were 83 per cent on earned income, and 98 per cent on investment income. Corporation Tax was set at 52 per cent on profits above £85,000. Capital Gains Tax was charged on gains from the sale or gift of interests in private businesses, and no relief was given for inflationary 'paper' gains. In 1975, Capital Transfer Tax made the transfer of a business within a family or to partners fully taxable. Many family firms could only pay this tax by breaking up the business. Later, a limited form of relief for business assets was introduced, but thresholds were not raised in line with inflation.

(c) **The Employment Protection Act 1971.** The provisions of this Act applied equally to small businesses, larger companies and the public sector. Small firms found these burdens especially expensive and onerous.

2. LABOUR'S POLICY

The Labour Manifesto of 1979 did not even consider small businesses. Labour's 1983 campaign document, which outlines the policies they intend to pursue if returned to power, only mentions them in passing. In fact, it devotes more space to Latin America than to the problems of this vitally important sector of our economy. However, although it does not bother to examine the problems of small businesses, it contains several proposals—apart from its economic policies which would prove disastrous—which can only give cause for alarm. In particular, Labour propose:

- A workers' right to turn an enterprise into a co-operative, apparently without needing the consent of the owner.
- A wealth tax and the restoration of high rates of other forms of personal taxation.
- Price and profit controls, but not wage controls.
- Restoration and extension of the rights of the Trades Unions.
- Restoration of public monopolies like the Post Office and British Telecom, whose excessive price rises damaged small businesses under the last Labour Government.
- Extension of public planning powers to cover many small firms via local authority enterprise boards.
- Strengthening of the Sex Discrimination Act in a way likely to harm small businesses.
- Withdrawal from the EEC.

5. EMPLOYMENT AND TRAINING

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(A) CAUSES OF UNEMPLOYMENT

The poor performance of the British economy over the last twenty years has been due not to a shortage of demand but to a growing series of failures on the supply side of the economy. Overmanning, restrictive practices and pay which bore no relation to productivity steadily eroded the competitiveness of British industry.

In office, Labour failed to tackle these fundamental problems. Indeed, they exacerbated them by subsidising heavily overmanned and inefficient industries; underwriting inflationary pay awards; enhancing trade union power and privileges, making it hard to root out overmanning and restrictive practices, or resist unjustified wage claims; and imposing a battery of controls on British industry which ate into profits and efficiency.

1. WORLD RECESSION

Successive increases in the price of oil have meant that industrialised countries have had to spend more on oil and less on manufactured goods. For Britain, which exports a higher proportion of her GDP than any other country, this has had a serious effect on employment.

All industrial countries have been affected, as the table below shows:

	1979	1980	1981	1982
United States	5.7	7.2	7.6	9.5
Japan	2.1	2.0	2.2	2.3
Germany	3.2	3.5	4.8	7.0
France	5.9	6.3	7.3	8.5
United Kingdom	5.7	7.0	10.6	12.3
Italy	7.5	7.6	8.5	9.3
Canada	7.4	7.5	7.6	11.0
Major seven				
OECD countries (i)	4.9	5.7	6.5	8.0
Other OECD countries	—	8.5	8.9	10.5
OECD Europe	—	7.1	8.4	10.0

Unemployment—International Comparisons
(Percentages)

Total OECD — 6.3 7.1 8.5

(i) Organisation for Economic Co-operation and Development.

(Source: *OECD*. Figures are adjusted as far as possible to preserve comparability)

In fact, unemployment in some countries has increased faster than in the United Kingdom over the last year.

Numbers Unemployed, Selected Countries, Seasonally Adjusted

	<i>May 1979</i> <i>000's</i>	<i>Jan. 1982</i> <i>000's</i>	<i>Jan. 1983</i> <i>000's</i>	<i>% Increase May</i> <i>1979–Jan. 1983</i>	<i>% Increase Jan.</i> <i>1982–Jan. 1983</i>
1. France	1,376	1,902*	2,009*	46%*	5.6%*
2. UK	1,306	2,812	2,984	128%	6.1%
3. Japan	1,120	1,250†	1,380†	23%†	10.4%†
4. Italy	1,575	2,187*	2,600*	65%*	18.9%*
5. USA	5,929	9,298	11,446	93%	23.1%
6. Germany	870	1,588	2,121	144%	33.6%
7. Netherlands	210	435†	616†	193%†	41.6%†
8. Canada	853	1,026*	1,533*	80%*	49.4%*

*Preceding December

†Preceding November

(N.B. Because of different statistical methods these figures may not be strictly comparable. However, they serve to show trends).

(*Employment Gazette*, August 1979; July 1982 and February 1983)

Unemployment in France and Germany would be far higher but for conscription, repatriation, well-developed training schemes and earlier retirement than in Britain. In Italy normal retirement age is 60 for men and 55 for women. In Japan, many employers recruit people at the start of their working life and accept responsibility for them up to and beyond retirement, even maintaining jobs where there is not enough work to do.

2. PAY

The more expensive and the less productive labour is, the less demand there will be for it. It is important, therefore, that wages should rise only in line with productivity. This fact is only now being absorbed by trade union leaders in Britain, although it was set out in the 1944 White Paper on Employment Policy (Cmd. 6527):

‘...increases in the general level of wage rates must be related to increased productivity due to increased efficiency and effort.’

Between 1960 and 1980 productivity in Britain grew more slowly than in any other OECD country, whilst wages in manufacturing grew at an annual rate of 2 per cent faster than the OECD average (see Chapter 1. p. 9). This process accelerated during the 1970s, when the CBI

has estimated that pay in the United Kingdom rose nearly twice as fast as our main competitors, whilst productivity increased by only half as much. The inevitable consequence was a loss of competitiveness and thus of jobs. In 1980 the process was exacerbated by the pay explosion which followed the collapse of Labour's incomes policy.

The imposition of centralised incomes policies; the tendency towards 'national' pay bargaining, the growth of the public sector; and increasing unionisation (TUC membership rose by 4 million between 1960 and 1979) simultaneously undermined the adjustment of pay to commercial realities. Companies always face a wide variety of market conditions: some have weak, others strong demand; some need skilled labour, others unskilled; some are profitable, others barely surviving; some are far from, others close to, their market, some are in declining regions, others in prosperous ones, some have low, others high overheads; and some are able to increase productivity, while others are not.

In Britain pay did not adjust to these conditions.

Youth Wages. Nor did pay adjust to age and experience. The efforts of trade unions and Wages Councils—which set minimum rates where there is no collective bargaining—to bid up youth wages relative to those of adults has simply priced the young out of work. Mr Norman Tebbit, Employment Secretary, has explained:

'The more it costs to take on young trainees, the fewer opportunities there will be—yet the gap between young peoples' and adults' pay has narrowed in recent years; discouraging—indeed preventing—employers taking youngsters on. It is simply no good expecting employers to pay for more than inexperienced youngsters can produce' (Bournemouth, 23rd April 1982).

In Great Britain, 16 year-old apprentices can expect anything between 30 and 70 per cent of the adult wage, whereas in West Germany they usually earn only 20 per cent. The average labour cost of employing a 16 year-old in Britain in 1981 was over £3,000, and in April 1982 a young man aged 18–20 earned, on average, £90.80 a week, irrespective of skill. This was nearly 70 per cent of the earnings of men aged 21 and over, and a higher proportion of adult wages than in any other Western country. Even if youth wages remained at the present level as a proportion of adult wages, young people would still be priced out of work. At a time of world recession, and with record numbers of young people on the labour market (see p. 80), any resistance to a fall in relative youth wages is enough to ensure that youth unemployment remains high.

It was for these reasons that the Government initially sought a £15 weekly allowance to trainees on the new Youth Training Scheme (see p. 89). The Government has also given serious consideration to the future of Wages Councils, but under ILO convention 26, Britain is obliged to maintain such wage-fixing machinery. The Convention cannot be denounced before June 1985, but in the meantime the Wages Council system is being streamlined and Wages Councils have been urged to bear in mind the implications for jobs of their recommendations.

Signs of Realism. The annual rate of increase in average earnings has halved from a peak of over 20 per cent in 1980—when unemployment was rising by 100,000 a month—to under 8 per cent at the beginning of 1983. As inflation has fallen, trade union negotiators—notably at British Leyland, Scottish and Newcastle Breweries, Hoover and Caterpillar—have been willing to sign two and even three-year pay agreements, virtually unknown since inflation became endemic in the 1960's. At Hyster and ICI the workforce has even accepted pay cuts to keep the company in business. On youth pay, the Electrical Contractors' Association and the electricians' union (EEPTU), have reached agreement on a substantial reduction in apprentice pay rates in order to

boost the apprentice intake (*Financial Times*, 7th January 1983). In general, managers have effected a shift in pay bargaining away from national, industry-wide and multi-employer bargaining, towards single employer and single plant negotiations. The Government is seeking to mirror this development in the public sector—in the water industry, for example.

To encourage the payment of more realistic wages the Government has introduced the *Young Workers Scheme* (see p. 81). The Clegg commission on pay comparability, schedule 11 of the 1975 Employment Protection Act and the 1946 Fair Wages Resolution, which also enabled unions to push up wages on the basis of ‘comparability’, have been abolished. The Government has also ceased publication of the London Weighting Indices, and published a consultative paper on the possible repeal of the Truck Acts, to encourage employers to pay by cheque rather than cash, which is far more expensive.

3. LOW PRODUCTIVITY

Britain's productivity performance over the last twenty years has been consistently worse than the OECD average (see Chapter 1, p. 9). It reflects particularly the overmanning and restrictive working practices enforced on British industry by the trade unions over many years. As long ago as 1965, Lord Shawcross, a former Labour Attorney General, had warned:

‘The truth is—and this is the key to the productivity problem—there are so many workers under employed in this country today that we have a barely concealed unemployment of several millions, paid for by industry and a charge upon production’ (*Financial Times*, 11th November 1965).

The following examples, drawn from a long period, indicate the chronic nature of the problem:

- The Donovan Report estimated that a 25 per cent increase in output per man was possible in the chemicals industry simply through ‘changes in attitudes and practices’ (Cmnd. 3623, 1968).
- The 1975 Central Policy Review Staff (CPRS) Report on the future of the British motor industry found that it took two workers in Britain to produce the same number of cars as one on the Continent, and six maintenance men to do the jobs of three in Europe (HMSO, 1975).
- A 1975 study of British Rail found that on the Midland Region train drivers spent only 2½ hours of an 8 hour day actually driving trains (*The Rail Problem* Pryke and Dodgson, 1975).
- British Shipbuilders disclosed in March 1979 that productivity per worker in their yards was only half that of their European and Japanese competitors. An internal study revealed that three hours a day were lost simply in bad time-keeping, slow walks to the workplace, correction of mistakes and deliberate idleness. (*The Fifth Estate*, R. Taylor 1980).
- Productivity in the British newspaper industry has been estimated at half that of Germany (*NIESR Review*, February 1981).
- British Telecom recently found that over two-fifths of their field supervisors' time was spent on paperwork; that installation staff averaged only three visits a day, compared to seven by their American counterparts; that exchange maintenance manning levels could be reduced merely by better work organisation; and that progress had been hindered by inter-union wrangling on the operation of new technology (*The Times*, 26th January 1982).

- Ford's Halewood plant is equipped to produce 1,015 Ford Escorts a day, but throughout 1982 the daily average was only 721. At the company's Saarlouis plant in West Germany, a smaller workforce (7,300 opposed to 9,700) produced a daily average of 1,232 Escorts, on identical equipment (*Financial Times*, 8th January 1983).
- Strikes, inter-union demarcation disputes, overtime bans, 'working to rule' and 'working to maximum safety', were all devices used by trade unions simply to prolong the work on nuclear power stations during the 1960s and 1970s (*Daily Telegraph*, 28th January 1983).

Productivity has recently improved dramatically. The normal path of modest growth—1½ per cent a year between 1974 and 1979—has been easily outstripped. When manufacturing output fell during 1980, productivity did not fall as much as expected, and between the end of 1980 and the beginning of 1983, output per head in manufacturing rose by about 16 per cent. Output per head and output per hour in early 1983 were about 8½ and 11½ per cent higher than the previous cyclical peak in the first half of 1979.

Metal manufacture, vehicles and engineering—which make up about two fifths of manufacturing production—are largely responsible for the improvement. This is reflected in the performance of BL, BSC and British Shipbuilders. Productivity increased by 30 per cent at BL during 1981 alone, and at the Longbridge plant by 120 per cent. This was accompanied by the shedding of some 80,000 jobs between 1977 and 1981, but it has led to increased competitiveness. As a result, Jaguar has enjoyed record sales in the USA, and BL has actually been recruiting for the production of the new Metro and Maestro models. BSC has slimmed its workforce from 210,200 in 1975–6 to only 103,700 in 1981–2, shedding some 63,000 jobs in the last two years alone. Whereas in 1976, BSC estimated that it took nearly three British steelworkers to produce as much as one Japanese steelworker, productivity at some BSC works now matches the best in Europe. The workforce at British Shipbuilders has been cut from 87,469 in 1977 to 66,320 in 1982, and improved competitiveness has led to better trading results in each of the last two financial years.

As world markets have contracted during the recession, many private British companies have also been obliged to shed labour, raise productivity and increase efficiency in order to stay in business. The table below shows how some major British companies have slimmed their workforce:

Numbers Employed in the UK			
	1977	1981	1982
Unilever	91,923	73,252	69,400 (est)
ICI	95,000	74,000	67,300
Lucas	68,788	55,000	49,400
GKN	73,196	51,000	27,000
Dunlop	48,000	32,000	24,600
Vauxhall	30,180	21,000	20,030

As Mr Tebbit has pointed out:

'The great shake-out of labour, aimed at and talked about so often in the past, happened. It happened not at a time of our choice, but at a moment dictated by events' (*Hansard* 27th January 1982, Col. 907).

The climate of realism has enabled managers to introduce radical changes in working practices: control of overtime working; altering manning levels; flexibility between trades; elimination of unofficial breaks; use of contract labour; introduction of new equipment; self-supervision and inspection; and changes in the patterns of work.

4. DEMOGRAPHIC FACTORS

At the same time as recession exposed the weakness of British industry, the number of people seeking work has risen to unprecedented levels. Between 1971 and 1977, the total labour force¹All employees, employers, self-employed, HM Forces and registered unemployed, but not students. in Great Britain rose by over 1.1 million people, the vast majority married women. Between 1977 and 1979, Labour's last years in office, it actually fell by roughly 100,000, as increases in the population of working age were offset by falls in the number of older men and women looking for work. However, between 1979 and 1981 the labour force grew by some 250,000 from 26,028,000 to 26,279,000, as declining numbers looking for work failed to offset an increase in the population of working age. It is set to grow further between 1981 and 1986, perhaps by over 700,000²The Department of Employment Gazette estimated in April 1981 a rise of 685,000; in February 1983 the Gazette announced that the estimates were being revised, and would probably be higher.. Thus, between 1979 and 1981, the economy had to generate an extra 83,000 jobs a year to keep unemployment static, and over the following five years perhaps as many as 140,000 a year.

Demographic factors have particularly affected young people. The low birth rates during the first world war have meant that fewer people are retiring in the early 1980s than in the early 1970s, at the same time as the number of young people entering the labour market has reached record levels as a result of the 1960s 'baby boom'. Whilst in 1971 there were 1,978,000 young people in the 16–19 age group, and 1,742,000 people in the 60–64 age group, the comparable figures for 1981 were 2,495,000 and 1,320,000. Thus, whilst in 1971 there were just over 1.1 young people for every job likely to be vacated by an older person, there were nearly 2 young people in 1981. The position will not improve until the post 1918 'baby boom' takes effect in the mid-1980s.

The nature of the problem was understood by Mr Norman Buchan, Labour MP for Renfrew West, when Labour was in office:

'The 1,500,000 unemployed is ... entirely due to an expansion of the workforce in Britain. And over the next decade an additional 1,500,000 more will be in the labour force. That leaves, even with improved growth in the economy, us facing a possible 3,000,000 unemployed by the end of the eighties. To try to blame this on the mishandling by any Government—Tory or Labour—doesn't get us very far' (*Glasgow Herald*, 4th August 1978).

(B) SPECIAL EMPLOYMENT MEASURES

1. BACKGROUND

The long-overdue changes which have taken place in British industry will strengthen Britain's long-term economic prospects and so improve the outlook for jobs. Even now, most people who lose their jobs do not need help to find another. It is a common fallacy to assume that the unemployed are a static pool of unused labour that gets bigger every month, but in fact the 'flow' of people on and off the unemployment register remains remarkably constant in both boom and

slump, at about 70,000 a month. Unemployment has been rising largely because people are spending longer on the register, rather than because more are joining it. This means they are more likely to be included in not one, but several counts. It has been estimated that in the late 1960s half the people who signed on left the register within a fortnight; this may now have risen to 6 months.

The labour market is therefore only slowing down; it is not static. The Manpower Services Commission has estimated that there were over 6 million jobs found in 1982, and for the majority unemployment was a matter of weeks or even only days. The Government has, therefore, focussed attention on those groups in the labour market who have difficulty in finding work.

Although the Special Employment Measures represent a substantial commitment of resources at a time of restraint in public expenditure (£1½ billion gross in 1982–3; £2 billion in 1983–4) they are, nevertheless, very cost-effective. Whereas general reflation might create 100,000 jobs at a cost of £50,000 apiece with no guarantee that those in need get work, the net cost of a work experience place on the Youth Opportunities Programme in 1981–2 was only £568 a year; and on the Community Programme only £1,030 a year.

Details of spending and the numbers involved in each scheme are summarised in Appendices A and B.

2. MEASURES FOR THE YOUNG

The Youth Opportunities Programme (YOP) provides training and work experience for unemployed 16 and 17 year-olds and some 18 year-olds. Within six months of leaving the programme, nearly two-thirds of the trainees are either in work, full-time education or another YOP scheme. Very high proportions find the training, advice and work experience valuable (*Department of Employment Gazette*, October 1982).

The Government has substantially expanded the programme, from 162,000 places in 1978–9—Labour's last year in office—to 630,000 in 1982–3, although the actual number who join may turn out to be less than this. Spending has been increased from £63 million to £747 million in the same period. Trainees receive an allowance of £25 a week.

From the autumn of 1983 YOP is to be replaced by the new Youth Training Scheme (see p. 89), and 100,000 places on YOP in 1982–3 are of Youth Training Scheme standard, and will be absorbed into the new scheme when it starts.

The Young Workers Scheme (YWS), introduced in January 1982, tackles directly the problem of youth unemployment by encouraging employers to take on more young people at wages which reflect their relative lack of skills and experience. Its effects are intended to spread wider than the numbers being directly subsidised, and thus prevent trade unions pricing the young out of work. Under the scheme, employers can claim £7.50 if they pay people under 18 in their first year of work less than £45 a week, and £15 if they pay less than £40 a week.

Community Industry (CI) is specifically designed to help disadvantaged 16–18 year-olds, particularly the unqualified. It provides temporary work on projects of benefit to the community, and it is run by the National Association of Youth Clubs.

The Training for Skills Programme (TSP). This scheme provides grants where a training organisation—public or private—has identified a shortfall in an industry's apprentice and trainee recruitment.

3. MEASURES FOR THE LONG-TERM UNEMPLOYED

The Community Programme (CP) began in October 1982, and reflects the Government's commitment to help the long-term unemployed. The Government has increased the number of places on special programmes for the long-term unemployed six-fold, from 22,400 in 1979 to 130,000 in 1982–3. Spending has been increased from £51 million in 1979–80 to £169 million in 1982–3. It is a nation-wide programme, open to 18–24 year-olds unemployed for at least six months, and those aged 25 or over who have been out of work for over a year.

Originally, CP was intended to pay people their benefits plus expenses to do work of value to their community. Unfortunately the trade unions insisted that participants were paid the local 'rate for the job', which raised the cost of the programme and reduced the numbers who could participate. A number of the places have had to be part-time in order to stay within existing resources (£60 per head per week across a project).

The Voluntary Projects Programme (VPP) provides unemployed people with the opportunity for voluntary work without losing benefits. It had a budget of £4 million in 1982–3, increasing to £8 million next year.

4. OTHER MEASURES

The Temporary Short Time Working Compensation Scheme (TSTWCS) helps companies keep a skilled workforce together and boost productivity, whilst new orders are sought by giving employers help to avoid redundancies. At its peak in March 1981 the scheme covered 983,004 people, saving 438,120 jobs. Only 124,000 were covered at the end of January 1983, saving 48,079 jobs. This reflects improving trends in the economy. Apart from saving jobs, TSTWCS helps companies to

- Save severance payments,
- Rationalise their operations,
- Cut back production and reduce labour costs,
- Change working practices, as workers seek to maintain earnings,
- Ease 'natural wastage' problems.
- Cut absenteeism,
- Improve industrial relations, as workers see that the management is trying to keep the company in business.

There is a firm consensus among employers that TSTWCS has many advantages. The CBI has supported it as valuable and cost effective. Less than one in twenty respondents to a survey of TSTWCS said it only postponed redundancies (British Market Research Bureau, August 1981).

The Job Release Scheme (JRS) is voluntary and highly cost-effective. It makes it easier for people approaching retirement age to give up their jobs to unemployed people. It offers a weekly allowance from the date the applicant leaves work until he or she reaches statutory pensionable age. It is a condition of the scheme that the employer replaces those retiring with an unemployed person.

Although the allowances vary, the scheme is open to men aged between 62 and 64, disabled men aged 60 and over and women aged 59. From October 1983 onwards, men over 62 and women over 59 will be able to give up half their week to an unemployed person in return for half the full-time allowance. This should provide part-time jobs for 40,000 people.

The DHSS Scheme for Older Workers helps unemployed men to retire early. Some 37,000 men aged 60 and over who were unemployed and drawing supplementary benefit had by December 1982 opted for the long-term rate of supplementary benefit and ceased to register for work. From June 1983, unemployed men over 60 will qualify for the long-term rate without having to wait a year or until they reach 65. This will help 42,000 people. In addition, from April unemployed men aged 60–65 will no longer have to register at the Unemployment Benefit office first in order to get contributions credits in order to protect their pension rights when they reach 65. This will help 90,000 people.

The Enterprise Allowance Scheme (EA) helps unemployed people who want to start up in business but do not do so because they would lose their entitlement to unemployment or supplementary benefit. It has a positive economic benefit and matches a shift towards self-employment within the economy. It pays a £40 a week allowance to businessmen in their first year of operation. They have to have £1,000 to invest in the business themselves. 1,863 people were in the scheme at the end of January 1983. Demand has been so high that the budget was doubled in October 1982 to £4 million, and the scheme will be nation-wide from August 1983, within an overall cash limit of £25 million in 1983–4 and £29 million in 1984–5. It should offer 25,000 places in 1983–4.

The Job Splitting Scheme (JSS) encourages employers to split existing full-time jobs into two part-time jobs, and thus open up more opportunities for unemployed people to work. Employers who have split jobs have found there are gains in higher productivity and reduced absenteeism.

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

(C) THE EMPLOYMENT SERVICE

The Conservative Government of 1970–4 undertook a thorough modernisation of the employment services. The Employment and Benefit Services were separated and self-service vacancy displays and trained employment advisers introduced into the new Job Centres, which were set up in prime high street sites. As a result, employers notified more vacancies to the employment service, which in turn placed more people in jobs more quickly and at less cost. However, reviews undertaken both by Sir Derek Rayner, former government adviser on Civil Service efficiency, and the Manpower Services Commission, which runs the Job Centres, indicated that there was further scope for efficiency and economy.

Voluntary Registration at Job Centres. In July 1981, following a review by Sir Derek Rayner of the way in which benefits were paid to unemployed people, the Government announced that registration at a Job Centre by the unemployed as a condition of receiving benefit would become voluntary. The change came into effect on 18th October 1982. There were two main reasons behind the switch. *First*, compulsory registration was not an effective test of an unemployed person's availability for work. *Second*, it would save claimants having to visit the Job Centre as

well as the Unemployment Benefit Office. This is less inconvenient for the unemployed and saved 1,350 staff and £10 million a year in Job Centres.

The New Unemployment Count. Voluntary registration meant that the number of people registered at Job Centres was no longer a reliable guide to the number out of work. Until the change the unemployment total had been compiled, as a largely clerical operation, by counting all the people registered as 'capable of and available for' work at Job Centres or Careers Offices. Once registration became voluntary it was obviously impossible to continue the old manual count. It therefore had to be done by the only alternative method—the computerised records of unemployed people claiming at Unemployment Benefit Offices. The new method of counting is also cheaper and more accurate, not simply because it is computerised, but because it gives a more up-to-date picture on the day of the count.

The new method led to predictable accusations that the Government was fiddling the unemployment statistics. Differences between the old and the new figures are, however, attributable to three factors. *First*, unemployed people not claiming benefit are no longer counted. *Second*, the new method cuts the delay between a person finding work and this being shown up in the figures. Under the old system people could still be recorded as unemployed up to a fortnight after they started work. *Third*, the severely disabled are now *included* in the count. Thus the new count is more accurate, by excluding people already at work. Moreover, any attempt to 'massage' the figures would not have included the disabled for the first time or been explained so far and so often in advance. (The forthcoming changes were explained in April 1981 and in July and September 1982.) In addition, a special count of non-claiming school leavers will take place in the summer and in order to enable fair comparisons to be made with the past the Government has published estimates on the new basis for the last twelve years.

The Job Centre Review. In December 1981 the Government announced that it had asked Sir Derek Rayner to review the efficiency of the employment service run by the Manpower Services Commission. His report (June 1982) recommended that further improvements to efficiency and economy could lead to savings of £10 million a year and that staff could be reduced by 600.

Criticisms that this will lead to less help for the long-term unemployed are unfounded. It was decided in 1981 that each local office should devote a tenth of its staff resources to helping them and 250 staff have been allocated to provide special help in job finding for the long-term unemployed, in co-operation with 50 more Specialist Unemployment Review Officers. Placing rates for those unemployed between 6 and 12 months have consequently improved by two-fifths, and by a third for the long-term unemployed as a whole. Fears that the closure of Job Centres in some rural areas will deny job seekers adequate information about vacancies are also unfounded. The Government is looking at alternative ways to help, such as displaying vacancies in other government offices, village shops and post offices. This is already happening in Shropshire, Norfolk, Hampshire and West Sussex, and it appears to have encouraged local employers to advertise more locally.

The efficiency and cost-effectiveness of the *Professional and Executive Recruitment* (PER) service has also been improved following the introduction in 1980 of *Executive Post*, a weekly jobs newspaper sent to all enrolled job-seekers. It enabled costs to be covered by charges of fees to employers. A Manpower Services Commission review in December 1981 recommended that, following the introduction of voluntary registration, PER's subsidy could be reduced from £5 million a year to only £1 million. Mr Tebbit has asked the MSC to go further and put PER on a wholly commercial and self-financing basis, and ultimately, to look at the scope for privatising the service.

The Government has also been anxious to promote co-operation between private employment agencies and Job Centres in providing information on job-seekers and vacancies. From April 1982, private services and employment businesses have been able to display details of their services in Job Centres. They, in return, publicise Job Centre facilities. This followed an agreement between the Federation of Personnel Services and the Manpower Services Commission. Labour, by contrast, will abolish private employment agencies.

(D) OPPOSITION POLICIES ON EMPLOYMENT

1. LABOUR PARTY

Past Record. Every Labour government has promised to reduce unemployment, and every Labour government has achieved precisely the opposite. The table below sets out the dismal record.

<i>Labour Government</i>	<i>Pledge</i>	<i>Number Unemployed</i>	<i>Increase</i>
December 1923 to October 1924	'Unemployment is a recurrent feature of the existing economic system ... The Labour Party alone has an answer for it' (<i>1923 Manifesto</i>)	1,229,300 1,280,700	+51,400
May 1929 to October 1931	'Unemployment. The Labour Party gives an unqualified pledge to deal immediately and practically with this question' (<i>1929 Manifesto</i>)	1,165,000 2,792,000	+1,627,000
July 1945 to October 1951	'No more dole queues in order to let the Czars of big business remain Kings in their own castles' (<i>1945 Manifesto</i>)	131,000 261,500	+130,500
October 1964 to June 1970	'Only planning... can achieve the essential aim(s) ... 1. Full employment' (<i>1964 Manifesto</i>)	369,800 600,700	+230,900
February 1974 to May 1979	'Back to work with Labour' (Election slogan February 1974)	577,700 1,306,100	+728,400

(Sources: *Abstract of Labour Statistics of the United Kingdom 1919-33*, Cmd. 4625, June 1934; *Department of Employment Gazette*)

This record makes the claim of Mr Peter Shore, Shadow Chancellor, a very hollow one indeed:

'We've set a target of getting the dole queues down to less than a million over the next five years, which means the creation of 2½ million jobs over the same period' (Party Political Broadcast, 10th March 1982).

The TUC-Labour Party document, *Partners in Rebuilding Britain* (March 1983), promises 3½ million jobs within 5 years. However, no government since the war has created so many jobs during its term of office. Yet Mr Foot has insisted:

‘They are a promise. They are a commitment’ (*Channel Four News*, 3rd February 1983).

The pledge defies Labour's own expectations when they were in office. In 1976 the Labour Party's Finance and Economic Affairs Sub-Committee, chaired by Dame Judith Hart and Mrs Shirley Williams, forecast that unemployment would reach 2½ million by 1980 (*The Observer*, 21st November 1976).

Reflation and Pay. Labour's chosen instrument to fulfil the pledge is massive reflation. Mr Shore has acknowledged, however, that it cannot work without pay restraint:

‘It is possible that increases in public expenditure and economic expansion could find their way not into increased employment but simply into increased earnings, costs and prices for those in work. It is here that a renewed strong understanding with the trade unions, together with price controls, would play a major part’ (*Hansard*, 11th November 1981, Col. 552).

But the Labour Party-TUC Liaison Committee has specifically rejected ‘pay norms established by the Government’ (*Partners in Rebuilding Britain*, March 1983) and since the Labour Party is pledged in advance to meet all union demands, Mr Shore would have no bargaining power with union leaders. As Mr Sam McCluskie, Assistant General Secretary of the National Union of Seamen and Labour Party Chairman in 1982–3, has said:

‘The predominance of plant and company negotiations makes any ‘agreement’ at national level on incomes growth a futile exercise. The trade union leadership can advise and even cajole, but can no longer ‘deliver’ their members’ (*Labour Weekly*, 22nd October 1982).

The Labour Party is in any case committed to a series of measures which quite contradict the possibility of pay moderation. Enhanced trade union privileges would make employers powerless to resist unjustified pay claims. Other steps include the reintroduction of Schedule 11 and the Fair Wages Resolution, a more effective Equal Pay Act, and a new Clegg-style comparability commission. Mr McCluskie has added:

‘We will also be discussing with the TUC the possibility of a national statutory minimum wage’ (*ibid*).

This would be the most damaging step of all. Whilst the intention of a minimum wage is to raise the wages of the lowest-paid, all it would in fact do is price out of work less skilled workers who would be prepared to take jobs at slightly lower wages. Mr Terence Duffy, President of the AUEW, has indicated that trade unions do not favour a minimum wage anyway:

‘The reason we are against a national minimum wage is we will not accept any government interference in wages. If you give the Government the power to determine a minimum wage it will be a low one. We are committed to no government interference in free collective bargaining’ (*Morning Star*, 1st October 1982).

Special Measures. *Labour's Programme 1982* includes a series of special measures. They include an impossible guarantee that nobody should be out of work for more than 12 months without an offer of a job or training place. Other proposals include enlargement of the Temporary Short Time Working Compensation Scheme (see p. 82); an unspecified variety of subsidies to unemployed people; ‘Job Creation allowances’, or subsidies to worker co-operatives, and ‘municipal enterprises’; wider scope for early retirement; and expansion of the Community Programme (see p. 81), with added training. A conservative estimate would put the

cost of these proposals at £2.2 billion gross in addition to the £2 billion the Government is already spending. Labour have not specified where the money would come from, apart for a £75 million saving from the abolition of the Young Workers Scheme (see p. 81). The burden of borrowing and taxation would destroy countless jobs elsewhere.

Labour are now also committed to the encouragement of a 35-hour week 'without loss of living standards'. This was at the behest of the TUC, which has run a Campaign for Reduced Working Time for the last 3 years, in the hope that a shorter week would mean more work on overtime rates for their members. Its rationale is work-sharing, but it is a dangerous approach. The Department of Employment estimated in 1979 that a cut to a 35 hour week might take 100,000–500,000 people off the unemployment register, but if present earnings were maintained total labour costs would rise by 6–8 per cent. Taking the nation's wage bill at £137 billion (1980), that implies a cost to industry of £8–11 billion. The damage to competitiveness would destroy far more jobs than it created. Previous reductions in working hours (e.g., a cut to 39 hours in the engineering industry from November 1981) have invariably increased costs, done nothing for jobs and been largely dissipated in increased overtime working. When the Socialist government in France introduced a 39-hour week in 1982, hundreds of industrial disputes broke out all over the country as workers feared a drop in pay.

2. ALLIANCE POLICY

The SDP/Liberal Alliance has pledged itself to reduce unemployment by half a million within a year of taking office; a million within two years; and a further million within the life of an Alliance government. These ambitious targets would be largely met by a mixture of selective reflation, devaluation and statutory pay restraint (see Chapter 1, p. 29), but a 'crash programme' of Special Employment Measures would also be introduced.

The measures are an Environmental Improvement Programme to create 250,000 jobs over two years at a cost to the PSBR of £500 million; increased spending on the social services, creating 400,000 jobs at a cost of £250 million; and a subsidy to employers who take on long-term unemployed people, creating 175,000 jobs at a cost of £300 million.

The Alliance claims that its measures would create 465,000 jobs within a year, at a cost of roughly £1.5 billion to the PSBR. Both Mr. Roy Jenkins, during the Glasgow Hillhead by-election, and the SDP's Economic Policy Document have previously claimed that 600,000 jobs could be bought for the same price. These discrepancies are unexplained.

The SDP has underestimated trade union hostility to schemes like the Environmental Improvement Programme, which became clear during discussion prior to the launch of the Community Programme (see p. 81). The hiring subsidy will also result in substantial 'deadweight' (subsidisation of jobs that would have been created anyway) and 'displacement' (subsidised jobs at the expense of jobs elsewhere). The Small Firms Employment Subsidy, a similar scheme introduced by the Labour Government, had 75 per cent 'deadweight'—or one job created for every four subsidised. The SDP has also undoubtedly underestimated the difficulties of attracting enough sponsors for their schemes, and their mathematics are hopelessly optimistic since they are based on unrealistic notions of the 'cost of unemployment'.

(E) TRAINING

Britain has for a century had one of the most poorly trained workforces in the industrial world.

Now technological change has made many existing skills redundant, and destroyed altogether a large number of unskilled jobs. Between 1978 and 1985 the number of semi-skilled and unskilled jobs is likely to have shrunk by almost a million (Manpower Services Commission, *Corporate Plan 1981*). Over half the unemployed are unskilled.

1. CONSERVATIVE RECORD

Two major reforms of Britain's training institutions and arrangements were carried out by previous Conservative governments. The 1964 Industrial Training Act set up the Industrial Training Boards (ITBs) in order to improve the quality and the quantity of training in Britain, and to ensure a more equitable distribution of training costs via a levy/grant system. The levy financed the operating costs of the ITBs, and grants were paid to employers who trained satisfactorily. By 1969 27 ITBs covered 15 million employees. A Central Training Council (CTC) co-ordinated the work of the ITBs.

The 1973 Employment and Training Act corrected weaknesses in the 1964 Act. It set up the Manpower Services Commission (MSC) to develop national training and employment policies and to co-ordinate the work of ITBs. It abolished the CTC, and required ITBs to exempt from levy firms whose training was judged to be adequate for their own needs and small firms, who had not benefited from the levy/grant system. Further, it imposed a ceiling on the levy of 1 per cent of the payroll, and transferred to the Exchequer the funding of ITB operating costs. The MSC also administered the Training Opportunities Scheme (TOPs), which was introduced by the Conservative Government in August 1972 to provide retraining opportunities for adults who were unemployed or wished to change jobs.

2. THE NEED FOR FURTHER REFORM

By the time the present Government came to office, however, it had become clear that earlier reforms had neither prevented skill shortages choking off economic growth nor adapted the training system to the relentless pace of technological change. In October 1978, when 1.3 million people were out of work, the Department of Employment alone identified 10,858 vacancies that could not be filled because of skill shortages. Even in the depth of the current recession new technology firms in particular are experiencing skill shortages. A NEDO report on the computer industry stated:

‘The overwhelming current constraint on adoption of computer technology is a massive shortage of computer-related manpower, before which all other constraints pale into insignificance’ (*Computer Manpower in the 80s*, NEDO, June 1980).

A National Computing Centre (NCC) report reckoned that at the end of 1981 computer departments were still understaffed by an average of 5 per cent (*Salaries and Fringe Benefits in Computing—1982 Report*), although an Institute of Manpower Studies report of October 1980 reckoned that the employment of computer staff in established firms was increasing by more than 5 per cent a year.

Skill shortages are not the only problems. Many employers are not using skilled labour to its full potential; others are maintaining jobs at craft status after new technology has changed the nature of the work; others have had difficulty in retaining skilled staff because of relatively poor pay

and prospects. Skilled workers are unwilling to move even within their own locality to take up a new job. Despite accelerating technological change, apprenticeships in Britain are still subject to age-restrictions and 'time-serving'; adults lack opportunities to update and upgrade their skills; and young people are still receiving inadequate basic training and vocational preparation. It was to these problems that the Government addressed itself in the New Training Initiative.

3. THE NEW TRAINING INITIATIVE

This was launched in a consultative document published in May 1981 by the Manpower Services Commission. It set three practical objectives:

- Training for all young people under 18
- No restrictions on skill training
- Wider training opportunities for adults.
- Following consultations, the Government set out concrete proposals in a White Paper of December 1981, entitled *A New Training Initiative: A Programme for Action (Cmnd. 8455)*. Substantial progress has since been made towards the three objectives set out by the New Training Initiative. Foremost amongst these is the Youth Training Scheme, which was devised by the Manpower Services Commission's Youth Task Group (YTG), composed of employers, trade unionists, local authorities, voluntary organisations and educationalists.

The Youth Training Scheme. Youth unemployment in Britain is high (the under 25s make up two-fifths of the unemployed) because young people lack skills and experience and yet expect relatively high wages. This reflects the inadequacy of Britain's youth training arrangements, and the efforts of trade unions to bid up the price of youth labour. Only half Britain's school leavers are trained, compared with nine-tenths in Germany and four-fifths in France. Over a third of school leavers entering jobs receive no training at all, and another fifth scarcely any at all. Moreover, by 1981 the labour costs of employing a 16 year-old had risen to over £3,000 a year, despite the fact that they can give employers little return on their money in terms of output. The Youth Training Scheme (YTS) is intended to give young people the skills and experience they need to find work, and a ready appreciation of what they can expect to earn.

Expenditure on the scheme in its first full year (1983–4) will be £1 billion, twice as much as is being spent on the Youth Opportunities Programme (YOP) it replaces (see p. 81), and more than eight times the expenditure—in real terms—of spending on YOP in 1978–9, Labour's last year in office. The extra resources will go not into numbers but higher quality training. The Government had initially hoped to spend even more on training by keeping the weekly allowance paid to trainees down to £15 a week, but this was defeated by a coalition of trade unionists, educationalists, and voluntary organisations on the YTG in favour of a £25 allowance. It meant that fewer places could be provided: 460,000 as opposed to 630,000 on YOP in its last year (1982–3). Young people can be taken on as employees at any time during the year or after, in which case they will be paid a wage and will pay tax, but ordinarily trainees will simply receive the £25 allowance.

300,000 of the places will be with employers who have to take on more trainees than they would ordinarily do in order to qualify for assistance. However, they can still claim the grant (£1,850 a head per year) even for those young people they would have taken on anyway. The remaining 160,000 places will be in workshops, on community projects or in Information Technology Centres (see p. 90).

To avoid the problems associated with centralised bureaucracy, administrative machinery of an entirely new kind has been devised to ensure that local involvement and responsibility are paramount. The majority of schemes will be run not by the Manpower Services Commission but by local managing agents. The MSC itself has reorganised on a local basis to monitor the scheme.

The New Technical and Vocational Education Initiative. Britain's technical and vocational training has for many years been inadequate. Ten pilot projects, each offering full-time technical and vocational training to 1,000 17–18 year olds, are now being set up in England and Wales. They will start in September 1983 and will lead to recognised technical qualifications. They will cost up to £25 million when fully developed in four years' time.

The School Curriculum. Steps have also been taken to ensure that the school curriculum helps to develop the skills and knowledge needed for working life, and to improve the links between schools and employers, so that pupils gain a closer understanding of industry and commerce. A new national qualification for practical but non-academic 17 year olds starts in 1984–5. It is expected to attract 80,000 young people (See Chapter 12, p. 202).

Information Technology Centres (ITeCs). To meet the high demand for computer and electronic skills the Government is establishing 150 ITeCs by the end of 1983. They teach unemployed and unqualified young people computing and electronic assembly skills. Four-fifths of those leaving the centres find jobs immediately.

Ending Restrictions on Skill Training. This was the second major objective of the New Training Initiative, which set 1985 as the year by which recognised standards will have been established for all main craft, technician and professional skills, replacing age-restricted 'time-serving'. British industry has failed to make full and efficient use of skilled people, not least because of the obstacles erected by trade unions which have, historically, opposed flexible apprenticeships. Their attitude was typified by the reaction of Mr George Butler, an AUEW divisional organiser, to earlier proposals for flexible apprenticeships:

'If the employers' shortage of skilled men is eased, then the value of the skilled wage will fall' (*Guardian*, 4th August 1978).

In the case of apprenticeships, as elsewhere, where unions are in a position to determine both the numbers at work and the price at which they shall be employed, labour costs rise and fewer are employed. A first year apprentice now costs over £5,000 a year. It is, therefore, no surprise that the number of apprenticeships has fallen from a peak of 236,000 in 1968 to perhaps only 100,000 today.

There are now some signs of change. The British Printing Industries Federation and the National Graphical Association have reached agreement on the abolition of time-served apprenticeships in the printing industry (*Financial Times*, 24th May 1982). The Electrical Contractors' Association and the electricians' union (EETPU) have reached agreement on a substantial reduction in apprentice pay rates in order to increase the apprentice intake in the industry (*Financial Times*, 7th January 1983). Agreement has been reached between the Confederation of Shipbuilding and Engineering Unions (CSEU) and the Engineering Employers' Federation (EEF) on the replacement of time-serving by training to standards in the engineering industry, although there is still considerable shop-floor resistance to such a move.

To encourage these developments, government funds to firms providing apprenticeships are being made increasingly conditional upon steps taken towards the achievement of flexible apprenticeships.

Wider Training for Adults. This was the third major objective of the New Training Initiative. The pace of technological change is such that few skills will last a lifetime. Adults can expect to retrain, perhaps in two or three different skills, over the course of their working lives.

This is, as it always has been, primarily a matter for industry itself. The Government has, nevertheless, taken steps to widen opportunities for adults to train and retrain. There has been a decrease in the number of clerical and commercial courses offered on the *Training Opportunities Scheme* (TOPs) because the number of clerical and commercial jobs is shrinking. There has instead been an increase in computer and technician courses. The TOPs budget—currently helping some 60,000 people at an annual cost of £250 million—is being increasingly directed towards retraining within industry. There are also two TOPs courses—the New Enterprise Programme and Small Business Courses—for potential businessmen.

Providing places for TOPs trainees in Government Skill Centres has proved substantially more expensive (£5,340 in 1981–2) than those in colleges (£2,844) or on employers' premises (£2,370). Therefore the Government has set up a separate organisation—the Skill Centre Training Agency—which will put the operation of Skill Centres on a commercial footing by April 1984. They will be exposed to competition from private training organisations and if they cannot compete there will be a gradual contraction of Skill Centre provision. In common with TOPs generally, Skill Centres have in the meantime switched the emphasis of their training away from practical skills to computer and other occupations needed in the future.

To help adults who wish to train, retrain or update their skills in technical and supervisory occupations the Government has launched an Open Tech. This idea was first put forward in a consultative document in May 1981 (*An Open Tech Programme*, MSC) and, following consultations, a Task Group was set up to consider its feasibility. It reported in June 1982 (*Open Tech Task Group Report*, MSC), and a programme for its initial development was launched in August 1982. Several projects are now in operation, concentrating on skill shortages in micro-electronics and engineering. Expenditure will rise from £1 million in 1982–3 to £8 million in 1984–5. It makes existing courses open to more people, on the lines of the Open University.

Since training and retraining for adults largely requires provision within industry itself, steps have been taken to shift the balance of responsibility from the public to the private sector, notably by the reform of the Industrial Training Board system.

4. REFORM AND ABOLITION OF INDUSTRIAL TRAINING BOARDS

The Conservative Government came to power committed to a review of the role of Industrial Training Boards (ITBs). The Manpower Services Commission (MSC) had in fact already set in hand a major review, published in July 1980 in a document entitled *Outlook on Training: Review of the Employment and Training Act 1973*. It recommended an examination of the scope of the ITBs and of the boundary between industries covered by an ITB and those not so covered. The Government endorsed the recommendations and the MSC was asked to report, which it did in July 1981, in a document entitled *Framework for the Future*. It recommended the retention of seven ITBs, but made no recommendations about the remaining sixteen. The 2½ years of

consultation had in fact shown that the sixteen ITBs had lost the confidence of their industries because they had become:

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

A decision to abolish them was, therefore, announced by Mr Tebbit on 16th November 1981, under powers granted to him by the Employment and Training Act 1981. This Act enabled him to set up, abolish or change the scope of ITBs. Mr Tebbit explained his decisions:

‘Where statutory arrangements are being retained, this accords in most cases with the view of the main employer organisations concerned. Where they are to be abolished, this reflects, in some cases, the fact that boards have lost the confidence of their industries and in others the judgement that the good work they have done can now be carried forward without statutory arrangements’ (16th November 1981).

ITBs Retained and Abolished

<i>Abolished</i>	<i>Retained</i>
Air Transport and Travel	Clothing
Carpet	Construction
Ceramics, Glass and Mineral Products	Engineering
Chemical and Allied Products	Hotel and Catering
Cotton and Allied Textiles	Road Transport
Distributive	Rubber and Plastics Processing
Food, Drink and Tobacco	Offshore Petroleum
Footwear, Leather and Furskin	
Furniture and Timber	
Iron and Steel	
Knitting Lace and Net	
Man-made Fibres Producing	
Paper and Paper Products	
Printing and Publishing	
Shipbuilding	
Wool, Jute and Flax	

The abolished Boards have been replaced by voluntary arrangements in the industries concerned, which will be less bureaucratic and less expensive. The operating costs of the retained Boards have reverted to industry, also under powers granted to the Secretary of State in the Employment and Training Act 1981. In approving the voluntary arrangements set up by employers the Government has ensured that they avoid rigid institutional frameworks; that they take account of the economic health of particular industries; and that quantity and quality in training are maintained. Mr Michael Alison, Employment Minister, explained:

‘In our discussions with employers and others we have suggested ... that they should set up adequate machinery to monitor the quantity of training that is being carried on so as to guard against skill shortages ... the arrangements should have the active support of their industries and should be appropriately financed and staffed in order to meet their objectives’ (*Hansard*, 14th June 1982, Col. 634).

Where voluntary arrangements prove inadequate the Government has reserved the right, in the Employment and Training Act 1981, to set up a new Statutory Board. ITBs covered only half Britain's workforce anyway and did not do most of the training; so there is a long tradition of voluntary training to build upon. The retention of seven statutory ITBs still leaves 1 in 3 employees (6½ million) covered by a Board, which is over half the number previously covered (11 million). Some of the abolished ITBs had been the victims of their own success in bringing about a change in attitudes towards training. Some were exempting as much as 95 per cent of the workforce liable to levy, indicating that there was already a great deal of voluntary training being undertaken.

(F) OPPOSITION POLICIES ON TRAINING

1. LABOUR PARTY

Labour's training policy has all the usual characteristics of Socialist proposals: centralisation, bureaucracy, compulsion and vast expense. In fact, Labour's proposals were largely written for them by the trade unions, and are deliberately designed to enhance trade union power:

‘We must develop a systematic framework which provides an effective alternative to the voluntary principle, and removes the domination of employers in the training system... A further development of trade union influence and responsibility is needed to ensure that national training objectives are put into effect. In recent years trade unions have made substantial progress in extending the frontiers of negotiation beyond terms and conditions of employment to include issues formerly within the managerial prerogative’ (*Labour's Programme 1982*).

It is, therefore, no surprise that Labour's Programme advocates an expansion of the role and resources of the Manpower Services Commission, which includes several TUC Commissioners; the establishment of statutory ‘training committees’ in every workplace, dominated by shop stewards; a statutory obligation on employers to give training to certain standards; a new Employment and Training Act; greater use of wasteful public institutions like Skill Centres (see p. 91); and the reintroduction of Industrial Training Boards and local tripartite bodies. Previous experience of union involvement in management affairs—for example, union safety representatives under the 1974 Health and Safety at Work Act—has indicated this will serve only to disrupt production and involve management in costly and time-consuming meetings. (*Daily Telegraph*, 17th August 1981).

Youth Training. In January 1982, the Labour Party published a policy document on education and training, entitled *Learning for Life*. The educational proposals are summarised in Chapter 12, but the key proposals on training are:

- A two year traineeship for 16 and 17 year olds.

- A trainee allowance of £30 a week at 1982 prices.
- Collective funding by industry and the State.
- An educational maintenance allowance of £20 a week (1981 prices) for all 16–19 year-olds in full-time non-advanced education.
- A statutory obligation on employers to provide young people with systematic education and training, in the workplace and at college.
- Employment/training ‘premiums’ to encourage employers to recruit young workers.
- Lump sum grants to local authorities and others to use as ‘Wages Funds’ for 18–19 year olds.

The proposals in *Learning for Life* were not costed, but the document stated that they would require ‘enormous’ resources. Estimates by Mr Neil Kinnock, Labour's Spokesman on Education, have ranged between £1 billion and £2½ billion, but the youth traineeship alone is likely to cost £2½–3 billion in its first year, rising to £5–6½ billion in its second. Without the statutory obligation on employers to train the cost would be even higher. Compared with the existing provision for the Youth Training Scheme for 1984–5, the additional cost of Labour's proposals would be £1.4–1.9 billion in the first year, rising to £3.8–5.3 billion in later years. This cost would be shared between employers and the Exchequer, meaning further burdens for industry. When asked where he would find the resources, Mr Kinnock retorted:

‘Labour Party policy is committed to a policy of reflation. It's not a choice between spending on this and not spending on something else. It's a choice between spending on this, which creates, and spending on other schemes simply to mop up or disguise youth unemployment’ (*The Guardian*, 11th December 1981).

He recognised however, that Labour's internal feuding made the plans merely academic:

‘It's tragic that the row (within the Labour Party) sabotages our chances of ever putting those things into practice’ (*Sunday Times*, 20th December 1981).

Adult Training. Labour recognise the importance of widening opportunities for adults to retrain and update their skills, but opt for doing it through an expansion of wasteful Skill Centre training and the Training Opportunities Scheme. Further costs would be incurred in catering for disabled people, ethnic minorities and women returning to work after absence. This will largely be done through statutory obligations on employers.

2. ALLIANCE POLICY

The SDP/Liberal Alliance has developed a number of training objectives, most of which match what the Government is already doing. These were set out in two SDP Green Papers, *Partnership for Prosperity* (June 1982) and *Foundations for the Future* (July 1982), and reiterated in the alliance document *Back to Work* (August 1982).

Youth Training. The Alliance favours a two-year youth traineeship for 16–17 year-olds, with national standards enforced by a Training Inspectorate. Trainees would receive an inflation-proofed £25 a week allowance and enjoy legal status as ‘trainees’. Technical and vocational education in schools would be improved, and a means-tested mandatory Educational Maintenance Allowance paid to 16–18 year-olds who stay at school, based on current rates of supplementary benefit (£15.80 for 16–17s and £20.55 for 18 plus). The plans are uncoded, save

for an extra £900 million given to extend immediately the new Youth Training Scheme for *all* 17 year-olds.

The similarity of many of these plans to the Government's actual achievements is striking. Yet Mrs Shirley Williams, who as Education Secretary in the Labour Government did not get beyond three consultative documents, initially called the Youth Training Scheme 'cheap and cosmetic' (*Guardian*, 15th December 1981). Later she changed her mind and paid Mr Tebbit

'due credit for being the first Minister of any Government to introduce a scheme to provide unemployed 16 year olds with what we hope will be effective training. It would be less than generous not to admit that the Right Hon. Gentleman has had more success with his Cabinet colleagues than I had with mine' (*Hansard*, 21st June 1982, Col. 82).

She had already admitted her achievements in office were limited to:

'Co-operative industrial awards, teaching companies and engineering scholarships' (*Hansard*, 27th January 1982, Col. 922).

Those involved numbered only hundreds, whereas the Youth Training Scheme will be providing 460,000 places at an overall cost of £1 billion. The SDP has not explained where they would find perhaps another 200,000 places for 17 year-olds.

Apprenticeships. The SDP endorses the Government's objective of ending age-restrictions and 'time-serving', and switching instead to training to agreed standards. The cost of apprenticeships, however, would be left to collective bargaining, although the SDP recognises the need for 'realistic' youth wages.

Adult Training. The SDP recognises the need for adults to retrain and update their skills, and that this is primarily a matter for industry. They have chosen to encourage it via a Remissable Training Tax, whereby employers who increase their spending on training as a proportion of their wage bill are refunded by the taxpayer and those who reduce spending are subjected to tax penalties. A similar idea was canvassed by the Government in its December 1981 White Paper, and is still being examined by the Department of Employment. The SDP must recognise that employers would not welcome another tax, that the cost of policing it would be high and that the scope for abuse is obvious. Indeed, the old levy/grant system operated by Industrial Training Boards (see p. 91) collapsed under the weight of bureaucracy involved.

Institutions. The Manpower Services Commission would be refurbished, with a new 'geographical' organisation. In fact administrative machinery of this kind has already been developed for the Youth Training Scheme, but SDP proposals read like a recipe for a dozen mini-MSCs, which would only lead to proliferating bureaucracy and vast expense. Nor has the SDP ruled out reintroducing Industrial Training Boards:

'An option would be to re-establish the 16 Industrial Training Boards that have already been abolished. But a number of those were cumbersome and relatively ineffective....' (*Partnership for Prosperity*).

APPENDIX A

NUMBER OF PLACES ON SPECIAL EMPLOYMENT AND TRAINING MEASURES

	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
Youth Training Scheme	—	—	—	—	—	460,000
New Technical and Vocational Education Initiative	—	—	—	—	—	10,000
Training Opportunities Programme	70,187	74,489	64,418	61,396	61,480	68,500
Youth Opportunities Programme	162,000	216,400	360,000	553,000	630,000 (planned)	—
Young Workers Scheme	—	—	—	—	130,000	79,000
Community Industry Training for Skills Programme	n/a	21,000	26,000	35,000	35,000	
Community Programme	—	25,000	12,000	25,000	130,000	130,000
Voluntary Projects Programme	—	—	—	—	(10)	(10)
Temporary Short Time Working Compensation Scheme	—	229,148	1,810,946	548,306	106,518	10,000
Job Release Scheme	52,022	(82,919) ¹	(635,086)	(166,704)	(77,466)	
	(Jan 77– May 79)	(May 79– April 80)	(April 80– Nov 81)	(Nov 81– Feb 82)	(Feb 82– Jan 83)	113,600
DHSS Scheme for Older Workers	—	—	—	—	37,000	79,000
Enterprise Allowance	—	—	—	—	1,739	25,000
Job Splitting Scheme	—	—	—	—	120 ²	—
Job Search, Employment Transfer Schemes	35,900	17,500	11,750	11,550	10,600	13,000

¹ Figures in brackets denote the number of jobs saved.

² Applications received, February 1983.

APPENDIX B

SPENDING ON SPECIAL EMPLOYMENT AND TRAINING MEASURES

(£ million)

	Outturn 1978-79	Outturn 1979-80	Outturn 1980-81	Proposed Outturn 1981-82	Estimates 1982-83	Estimates 1983-84
Youth Training Scheme	—	—	—	—	—	950
New Technical and Vocational Education Initiative	—	—	—	—	—	25
Training Opportunities Programme	208.9	229.4	246.3	235.6	226.2	253.1

SPENDING ON SPECIAL EMPLOYMENT AND TRAINING MEASURES

(£ million)

	Outturn 1978-79	Outturn 1979-80	Outturn 1980-81	Proposed Outturn 1981-82	Estimates 1982-83	Estimates 1983-84
Youth Opportunities Programme	63	125	212	400	747	—
Young Workers Scheme	—	—	—	—	59	*
Community Industry Training for Skills Programme	11.7	17.0	19.0	20.9	23	25
Community Programme	n/a	15.4	30.5	56.5	n/a	—
Voluntary Projects Programme	9.3	51.0	45.7	86.6	175	*
Temporary Short Time Working Compensation Scheme	—	—	—	—	4	8
Job Release Scheme	0.9	24.4	365.0	259.7	113	*
DHSS Scheme for Older Workers	21.7	85.4	136.0	134.1	244	—
Enterprise Allowance	—	—	—	—	15	28
Job Splitting Scheme	—	—	—	—	4	25
Job Search, Employment Transfer Schemes	—	—	—	—	2.5	n/a
MSC's overall training budget	10.3	7.2	4.3	4.3	5.4	5.9
	374	452			1212	

* Figures not yet available. Total spending in 1983-4 will be about £1.8 billion.

6. INDUSTRIAL RELATIONS AND TRADE UNION REFORM

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(A) INDUSTRIAL RELATIONS

1. INTRODUCTION

The function of trade unions is to work for higher wages, better working conditions and job security for their members, yet in Britain the trade unions—despite a unique range of powers and privileges—have failed their members on every count. As the table shows, British workers work longer hours for lower wages, and are more likely to lose their jobs than in many other European countries:

Country (1981)	Hours worked in manufacturing	Hourly wages in manufacturing*	Percentage rate of unemployment
Denmark	32.2	£3.71	9.2
Germany	41.0	£3.11	5.5
Italy	33.4	£2.96	8.7
United Kingdom	42.0 (male)	£2.68	11.4
France	40.0	£2.73	7.3

* Figures based on purchasing power parities.

(Source: *ILO Yearbook of Labour Statistics, 1982*; Eurostat, November 1982).

The relatively poor pay and conditions of British workers reflect their low productivity. This is the result of the overmanning and restrictive practices enforced on British industry over many years by the trade unions, and the effect of a reputation for poor industrial relations in deterring investment from abroad.

2. STRIKES

Research has shown that there can rarely, if ever, be a 'successful' strike. One survey—of the Post Office strike in 1971, the Chrysler dispute in 1973, the Dunlop strike in 1975 and the Chamberlain Industries dispute in 1977—found that the strikers lost money in every case (*British Journal of Industrial Relations*, July 1982). In the Post Office strike, it would have taken the strikers five years to make good their losses, and at Chrysler three years. Similarly, it will take the water workers several years to make up the five weeks' pay they lost whilst on strike in early 1983. Furthermore, where strikes are successful they usually cost jobs. The pay round that

followed the ‘Winter of Discontent’, 1978–9, pushed average earnings above 20 per cent in mid-1980. The result was lost jobs—at a rate of about 100,000 a month by the end of 1980. The national engineering dispute of late 1979, which ended with the pay rises of up to 22 per cent and an hour off the working week, had disastrous consequences for employment in the engineering industry. The 13-week steel strike of January–April 1980 immediately cost BSC £150 million and a tenth of their market share (see Chapter 3, p. 57). Over 60,000 jobs were lost.

There are now signs that the link between large wage increases and job losses has been grasped. The number of strikes beginning in 1980 and in 1981 was lower than in any year since 1942. The number of working days lost because of industrial action in the three years 1980–2 was less than two-thirds of the average over the decade 1970–79. In fact, the number of working days lost in 1981 was the lowest since 1967, with the exception of 1976.

Strikes: All Industries and Services (UK)

Year	Number of stoppages beginning in year	Number of working days lost in stoppages in the year
1940–49 (average)	1,686	2,025
1950–59 (average)	2,116	3,252
1960–69 (average)	2,446	3,555
1970–79 (average)	2,598	12,870
1974	2,922	14,750
1975	2,282	6,012
1976	2,016	3,287
1977	2,703	10,142
1978	2,471	9,405
1979	2,080	29,474
1980	1,330	11,964
1981	1,338	4,266
1982	1,454	7,916
1980–82 (average)	1,374	8,049

(Source: *Strikes in Britain; Manpower Paper No. 15*, Department of Employment 1978; *Employment Gazette*.)

Major strikes are now almost all exclusively confined to the public sector. All the major strikes between 1980 and 1983—the steel strike 1980, the civil service strike 1981, the health strike and rail strikes of 1982, and the water strike 1983—were in the public sector. During the last three years, over seven out of every ten days lost through strikes were in the public sector. The **Prime Minister** has explained why:

‘I will tell you in a word: monopoly—monopoly power. That's where the root of the evil lies. The customer has nowhere else to go for something that may be vital to the means of life. And the worker who does not want to strike risks his job. And he has no other employer to go to,

unless he leaves the industry. And so again and again, we see whole groups succumb to the temptation to exploit that monopoly power for selfish ends' (London, 23rd February 1983).

Where the Government has had direct responsibility for pay—as in the civil service strike of 1981 and the health dispute of 1982—it has stood firm against militancy. In the monopoly nationalised industries, where the Government does not have direct responsibility for pay, increased labour costs have been passed on to the consumer in higher prices. As a result, prices in the nationalised industries—coal, gas, electricity, water, rail and bus fares, postage and telephones—were by January 1983 rising three times as fast (15 per cent) as in the economy as a whole (5 per cent). These increased costs can often put private firms out of business.

(B) THE NEED FOR TRADE UNION REFORM

The Government's reforms of industrial relations law are intended to restore the balance of power between trade unions and employers, unions and their members, and unions and society. They are an essential prerequisite to any return to sustainable economic growth and an increase in employment.

1. LABOUR GOVERNMENTS MILITANTS' CHARTER

Between 1974 and 1976 the Labour Government enacted a 'militants' charter' of trade union legislation. It tilted the balance of industrial bargaining power away from responsible management and towards trade unions and particularly unofficial groups acting in defiance of their union leadership. This legislation was part of the price the Labour Government paid for the 'Social Contract' (see Chapter 1, p. 11), by which it was hoped to win union acquiescence in policies of pay restraint.

The legislation also marked the abandonment by Labour of any attempt to bring the trade unions within the rule of law. In government in 1969, Labour had proposed in the White Paper *In Place of Strife* (Cmnd. 3888) legal remedies which would have invoked the *criminal law* to impose fines on employers, unions or individuals who disobeyed ministerial orders. These were dropped when trade union leaders, trade union sponsored MPs and a significant section of the Cabinet—led by Mr Callaghan—resisted them. Labour opted instead for the first of many expedients—the 'solemn and binding undertaking' that member unions would obey the TUC's own guidelines on unofficial strikes. The late Richard Crossman, a member of the Labour Cabinet, later admitted:

'I think we have got to face it, that as a result of our failure to carry our Industrial Relations Act in our time, the price of TUC support for an alternative Labour Party policy is that they will write their own Industrial Relations Act for the next Labour government. I think we have simply got to do what they wish because that is the only basis on which we can hope to work out a common attitude to other problems' (ITV *Weekend World*, 10th September 1972).

His prediction was borne out by events under the last Labour Government, when Mr Michael Foot was Employment Secretary.

The Trade Union and Labour Relations Acts 1974 and 1976. The 1974 Act repealed the Conservatives' Industrial Relations Act 1971. It also made legal the negotiation of closed shops

and widened the legal immunities of trade unions to cover strikes on matters outside Great Britain and secondary boycotts. The 1976 Act removed legal safeguards from employees unreasonably excluded or expelled from trade unions and removed the protection given in closed shops to individuals who objected on reasonable grounds to union membership, or who chose to belong to another trade union. Most dangerously of all, it widened the immunity from civil action for injunctions or damages to include inducements to break all contracts, including commercial contracts. This final step marked a significant extension of trade union immunity which, in effect, licensed all industrial action even if it was directed against those far removed from the original dispute.

Employment Protection Act 1975. This Act, which contained 129 sections and 18 schedules, was an enormous piece of legislation. The bulk of the Act has been retained by the Conservative Government, which has concentrated on amending those aspects of it which were particularly damaging. These included a requirement on employers to recognise trade unions and disclose information to them; unfair dismissal and maternity leave requirements which were particularly onerous for small businesses; and a right for trade unions to make pay claims solely on the basis of ‘comparability’ (the notorious Schedule 11).

The Act was consolidated into the Employment Protection (Consolidation) Act 1978.

Conservative Opposition. Though initially prepared to accept the 1974 Trade Union and Labour Relations Act as the basis for labour laws in the future, Conservatives resisted the unbalanced and partisan additions that were made in the 1976 Act and in the 1975 Employment Protection Act. They drew attention to the loss of individual freedoms implied by the strengthening of the closed shop; the chaos that might follow the licensing of all industrial action; the burdens that would be placed on small firms by the employment protection legislation; and the damage that would be done to investment and future planning by the requirement to disclose information. All these effects destroyed jobs.

2. TRADE UNIONS AND UNEMPLOYMENT

Protected by immunity from civil action for virtually any industrial disruption, and in command of a vast conscript army in the closed shop, trade unions were able constantly to pressurise employers into pushing up real wages. Thus they not only priced their members out of existing jobs but also squeezed profits, so inhibiting investment and innovation and the creation of new jobs. As the **Prime Minister** has pointed out, the misuse of excessive industrial powers by the trade unions is the main avoidable cause of high and rising unemployment:

‘I wonder whether trade union leaders ever stop to think how many of the unemployed could be in work if their unions had not clung to restrictive practices nor demanded wage levels way above what our competitors were paying themselves for the same work. ... It is no good the unions demonstrating against unemployment if by their deeds they are helping to cause it’ (London, 23rd February 1983).

Trade unions have increased unemployment by:

- Relentlessly pursuing higher wages without delivering higher productivity so eroding profits and investment.
- Pushing up wages in public sector areas shielded from competition, thus contributing to rising rates and high nationalised industry prices.

- Resisting technological change and prolonging restrictive practices and overmanning, so pushing up labour costs.
- Forcibly negotiating closed shops, rendering management virtually powerless to resist unjustified wage claims or root out restrictive practices and overmanning.
- Striking, threatening to strike, ‘going slow’ and ‘working to rule’ (protected by wide legal immunities) at the expense of markets and profits.
- Pressing successive governments in the past to inflate, over-borrow, over-regulate, subsidise and nationalise in return for transient wage restraint.
- Setting the wages of those in work too high to enable the unemployed to sell their labour at its market price.

(C) REDRESSING THE BALANCE

The present Government, in its approach to the reform of industrial relations, has learnt from the mistakes of previous attempts. Mr James Prior, Secretary of State for Employment until September 1981, characterised the Government's strategy as a ‘step-by-step’ approach, which would keep in line with both public opinion as a whole and the views of ordinary trade union members:

‘When the then (Conservative) Government looked at these problems at the beginning of the 1970s ... we thought—and many people agreed with us—that the way forward was to create a whole new framework of law with new institutions and new procedures. The previous (Labour) Government had of course reached much the same conclusion. But they had been unable to get “In Place of Strife” as far as the statute book. We have to recognise, however, that at the end of the day the new legal framework set out in the Industrial Relations Act 1971 was unable to command the general acceptance necessary to make it work’ (*Financial Times* Conference, 20th November 1981).

The Conservatives therefore sought to work within the existing framework of labour laws, initially adjusting it only to remedy the manifest abuse of the closed shop which had occurred under Labour's legislation, and to prevent a recurrence of the worst excesses of the ‘Winter of Discontent’ in 1978–9. The ‘Winter of Discontent’, which exposed as a sham the Labour Government's ‘special relationship’ with the unions, included a two month strike at Ford, strikes elsewhere in the motor industry, a bakery strike and one-day strikes on British Rail. Lorry and tanker driver strikes involved the use of ‘flying pickets’ on motorways, the picketing of ports and food depots and violent incidents when drivers refused to stop. Strikes in the public, local and hospital services led to the closure of schools, blocked roads, disruption and blockading of hospitals, and a refusal even to bury the dead. Over 9 million working days were lost.

The 1979 Conservative Manifesto therefore proposed powers to curtail ‘flying’ pickets and provide public funds for secret ballots of union members on strikes and elections to union office. It also promised protection against unfair dismissal in a closed shop, and amendment of the Employment Protection Act where it damaged small businesses.

1. EMPLOYMENT ACT 1980

The Act:

- a. Restricted lawful picketing to the pickets' own place of work.

- b. Ensured that secondary picketing (by workers at their own place of work) was aimed at the supply of goods and services between the workers' own employer and the employer in dispute, in order to attract immunity from civil action for injunction and damages against them.
- c. Provided compensation for people unreasonably excluded or expelled from a union in a closed shop.
- d. Provided that new closed shops agreed after the Act came into force must be approved by four-fifths of the workers covered, in a secret ballot, in order to provide adequate defence against claims for unfair dismissal by people sacked for refusing to join the union.
- e. Made it unfair to dismiss a person in a closed shop where there was a conscientious objection; the employee worked for the employer before the closed shop came into effect; or where a new closed shop was not approved by four-fifths of those covered in a secret ballot (see [d]).
- f. Restricted immunity for secondary action (sympathy strikes, blacking, blockading) to that taken by employees of a supplier or customer of the employer in dispute which was aimed directly at the supply of goods and services between their employer and the employer in dispute. This gave those facing 'blacking' or 'sympathy strikes' the right to seek injunctions and damages from the individual organisers of the unlawful action. (This section was included following extensive use of secondary action during the 1980 steel dispute, which included the calling out of employees in private firms who did not wish to strike.)
- g. Made available public funds for ballots of trade union members on issues such as strikes, election of officials, amending union rules and (from September 1982) terms and conditions of employment. Employers are obliged to provide premises for ballots.
- h. Gave the Secretary of State power to issue Codes of Practice containing advice on improving industrial relations. Two such Codes have been issued—on Picketing and the Closed Shop—but, although admissible in the Courts, they do not have the force of law.
- i. Tackled coercive union recruitment tactics by removing immunity from industrial action taken by workers employed by one employer designed to compel another employer's workers to join a union. This followed the Leggatt Report (Cmnd. 7706, September 1979) on the recruitment activities of the print union SLADE.
- j. Removed provisions of the Employment Protection Act which damaged industry, particularly small businesses. The qualifying period for complaints of unfair dismissal was raised from six months to a year, and to two years in firms with less than twenty employees. Tribunals have to take account of the size and resources of firms when taking decisions on unfair dismissal. The obligations on employers to reinstate employees after maternity leave have been relaxed and the uncertainties over the employee's intentions eased. It also provided a new right for pregnant women not to be unreasonably refused paid time off for ante-natal care.
- k. Repealed the compulsory union recognition procedures of the Employment Protection Act 1975.
- l. Repealed Schedule 11 of the Employment Protection Act 1975, which enabled employees to make pay claims solely on the basis of 'comparability' with terms and conditions elsewhere.
- m. Gave employers the right to 'join' as a party to unfair dismissal proceedings a trade union they claim induced them by actual or threatened industrial action to dismiss an employee in a closed shop for not being a member of the trade union. Tribunals might order the person or trade union to pay part or all of the compensation where inducement was proved. It also gave employers the right to 'join' a contractor where unfair dismissal resulted from the contractor's insistence that employees doing certain work should all be

union members. If he was threatened by industrial action, the contractor could 'join' the union as a party to the proceedings.

Reaction to the Legislation. Two polls showed both public opinion and union members to be overwhelmingly in favour of the changes. A Marplan poll in December 1979 found 67 per cent of trade unionists in favour of the Bill and only 25 per cent against. 74 per cent supported the picketing provisions, 72 per cent those on the closed shop and 71 per cent those on union ballots (*The Sun*, 12th December 1979). An ORC poll in January 1980 found 73 per cent of those questioned backed the Bill and 86 per cent of all adults—including 79 per cent of trade union members—supported the elimination of secondary picketing. 70 per cent felt the unions should accept the Bill; 71 per cent backed restrictions on 'blacking' and sympathy strikes and only 19 per cent supported secondary action as a legitimate industrial weapon. 85 per cent favoured secret ballots before strikes and 73 per cent ballots for the election of union officials (*The Times*, 31st January 1980). The CBI also welcomed the legislation.

Despite this evidence, trade union leaders were almost universally hostile. The TUC immediately mounted a campaign of opposition and held a march and rally against the Bill on 9th March 1980. In contrast, Mr Frank Chapple, then General Secretary of the electricians' union (EETPU), said that:

'... those who argue for the total rejection of the Employment Bill are totally ignoring reality and committing a number of important tactical blunders. ... I believe that we should accept the Government's proposals on secret balloting and the closed shop. It is unrealistic for the trade union movement to ignore the problems and our share of the responsibility for them' (*Daily Express*, 25th January 1980).

The Act in Practice. The Government made clear from the outset that the success of the Act was not to be judged by the number of cases which followed its enactment, but by its effectiveness as a deterrent. Nevertheless, when invoked the Act has usually proved a success. Several injunctions have been served against secondary pickets. Both the film technicians' union (ACTT) and the International Transport Federation were found to have engaged in unlawful 'blacking', and in August 1982 the Newspaper Publishers Association obtained an injunction to prevent print workers striking in support of the health service dispute. Mr Sean Geraghty, a union official, was fined £350 for contempt of court.

The balloting provisions have been less successful than was hoped, because of TUC pressure on its member unions not to accept public funds as somehow 'tainted' by the rest of the legislation. The hypocrisy of this position is amply illustrated by the fact that the TUC already accepts £1.6 million of taxpayers' money to train shop stewards. Several TUC unions—AUEW, EETPU and Equity—came close to applying for reimbursement, but backed down to avoid disciplinary measures, or even expulsion from the TUC. The fact that a number of non-TUC unions have successfully applied indicates that where trade unions are free to choose they are happy to accept public reimbursement for ballots. Mr Terence Duffy, AUEW President, recently admitted:

'If Mr Callaghan had proposed Government money for unions' postal ballots we would probably have accepted it' (*Financial Times*, 19th January 1983).

Considerable public anxiety was generated by three closed shop cases which appeared to expose weaknesses in the Act.

First, the case of three railwaymen—Mr Noel James, Mr Iain Young and Mr Roger Webster—who were dismissed by British Rail in 1976 for refusing to join a union. They took their cases to the European Commission of Human Rights, which in December 1979 found that their dismissals violated Article 11 of the European Convention for the Protection of Human Rights, which guaranteed freedom of association and to which the UK is a signatory. In August 1981 this decision was ratified by the European Court of Human Rights, and they were subsequently awarded over £145,000 in compensation. They were, however, victims of Labour's 1974/76 Trade Union and Labour Relations Acts, and the 1980 Employment Act has ensured that in future such cases can be dealt with in our own Industrial Tribunals.

Second, the case of Joanna Harris, a poultry inspector sacked by Sandwell Council in February 1981 for refusing to join the local branch of NALGO under a closed shop agreement. She chose not to seek the compensation for which she was entitled under the Employment Act 1980.

Third, the case of the six 'dinner ladies' sacked by Walsall Council for refusing to join a union. Four took their case to a Birmingham Industrial Tribunal and were awarded a total of £10,598 in compensation under the Employment Act 1980.

Mr David Waddington, then Parliamentary Under-Secretary of State for Employment, commented:

'The disgraceful behaviour of Sandwell Council in sacking Joanna Harris and the equally outrageous conduct of Walsall Council in driving their dinner ladies out of work forced most people to the conclusion that the 1980 Act needs toughening up and really powerful deterrents are needed to prevent this type of behaviour spreading' (Blackburn, 11th December 1981).

Nearly half the sections in the subsequent Employment Act were related to the closed shop.

2. EMPLOYMENT ACT 1982

The Act was a direct response to the extensive consultations held on the basis of the Green Paper, *Trade Union Immunities* (Cmnd. 8128), published in January 1981. Over 300 submissions were received, showing a wide measure of agreement on the issues which needed to be tackled and overwhelming support in industry for further legislation. Mr Norman Tebbit, Secretary of State for Employment, in introducing the Bill, explained:

'We have not sought to transform the whole framework of industrial relations law ... we have tried to provide specific remedies for real abuses, to promote effective protection where it has been shown to be necessary, and to redress the imbalance of bargaining power to which the legislation of the last Government had contributed so significantly' (*Hansard*, 8th February 1982, Col. 738).

The Act's main provisions came into force on 1st December 1982. It:

- a. Enables the Government to pay compensation to some of those who were dismissed from closed shops under the Labour Government's legislation between 1974 and 1980. The people concerned are those whose dismissals would have been 'unfair' had the 1980 Employment Act been in force at the time.
- b. Substantially increases the compensation which can be awarded to individuals who are unfairly dismissed for not being trade union members in a closed shop, or for trade union

membership or activities. Unfair dismissals could now carry compensation penalties of between £12,000 and £30,000, though these will be reduced if the tribunal finds an employee contributed to his own dismissal. These sums should deter employers and unions from dismissing non-union members in a closed shop.

- c. Makes it unfair to dismiss an employee for not being a trade union member in a closed shop where the closed shop agreement has not been approved in the previous five years by 80 per cent of the employees concerned or 85 per cent of those voting in a secret ballot. This provision will not come into force until 1st November 1984 in order to give employers and unions time to organise ballots, but will promote regular reviews of existing closed shops by secret ballot.
- d. Makes it unlawful to refuse to include firms in tender lists, or to offer or award contracts to them, on the grounds that they do not employ trade union members or recognise, negotiate or consult with trade unions or trade union officials; and removes the legal immunities from those who put pressure on an employer to act in this way or who organise industrial action to prevent non-union firms from fulfilling their contracts. This outlaws 'union labour only contracts', which were a particular problem identified in the consultations on the Green Paper.
- e. Brings the legal immunities from civil action for trade unions into line with those for their individual officials, thus making unions liable to an injunction or damages up to a specified limit where they are responsible for unlawful industrial action. The Act will therefore provide unions with greater incentive to make sure their officials remain within the law, and give those damaged by unlawful action a chance to recover some of their losses from union funds rather than simply from individual trade union officials. Damages will vary between £10,000 and £250,000, according to the size of the union.
- f. Restricts lawful trade disputes to those between workers and their own employers about pay, conditions of work, jobs etc. The new definition thus excludes disputes between a trade union and an employer where none of that employer's workers are in dispute; disputes between workers and trade unions; and disputes which are only *connected* with pay, conditions, jobs etc and not *wholly or mainly* about them. The definition also excludes disputes on matters overseas unless the jobs of the people taking industrial action in Great Britain are likely to be affected by the outcome of the dispute. This does not mean immunity has been removed from *all* secondary action, only that taken by employees of one firm to put pressure on another where there is no dispute between the employee and his employers.
- g. Enables employers to dismiss those taking part in a strike or other industrial action without the possibility of having to face claims for unfair dismissal provided he dismisses all those taking part in the strike at a particular workplace on a particular day. This will enable employers to dismiss strikers selectively, particularly those who stay on strike when others have returned to work.
- h. Requires companies with more than 250 employees to put a statement in their annual report describing what they have done to develop arrangements for consulting and involving their employees (see p. 109). This came into effect on 1st January 1983.
- i. Repeals the section of the 1974 Trade Union and Labour Relations Act which the Courts had interpreted as giving legal immunity to those who 'occupy' or 'sit-in' at their place of work.

Reactions to the Legislation. Public opinion polls again showed widespread support for the proposals. A MORI poll in November 1981 revealed that 79 per cent of the public and 77 per cent of trade unionists agreed that regular ballots should be held in existing closed shops; 70 per cent of the public and 61 per cent of trade unionists agreed that a company should be able to sue a union if it lost money in dispute which had nothing to do with the company; and 76 per cent of

the public and 70 per cent of trade unionists agreed that companies should be able to sue unions which broke agreements (*The Guardian*, 30th November 1981).

Trade union leaders nevertheless denounced the legislation. At a TUC Special Conference on 5th April 1982 union leaders voted to support an 8 point plan to fight the Bill. A campaign pack entitled 'Fight Tebbit's Law' was issued, and a travelling exhibition toured union conferences. 10th June was designated 'Union Day' and leaflets were handed out. Unions were encouraged to refuse to take part in closed shop ballots; to refuse public money for ballots under the 1980 Act; to seek the support of other unions in disputes; to forbid their members to sit on Industrial Tribunals considering closed shop cases; and to help the TUC co-ordinate industrial action in support of any union facing legal action by an employer. A levy of 10p per member was raised to finance the campaign without, of course, ordinary trade unionists being asked whether they wished to contribute. Mr Len Murray, TUC General Secretary, admitted the campaign was unlikely to attract much support:

'We cannot be sure that we can deliver ... (Government propaganda) has even found credence among many of our members who value what their own unions do for them but are, paradoxically and illogically, at best apathetic and at worst sympathetic to the Government's purpose. We have a major job alerting trade unionists themselves to the real nature of the proposals' (Wembley, 5th April 1982).

By the time of the TUC Congress in September 1982 it was clear that the campaign had failed. Half the trade unionists questioned in a Marplan poll opposed unlawful action in defiance of the Bill (*The Guardian*, 7th September 1982). Less than half the trade unionists in a MORI poll supported the TUC campaign, and a Gallup poll found a clear majority of the public and trade unionists who believed that union leaders who defied the law should go to prison (*Financial Times*, 6th September 1982). Despite the polls, union leaders again voted overwhelmingly at the TUC on 7th September 1982 for militant resistance—including industrial action—to the legislation. Some union leaders, clearly aware that they had no case with which to convince the British people, chose to defy them by offering to break the law.

Mr Arthur Scargill, President of the NUM, said:

'There is only one response that this movement can give, faced with this legislation. We should say "we will defy the law"' (*Financial Times*, 8th September 1982).

Mr Bill Keys, Chairman of the TUC Employment Committee, said:

'I will say publicly anywhere, if it is a bad law that doesn't nurture good, that doesn't look after the interests of ordinary people in this nation I will oppose the law and I will influence other people to oppose the law ... if that means breaking the law I will do it' (*The Guardian*, 21st January 1983).

By endorsing the TUC campaign the Labour Party continued their long record of contempt for the rule of law. Indeed, a former Labour Prime Minister, Mr James Callaghan, justified unlawful sympathy action during the 22nd September 1982 'Day of Action' (see Chapter 19, p. 303).

Mr Frank Chapple, 1982 TUC President, disagreed:

'Those who advocate that bad laws should not be obeyed—in circumstances where such "bad" laws are enacted by a democratically elected government—are putting at risk the entire

conception of civilised society. That directly challenges democracy ... the way to change bad laws is to change the government that has made them' (*IRIS News*, October 1982).

Union Leaders Out of Touch. The failure of the TUC's campaign against the Employment Bill illustrated how far union leaders were out of touch with the views of their members. Miners voted against strike calls in support of unrealistic pay claims in 1980, 1981 and 1982. In 1980, BL workers voted out Derek 'Red Robbo' Robinson, the militant convenor at the Longbridge plant, and in 1981 and 1982 accepted management pay offers against the advice of union officials. In 1982, the National Union of Railwaymen's (NUR) annual delegate conference overturned the executive's decision to strike. Efforts by the NUR to discipline 12,000 members who defied a strike call in 1982 led to the formation of a breakaway rail union, the Federation of Professional Railwaymen. In the summer of 1982 workers at the British Sugar Corporation voted to accept a pay offer, despite the fact union officials had urged them to boycott the ballot. In April 1982, Heathrow baggage handlers voted to return to work after a seven-week dispute. In the winter of 1982, the tanker drivers snubbed Mr Alex Kitson, the acting leader of the TGWU, by refusing to strike.

On 14th July 1982, Mr Tebbit announced that the Government would hold consultations on whether there should be legislation to encourage union democracy. As he later explained:

'Time and time again union members have rebelled against their leaders, not because they are "anti-union", but because the unions are hopelessly out of touch with their members' (Speech to the Industrial Society, 26th January 1983).

Mr Eric Hammond, the newly elected General Secretary of EETPU, agreed:

'Trade unions are not top of the pops. We are not a popular group in society. This is because most trade union leaders are just not representative of the ordinary members' (*Sun*, 22nd December 1982).

3. GREEN PAPER ON UNION DEMOCRACY

On 11th January 1983, Mr Tebbit introduced a Green Paper, *Democracy in Trade Unions* (Cmnd. 8778), designed to stimulate public debate on the possible introduction of legislation on ballots for the election of union leaders; ballots before strikes; and reform of the legal provisions governing union political activities. He made clear that he was responding to public pressure:

'Trade unions have had the opportunity to reform their procedures voluntarily—they have been offered help to reform themselves—but many of those who control them continue to disregard the growing demands of their own members, let alone those of the general public. Too many trade unions have failed to reform themselves, and public opinion now demands that we should start the process of consultation leading towards legislation. ...' (London, 11th January 1983).

Secret Ballots for Union Elections. Modern trade unions are large, rich, powerful and privileged bodies, often commanding large conscript armies in the closed shop. It is therefore essential that they conduct their affairs in a manner which commands the confidence of both the public at large and their own members. Yet of the 520 unions in existence at the end of 1981, a mere handful could claim to satisfy the basic principles of democracy: leaders elected by secret ballot, on a wide franchise, and with the votes counted fairly. Low turn-outs, ambiguous rule

books and deliberate malpractice—including, in a number of cases, ballot rigging and forgery—have undermined the credibility of union leaders in general.

The Green Paper identifies four possible approaches to reform. These are: legislation to prescribe standard provisions for union elections; or to require unions to secure approval of their election rules from a public authority; or to lay down the principles to be followed in elections as a statutory right for union members; or to establish a model electoral practice for all trade unions. To enforce these provisions, the Green Paper suggests additional sanctions to those already available through the courts, including the removal of ‘executive status’ from union officials, the freezing of union assets and the loss of trade union privileges. The document also discusses ways to ensure secrecy and fairness, and considers the abolition of certain practices such as the block vote or the election of a general secretary for life.

Secret Ballots Before Strikes. The Green Paper found that, in principle, the case for compulsory pre-strike ballots was unanswerable, because a strike can cause immense damage, not only to industry and the community, but to the individual who loses pay and may even lose his job. In practice, however, ballots can become simply a test of union solidarity or—if confined to official strikes—encourage unofficial action and action short of a strike, such as ‘go-slows’. Experience of ballots under the 1971 Industrial Relations Act and the Taft-Hartley Act in the USA shows that they frequently lead to a vote for a strike. The Green Paper, nevertheless, puts forward three options: a ballot ‘triggered’ by a certain proportion of the workforce; a ballot ‘triggered’ by the employer; or the provision of public funds for employers to hold ballots where unions refuse to do so. Even these pose practical difficulties: how wide the electorate should be; how the ballot papers should be worded; what sanctions to impose when a ballot is refused; and who should supervise.

Trade Union Political Activities. Under current law, unions may pursue their members’ interests through political organisations provided that authority to do so is obtained by ballot; the union maintains a separate political fund; and members are given the right to ‘contract out’ of paying the political levy. These provisions are open to abuse, and the paper examines six options for reform. *First*, a legal requirement to compel unions to hold regular ballots to test continued support for their political funds, in place of the current ‘once and for all’ ballot. Some unions have not tested opinion on their political funds for periods of up to 70 years.

Second, a switch to ‘contracting in’ to the political levy, as obtained between 1927 and 1946. Some members are not even aware they are paying a political levy; for others it is made deliberately difficult to ‘contract out’. Mr Gavin Laird, General Secretary of the AUEW, has said:

‘We make it as difficult as we possibly can for people to contract out of paying the political levy’ (*Financial Times*, 21st March 1983)

Third, outlawing the ‘check-off’ system whereby union subscriptions and the political levy are automatically deducted from wages by the employer. This could only apply to those who ‘contract out’. Alternatively, employers could be required to show the political levy as a separate item on pay slips, to remind employees that they are paying it.

Fourth, prohibiting the ban in some unions on non-party members holding official positions.

Fifth, redefining ‘political objects’, to make it easier for union members to find out to what organisations political contributions are made.

Sixth, tightening the rules on the administration of political funds and the annual returns to make it clearer where the money is being spent.

Mr Tebbit has promised:

‘I have not yet decided all the details of how we shall legislate on these two issues. ... I shall wait until the consultation period is finished before I finally make up my mind. ... We do not live in an ideal world where solutions to great problems can be found by a quick piece of simplistic legislation to wipe out all the inefficiencies and injustices which have built up or to overcome the frailties of human nature. But legislation there will be...’ (London, 26th March 1983).

The pressure of public opinion which followed the water strike of early 1983 has also obliged the Government to consider curbing strikes in essential services. Mr Tebbit has said:

‘I accept that the individual has the right to strike but right carries with it responsibility; that's what is at issue here. The question is what disincentive there should be to strike in an essential service’ (*The Guardian*, 17th February 1983).

Trade Union Response. The TUC General Council voted on 26th January 1983 to boycott all consultations with the Government on the Green Paper. Mr Bill Sirs, General Secretary of ISTC, said:

‘Would you sit down with your would-be executioner and discuss how they cut your head off?’ (*Financial Times*, 27th January 1983).

Mr Sirs, appointed for life, clearly fears that his own position would be jeopardised by more union democracy.

However, Mr Gavin Laird, General Secretary of the AUEW, who is elected by postal ballot, has no such fears and agrees there is

‘a challenge to the Trade Union Movement to respond to the document’ (*Financial Times*, 1st February 1983).

Mr Frank Chapple of the EETPU, who as General Secretary was also elected by postal ballot, has said that

‘the single reform which would give the greatest benefit to the trade union movement is the provision of secret ballots for election of its leaders’ (*IRIS News*, October 1982).

And he is clear about the benefits for his union:

‘In the last twenty years we have taken this union from being controlled in the interests of the Communist Party, with a low membership and bankrupt finances, to one which is the envy of the trade union movement’ (*IRIS News*, January 1983)

(D) EMPLOYEE INVOLVEMENT

1. CONSERVATIVE APPROACH

Since taking office the Government has stressed that a real and lasting improvement in industrial relations depends upon a change of attitude by management and workforce. Co-operation between them is crucial to the prospects for competitiveness and jobs. Recession has already broken down many of the barriers between them, and productivity is up and strikes down. New technology has been successfully introduced and workforces have adapted to it. The Government has taken steps to encourage and reinforce this new co-operation, to prevent old problems re-emerging in the economic upturn.

The Companies Act 1980 extended directors' duties to include the interests of the employees. Following an amendment to the Employment Bill 1982 during its passage through the House of Lords, the Companies Act 1967 now obliges the annual reports of companies employing more than 250 people to include a statement about the steps taken towards improving employee involvement (see p. 104). The Government has also encouraged employee share ownership and profit-sharing schemes (see Chapter 2, p. 41).

However, the Government has consistently opposed the imposition upon companies of a rigid statutory framework. It would be unlikely to change attitudes and merely undermine existing voluntary arrangements. As Mr Tebbit has said:

'Employee involvement is a matter which should be developed spontaneously within firms according to their own individual circumstances, and not imposed from outside' (Harrogate, 21st October 1981).

2. EUROPEAN COMMUNITY INITIATIVES

Two pieces of draft Community legislation have aroused considerable anxiety amongst European businessmen. Both, however, have been substantially amended by the European Parliament—where British Conservative MEPs played a leading role—and the Council of Ministers will in due course give consideration to new drafts.

The Fifth Directive. First published in 1972, this initially aimed to make German-style 'two tier' company boards—one supervisory, one management and both including employee representatives—compulsory for all firms in the Community above a certain size. The present draft is much less rigid. It enables British companies to retain their single board system and the two tier board is only one option. Collective agreements, recognised under national law, would absolve companies from further compliance with the Directive. A final option is an employee council, with statutory rights to information and consultation. All types of employee representatives would have to be elected by secret ballot, and small groups of workers would have guaranteed representation.

The Vredeling Directive. Launched in October 1980 by the Social Affairs Commissioner, Mr Henk Vredeling, this aims to improve employee consultation in companies with 'complex' structures—mainly multi-nationals. British Conservative MEPs, fearing particularly the consequences for commercial confidentiality and decision-making, steered through amendments which will limit the scope of the Directive. They include safeguards for confidentiality and for failure to comply. It is unclear yet whether the Commission will accept all the Parliament's amendments.

The Government's View. British Ministers have made clear their opposition to the imposition of compulsory and inflexible procedures on British companies. The Government believes that consultation and involvement are best developed by companies themselves, and has stressed to industry the importance of developing voluntary arrangements. Mr David Waddington, then Employment Under-Secretary, said:

‘On both directives the Government have said we will consider whether the proposals as they finally emerge will help or harm our system of industrial relations. We have also made clear our view that employee involvement is best developed voluntarily and without the imposition of rigid legal systems. But what I must emphasise is the strength of feeling which now exists in the Community about the need to ensure statutory rights about information and consultation for employees... In other words, we have been swimming against the tide and are going to have to put forward some very strong arguments indeed to convince the other Member States that the tide should be stemmed’ (CBI Conference, 14th July 1982).

(E) OPPOSITION POLICIES

1. THE LABOUR PARTY

Labour's entire legislative programme is deliberately designed to enhance trade union power in government, business and the community. The Labour Party's campaign document, approved by the National Executive Committee and the Shadow Cabinet, frankly admits:

‘At the heart of our programme is Labour's new partnership with the trade unions. Our policies have been worked out with them’ (*The New Hope for Britain*, March 1983).

It is not, in fact, a partnership at all. It is a refurbished ‘Social Contract’ (see Chapter 1, p. 11), with the crucial difference that this time the Labour Party has conceded to all the unions' demands whilst securing nothing in return. Unlike the Social Contract, union leaders have given no commitment on pay restraint; indeed the ‘National Economic Assessment’ has ruled one out (see Chapter, 1 p. 26). Like the Social Contract, however, Labour has paid a high price for its partnership. This they are happy to pay:

‘Experience shows clearly that the trade union movement is prepared to weigh priorities and where necessary to make sacrifices—if, by doing so, working people can succeed in achieving wider objectives both for themselves and for others in society’ (*Partners in Rebuilding Britain*, TUC-Labour Party Liaison Committee, March 1983).

Part of that price are statutory rights of unions to information, consultation and representation on company boards (see below), but also sweeping new legal privileges and a massive extension of employment protection legislation.

New Legal Privileges. *Labour's Programme 1982* promised that:

‘Labour will create legal rights for unions to organise effective industrial action without being subjected to legal challenge’.

The Employment Acts of 1980 and 1982 would be repealed, and any penalties incurred by unions refunded by the taxpayer. This would be a direct incitement to lawlessness. The immunity

of trade unions to civil action for injunctions or damages would be widened beyond even that established in the 1974 and 1976 Trade Union and Labour Relations Acts (see p. 99). The Courts subsequently limited the extent of the immunity granted by these Acts, so the Labour Party has promised to design legislation that will exclude that possibility in the future. Lord Diplock remarked that the definition of a lawful dispute in the 1974 and 1976 Acts was so wide that a dispute could be lawful even if 'its predominant objective was to bring down the fabric of the present economic system' (Quoted in Cmnd. 8128).

In addition, restrictions on the right to strike of postal and telecommunications workers—both the 1863 Telegraph Act and the 1953 Post Office Act retain clauses making 'unlawful delay' of messages a criminal offence—would be removed. This would end the steady progress made by the Conservative Government in restoring the balance of power in industry.

The Closed Shop. Labour is explicit in its support of the closed shop, as *Labour's Programme 1982* made clear:

'Labour will support effective union membership agreements which have done so much to stabilise bargaining arrangements and improve industrial relations in this country'.

This is despite clear evidence that the closed shop reinforces restrictive practices, overmanning and inefficient working practices; enables shop stewards to bully workers and blackmail management; and is a gross infringement of individual liberty. Labour's support for the closed shop flatly contradicts their promise made elsewhere in their *Programme 1982*:

'to protect and enhance the individual liberties and human rights of all in the community, and provide new safeguards against the abuse of private or public power.'

New Employment Protection Legislation. The Conservative Government's efforts to alleviate the burden of employment protection legislation, particularly on small firms, would be reversed. The qualifying period for claims for unfair dismissal and maternity rights would be restored to their 1975 level. Employment protection rights would be extended to homeworkers, part-time workers and temporary workers. All these steps would inhibit business expansion and the creation of new jobs.

Employee Involvement. In this field, as in most areas of policy, Labour have long been the prisoner of the TUC. They came into office in 1974 committed to an 'Industrial Democracy Act' which was originally intended simply to enact TUC proposals. The Bullock Report on Industrial Democracy (Cmnd. 6706), published in January 1977, reflected the fact that its terms of reference virtually obliged it to endorse the TUC's proposals. The compromise White Paper of May 1978 (Cmnd. 7231), which followed the largely hostile reaction to Bullock by industry and some prominent union leaders, nevertheless still proposed 'Joint Representation Committees'—made up of shop stewards—as the vehicle for participation right up to Boardroom level.

Labour are now committed to an Economic Planning and Industrial Democracy Act, whose title reflects the fact that 'industrial democracy' would now become an integral part of the plans to extend trade union power and influence into virtually every facet of our national life. Union leaders would be fully involved in national economic decision-making through the 'National Economic Assessment', the National Planning Council, and the 'Agreed Development Plans' which would be forced upon leading companies. The Economic Planning and Industrial Democracy Act would give shop stewards, organised into Joint Union Committees, statutory

rights to information and consultation and representation throughout a company up to parity on the Board of Directors. Labour have been candid about their purpose:

‘... increased influence and control by workers through their trade unions will be the key to making concentrations of power accountable to society. This will be the source from which planning will derive its authority, its knowledge and its power’ (TUC-Labour Party Liaison Committee, *Economic Planning and Industrial Democracy: The Framework for Full Employment*, July 1982).

Despite this major extension of trade union privileges, unions would undertake no countervailing obligations.

2. THE ALLIANCE PARTIES

The confusion within and between the Alliance partners on the question of trade union reform was vividly illustrated by their Commons voting behaviour on the 1982 Employment Bill. On 8th February 1982, the Liberals and 17 SDP MPs voted for the Second Reading, while 5 SDP MPs, including employment spokesman Mr John Grant, voted against and 5 abstained or were absent. On 19th May 1982, the Liberals voted for the Third Reading while the SDP abstained and Mr Grant voted against. He said:

‘I think it is a bad Bill’ (*Guardian*, 6th February 1982).

Mr William Rodgers, on the other hand, said:

‘The plain fact is that on all the available evidence, a significant majority of individual trade unionists believe in the Bill's provisions’ (*Hansard*, 8th February 1982, Col. 759).

and Mr Cyril Smith, Liberal spokesman, said:

‘I believe that the Bill should be supported’ (ibid, Col 783).

The SDP leaders all voted for *In Place of Strife* (see p. 99), but did not vote against any of the last Labour Government's trade union legislation or indicate any dissent from it. Dr David Owen and Mr Rodgers voted against the 1980 Employment Bill and Mrs Shirley Williams, who appeared on the Grunwick picket line, is also on record as a supporter of the closed shop:

‘You've got the difficulty that the union fights for changes and conditions and improvements in wages and so forth, and the union can't do that if there are a lot of people who simply aren't paying their subscriptions and are simply riding on the backs of those who are members of the union to get better conditions which they then want extended to themselves’ (*BBC Election Call*, 18th April 1979).

To add to the confusion, a Marplan poll revealed that 60 per cent of SDP supporters favoured curbs on the unions (*Guardian*, 8th April 1982), whilst SDP supporters in the unions criticised the leadership for not taking a hard enough line against the Bill (*Financial Times*, 7th June 1982).

The Liberals, in contrast, voted against *In Place of Strife* and the 1974–6 legislation, but voted for the 1980 Employment Bill.

SDP Proposals. These were set out in *SDP Policy Document No. 3* (Autumn 1982):

- a. Five-yearly secret postal ballots for the election of trade union national executives and, where they are not appointed by the executive, of general secretaries. Costs would be reimbursed by the taxpayer.
- b. The right for a certain proportion of the workforce—say, a tenth—to ‘trigger’ a ballot before a strike, again at the expense of the taxpayer.
- c. A shift from ‘contracting out’ of the political levy to ‘contracting in’, coupled with restrictions on the corporate funding of political parties. Ultimately the SDP favours funding of political parties by the taxpayer.
- d. A five yearly ballot of trade union members on which political party they would like to affiliate to.
- e. Tax exemption for union dues, in order to improve trade union finances.
- f. The establishment of a trade union development fund to assist union mergers with taxpayers' money.
- g. Statutory recognition rights for unions that have won majority support from the workforce in a secret ballot, with ‘anti-union’ employers taken to arbitration.
- h. On the closed shop, they would like a cut in the compensation made available to its victims in the 1982 Employment Act; a reduction in the majorities required under the 1980 and 1982 Acts to approve a closed shop; and to make it unlawful to insist on union membership as a condition of appointment to a job (the ‘pre-entry’ closed shop).
- i. Legal encouragement for making procedure agreements enforceable, but with minimal penalties for breaches that occur.
- j. A switch from the current system of trade union immunities from civil action to a system of ‘positive rights’ (e.g., a right to strike). Employers would be restricted to seeking injunctions against unlawful industrial action and would not be able to sue for damages.
- k. Strikes in essential services—ambulancemen, firemen, nurses, water workers and others—to be made unlawful without prior reference to arbitration, but no denial of the right to strike.
- l. Clear limitations on secondary action and picketing, but with employers limited to injunctions and not damages in cases of unlawful action.

The proposals really mean that the SDP is in favour of using the law to curb trade union power, but not in favour of making it effective. It favours, for example, restricting employers' redress for unlawful action to injunctions rather than damages, and despite its call for ‘clear limitations’ on picketing describes the measures taken in the 1980 Employment Act as ‘a needless restriction on civil liberties’ (*Policy Document No. 3*, Autumn 1982).

The SDP also clearly favours vast outlays of taxpayers' money to pay for all kinds of ballots, trade union mergers and political parties.

The only reasonable conclusion to draw is that the SDP is neither reformist nor libertarian in its attitude towards the trade unions, and is influenced solely by the electoral popularity of trade union reform and the party's own financial considerations.

On the question of employee involvement, the *SDP Policy Document No. 4*, proposes an Industrial Democracy Act, initially applicable to all private companies and public corporations employing more than 1,000 people, but later extended to smaller businesses. Within a year companies would be obliged to set up elected works councils in all major plants, and within two years to publish and register with an independent ‘Industrial Democracy Agency’ (IDA) a ‘participation agreement’ providing for employee involvement at all levels of decision-making.

The IDA would set out a range of options in a Code of Practice. They would include elected worker-directors; a representative 'top council'; two-tier boards on German lines; share ownership and profit-sharing schemes; participation by employees in designing their own jobs; and quality circles. Non-compliance with the Act would result in fines.

The SDP has also offered unqualified support to European initiatives on worker involvement (see p.109).

Liberal Policy. There appears to be a divergence of view between the party and its leadership on union reform. Employment spokesman, Mr Cyril Smith, has been unequivocal in his support for the 1982 Employment Act. He said:

'I hate the closed shop. I consider it to be a gross infringement of individual liberty' (*Hansard*, 8th February 1982, Col 784),

and

'I cannot understand the opposition to the measure. I do not understand why it is supposed to be a trade union-bashing Bill. I interpret it as a Bill that offers protection to the individual against a large movement in Britain—the trade union movement—which, if it is not controlled, can injure seriously the right of an individual to work' (*Hansard*, 19th May 1982, Col 385).

Similarly, the Liberal Conference at Bournemouth in September 1982 resolved to replace the closed shop with the 'agency shop' but also favoured the replacement of certain provisions of the 1980 and 1982 Employment Acts by a voluntary Code of Practice. A document prepared for the Liberal Employment and Industrial Relations Panel criticised the 'petty, legalistic approach' of the Conservative Government, and stated:

'The Liberal Party believes that recent changes introduced by the present Conservative Government. ... are likely to have an adverse effect on employee/employer relations since they have led to increased suspicion and hostility amongst trades unions' (N. Hawkins and I. Fordyce, *Liberal Action on Industrial Relations*, 1982).

On employee involvement, Liberal policy does not significantly differ from that of the SDP. Liberals favour Works Councils elected by all employees and with access to company information and plans; two-tier boards with the directors on the supervisory board elected by shareholders and employees; and the promotion of employee share ownership and profit sharing.

7. TRADE AND CONSUMER AFFAIRS

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(A) WORLD TRADE

The level of world trade has increased dramatically in the twentieth century, bringing in its wake greater prosperity and stimulating production. From 1913 to 1948 world production rose on average by 2 per cent per year and world trade by $\frac{1}{2}$ per cent per year. Between 1948 and 1973, production rose by an average of 5 per cent per annum and trade by 7 per cent per annum. However, the world wide recession that followed in the wake of the oil price shocks of the 1970s checked this progress, and since 1980, the growth in world trade has come to a halt.

1. THE GENERAL AGREEMENT ON TARIFFS AND TRADE

World trade is a huge business. Goods and services traded were worth \$2.6 trillion in 1981; 40 per cent of that was in manufactured goods.

The growth in world trade since the 1940s and its impact on living standards came about under a general agreement by the major industrialised nations to remove barriers to open trade. In the 1930s, governments had reacted to the depression with protectionist tariffs and import controls. As a result, world trade plummeted and the slump worsened. But in 1947, 24 countries signed a General Agreement on Tariffs and Trade (GATT). This enshrined the principles of fair and non-discriminatory trade. The signatories agreed that:

‘... any advantages, favour, privilege or immunity granted by any contracting party to any product originating in or destined for any other country shall be accorded immediately and unconditionally to the like product originating in or destined for territories of all other contracting parties’ (*Article I of the General Agreement on Tariffs and Trade*).

The dismantling of trade barriers under the GATT agreement meant that between 1950 and 1980 the value of exports of manufactures by the main industrialised countries grew tenfold. There are now 88 member countries of GATT, responsible for about 80 per cent of the world's trade.

2. BRITAIN'S TRADE

Britain is more heavily dependent on trade than most other countries. In 1980, 28 per cent of Britain's Gross Domestic Product was exported. This compares with 27 per cent for West Germany, 10 per cent for the USA and 14 per cent for Japan. Between 1954 and 1978, the value of Britain's trade rose by 260 per cent and her GDP grew by 87 per cent. It is estimated that about 6 million jobs depend on exports of goods and services.

Unfortunately, although in common with other countries since the war Britain's trade and standard of living have expanded, her position in world markets has declined. Her share of the value of world trade decreased very sharply from 11.6 per cent in 1948 to 5.2 per cent in 1978.

Britain's failure to maintain her share of world export markets, and the scale of penetration of British markets by foreign goods, reflect the failure of British industry to remain competitive. As world trade became depressed in the 1970s and unemployment became a problem in all OECD countries, Britain's unemployment rate rose more rapidly than in other countries.

3. BRITAIN AND THE EEC

The principles enshrined in the GATT agreement were taken further in the establishment of the European Economic Community which Britain joined in 1973. With 279 million people, the Community is the largest trading bloc in the world, accounting for over 50 per cent of world trade. Britain's membership of the Common Market gives her tariff-free access to this market and since Britain's accession, trade between Britain and the rest of the EEC has expanded. In 1970, the EEC took 28 per cent of Britain's total exports; in 1982, it took 42 per cent. Exports to the rest of the EEC reached a level of over £20½ billion in 1980; of the top ten countries to which Britain exports, 7 are members of the EEC. Free access to the European market has encouraged foreign companies to invest in Britain. The proportion of US investment in the Community coming to Britain has doubled compared with the years immediately prior to the UK's accession to the Community. About half the total Japanese investment and over a third of US investment in the Community is placed in Britain. The EEC also offers valuable negotiating strength in dealing with trading economies outside the Community, a strength Britain no longer has on her own. The CBI has estimated that about 2½ million jobs would be put at risk if Britain withdrew from the Common Market.

4. PRESSURES FOR PROTECTIONISM

Difficult trading conditions worldwide have led to calls for 'protectionist' measures in many countries in order to shield domestic industries from import penetration and, so the 'protectionists' argue, to 'save jobs'. Many countries have adopted measures to protect their own industries, and in Britain the Labour Party has been in the forefront of the call for general import controls and, as a corollary, withdrawal from the EEC.

The pressure for import controls is understandable, but a move to protectionism would be extremely damaging for Britain as for the rest of the world. Protectionism in the 1930s merely deepened the world slump. Import controls to protect home industries against foreign competition are likely to provoke retaliation from other countries, so controls would be protecting some jobs, probably in uncompetitive industries, at the expense of jobs in other exporting industries.

Furthermore, import controls restrict consumer choice, denying the consumer the opportunity to buy the products he wants at the most competitive prices. Protecting industry from competition

also protects it from the need to improve efficiency. If managements and unions relax the struggle to act on costs, improve products and invest in new technologies, industries become mediocre and uncompetitive. Eastern Bloc economies display all the worst effects of protectionism: shortage of consumer goods, lack of variety, bad service, inefficiency and low standards. As Mr Cecil Parkinson, then Minister for Trade, remarked, a move towards general import controls would be 'a one-way ticket for accelerated industrial decline' (London, 8th May, 1980).

5. CONSERVATIVE PRINCIPLES

The 1979 Conservative Manifesto restated the Conservative Party's commitment to the principles of open trade:

'Just as we reject nationalisation, so we are opposed to the other Socialist panacea—import controls. They would restrict consumer choice, raise prices and invite damaging retaliation against British goods overseas. We will vigorously oppose all kinds of dumping and other unfair foreign trade practices that undermine jobs at home'.

Conservatives recognise that the interests of the UK economy clearly lie in the free movement of goods and services, free from restrictions or unfair trading practices. Open trade allows countries to specialise in those activities in which they are most productive, and this leads to higher output, lower prices and higher standards of living. Open trade, both within national economies and between different countries, offers consumers a wider choice of imported and domestic goods. Competition across national frontiers stimulates efficiency, productivity and innovation: manufacturers gain from free access to competitive and well designed industrial components and supplies.

Conservatives believe that in general the most effective solution for industries threatened by low cost imports is to improve competitiveness or change the product. However, they recognise that in a small number of cases, protection has to be provided for industries threatened by sharp surges of imports or threatened by unfairly subsidised competition from abroad. GATT and the Treaty of Rome allow for various forms of specific protection, and as Lord Cockfield, Secretary of State for Trade, explained:

'When our domestic industry is seriously threatened by low cost imports, we take vigorous action to help and particularly to give time for change. The new Multifibre Arrangement controls imports of textiles and clothing from 26 countries. There are controls of one kind or another on nearly all imports of low priced footwear. There are, where appropriate, voluntary restraint arrangements on motor cars, television sets and other domestic electronic products. Where there are restrictions on our trade, we take vigorous action to combat the restrictions' (London, 31st January 1983).

(B) THE GOVERNMENT'S RECORD

1. DEFENDING OPEN TRADE

The Government has continued to press in international forums for the strengthening of the open world trading system, despite increased world pressure for protectionism. Together with our trading partners in Europe it has been active in working for open trade within the OECD and in

the GATT negotiations. It has been pressing hard for liberalisation of those markets where British exporters are at a disadvantage and has been active in promoting the interests of British exporters abroad.

2. INTERNATIONAL CO-OPERATION

The present world tariff structure is largely the result of successive rounds of multilateral trade negotiations aimed at reducing tariffs. The last was the Tokyo round concluded in 1979 which resulted in an agreement for the reduction of tariffs on a reciprocal basis between 1980 and 1988.

Ministers of the signatory countries of the GATT met in Geneva in November 1982, the first meeting for nine years. Despite difficult trading conditions the Ministers reaffirmed their commitment to maintain existing obligations under the GATT and to strengthen their observance in the future.

The GATT system has, however, been placed under considerable strain during the current recession. Protectionist pressures have surfaced in all countries together with the temptation to gain short-term advantages in world markets by unfair subsidies for exports. The Government has argued against such practices by supporting efforts within international organisations to monitor and discourage them. Where British industry is threatened by unfair competition or 'dumping' from abroad, the Government has pursued anti-dumping measures where appropriate with the utmost vigour. These are consistent with the policy of free but fair trade.

3. TRADE BARRIERS ABROAD

The United Kingdom is a relatively open market. 83 per cent of visible imports in 1980 were admitted duty free; agricultural levies and various import restraints covered only 7 per cent of total imports, or 11 per cent if only non-EEC imports are considered. However, in some countries British exporters face problems of access and high tariffs. The Government has tried to get agreement to freer trade with these countries.

Japan. Japanese exports to Britain have doubled in real terms in the last four years, but Japan has scarcely opened up her market at all to imports from Britain. This has led to a serious imbalance of trade with Japan, amounting to £1.97 billion in 1982. British exporters face enormous difficulties: in 1980, for example, British industry sold £1,896 million worth of aerospace products worldwide, but only £30 million worth to Japan. Pressure in bilateral negotiations and pressure from the EEC and the USA have resulted in some progress. In December 1982, Japan agreed to reduce tariffs on some food products, tobacco and agricultural machinery. On 26th March 1983, Japan agreed a package of measures with the European Community to abolish laws on certification and testing of imports, and she is now prepared to accept foreign testing procedures. Exporters who stand to gain most include car makers, food and electrical goods manufacturers.

Spain. Trading relations with Spain are governed by an agreement with the EEC signed in 1970 before Britain joined the Community. Spain has failed to observe the agreement properly, by maintaining a discriminatory fiscal system and by the unfair use of quotas. This has been particularly damaging to Britain's car industry and manufacturers in the West Midlands. As a result of British pressure through the European Community, the Spanish Government agreed in March 1983 to a reduced duty quota of 15,000 cars from the Community. Further progress is still required, but as Mr Peter Rees, Minister for Trade, has remarked: 'In the long term, the disparity

will be removed completely when Spain becomes a full member of the European Community' (*Hansard*, 21st March 1983, Col. 527).

France. Despite her membership of the EEC, France, under a Socialist Government, has pursued a policy of trying to 'recapture the home market' by erecting discriminatory barriers against foreign trade. These include excessive customs formalities for video recorders and discriminatory loans by nationalised banks. These measures have been unanimously condemned by other EEC member States and the European Commission is pursuing possible breaches of Community laws. Britain has made it clear to France that she is not prepared to see her export trade damaged by unfair trading practices of this sort.

The USA. When President Reagan announced in June 1982 an embargo on companies involved in the Siberian Gas Pipeline project, the Government took immediate action to protect British companies. Subsequent diplomatic moves in conjunction with our EEC partners secured the removal of the embargo. Britain is now trying to persuade the US Government to amend the United States Export Act, under which this potentially damaging action was taken.

In June 1982 the US steel industry initiated anti-dumping complaints against European steel imports, and used US anti-trust law procedures to protect a recession-hit industry. The treatment of these cases by the US authorities caused serious concern in Europe as they were arguably inconsistent with US international obligations.

On 21st October 1982 the EEC reached agreement with the US, which established restrictions on access for a range of carbon steel products. A ceiling of 5.9 per cent market share in steel pipes and tubes into the USA was also agreed. Further discussions are still proceeding.

4. DEPARTURES FROM THE OPEN TRADING SYSTEM

The case for selective restrictions on imports was stated by Mr John Biffen, then Secretary of State for Trade:

'Because of the United Kingdom's exporting needs, we must be committed to the broad concept of a world open trade system. By that I mean that open trade is and must be our first instinctive move. But it is also in our interests to recognise that import restraints are sometimes a necessary part of the world trading system. I am arguing therefore that there is no virtue in a trade policy—even for the United Kingdom—which does not recognise that protection from imports may sometimes be necessary' (London, 1st July 1981).

Protection in some form exists for the following industries:

Textiles and Clothing. Production and employment in the textile and clothing industries have been seriously damaged by low-cost imports. In 1980, imports by value of textiles and clothing totalled £1,545 million, £1,258 million more than in 1970. 180,000 jobs were shed between 1980 and 1982 out of a total workforce of 800,000, though not all these job losses were attributable to low-cost imports. Despite this, the textile and clothing industries are still major employers accounting for about a tenth of manufacturing employment. The industries are also still major exporters. In 1980, the UK exported textiles and clothing to the value of £1,363 million, £945 million more than in 1970, equivalent to about a quarter of total production.

Given the importance and vulnerability of the industries, the Government has granted them a high degree of protection and has been as vigorous as its predecessors in its support for international co-operation in regulating the textiles trade. The Government has given strong support to the European Commission in its negotiations for a new Multifibre Arrangement (MFA), under which import growth is restricted by quotas, and for bilateral agreements with third world countries. In December 1981, a new protocol was signed extending the MFA to 1986. 25 new bilateral agreements were entered into before the end of 1982, and the rate of growth of quotas under the new MFA has been reduced. Low-cost imports now account for only 12 per cent of the UK market and over nine tenths of these are subject to actual or potential restraint under the Multifibre Arrangement and related agreements.

Motor Cars. Regular discussions take place between the Society of Motor Manufacturers and Traders (SMMT) and the Japanese Automobile Manufacturers Association (JAMA) to limit Japanese exports to Britain. The Japanese agreed to restrain their share of the UK car market to between 10 and 11 per cent in 1980 and 1981. It was expected to stay at that level in 1982.

Footwear. About half of all low-cost footwear imports are covered by import restraint measures initiated by the Government or secured by the British Footwear Manufacturers Federation (BFMF) with Government support.

Consumer Electronics. Various inter-industry agreements operate, covering imports from Singapore, South Korea, Thailand and Taiwan. In February 1983, the EEC Council of Ministers approved a deal with Japan to restrict EEC imports of video machines and other items.

Steel. The Treaty of Paris which set up the European Coal and Steel Community (ECSC) enables the Community to exercise control over imports of products from third world countries falling within the treaty. To ease the social effects of rationalising Britain's steel industry, the Government has secured through the EEC voluntary restraint agreements on steel imports from non-EEC countries. These countries have agreed to restraint on volume and price in return for exemption from anti-dumping action. Import penetration of the UK steel market is lower than that in any other EEC steel-producing country.

5. GOVERNMENT ASSISTANCE TO EXPORTERS

The Government opposes policies of state financial aid to exports which distort the world market. However, to help Britain's exporters to gain access to markets abroad, trade Ministers and other Government Ministers have made numerous trade promotion visits around the world to support Britain's exporters. A separate Minister of Trade was appointed in 1979 in recognition of the 'political element' in many trade deals; 30 per cent of exports relate to business that is heavily influenced by State policy.

Reorganisation of Trade Promotion. A major organisational reform of the British Overseas Trade Board (BOTB) was announced on 18th January 1982. The aims of the reorganisation are: to give the BOTB a stronger market orientation; to establish specialist divisions; to establish a network of regional offices within the UK, and to concentrate in one place the export promotion staff of the Department of Trade, including a new export policy division. The reorganisation has enabled increasing and more effective use to be made of financial support mechanisms such as the Overseas Project Fund, the Aid and Trade Provision and ECGD facilities. On 20th September 1981, the Government announced the establishment of a new 'Exports to Europe' Branch within the Department of Trade to spearhead Britain's export effort in Western Europe.

In 1982, the British Overseas Trade Board's export intelligence service provided opportunities which led to sales of £1 billion in 1982, and the BOTB supported over 340 United Kingdom joint venture stands at overseas trade fairs. The role of the BOTB is of particular value to smaller firms which do not have the facilities to explore overseas markets, and in the first three months of 1983 over 3,000 BOTB-sponsored firms promoted their goods and services abroad through trade fairs and seminars.

Export Credits Guarantee Department (ECGD). The Department which provides credit insurance for UK exporters has continued to back exporters in a range of overseas products. Its role has become increasingly crucial since 1979, due to the increase in the number of non-payments of foreign business debts. In 1981–2 this necessitated record levels of payments by the ECGD of £303 million. In 1981, a rapid matching facility was set up to match exceptionally soft terms of credit provided by overseas competitors.

Aid and Trade Provision. The Aid and Trade Provision is designed to provide a 'topping up' source of funds when British companies are in competition with foreign groups offering aid as part of their financial package. Allocations from this source have increased from £25 million in 1978–9 (of which £12 million was disbursed) to £55 million in 1982–3 and to £66 million in 1983–4. ATP now accounts for about 9½ per cent of Britain's total bilateral aid; compared with 5 per cent in 1979. As the *Financial Times* reported: 'the UK Government is becoming increasingly aggressive in its use of aid to help British companies win capital contracts abroad' (20th November 1981).

In a speech to the CBI, Mr Rees remarked:

'ATP is a valuable part of our industrial/export policy. Its use has secured valuable project orders, of benefit both in their own right immediately and in the longer term for example in securing market positions, establishing new technologies, maintaining productivity throughout. It also helps UK competitiveness. The £1,250 million of orders won with £250 million of ATP therefore understates the benefits.' (London 1st December 1982).

Better Export Quality. On 29th June 1982, the Government published a White Paper, *Standards, Quality and International Competitiveness* (Cmnd. 8621), which proposed measures to raise the status of British standards and quality assurance systems with the aim of improving industrial efficiency and international competitiveness. The White Paper proposed closer co-operation with the British Standards Institution in the drawing up of internationally respected standards, and the encouragement of certification schemes including possibly an associated national mark.

Protection of Trading Interests Act 1980. The Government has acted to provide better protection for companies and individuals in the UK against attempts by overseas countries to implement their domestic legislation and regulations outside their own territories. The need for the Act arose from a number of attempts by the USA to impose their own economic and trading policies outside their territorial jurisdiction without regard to the legitimate interests of other countries. The Act enables the Secretary of State for Trade to prohibit compliance with obligations under foreign laws which threaten to damage the UK's trading interests, including any activity carried out in the course of business, and to forbid communication of commercial information to overseas authorities in certain circumstances. It also renders judgement for multiple damages unenforceable in British courts and enables damages in excess of actual losses suffered, awarded in other countries, to be recovered through British courts.

6. BALANCE OF PAYMENTS

Britain's trading performance has improved markedly under the Conservative Government, and the balance of payments has been converted from perennial deficits to healthy surpluses.

Even when the value of oil exports is excluded, Britain has had surpluses on both visible and invisible trade in both 1980 and 1981. In 1981, Britain's balance of payments surplus was at its highest ever level.

	UK Balance of Payments			
	(£m)			
	Exports (fob)	Imports (fob)	Invisibles (balance)	Current Balance of payments
1973	11,937	14,523	1,605	-981
1974	16,394	21,745	2,078	-3,273
1975	19,330	22,663	1,812	-1,521
1976	25,191	29,120	3,054	-875
1977	31,728	34,012	2,262	-22
1978	35,063	36,605	2,560	1,018
1979	40,687	44,136	2,596	-853
1980	47,389	46,211	1,696	2,929
1981	50,977	48,107	3,091	5,961
1982	55,545	53,317	1,720	3,948

(Source: Department of Trade)

Britain's trading performance has been particularly encouraging over the last two years. In 1982, the volume of world trade contracted by three per cent but the volume of UK exports increased by 1 per cent and their value by 8½ per cent. UK exporters have made a substantial effort to increase their trade competitiveness lost in the 1970s and have increased their penetration of markets in the EEC, particularly West Germany and the Netherlands.

Trade in Manufactures. Despite the decline in Britain's traditional manufacturing base, manufacturing trade is still of crucial importance to Britain's balance of payments. Under the Conservative Government, despite the recession, the balance of trade in manufactures has held up well. From 1980 to 1982, Britain earned surpluses on her trade in manufactured goods; and in 1982, there was a surplus of £2.6 billion on manufactures excluding oil, food and raw materials. While world trade contracted in 1982, UK exports of manufactures actually increased by ½ per cent.

Invisible Trade. Trade in services, together with interest payments, profits and dividends, has contributed substantially to the UK's strong balance of payments. Service industries (sea transport, civil aviation, tourism and financial institutions) employ over 11.5 million people in Britain. Their earnings have grown dramatically in recent years, and they account for an increasing proportion of our total exports. Trade in invisibles was worth about £30.6 billion in 1982, compared with £29.3 billion in 1981 and £25.8 billion in 1980, an increase of 21 per cent in 2 years. The balance in invisible trade reached a record level in 1981. The Government has pressed for freer trade in services across European community borders, particularly in insurance.

Oil. Revenues from exports of North Sea oil have contributed substantially to Britain's strong balance of payments position. However, the importance of North Sea oil to the balance of payments should not be exaggerated. Even at peak levels of production, net oil exports only account for 10 per cent of non-oil exports. The contribution of net oil exports to the balance of payments was £3.1 billion in 1981 and £4.6 billion in 1982.

(C) CONSUMER AFFAIRS

1. CONSERVATIVE POLICY

Conservatives believe that consumers' best interests are served by open trade abroad and by a maximum of competition and choice at home. They reject the concept of price controls, Labour's panacea for our inflationary problems, because they are damaging to industry and do not in the end protect the consumer from price rises. As Mrs Sally Oppenheim, former Minister of State for Consumer Affairs, explained:

‘Labour's short-term palliatives, though well intentioned, could only ever delay price increases and try to clamp down the lid on the boiling kettle which would in the end explode. This Government believes in turning down the gas under the inflation pot to take it off the boil. Labour created a Department of Prices and a Secretary of State for Prices. What happened? Prices more than doubled.’ (Gloucester, 14th July 1979).

The Government's role in consumer affairs is to ensure that consumers are protected from the dishonest or negligent trader, while preserving the honest and efficient trader from unfair competition; to encourage traders to adopt operating methods which are fair, helpful and informative; and to ensure that monopoly suppliers of goods and services do not exploit their market position unfairly at the expense of the consumer.

2. ABOLITION OF THE PRICE COMMISSION

The Competition Act 1980 abolished Labour's Price Commission, a ‘quango’ established in 1977 ostensibly to ‘control’ price levels. The Commission had had little effect on the level of prices, but had imposed damaging burdens on industry. Labour used it to delay price rises in 1979 until after the General Election. As *The Guardian* commented:

‘Experience of the Price Commission made it abundantly clear that price control rarely holds down prices except at the expense of something else—like pay, or investment, or consumer choice, or quality of service. It is entirely logical and sensible to replace the principle of price control with the new principle of looking at anti-competitive practices’ (13th July 1979).

The abolition of the Commission saved the taxpayer nearly £8 million a year.

3. FAIRER COMPETITION

The Competition Act 1980 also contained provisions to ensure fairer competition and to strengthen the government's powers to control monopolies.

Monopolies and Mergers Commission (MMC). The Act strengthened the powers of the Commission to investigate practices which restrict or limit competition in both the public and private sectors. The Commission now has powers to investigate anti-competitive practices of single firms and to investigate nationalised industries. Mr Nicholas Ridley, Financial Secretary to the Treasury, made it clear that, the Government's intention was to refer each nationalised industry to the Commission every four years (*Hansard*, 20th November 1981, Cols. 48–9).

Between 1980 and February 1983, seven reports were completed. These dealt with British Rail's London and South East commuter services; the Central Electricity Generating Board; the Severn Trent Water Authority; four public sector bus undertakings; the sewerage functions of the Anglian and North West Water authorities, Caledonian McBrayne Ltd., a subsidiary of the Scottish Transport Group; and the London Electricity Board showrooms. Reports on the National Coal Board, the Civil Aviation Authority and the Yorkshire Electricity Board are still awaited. In 1983, the Government intends to refer to the Commission the South Wales Electricity Board; London Transport's bus maintenance operations; British Shipbuilders' merchant shipping activities; and the Post Office.

Office of Fair Trading. The Act gave the Director-General of Fair Trading powers to refer, after a short investigation, anti-competitive business practices to the MMC, or to accept undertakings from the businesses concerned.

4. SAFETY AND QUALITY

On 5th April 1982, Dr Gerard Vaughan, Minister for Consumer Affairs, announced a review of the Consumer Safety Act 1978 to ascertain whether additional safety measure should be introduced to protect the consumer from faulty goods. As Dr Vaughan explained:

‘I would like to see more emphasis on controlling the safety of goods, before they get anywhere near the shops. This may mean shifting the focus of enforcement from retailers to first suppliers whether manufacturers or importers. These, with confidence in the safety standards of the products they supply, stand to gain rather than lose from this’. (Press release, 5th April 1982).

On 15th March 1983, Dr Vaughan announced that the Government would soon be announcing measures following the review to deal with the problem of unsafe goods finding their way onto the market.

The White Paper on *Standards, Quality and International Competitiveness* (see p. 00) contained proposals to encourage better quality and standards for British consumer goods to benefit the consumer at home and encourage competitiveness abroad. On 24th November 1982, Lord Cockfield announced that the Government would offer ‘pump priming’ support to certification schemes in industry.

5. CONSUMER RIGHTS

The Supply of Goods and Services Act 1982, a private members' measure, introduced by Labour MP Mr Fred Willey, strengthens consumer rights in relation to purchase of goods and services. It extends consumer rights similar to those established by the Sale of Goods Act 1893 to goods bought in part exchange, goods bought as part of a service contract, and goods bought on hire purchase. It also strengthens consumer rights in the area of service contracts (for example, with

plumbers, decorators, hairdressers, etc.) The Government supported the legislation, and its main provisions will come into effect in July 1983.

6. CONSUMER CREDIT

The Government has taken steps to facilitate consumer credit and to protect the consumer in credit transactions.

On 26th July 1982, following a review of regulations relating to hire purchase and hiring, Lord Cockfield, announced the abolition of controls on hire purchase.

‘Changes in the structure of the consumer credit market means that these controls now contribute little to overall economic policy. Removing them is consistent with our policy of dismantling unnecessary controls in the interests of freeing competition and removing economic distortion’. (*Hansard*, Col. 23).

The announcement was widely welcomed particularly by British motor traders.

The Government has taken action to bring into force some remaining provisions of the Consumer Credit Act 1974 which provided for a licensing system for traders offering credit, and more protection for consumers. On 20th July 1982, the upper limit for credit and hire purchase transactions covered by the Act was increased from £5,000 to £15,000, and on 15th March 1983 Dr Vaughan in a press statement, announced the Government's intention to publish regulations to

‘ensure that credit agreements contain essential information about the contract and customers' rights; that these agreements are easily legible and that when an agreement is settled early, the customer may be eligible for a rebate of the credit charges’.

7. NATIONALISED INDUSTRY CONSUMER COUNCILS

Nationalised Industry Consumer Councils (NICCs) monitor the activities of nationalised industries. There are 44 such Consumer Councils in Britain.

In May 1979, the Government announced that the role of these Councils would be reviewed and on 13th December 1981 the Government published a consultative document entitled *Consumers' Interests and the Nationalised Industries*. This proposed measures to promote better handling of consumer complaints and better information for consumers; to give NICCs more independence from the industries they cover; and to ensure fewer, smaller and more authoritative Councils. On 22nd December 1982, Dr Vaughan announced the Government's decision to retain the essentials of the present NICC structure based on independent Councils for each industry, and to prepare practical guidelines for NICC operations in consultation with the Councils and the industries concerned. Legislation is expected when Parliamentary time permits.

8. METRICATION

Conservatives in opposition, while accepting the principle of metrication, consistently criticised the Labour Government for its failure in EEC negotiations to tailor the extent and pace of metrication to British demands. On 14th November 1979, Mrs Sally Oppenheim announced (*Hansard*, Cols. 642–3) that no more compulsory metrication orders would be made, and that as

there was therefore very little scope for the Metrication Board's activities, it would be abolished at the end of April 1980. Metrication is now introduced only on a voluntary basis.

(D) COMPANY LEGISLATION

1. COMPANY LAW REFORM

British Company Law is based largely on the Companies Act 1948. This was reviewed by the Jenkins Committee in a report published in June 1962 (Cmnd. 1749) with general support from the Conservative government. Some recommendations made by the Committee were incorporated in the Companies Act 1967, but a Companies Bill 1973 which incorporated other proposals fell with the 1974 general election. Amongst other things, this would have made 'insider dealing' unlawful.

The Labour Government failed to produce significant legislation in this area until November 1978, but like the 1973 Companies Bill, Labour's Bill fell at the General Election.

Since joining the European Community, Britain has been party to article 54 of the Treaty of Rome which provides that as part of the agreed programme of abolishing restrictions on the freedom of establishment, the legal safeguards in Member States for the protection of the interests of shareholders and others concerned with companies shall be co-ordinated. Four Directives and eight draft directives have been published under this agreement.

The Conservative Government has introduced two major pieces of legislation to implement some remaining recommendations of the Jenkins Committee, and to bring British Company Law into line with EEC directives.

The Companies Act 1980 implemented the EEC's second Directive on company law (July 1977) which dealt with the formation of public companies and the subscription, maintenance and reduction of their share capital. Since it would have been inappropriate to apply the burdens of the Directive to all existing public companies, the Act redefined company classification, so that about half of them became private companies and therefore exempt from most of the Directive's requirements. Public companies as now defined have a minimum subscribed capital of £50,000 (previously £16,500).

In addition, the Act enables companies to make provision for employees on termination or transfer of business; gives greater protection to minority shareholders; increases the penalties, and revises the mode of trial, for over 100 offences under the Companies Act; and tightens controls over loans to directors. Clauses to make 'insider dealing' a criminal offence were added to the Bill by the Government during its passage through Parliament. Any person connected with a company, and anyone receiving information from that person, is liable to prosecution if he uses unpublished or price sensitive information to speculate in the company's shares.

Companies Act 1981. Following the publication of two Green Papers on Accounting and Disclosure (which dealt with the EEC's first Directive on company law) and on 'The purchase by a company of its own shares' (Cmnd. 7944, June 1980), the Government introduced further legislation designed to help small firms and to eliminate unnecessary administrative burdens on companies; to streamline administration; and to strengthen the weapons available to counter crime and misconduct.

The Act makes it easier for companies to buy back their own shares. This gives an incentive to small businessmen to accept equity participation, and to institutions to invest in small businesses. It makes it easier for public companies to return surplus profit to shareholders; enables investment trusts to relate market capitalisation more closely to asset value; and simplifies employee share schemes. Other provisions of the Act implement the EEC's fourth Directive by reducing the amount of information required to be disclosed by small private companies, while leaving their obligations to shareholders unaltered; provide safeguards against 'dawn raids' (the practice whereby parties acting in concert can achieve partial takeover of a company by acquiring holdings in a matter of minutes, thus denying shareholders an opportunity to sell at an enhanced price and preventing the Company Board from giving a considered response); abolish the register of business names and replace it with more cost effective arrangements; and ensure that notices of company registration are available for scrutiny and possible objection by existing companies. The Act also strengthens penalties against fraudulent trading.

Insolvency. In 1977, the Labour Government appointed a Committee under the chairmanship of Sir Kenneth Cork to review the law on insolvency. The Committee reported on 9th June 1982. It concluded that extensive changes were required and suggested simplified procedures for dealing with insolvencies by the introduction of a new insolvency court; a legal distinction between dishonest and incompetent insolvents; and a new concept of 'unlawful trading' to make irresponsible directors personally liable for their companies debts.

The Government has accepted that new legislation is required and is considering the recommendations. In the short term, Dr Vaughan has said that he is seeing whether powers to deal with dishonest directors can be strengthened.

Copyright. On 15th July 1981, following a review of the law on copyright, the Government published a Green Paper, *Reform of the Law relating to Copyright, Designs and Performers' protection* (Cmnd. 8302). This included proposals to withdraw copyright on purely functional designs in the interest of competition; generally to strengthen penalties against video and other forms of copyright piracy, without introducing a levy on audio or video equipment or blank tapes. Public consultation is proceeding on these proposals.

The Fifth Company Law Directive. The EEC fifth company law Directive, still in its draft stage, would provide for mandatory arrangements for worker participation on the boards of companies (see Chapter 6, p. 109). The Government is opposed to the Directive, as it believes that voluntary participation is a more effective means of ensuring co-operation than compulsion. As Dr Vaughan explained:

'In recent years, evidence has emerged that there has been a very welcome extension of joint consultative arrangements in industry and commerce, although there is still scope for further progress. The Commission's approach does not always appear to take account of major differences in national practice which are deeply based in history and this is a serious weakness in their approach. The recognition of diversity is just as important as harmonisation' (Press release, 8th March 1983).

2. INSURANCE

The UK insurance market is the largest and most efficient in the world and until 1981, when it was superseded by banking, was the largest foreign exchange earner of the UK's financial institutions. Its net earnings in 1981 were £954 million, while the total net earnings of city

institutions were £3,452 million. Total net premium income in 1981 of British insurance companies was £18 billion, a substantial percentage of which emanated from abroad.

The Government believes that because of the insurance market's success in selling insurance at home and abroad, its best interests are served with a minimum of state interference and by responsible self-regulation. It is in the market's best interests to maintain its reputation for reliability and honesty, and the industry has a generally good record of treating policy holders fairly.

Insurance Companies Act 1981. The Government believes that it is right to help the British insurance industry gain access to new markets abroad. Article 61 of the Treaty of Rome states that

‘the liberalisation of banking and insurance services connected with movements of capital shall be effected in step with the progressive liberalisation of movements of capital.’

Seven Directives on insurance have been adopted and eight others are at draft stage.

The Insurance Companies Act 1981 extended the application of an earlier 1974 Act to Northern Ireland to implement an EEC Directive requiring that any authorisation to carry on an insurance business should be valid for the entire national territory.

Lloyds Act and Self-Regulation. Following a review by a working party set up by the ruling committee of Lloyds insurance brokers to examine the problems which were arising in the market, in March 1981 Lloyds promoted new legislation to improve its methods of self-regulation. A series of scandals in 1982 involving Lloyds underwriters which necessitated Department of Trade investigations into two of Britain's largest insurance brokers, showed that the need for action was urgent.

The Lloyds Act 1982 set up a new ruling council to supersede the extraordinary general meeting of members and give it wide powers to make the concept of self-regulation effective and to tighten up on fraud. Commenting on the Act, Dr Vaughan welcomed Lloyds' ‘determination to put their own house in order. We believe now that the new Act and its system of self-regulation should be put to the test of operation and that the Government should not intervene’ (London, 19th January 1983).

On 17th January 1983, Lloyds published new rules to ensure disclosure of possible conflicts of interest and to give increased powers for Lloyds' auditors.

3. PROTECTION FOR INVESTORS

On 23rd July 1981, Mr Reginald Eyre, then Parliamentary Under-Secretary of State for Trade, announced that the Government was commissioning a review under the Chairmanship of Professor L.C.B. Gower to recommend proposals for better protection of investors in securities and other forms of property, and to bring the law up to date. On 26th January 1982 a preliminary discussion document was published which suggested measures to streamline responsibilities currently exercised by government and self-regulatory agencies. No decisions on Professor Gower's recommendations have yet been taken, but on 21st January 1982, Mr Eyre announced proposals for more stringent rules to control the authorisation and business conduct of licensed dealers in securities to give investors stronger protection against insolvency and fraud.

(E) CIVIL AVIATION

Civil aviation is a highly regulated international industry. Through bilateral and multilateral agreements, national governments control flights to, from and over their territories. The International Air Transport Agency (IATA) is an international cartel of airlines controlling price structure. In Britain, the industry is regulated by the Civil Aviation Authority (CAA) which is responsible for safety, air traffic control and licensing. The British Airports Authority (BAA) manages and plans the airports themselves.

Air traffic has grown in recent years, necessitating investment in larger aircraft, new airports and passenger terminals. It is estimated that total UK demand by the year 2000 will be between 98 and 116 million passengers a year, of which 70 million passengers a year will use London and the South-East area airports. Present estimated capacity in the London area is for 50 million passengers a year.

1. THE GOVERNMENT'S APPROACH

Mr Iain Sproat, Parliamentary Under-Secretary of State for Trade, summarised the Government's approach to civil aviation:

‘Quite simply, my aim is to take Government out of the Civil Aviation industry as far as possible. This means concentrating my role and the role of my department on smoothing the way for the proper, operation of market forces’ (London, 2nd September 1982).

He identified five main planks of the Government's policy. These were to sweep away unnecessary regulations and controls; to ensure proper discipline in public sector bodies in the industry; to ensure adequate infrastructure and air traffic control; to introduce more competition and to privatise British Airways; and to achieve a more liberal and competitive route entry and fares system especially in Europe.

2. DEREGULATION AND COMPETITION

There is considerable scope for competition for traffic between British airlines, subject to restraints imposed overseas, but the last Labour Government divided international routes into ‘spheres of influence’ between British Airways and British Caledonian, regardless of whether other airlines could offer a better service or lower fares. It also issued binding ministerial ‘guidance’ to regulate the Civil Aviation Authority's functions.

The Civil Aviation Act 1980 abolished the Government's powers of guidance and added a new duty on the CAA to exercise its functions

‘in the manner which it considers is best calculated to ensure that British airlines compete as effectively as possible with other airlines in providing air transport services on international routes, and to secure the most effective use of airports within the United Kingdom’.

The Government is currently reviewing the scope for further deregulation of inland air services.

In Europe, the Government has pressed for more vigorous action by the European Commission to enforce the competition articles of the Treaty of Rome, in order to achieve greater competition

and lower fares. The Conservative MEP, Lord Bethell, has been pursuing a similar objective through the European Court of Justice. The Council of Ministers, meeting in June 1982, agreed in principle to make progress on some areas of liberalisation, and it is hoped that further progress can be made soon with agreement on a directive on liberalisation.

3. BRITISH AIRWAYS

The Civil Aviation Act 1980 provided for the sale of shares in British Airways. The Government intends to sell a substantial minority shareholding to the public with preferential arrangements for employees as soon as market conditions permit.

Unfortunately, due to the effects of the recession on the airline industry, compounded by overmanning and inefficiency, British Airways' financial position worsened until 1982, and losses in the financial year 1981–2 totalled over £500 million. However, under the Chairmanship of Sir John King, tough retrenchment measures have been taken, with extensive redundancies; rescheduling of services; the closure of some unprofitable routes; the sale of some property and surplus aircraft; and tight control of costs. As a result of these measures, in the first six months of the 1982–3 financial year, British Airways showed a profit of £80 million after interest, and is well set on the path to privatisation.

4. AIRPORTS POLICY

The question of where to locate a third major London Airport in the South East has been the subject of uncertainty and delay for over 20 years. Stansted was chosen by the Conservative Government in 1964, a decision confirmed by Labour in 1967, who then decided to put it off and refer the question to the Roskill Commission which recommended Cublington. The next Conservative Government then chose Maplin in 1971, but Labour cancelled the project in 1974 and set up two study groups, thus again avoiding a decision. Meanwhile, London's air passenger flow was increasing at a rate of over 7 per cent a year and, as a result, Heathrow has become intolerably overcrowded and capacity will be inadequate in a few years' time.

On 18th December 1979, Mr John Nott, then Secretary of State for Trade, made a statement on airports policy. The Government had decided to allow an extra terminal each at Heathrow and Gatwick, to encourage full use of regional airports and to allow the phased development of Stansted subject to a full public enquiry (*Hansard*, Cols. 35–8).

Proposals for a third London Airport at Stansted are now the subject of a major public enquiry under the Chairmanship of Mr Graham Eyre, QC. The enquiry is reviewing the case for expanding Stansted Airport, and an alternative proposal by British Airways to build a fifth terminal at Heathrow.

A fourth terminal is now under construction at Heathrow and a second terminal at Gatwick. In addition, regional airports are being developed, with major modernisation and expansion schemes at Manchester, Newcastle, East Midlands and Leeds/Bradford. In December 1980, the Government approved capital expenditure for major investment schemes in 11 local authority owned regional airports which were designated as being of regional importance.

British Airports Authority. On 29th July 1982, Mr Sproat announced that he had asked the BAA to set up a working group to study options for raising private sector finance for airport capital investment programmes.

5. AIRCRAFT NOISE

The Government has prohibited the use of subsonic jets acquired by UK operators after September 1978 which do not have noise certificates, and has announced that a similar prohibition will apply to all such aircraft on the UK register from 1986. The result of this will be that the number of people affected by aircraft noise at Heathrow, for instance, will be reduced from 2 million to less than 300,000 by 1990. On 1st August 1979, the Government introduced an order to ensure more stringent noise certification standards for subsonic jet aircraft and to extend noise certification requirements to other types of aircraft. The Civil Aviation Act 1980 gave the CAA a statutory duty to take environmental factors into account when considering whether to grant air transport licences.

(F) SHIPPING

The recession in world trade has had a damaging impact on merchant fleets everywhere. Britain's merchant navy has suffered severely, partly from the recession, but also as a result of uncompetitiveness and the fact that Britain's merchant fleet operates on many 'cross trade' routes (i.e., between countries other than the UK) where the countries concerned are increasingly protecting their own fleets. Between 1945 and 1981, Britain's share of the world shipping fleet fell from 18 per cent to 4.3 per cent; and between 1979 and 1982, there was a reduction of about 34 per cent in terms of deadweight tonnage. Nevertheless, merchant shipping in Britain still contributes substantial sums to Britain's balance of payments. In 1981, international freight revenues of British shipping amounted to just under £2.6 billion, about £800 million of which came from trade between Britain and other countries, but two-thirds of the total came from 'cross trade'.

The difficulties being faced by the industry have led to calls for protectionism and state aid by some people within the industry and the Labour Party. However, the Government has ruled this out. It has rejected proposals for a nationalised shipping line, and proposals for operating subsidies to maintain the fleet at an uncommercial size. It has also confirmed that it has no intention of bringing in controls to require shippers to employ a percentage of UK shipping contrary to their commercial judgement. As Mr Sproat has explained:

'The UK shipping industry depends commercially on the opportunities offered to it by a world open trading system ... over two-thirds of our international earnings come from cross trading—these earnings and the jobs they sustain depend on the willingness of other countries to keep their ports open to British shipping, and they would not be so willing if we closed our ports to theirs' (*Hansard*, 18th March 1983, WA, Col. 291).

If protectionism succeeded in world shipping, Britain's merchant fleet would have to treble its earnings from direct trade to maintain its present position, an unrealistic expectation.

However, the Government has helped the industry in its efforts to become competitive and has pressed in international negotiations for fairer and more open trade. On 14th January 1983, Mr Sproat gave details of 12 measures taken by the Government in the previous 12 months to fulfil these aims and to cut regulatory burdens on the merchant navy. These included pressure within UNCTAD and the EEC to achieve greater co-operation in world shipping, and the setting up of two working groups reviewing safety requirements and accommodation standards on ship to see whether there was scope for minimising costs and increasing competitiveness.

(G) TOURISM

Tourism in Britain is a 'growth' industry. Foreign exchange earnings from tourism rose from £1,768 million in 1976 to £3,229 million in 1982. In 1982, 11.7 million overseas visitors came to the UK, two per cent more than in 1981. According to the British Tourist Authority, Britain could be earning £4 billion annually by 1985 at today's prices; and by 1985, 15 million overseas visitors could be coming to Britain annually. The Government has helped the tourist industry by extending grants for tourism projects under section 4 of the Development of Tourism Act 1969 to the country as a whole, not just to depressed areas.

Following a review of tourism by the Consultants Arthur Young McClelland Moores, on 16th March 1983, Mr Sproat announced changes of emphasis in the work carried out by the British Tourist Authority and the English Tourist Board. He proposed reductions in waste, non-priority activities, overmanning and needless duplication of effort. Resources would be redirected towards the promotion of tourism and there would be an increase in the proportion of money which the British Tourist Authority spends on promoting Britain abroad. Money available through the English Tourist Board to the industry would be increased from £5.3 million to over £8 million for 1983-4 to benefit private sector and local authority tourist projects. Mr Sproat has indicated that the change in emphasis will mean that 'efforts should be directed towards the attractions themselves which draw the visitors ... away from secondary facilities (like accommodation) and towards support for the primary attractions' (Brighton, 10th March 1983)

(H) THE FILM INDUSTRY

A review of policy on film finance chaired by Sir Leo Pliatsky published in June 1979 revealed that since the war the number of cinema screens in Britain had dropped by two-thirds, and the number of admissions by 90 per cent, owing mainly to the rise of television as the main entertainment medium. Nevertheless, the film industry in Britain is still large. In 1978 there were 127 million cinema admissions with box office takings of £170 million. This was three to four times the number of theatre admissions and five times the number of football league admissions.

The Government believes that it is right for the State to have some role in the financing of British films, because the quality and the existence of films reflecting the British way of life and British tastes would be endangered if commercial success depended solely on the giant American distribution circuit which generates 60 per cent of world gross receipts. Since the 1950s, support has taken the form of a quota system which requires cinemas to show a certain percentage of British films, backed by a statutory levy (the so-called Eady levy) on cinema admissions for the benefit of British film makers in proportion to their success at UK box offices. Loans are also available for production and distribution from the National Film Finance Corporation (NFFC) which until 1979 was in its turn funded by the Government.

Films Act 1980. Following recommendations of a review of policy on film finance, the Government introduced legislation to put the National Film Finance Corporation on a firmer financial footing and to provide for continuing Government assistance to the film industry. The Act wrote off the £12.9 million debt incurred by the NFFC and discontinued Government finance. Instead it provided for the Corporation to receive at least £1.5 million a year from the 'Eady levy' and its commercial borrowing limit was raised from £2 million to £5 million.

The Act prolonged the existence of the NFFC, the Eady levy, and the quota system for five years. It also enabled the quota to be suspended in certain circumstances. The Act thus provided assistance to the British film industry while saving on public expenditure, and was widely welcomed.

The Eady Levy and the Quota System. The quota and the levy have been popular with film producers but resented by distributors and exhibitors. They have been indiscriminate in their effects, supporting low cost, poor quality films as well as better quality productions. The Interim Action Committee on the film industry's second report (June 1979) argued that the quota system reduced cinema receipts and thus the Eady Fund received less money than it otherwise would. In November 1982 the quota was abolished.

Levy regulations have also been amended to help small cinemas and channel aid to directors of good quality British films. Exemptions and rates of levy were altered in December 1979 and ceilings were introduced to prevent any one film from taking a disproportionate share of the levy. The multiplier for levy distributions to producers of lower cost films, many of which are cheap sex films, was abolished. In July 1982, further regulations were introduced to graduate the levy so that films shot wholly abroad and not based in the UK are ineligible for the levy. The Government is now considering whether a levy on the hire and purchase of pre-recorded video cassettes should be imposed.

(I) OPPOSITION POLICIES

1. LABOUR PARTY

Import Controls. In Government, Labour ministers were emphatic that import controls would not assist economic recovery. Mr James Callaghan said that import controls would

‘benefit some home industries at the expense of the livelihood of everyone working in exports. We would be robbing Peter to pay Paul’ (Woolwich, 30th January 1976).

Even Mr Foot said of protectionism in the 1930s that it had

‘led us to retaliation and deepened the nature of the slump’ (*Hansard*, 29th January 1976, Col. 802).

However, the Left wing of the Labour Party has always been in favour of import controls, and Labour's campaign document, *The New Hope for Britain* (March 1983) promised direct action on imports. This would include:

‘agreed development plans which we shall negotiate with the large companies that dominate our economy so as to influence their purchasing and development policies ...’ and ‘back-up import controls using tariffs and quotas if these prove necessary, to achieve our objective of trade balance’.

Labour's Programme 1982 went into more detail and talked of:

‘Import penetration ceilings on an industry by industry basis across a broad range of sectors. Our aim will be to prevent the growth of imports overall outstripping the growth in exports, and to

cut import penetration in certain sectors. In this way we will use trade planning to support industrial planning and economic expansion’.

But, the Labour Party is still by no means unanimous on this. As Mr Healey pointed out;

‘Some socialists were tempted to seek salvation through trade restrictions or competitive devaluation when they are faced with the difficulty of unilateral reflation ... such beggar-thy-neighbour policies if pursued on the scale required to offer any hope of escaping the dilemma are more likely to lead to a trade and currency war than to insulate their sponsors from the recession of the outside world’ (13th November 1982).

There is also a blatant inconsistency between Labour policies for more help to the third world through aid and the call for import controls which would have, in order to be effective, to be largely directed at restricting exports from low cost third world countries.

Balance of Payments. Labour's claim to have left the balance of payments in surplus was one of the most frequently asserted myths of the 1979 election campaign. In fact the cumulative deficit from March 1974 to March 1979 was £5,099 million, and they left a current account deficit of over £2 billion in the first half of 1979.

That Labour achieved a surplus in any year (1978) was entirely due to North Sea Oil and Gas. But while the balance of trade with OPEC and the third world countries improved accordingly, the trade deficit with the developed world increased from £1,965 million in 1973 to £3,810 million in 1978, despite a 27 per cent fall in the exchange rate of sterling during that period.

A carefully staged pre-election consumer boom led to a surge in imports. British industry after five years of Labour mismanagement was ill-equipped to meet foreign competition.

Price Controls and Consumer Affairs. Labour opposed the abolition of the Price Commission, and is now committed to the reintroduction of price controls with an elaborate bureaucracy to implement the policy and to ‘advise’ consumers. *The New Hope for Britain* argues for ‘direct measures of price restraint’ which, they claim, will ‘help restrain inflation.’ In fact they will do nothing of the sort. Labour's policies of reflation will lead to a massive pay and price explosion. ‘Price Controls’ would merely delay price rises in the short term while undermining company profitability and damaging industry's ability to invest.

Labour also intend to build a huge useless and expensive bureaucracy to ‘regulate’ prices and ‘advise’ the consumer. The Price Commission would be re-established together with a network of ‘consumer advice centres’, one in every main shopping centre ‘backed by mobile units where necessary’ (*Labour's Programme 1982*).

Financial Institutions. Labour plan extensive government intervention in Britain's financial institutions. *The New Hope for Britain* promises a National Investment Bank ‘to put new resources from private institutions and from the Government ... on a large scale into our industrial priorities’ (presumably in subsidies for nationalised industries), more direct control over bank lending with agreed ‘development plans’, a new public bank and a Securities Commission to regulate City financial institutions. *Labour's Programme 1982* stated an intention to take one or more of the clearing banks into public ownership. But in *The New Hope for Britain*, Labour would only do this if the clearing banks failed to ‘co-operate’ with Labour's reforms.

2. LIBERAL/SDP ALLIANCE

Import Controls. In 1968, as Chancellor of the Exchequer, Mr Roy Jenkins imposed controls on imports by introducing the 'Import Deposit Scheme' to restrict one-third of Britain's imports. Presumably he has now learned the error of his ways, since he has said:

'Import controls need to be approached with particular caution ... they would be bound to invite retaliation' (Institute of Fiscal Studies, 23rd July 1981).

The SDP policy 'White Paper,' *Industrial Strategy*, argued that:

'The SDP policy of assisting industry to adapt as required to face international competitiveness rules out a general protectionist approach to trade policy'.

However, the Alliance is by no means clear on the issue. Dr Owen, in his book *Face the Future*, suggested that 'The case for some kind of import restriction if this does not produce retaliation against British exports—is very strong'. And Mr David Steel is ambiguous on the subject. He argued in a speech to the Royal Society of Arts in 1981 that the Liberal Party had traditionally.

'Stood firmly for free trade, but that an alliance administration would have to steer a careful path between the illusion of international market forces and the risk that protectionism would undermine the industrial base of the country' (29th October 1981).

Price Controls. The central problem of SDP (and indeed Labour) economic policy was set out by Mr John Horam in the SDP's discussion paper on economic policy in 1981.

'If a Government pursues an expansionary policy it cannot determine how much of the extra demand will translate itself into greater output and how much into prices. Yet if too much is syphoned off into higher prices and increased pay settlements, then the additional output and increase in jobs will be small and the Government may in the last resort be forced to cut back its expansion in order to restrain the effect on prices.'

The SDP has no firm commitment to price controls, but the discussion document suggests the need at some point for a 'pay and prices commission' and a 'counter inflation tax' which could be imposed with 'selective price sanctions' if and when required.

Mrs Shirley Williams, then Labour Minister for Prices and Consumer Protection, claimed that inflation had risen under the previous Government because 'The Government has financed much of its public expenditure by borrowing, creating inflation at one remove' (Hemel Hempstead, 18th January 1974)

In fact, inflation rocketed under Labour for that very reason, and the SDP is now committed to the same policies.

8. ENERGY

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(A) ENERGY AND THE WORLD ECONOMY

The Energy Supply Crisis. Over the past thirty years great changes have taken place in the levels of energy supply and demand both in the United Kingdom and in world markets. The most striking change has been the increase in consumption and dependence on oil which has transferred considerable political and economic power to the oil producing countries, particularly the members of the Organisation of Petroleum Exporting Countries (OPEC). The implications of this change were not generally appreciated before 1973. But in that year, world economies were shocked by a quadrupling of oil prices between June 1973 and January 1974, after politically motivated action by OPEC countries. A worldwide recession followed, and falling demand for oil led to prices being stabilised between 1975 and 1978.

World Energy Consumption 1960–80

Million barrels a day oil equivalent	1960	1970	1980
Oil	21.2	46.3	61.5
Coal	25.5	28.5	35.0
Natural Gas	7.5	17.1	25.0
Hydro	3.9	6.6	8.5
Nuclear	–	0.4	3.5
Other	0.8	0.9	1.5
Total	58.9	99.2	135.0

(Source: *Shell Briefing Service*)

In 1979, a second crisis occurred in the wake of the Iranian revolution and a mismatch between oil supply and demand in the spring of 1979. Oil prices more than doubled in 1979 and 1980. This plunged the world into another, deeper, recession. Again, lower demand due to the recession and efforts to reduce dependence on oil have meant that the pressure on oil supplies

has eased to such an extent that there is now an oil glut, with a consequent downward pressure on the price of oil. Despite this, the lessons learned from the price shocks of the 1970s still apply today as uncertainties about future prices and supplies remain.

The Venice Summit. In response to the 1979 crisis an agreement was reached in Venice in June 1980 between the seven economic summit nations that the link between economic growth and oil consumption would be broken through conservation and the development of alternative energy sources. This continues to be the long-term aim, as Mr Nigel Lawson, Secretary of State for Energy, made clear. He said that a meeting in Paris of the International Energy Agency in May 1982:

‘reaffirmed the need to reduce oil dependence and to increase the economic use of coal, gas and nuclear power to maintain the effectiveness of their energy conservation programmes. They also agreed on the need to maintain contact with oil producing countries and to improve better mutual understanding’ (*Hansard*, WA, 26th May 1982, Col. 331).

Significant progress has been made, with the UK showing an impressive lead. Over the two years to July 1982, the use of oil in relation to GDP fell by 17 per cent.

(B) CONSERVATIVE POLICY

On 21st July 1982, Mr Lawson, in a statement to the Select Committee on Energy, set out the Government's energy strategy:

‘For the United Kingdom with its own indigenous supplies of all the fossil fuels, and a highly developed and diversified economy, the pre-eminent objective must be to ensure that the vitally important energy sector functions as efficiently and effectively as possible within the context of economic policy as a whole’ (House of Commons Paper, HC 493)

He explained that in general he did not see the Government's task as being to try to plan the future shape of energy production and consumption, but to set a framework to ensure that the market operates in the energy sector with a minimum of distortion, and that energy is produced and consumed efficiently. These objectives and the other objectives agreed at the Venice Summit were being achieved by

- a. Ensuring the efficient operation of the market through realistic energy pricing either by allowing the free play of market forces or where there were monopoly suppliers, by ensuring that prices reflect the cost of supply.
- b. Increasing the responsiveness of monopoly nationalised industries to the forces of the market place by encouraging competition, by setting them clear financial objectives and performance targets, and by promoting external appraisals and efficiency examinations.
- c. Transferring where possible state-owned industries in whole or in part to the private sector where they will be responsive to the disciplines of the market place.
- d. Diversifying our energy base and reducing costs, particularly in the supply of electricity, in order to help customers with lower prices and to help industry to increase its competitiveness. This means investment in nuclear power and a commitment to research and development into alternative ‘renewable’ sources of energy which may become cost effective in the future.

- e. Allowing market forces to regulate the North Sea oil market, making sparing use of powers to control depletion and the rate of production while concentrating on minimising wasteful losses through gas flaring.

(C) ENERGY PRICING

1. THE NEED FOR SENSIBLE ENERGY PRICING

More expensive energy requires that millions of individuals and businesses become more efficient in its use. Maintenance of future supplies, as oil and gas become scarcer, requires investment in alternatives. These developments cannot be brought about efficiently by bureaucratic planning; rather consumers of energy should be correctly informed about expected future movements of energy costs through pricing. The Venice Summit concluded with agreement on the need for all governments to ensure the market pricing of fuel as a key to stability in energy markets.

The case for sensible energy pricing was eloquently set out by the last Labour Government in its Green Paper, *Energy Policy* (Cmnd. 7101, February 1978) published when Mr Tony Benn was Secretary of State for Energy. It stated that:

‘policies will be working under a severe handicap if price signals are not pointing in the same direction. ‘Energy prices should give both consumers and producers reasonably accurate signals about the costs of energy supply. Under-pricing encourages consumers to waste scarce resources and may discourage additional supplies.’

Having established the basic principles, Labour then chose to ignore them, in particular by a vain attempt to woo the electorate by holding the price of domestic gas well below the cost of production.

2. CONSERVATIVE PRINCIPLES

The Conservative Government has consistently pursued a realistic energy pricing policy, ensuring that prices reflect the true value of the energy they buy. At the same time the Government is acting to ensure that prices are restrained in the longer term by encouraging the energy industries to reduce costs, and by diversifying and investing in cheaper energy sources, in particular nuclear power. There are, of course, many individuals and companies which face particular difficulties in coping with the rising cost of fuel. The Government believes it is right to help by giving them selective assistance.

3. DOMESTIC GAS PRICES

Because the last Labour Government held down the price of domestic gas for political reasons, the British Gas Corporation was by 1979 selling gas to domestic consumers at a loss. The unreasonably low price of gas led to increased demand by domestic consumers which outstripped the Gas Corporation's ability to supply. Industrial consumers were expected to pay more for their gas to subsidise the domestic consumer, and many firms found themselves unable to negotiate supply contracts with British Gas. The taxpayer who is the ultimate ‘shareholder’ in the gas industry also lost out. This was particularly hard on the 30 per cent of householders,

especially in rural areas, who do not have access to gas and have to depend on more expensive fuels.

Had the underpricing been allowed to continue, the situation could only have worsened. However, following a Price Commission Report published in June 1979 which recommended increases in the price of domestic gas of 30 per cent in real terms, the Government decided that the price of gas should rise by 10 per cent more than prices in general in each of the three years 1980 to 1982. The last instalment of increases above inflation occurred in 1982. Even after the price increases, domestic gas prices are still the lowest in the EEC; are good value when compared with competing fuels; and are still much the same in real terms as they were in 1973.

4. ELECTRICITY PRICES

The cost of electricity to the consumer is most seriously affected by the rising price of oil and coal for power stations, since this accounts for nearly half the electricity industry's costs. The Government's policy is to work towards lower costs of fuel by encouraging better productivity in the coal industry; by investing in cheaper forms of electricity; and by enabling private companies to generate electricity and sell their surplus to the Central Electricity Generating Board's grid system.

Some progress has already been achieved in bringing down the cost of fuel. On 9th November 1981, the Electricity Council announced that because of lower than expected coal price increases, there would be a three-month reduction in the cost of electricity for domestic and small business consumers. Consumers therefore had a rebate in their bills in the first quarter of 1982.

Price Standstill 1983. Following criticisms of the CEGB's appraisal of future investment by the Monopolies and Mergers Commission in May 1981 and after the Electricity Council had conducted a review of the bulk supply tariff (i.e., the amount the Area Boards pay to the CEGB for their supplies), Mr Lawson announced on 12th November 1982 that there would be no increase in the average level of electricity prices in 1983. He said that it was clear:

‘that the level of demand for electricity is and will remain lower than was foreseen. Present and expected capacity in the industry is more than adequate to meet forecast demand over the next few years at least. The cost to the industry of meeting marginal increases in demand is thus likely to be lower than was expected’ (Statement, 12th November 1982).

This standstill in prices will save consumers £500 million in 1983.

5. HELP FOR DOMESTIC CONSUMERS

The Government has given a record amount of help to the needy who have difficulty in paying their fuel bills. In 1982–3, about £325 million was spent on selective help for people in low income groups who have special heating needs (e.g., the old, the sick, the disabled and families with young children). This is more in real terms than in any year under Labour, and 2¼ million people are benefiting, including 1½ million pensioners. The Government has ensured that households dependent on supplementary benefit will automatically receive the basic heating addition where the householder is over 70 or there is a young child under the age of 5 (see also Chapter 14, p. 233). Heating additions have been increased well ahead of the increase in the

Retail Price Index. After the November 1982 increases, basic heating additions amounted to £1.90 a week or £99 a year, rising in special circumstances to £4.65 a week or £242 a year.

Disconnections. On 29th March 1982, the electricity and gas industries agreed changes in the code of practice on disconnections, so that they would be more understanding about the difficulties of poor consumers. Under the code, the industries agreed to offer more flexible arrangements for repayments of consumers' debts; to install slot meters on request; and not to cut off supplies to pensioners in winter, if they cannot afford to pay outstanding bills and there are no non-pensioner earners in the household. As a result of these measures, despite increases in the price of electricity and gas, the number of disconnections is falling.

Standing Charges. On 6th October 1982, Mr Lawson announced that he had asked the electricity and gas industries to consider introducing a rule limiting standing charges to not more than half anyone's total bill. By February 1983, both the Electricity Council and the British Gas Corporation had agreed to this. It is estimated that the change will benefit about one million gas consumers and probably two million electricity consumers, about half of them pensioners. The principles of standing charges are being subjected to independent analysis by accountants and management consultants with the aim of trying to discover whether these charges are fairly allocated in principle, and whether the levels of standing charges are not just a convenient mechanism for passing on inflated costs to the consumer.

6. INDUSTRIAL ENERGY COSTS

Following widespread concern in industry that British companies faced much higher energy costs than those faced by competitors abroad, the National Economic Development Office conducted a review of industrial energy costs. It reported in December 1980 in a memorandum to the National Economic Development Council (NEDC), that while the vast majority of companies faced no disadvantage compared with foreign competitors, energy costs of a specific and important group of UK industrial users, namely the large users in the energy-intensive industries, were out of line with those of overseas competitors. However, in a Report published in November 1981, an NEDC task force set up to monitor industrial energy costs found that many of the disparities had been eliminated. By 1983, largely as a result of Government action, a CBI exercise concluded on 19th February 1983 showed that British industries by and large were getting 'as fair a deal' on energy prices as their European competitors.

Help for Industrial Users. By 1983, much of the price disparity had been eliminated, partly as a result of the fall in the value of sterling, and partly because of government action designed to help industrial energy users. Measures were taken in the 1981 and 1982 Budgets worth £250 million to industrial consumers. The main measures were:

- *Gas Freeze.* In both Budgets, the Chancellor of the Exchequer announced that the BGC would freeze its gas contract renewal prices for industrial users; and on 8th November 1982, the BGC stated that the freeze announced in the 1982 Budget would be extended until October 1983. This was made possible by the correction of domestic underpricing. As a result of these announcements, the CBI's February 1983 study found that average gas firm prices were in line with prices in Europe of all users, and interruptible contracts offered a competitive advantage to the UK. The price of industrial gas is now in better balance with the price of its competitor fuel, oil.

- *Grants for Coal Conversion.* The 1981 Budget enabled industries using expensive oil fired boilers to obtain grants to convert to coal. This scheme was extended in the 1982 Budget to apply to conversions to coal of boilers fired by other fuels.
- *Electricity Costs.* In both the 1981 and 1982 Budgets, heavy industrial users of electricity were given more flexible pricing arrangements by the electricity supply industry. On 1st April 1982 a new load management scheme was introduced whereby large consumers could get reductions in electricity charges in return for a commitment to reduce consumption at peak demand periods. Smaller users will benefit from the announcement of a standstill in electricity prices in 1983–4.

Mr Lawson, commenting on the CBI's latest survey, said that the problems of heavy users, particularly the paper and board industry, were

‘more deepseated than the price of electricity which on average accounts for only five per cent of their total costs. On energy, the Government has gone as far as it can to help, within the need for economic pricing. Any further help would involve cross subsidisation—robbing Peter to pay Paul’ (Statement, 17th February 1983).

He pointed to the lower prices paid for electricity in France, and stressed the importance of an efficient low cost generation system:

‘For Britain that means having the right amount of coal and nuclear capacity and ensuring that coal prices are competitive. The Government will strive to do all it can on these points’ (ibid.).

(D) NORTH SEA OIL

1. BACKGROUND

During most of the twentieth century, Britain has been almost wholly dependent for its oil supplies on imports. The discovery of oil offshore in the United Kingdom Continental Shelf in 1969 transformed the position. Britain became a net exporter in 1981 and is now the fifth largest oil producer in the world. Over 90 per cent of the £25 billion invested to date has come from private companies, which have created about 100,000 oil-related jobs, half of them in Scotland.

Oil and gas production now accounts for some 4 to 4½ per cent of our Gross National Product. Much of the benefit of this accrues to the taxpayer. Total oil revenues for 1982–3 are forecast at £7,810 million, made up of royalties, Supplementary Petroleum Duty, Petroleum Revenue Tax and Corporation Tax (see Chapter 2, p. 41).

The magnitude of what has been achieved is illustrated by the fact that when exploration started some 17 years ago the technology for the recovery of oil from North Sea waters had not been developed, and there were very few British independent oil companies. This has changed. British independents have featured prominently in recent rounds of licensing awards and British firms are now supplying the majority of goods and services to the offshore operators. In 1981, 67 per cent of the total value of orders reported by operators were placed in the United Kingdom.

2. EXPLORATION AND FIELD DEVELOPMENT IN THE NORTH SEA

Britain today produces more oil than it consumes, and is likely to remain self sufficient in oil well into the 1990s. Proven reserves of North Sea oil exceed one billion tonnes and remaining reserves may well be four times that amount. Clearly it is desirable that we should remain self sufficient in oil for as long as possible. The key to this is in the sustained exploration for oil development of new fields which will ultimately replace those on stream today. Labour paid little attention to this need, and in the last two years of Labour government the rate of exploration fell drastically as a result of constant government interference; the limited scope of Labour's two licensing rounds and delays in confirming awards under them; and the unfair advantages given to the state-owned British National Oil Corporation (BNOC).

The Conservative Government acted quickly to improve conditions for North Sea operators. In the 1979 Budget, BNOC was made liable to Petroleum Revenue Tax (PRT) in common with the other oil companies; and on 15th June 1979, Mr David Howell, then Secretary of State for Energy, freed companies wishing to assign their licensing interests to second parties from the need to give first refusal to BNOC or the British Gas Corporation. The Government has also ended BNOC's preferential position in future licensing rounds, its special access to government finance through the National Oil Account, and its statutory role as adviser to the Government.

Since the Conservative Government came into office, activity in the North Sea has increased from the level inherited from the Labour Government, as the following table shows.

Drilling Activity Offshore

	1978	1979	1980	1981	1982
Exploration and appraisal wells drilled	67	47	54	73	97
Production wells	93	102	122	134	120
Total wells drilled	160	149	176	207	217
Output (million tonnes)	54	77	79	88	–

(Source: Department of Energy Statistics)

In April 1982, record levels of production were reached, of an average of 2 million barrels of oil a day; and in 1982, North Sea exploration reached its highest levels since 1975.

Licensing. Fewer than 100 licensing awards were made under the last Labour Government, and some of these were awaiting confirmation when the Conservative Government came into office. The Conservative Government confirmed the remaining awards for the 6th round and has announced two further licensing rounds, both of which have been highly successful. Under the 7th round, completed in October 1981, a record 90 awards were granted, more than the total number of awards confirmed under Labour. Under the 8th round, by January 1983, applications for licences had been received from over 100 companies. Fifteen of the 184 blocks on offer were put out to tender, and cash tenders were submitted for seven of these. Proceeds from the tender bids raised a total of £32¾ million.

Taxation. The 1983 Budget (see Chapter 2, p. 49) improved the fiscal régime for the North Sea, in order to encourage the appraisal and exploitation of marginal fields. Measures announced by the Chancellor will be worth £800 million between 1983–4 and 1986–7.

On-Shore Oil Development. Significant progress has been made in the exploitation of onshore oil fields. The total number of wells drilled increased from a level of 5 in 1977 to 22 in 1981. 1981 saw a record number of onshore appraisal wells drilled, and a record level of onshore rig

activity. 80 per cent of existing onshore exploration licences and over 60 per cent of onshore oil production licences (48 in all) have been awarded by the present Government.

Depletion Policy. On 8th June 1982, Mr Lawson announced that the Government would not be imposing oil production cut-backs before 1985 at the earliest. This is because the Government believes that the encouragement of exploration and development activity is crucial to maximising oil production. The Select Committee on Energy in a report on oil depletion published in May 1982 supported this view:

‘We regard it as futile and probably self-defeating for the Government to substitute its own judgement for that of the oil companies in an attempt to overrule the technical, political and economic incentives with the aim of bringing about a desired production profile in the UK’ (Select Committee Report on North Sea Oil Depletion, 7th May 1982).

However, the Government still has reserve powers of intervention should national interest and oil depletion patterns diverge.

3. PRIVATISATION OF BNOC

The Queen's Speech on 4th October 1981, announced the Government's intention to sell 51 per cent of the oil exploration and production interests of the British National Oil Corporation to the private sector. This was described by Mr Lawson as ‘the biggest privatisation measure ever’.

Powers to denationalise BNOC were included in the Oil and Gas Enterprise Act 1982. Shares in the new Company ‘Britoil’ were sold on 19th November 1982 and Mr Lawson announced on 22nd November that ‘In all, the total net proceeds for the disposal of Britoil are estimated to be in excess of £625 million. Britoil has now been successfully privatised on eminently fair terms for the taxpayer’ (*Hansard*, 22nd November 1982, Col. 596).

The privatisation of Britoil means that the new company can now develop free from bureaucratic public sector constraints. It does not mean, as has been claimed by the Labour Party, that Britain will lose control over its oil. The ownership of all Britain's oil and gas assets was vested in the State by the Conservative Government in 1964, and the Government has retained ownership of the trading arm of BNOC including its participation rights (the right to buy 51 per cent of the oil produced in the North Sea). Furthermore, the Government has powers to control production, licensing, depletion, landing, and gas flaring. As Mr Lawson said:

‘Control, which is far reaching and crucial, is wholly unaffected by the privatisation of the oil producing business of BNOC’ (*Hansard*, 18th November, Col. 443).

4. OIL PRICES AND THE BRITISH ECONOMY

Following the failure of OPEC Ministers in January 1983 to reach agreement on price differentials between the Saudi marker price of crude (at US \$34 a barrel) and the high quality African crudes, further downward pressure on oil prices ensued, and on 18th February 1983, BNOC recommended to its suppliers that the UK reference price of \$33.50 should be cut by between \$3 and \$3.50, backdated to 1st February. On 16th March, OPEC countries agreed to a cut of \$5 in the oil reference price to \$29 a barrel and an overall output ceiling of 17.5 million barrels a day for 1983.

A low world oil price is on balance good for the UK, because it reduces inflation in the world and increases growth, both of which will benefit our industry.

As Mrs Thatcher explained in a speech to the Institute of Directors on 23rd February 1983:

‘A modest fall in oil prices should be an important factor helping world recovery. For the oil importing countries which are the great majority, it reduces costs and adds to spending power. ‘... If the fall in prices were to be both large and sudden, the speed of change and uncertainty could be harmful to the world financial system. ‘As far as Britain is concerned, a modest oil price fall is good for us. Because we are close to self sufficiency and because oil is only about 4–4½ per cent of GNP, direct effects are smaller than for most other oil producing countries. As a trading nation and a big exporter, we should benefit from an expansion in world trade and provided we take full advantage of the opportunities, that benefit would offset any decline in our oil export earnings.’

(E) THE GAS INDUSTRY

1. BACKGROUND

The Gas Act 1948 brought the gas industry in Great Britain under public ownership and control. As a result of the change to natural gas in the 1960s, the British Gas Corporation was set up in 1973 under the Gas Act 1972 to replace the Gas Council and area gas boards. The Gas Act 1972 also created a National Gas Consumer Council independent of the industry to safeguard consumers' interests. In 1981–2, the turnover of the Corporation and its subsidiary companies amounted to £5,235 million, of which sales of gas accounted for £4,586 million.

2. GAS FIELDS AND GAS SUPPLY

In 1980, home-produced natural gas accounted for about 78 per cent of total natural gas supplies, the remainder coming from Norway and Algeria at higher prices. Most gas comes from the Southern basin of the North Sea. However, since 1978 output from this area has fallen partly because of exhaustion of gas stocks, but also because BGC as a monopoly buyer of gas has been able to drive a hard bargain and offer low prices to producers in the North Sea. Labour failed to recognise the problem; and as a result, under Labour, Britain's gas remained under the sea, while imports increased by 80 per cent between 1978 and 1979. With prompting by the Conservative Government BGC indicated its willingness to pay higher prices.

This factor, together with the Government's legislation breaking the monopoly of gas supply enjoyed by BGC, is encouraging interest in exploration and development of gas reserves. Of the blocks on offer in the 8th licensing round, 38 were in the proven gas province of the Southern North Sea and applications were made for 23 blocks. Gas exploration and appraisal wells drilled have increased from none from 1978–80, to 17 in 1982.

Indigenous offshore natural gas supplies are expected to be sufficient to meet the major part of British requirements into the next century. However, an increasing proportion of our gas supplies will come from less easily accessible (and therefore more expensive) fields in the North Sea, such as the Frigg Field, and Morecambe Bay in the Irish Sea into which BGC is undertaking a major investment programme after the Government gave approval for its development in February 1982.

Gas Flaring. The Government has acted to ensure that gas supplies associated with oil finds are not burned off unnecessarily. Since the Government came into office, gas flaring has been reduced by nearly 50 per cent from 21.5 million cubic metres a day in June 1979 to 12 million cubic metres in May 1982. Over the same period, oil production increased by 30 per cent.

3. BREAKING BGC'S MONOPOLY

In order to give further encouragement to the efficient exploitation of Britain's gas reserves, under the Oil and Gas Enterprise Act 1982, the monopoly control of gas supply enjoyed by BGC was broken in order to allow competition to develop in the supply of gas to industry. Private companies are now free to supply gas to industries using over 2 million therms and to consumers using over 25,000 therms a year with the consent of the Secretary of State, using the BGC's pipeline network as a 'common carrier'.

As Mr Hamish Gray, Minister of State, Department of Energy, explained:

'We believe that these policies will inject the same vigour into future exploration as has been evident in dynamic entrepreneurial activity displayed in the search for oil. Licensees have shown reluctance to search for gas, and even where this has been found, it has all too often been left in the ground. The culprit is not the BGC; it is the system of monopoly purchase, which gives the producers just one outlet for their gas... Our legislation will ensure that the BGC will in future be bidding in a competitive market and that licensees shall in future have a choice of more than one purchaser' (*Hansard*, 19th January 1982, Col. 243).

4. BGC's OIL INTERESTS

The Oil and Gas Enterprise Act also contained provisions giving powers to BGC (powers which the Secretary of State can direct it to exercise) to dispose of parts of its business to the private sector. Directions were issued by the Government on 6th August 1982 requiring BGC to carry out initial work in preparation for the disposal of its interests in offshore oil fields. Before that, on 26th June 1981, under the Gas Act 1972, Mr David Howell, then Secretary of State for Energy, laid a direction requiring the British Gas Corporation to dispose of its interest in the Wytch Farm onshore oil field in Dorset. Negotiations for the disposal of all these assets are under way.

5. GAS SHOWROOMS

On 29th July 1980, the Monopolies and Mergers Commission published a report on the supply of domestic gas appliances. It considered that the British Gas Corporation's monopoly had acted against the public interest. One option put forward by the Commission was that the BGC should be compelled to dispose of its showrooms and withdraw from the retailing business. The Government has left BGC in no doubt that the abuse of its monopoly powers identified by the MMC must end.

6. BGC EFFICIENCY SCRUTINY

In line with the Government's policy that nationalised industries should be subjected to periodic independent scrutiny, Mr Lawson announced on 17th April 1982, that the Department of Energy and BGC were jointly commissioning an independent study into BGC's efficiency.

Gas Industry Statistics

Year	Employees '000s	Profit/loss £m	Return on average net assets employed	Gas sold and used (in therms)	Average revenue per therm sold (pence)
1973– 4	103.4	– 41	–	11,487	7.0
1974– 5	102.5	– 31	–	12,932	7.9
1975– 6	103.0	+ 25	–	13,454	9.9
1976– 7	100.7	+ 32	0.5	13,837	12.2
1977– 8	99.8	+104	1.6	15,172	14.5
1978– 9	101.8	+172	2.4	15,934	15.8
1979– 80	104.1	+152	1.8	16,736	17.6
1980– 1	106.2	+156	1.6	16,386	22.5
1981– 2	105.8	+144	1.4	16,876	27.2

(Source: British Gas Corporation)

(F) THE COAL INDUSTRY

1. BACKGROUND

From the end of the Second World War until 1973, the British coal industry, in common with most other Western countries, was in decline largely through its inability to compete with imports of cheap oil. However, after the oil crisis of 1973 the Labour Government, building on discussions which had been started under the Conservatives, introduced in June 1974 its 'Plan for Coal', enshrined in the first Coal Industry Examination Report. This mapped out the following developments in the industry for the period 1975–85:

- i. A halt to declining output and a target of 150 million tonnes annual production by 1985.
- ii. Investment of £600 million at 1974 prices on top of ordinary capital expenditure of £800 million.
- iii. A £73 million coal and mining research programme.
- iv. An anticipated average 4 per cent per annum improvement in productivity.

2. PROGRESS SINCE 'PLAN FOR COAL'

Conservatives supported the main proposals of 'Plan for Coal', and under this Government record levels of financial support have been given to the industry. Investment has been over £4½ billion since 1974 (£1.5 billion more than anticipated under 'Plan for Coal'), and is now running

at a rate of over £800 million a year. Some 16.7 million tonnes of new capacity have been brought on stream. A highly mechanised and efficient coal pit in the 110 square mile Selby coalfield started production in spring 1983 and the NCB has been given the go-ahead for development of coal deposits in the Vale of Belvoir, subject to measures to minimise any adverse impact on the environment.

Grants to the coal industry now represent nearly £40 a week for each employee: they have increased tenfold in five years from £55 million in 1976–7 to over £500 million a year at present. Britain now invests more in the coal industry than any other European country.

Government Support to the Coal Industry

Year	Total Grants	External Finance Limit
	£m	£m
1976–7	54.5	309
1977–8	75.0	356
1978–9	172.0	625
1979–80	251.2	709
1980–1	255.4	832
1981–2	576.3	1,117
1982–3	480.0	962
1983–4	–	1,207

(Source: Dept of Energy)

3. COAL INDUSTRY LEGISLATION

The Government has maintained an understanding and flexible approach to the problems of the coal industry. The Coal Industry Act 1980 ensured that investment in coal would be continued at £600 million per annum for three years, an increase in real terms on previous years. It also provided a framework within which the industry would break even, after receiving social grants, by 1983–4.

Unfortunately by late 1980 the recession was biting more deeply than anticipated, and the coal industry was faced with a crisis of overproduction. The NCB responded by attempting to accelerate the rate of closures of older pits with poor productivity. But in February 1981, following strong union reaction, the Board agreed to withdraw the programme and the Government agreed to adjust the industry's cash limit to accommodate this decision and to meet the cost if the NCB was able to agree reductions in imports of coal by the electricity and steel industries towards the irreducible minimum. As a result of this agreement, the NCB's borrowing limit was increased under the Coal Industry Act 1982 to a cumulative level of £4,500 million (which may be raised by order to £5,000 million) and the period for the payment of social grant under the Coal Industry Act 1980 was extended.

4. NEED FOR BETTER PRODUCTIVITY

Unfortunately the commitment shown by the Government and taxpayer has not been matched by significant improvements in productivity. Under 'Plan for Coal', productivity in the industry was expected to rise at 4 per cent a year from 1974. In fact it fell between 1974–5 and 1978–9, and

although productivity has been improving under the Conservatives, in 1981–2, it was still only 5 per cent above the level of 1974–5. If the productivity growth envisaged in ‘Plan for Coal’ had been achieved, productivity in 1982–3 would be over 25 per cent above the actual level achieved, with beneficial effects both for the industry and its customers, including electricity consumers.

There are encouraging signs that the need for better productivity is being recognised in the industry. In 1982 the miners on two occasions in January and October voted to accept pay offers made by the NCB and rejected calls to strike made by the President of the National Union of Mineworkers, Mr Arthur Scargill. In March 1983, they rejected another call to strike on the issue of pit closures.

Pit Closures. Much of the shortfall in productivity has arisen because old and inefficient capacity has not been phased out at the rate (3–4 million tonnes a year) envisaged in ‘Plan for Coal’. As the Chairman of the National Coal Board, Mr Norman Siddall, pointed out, twelve per cent of the industry's deep mined capacity lost about £250 million in 1981–2.

Coal Liquefaction. The liquefaction of coal is likely to become an important process for the manufacture of liquid fuels in substitute for oil when world oil supplies become scarce. The Government intends to support the development of technology for this process by backing the NCB's plan to build a pilot plant with up to £3 million, subject to private sector oil companies, the EEC and the NCB all making a financial contribution to the scheme.

Coal Industry Statistics

Year	Output (tonnes)	Output per manshift (tonnes)	<i>1981–2 prices</i>		
			Average manpower '000s	Capital investment £m	Capital investment per man £000
1973–4	98.7	2.15	252		
1974–5	116.9	2.29	246	285	1.22
1975–6	114.5	2.28	247.1	421	1.78
1976–7	108.5	2.21	242	460	2.11
1977–8	106.3	2.19	240.5	501	2.17
1978–9	105.5	2.24	234.9	613	2.71
1979–80	109.3	2.31	232.5	743	3.30
1980–1	110.3	2.32	229.8	779	3.50
1981–2	108.9	2.40	218.5	722	3.42

(Source: National Coal Board)

(G) THE ELECTRICITY INDUSTRY

1. BACKGROUND

The Electricity Council supervises the production of Britain's electricity. Since nationalisation in 1947, it has been assisted by the Central Electricity Generating Board (CEGB) and 12 Area Boards responsible for the generation and distribution of electricity. Scotland is served by the North of Scotland Hydro Electric Board and the South of Scotland Electricity Board. In 1981–2, the turnover of the electricity supply industry in England and Wales was £8,053.8 million and it made a trading profit of £296 million.

2. ELECTRICITY GENERATION AND DEMAND

Electricity generation is a very inefficient use of primary fuel. In 1980 about 85 per cent of electricity generated in Britain was from fossil fuels. There has been a significant reduction in oil burned in power stations in recent years, and coal accounts for most fuel consumed in power stations—81 per cent in 1981–2. The following table shows the relative change in fuel sources over the last twenty years.

Year	Fuel Consumed in Power Stations					
	Million tonnes of coal or coal equivalent					
	Coke	Coal	Oil	Gas	Nuclear	Total
1962–3	59.0	0.9	9.9	–	0.7	70.5
1967–8	65.7	0.6	9.9	–	7.2	83.4
1972–3	62.8	0.1	26.6	2.4	8.6	100.5
1977–8	70.2	0.1	16.3	2.1	11.7	100.4
1978–9	75.3	0.2	17.6	0.5	10.6	104.2
1979–80	80.5	0.2	12.3	0.8	10.9	104.7
1980–1	– 79.7	–	8.2	0	9.8	97.6
1981–2	– 77.0	–	7.9	0	10.1	94.9

(Source: *Electricity Supply Statistics 1982*)

Towards the end of the 1990s as coal becomes the feed stock for synthetic oil and gas and for the petrochemical industry, its use in power stations will decrease. However, coal will probably still supply over 60 per cent of the power station market.

The electricity industry must ensure that it plans adequate supply to meet maximum demand, but since demand has been lower than expected in recent years, the Government believes the main priority for the industry must be to ensure that those supplies are as cheap as possible for the consumer. Even if existing power stations provide adequate capacity, it is necessary for the electricity industry to invest, where possible, in cheaper sources of power and to diversify so that market pressures act as an incentive for the coal industry to be competitive.

3. CEGB EFFICIENCY AND INVESTMENT APPRAISALS

On 3rd June 1980, the Government asked the Monopolies and Mergers Commission to examine the efficiency of the Central Electricity Generating Board. The Commission reported in May 1981 and, although it made no criticism of the industry's efficiency, it criticised the CEGB's investment appraisal methods, which operated against the public interest. By 1983, the CEGB had satisfactorily revised its appraisal methods, and the Board's case for Sizewell B reflects the new approach. On 17th February 1983, Mr Lawson welcomed the CEGB's response and anticipated another reference of the CEGB to the Monopolies and Mergers Commission in two to three years' time. Meanwhile, he looked to the industry

'to continue to improve the efficiency with which it uses its capital and manpower resources and generally to reduce its costs so that electricity prices to consumers can be kept as low as possible'. (Press Release, 17th February 1983).

The Monopolies and Mergers Commission is currently conducting studies into the Yorkshire and South Wales Electricity Boards, and has completed a study of the London Electricity Board's showrooms.

4. PRIVATE GENERATION OF ELECTRICITY

Privately generated electricity makes a valuable contribution to electricity supply. It accounts for about 6 per cent overall and about 15 per cent of industry's needs. This is low in relation to other countries. It is clear that there is considerable potential for the expansion of private generation of electricity, especially as it is often cheaper than that provided by the monopoly supply industry.

In the past, private companies have been hampered when trying to negotiate contracts with the electricity industry, because Area Boards were under no obligation to permit the use of their transmission systems or to purchase surplus electricity from the private generator, and terms offered by Area Boards were often considered unfair by the private generator. The Energy Act 1983 removed the statutory prohibition on private generation of electricity as a main business, and made it possible for a private company to use the CEGB's grid system for transmitting electricity to customers and the electricity boards themselves on established and fair standby and buyback terms.

The Act will be of particular value in encouraging the growth of industrial combined heat and power schemes and private development of renewable sources of energy, such as wind power and hydro-electricity. It provides clarity so that private generators will find it easier to make investment decisions. Private involvement will also act as a stimulus to the public sector to improve its efficiency, so that all consumers benefit.

(H) NUCLEAR POWER

Nuclear power offers a safe, clean, cheap and secure source of electricity. In France, 40 per cent of electricity is produced in nuclear power plants, and this will reach 60–65 per cent by 1990. French industry has, as a consequence, access to some of the cheapest electricity in the world. Most major electricity utilities have decided that nuclear technology is the most cost effective means of meeting future generation needs, and it is important that Britain does not fall behind. Nuclear power at present accounts for some 12 per cent of our electricity generation. Diversification of fuel in Britain has immediate and obvious benefits. British manufacturing industry is all too easily damaged by high costs in the mining industry. Increased use of nuclear

power in Britain means more competition between fuels and more secure and less expensive electricity for industry, and that means more jobs.

Britain led the world in the development of nuclear technology. Britain's Calder Hall reactor was the first in the world to generate electricity from nuclear fuel. The Magnox reactors developed from the Calder Hall design provided and still provide a reliable source of base load electricity. Their safety record has been excellent over twenty years of operation.

Until recently, Britain's nuclear power programme had received bipartisan support. In 1978, Mr Benn announced his decision to authorise the electricity supply industry to order two new Advanced Gas Cooled Reactors (AGRs). At the same time he announced that the UK should not be dependent on an exclusive commitment to any one system:

'We must develop the option of adopting the PWR (pressurised water reactor) system in the early 1980s' (*Hansard*, 25th January 1978, Col. 1392).

On taking office, the Conservative Government gave the go-ahead for an expanded nuclear power programme. As a first step, approval was given to two new Advanced Gas Cooled Reactors (AGRs) at Heysham and Torness.

Sizewell. Conservatives in opposition supported Mr Benn's statement on the PWR programme and have accepted it as a basis for policy in government. Work has continued on the adaptation of an American PWR design to meet British needs and safety requirements. A CEBG report published on 28th February 1983 estimated that a new PWR is expected to produce electricity at 2.61 pence per kilowatt hour over its lifetime, compared with 3.88 pence per kilowatt hour for a new coal fired power station. A public enquiry into the CEBG's application to build a PWR at Sizewell in Suffolk is under way. The enquiry is looking into all aspects of the CEBG's proposals. Since the Government believes that safety considerations must be paramount, the safety and economics of the proposed development, as well as normal planning conditions, will be considered in depth.

Fast Breeder Reactor. For the future, the Government has confirmed its commitment to the development of the fast breeder reactor which burns depleted uranium and plutonium recovered from the present commercial reactors. The Government believes that it will be necessary to begin series ordering in the early part of the next century. Britain is among the world leaders in fast reactor technology, and a substantial development programme is under way at Dounreay in the North of Scotland.

Environment and Safety. The nuclear power industry is, in comparison with other energy industries, safe and clean for its workers and the public. 281 nuclear reactors operate in 24 countries, and the technology has been in use for almost twenty years, yet a major accident resulting in any significant hazard to health has never happened. Nevertheless, the Government takes no chances, and successive governments have ensured that safety considerations have been paramount. Workers in the electricity industry are satisfied that nuclear power is safe: the Electrical Power Engineers' Association, representing the engineers, managers and scientific staff who work in the electricity supply industry, has concluded that the PWR 'cannot be opposed on grounds of its safety implications for the staff who will be involved in its commissioning and generating' (*Guardian*, 5th January 1982).

Nuclear power stations are also cleaner than those powered by fossil fuels. They generate much less waste and no intractable problems associated with its disposal exist. The Government has

recently confirmed that no plutonium recovered from Britain's civil nuclear power programme has ever been used for military purposes and that there are no plans for it to be used for such purposes in the future (*Hansard*, 23rd December 1982, WA, Col. 668).

Amersham International. Under the Atomic Energy (Miscellaneous Provisions) Act 1981, the Government took powers to denationalise Amersham International Limited, a company specialising in radio-chemicals for use in industry, medicine and research. Shares in the company were sold in February 1982, with total proceeds of around £71 million. Over 80 per cent of the UK employees of Amersham International bought shares in the company and over 99 per cent took up the Government's offer of £50 worth of free shares in the company.

(I) NEW SOURCES OF ENERGY

There are dangers in being too dependent on any one source of fuel, as many countries have found to their cost. Diversification of fuel sources is particularly important to the electricity supply industry, as a consequence of its limited ability to import. Britain's coal reserves are likely to last for the foreseeable future but research into and development of, alternative sources of energy are important, both as an insurance against future shortages in the supply of conventional fuels and because new sources may become economic to develop, even before conventional fuels run out.

Combined Heat and Power (CHP), that is the exploitation of waste heat from power stations, has considerable potential for development as a more cost effective use of energy.

Following a report in 1979 of a group chaired by Sir Walter Marshall, now Chairman of the CEGB, which assessed the potential savings from CHP, the Government announced in March 1981 that feasibility studies would be undertaken in 9 areas of the country into the use of CHP for district heating. The Government is reviewing the results of these studies.

Industrial companies wanting to set up industrial CHP schemes can get grants of up to 50 per cent towards the cost of employing consultants to assess the possibility of installing combined heat and power for industrial use. Consent has been given for the construction of two industrial CHP schemes by the Midlands Electricity Board. The Energy Act 1983 will encourage further development of CHP schemes of this sort; an amendment passed during the passage of the Act will give the electricity Area Boards a duty to investigate the scope for economic combined heat and power.

Renewable Sources of Energy. The Government has significantly increased research and development expenditure on renewable sources of energy, as the following table demonstrates.

	R & D Expenditure				
	1978-9	1979-80	1980-1	1981-2	1982-3
Wind	0.8	0.6	0.8	0.8	
Wave	1.8	3.0	3.3	4.4	
Geothermal	0.2	1.3	2.4	8.1	
Solar	0.2	1.2	0.7	1.0	
Biomass		0.1	0.3		

£ million

R & D Expenditure

	<i>£ million</i>				
	1978-9	1979-80	1980-1	1981-2	1982-3
Tide	0.1	0.6	1.4	0.3	
Misc.			0.1		
Total	2.4	6.8	9.0	14.6	11.0-12.0(est)

(*Hansard*, 28th October 1982, WA, Cols. 548-9).

Following a report on the Government's renewables programme by the Advisory Council on Research and Development for Fuel and Power (ACORD) in April 1982, the Government announced that resources would in future be concentrated on the most promising areas for development. Projects currently going ahead include:

- a. Windpower projects in the Orkneys and Carmarthen Bay.
- b. Geothermal projects at Camborne and Southampton.

In addition, a feasibility study into a Severn barrage to harness tidal power was published in April 1981, and is being considered by the Government; and the potential for exploiting passive solar heating by better building design is being explored.

Summarising the Government's policy, Mr David Mellor, then Parliamentary Under-Secretary of State, Department of Energy, said:

'renewables do have a real importance to us. Our renewables programme is an insurance policy for which we are prepared to pay a substantial premium. We are also ready and able to spend a good deal of time and ingenuity discussing and carrying forward the best programme to meet our needs'.

He went on to say:

'Several of the renewables are nearing or have entered the stage of commercial application, not only for the home market, but for export. I trust that British industry will take note of these opportunities' (London, 29th June 1982).

(J) ENERGY CONSERVATION

About half the fuel used to heat uninsulated houses is wasted, much of it because of draughts, losses from the hot water tank and losses through the roof. Using existing technology, it is estimated that about 100 million tonnes of coal equivalent could be saved in industry each year using existing technology. Conservation is necessary not only to improve the competitiveness of industry and save consumers money, but to ensure that the consumer does not waste valuable resources.

Since 1979, as a result of sensible pricing and conservation, progress is being made towards more efficient utilisation of energy. Total energy consumption between 1979 and 1982 fell by over 11 per cent; and although much of this was due to the effect of the recession rather more was due to conservation, as the following table shows.

Energy Consumption

Year	Total inland consumption of primary energy (million tonnes of coal equivalent)	Gross Domestic Product at 1975 factor cost £m	Tonnes of coal equivalent per £1,000 GDP	Index (1975 = 100)
1978	339.1	101,867	3.3	96.2
1979	349.3	102,901	3.4	98.1
1980	327.2	100,729	3.2	93.9
1981	315.4	99,700	3.2	91.4
1982	275.8	n.a.	n.a.	n.a.

n.a. = not available

(Source: Department of Energy)

Domestic Conservation. To help householders conserve energy, more generous and more widely available home insulation grants are being given, and take-up of grants under the Scheme has improved. In 1978–9 only £8.3 million of the available £18.9 million was taken up. In 1981–2 nearly £23 million out of an allocation of £25 million was taken up. Help has also been given to voluntary organisations using unemployed labour to insulate the homes of pensioners and others on low incomes. In 1982–3, the Government doubled the amount of help available for this work to £201,500. More money is also being spent on information for domestic consumers: on 3rd November 1982, the Government launched a £1 million advertising campaign.

Industrial Energy Conservation. The Government commissioned a study by the consulting firm Armitage Norton into energy conservation in industry. The study, published in May 1982, found that cost saving was the most powerful force motivating firms to adopt conservation measures, and that this would continue so long as a sensible pricing policy was pursued. It was also found, however, that possible barriers to conservation included management attitudes and inadequate capital investment criteria. The Government is giving help to industry in a number of ways:

- a. Under the Energy Survey Scheme, the Government or outside consultants carry out detailed audits of energy use in selective energy-intensive industries. An energy audit conducted in the steel industry in 1982 found that the steel industry could save energy worth about £130 million a year.
- b. Under the Demonstration Projects Scheme potential investors are shown new methods and techniques in which energy has been used more effectively. Grants of up to 25 per cent of installation costs, and to cover monitoring costs, are being given to support novel conservation projects available for demonstration purposes. The budget for this scheme doubled in 1982 to £4.8 million.
- c. In co-operation with NEDO and the CBI, the Government encourages energy monitoring and efficient management in industry, and runs energy management workshops to train energy managers in industry.

Government's Conservation Programme. A major study of the way in which the Government carries out its policies on conservation has been carried out as part of the Rayner efficiency programme (see Chapter 20, p. 330). The recommendation that an energy efficiency office be set up in the Department of Energy is being pursued.

(K) ENERGY AND THE EEC

The concept of a Community energy policy is contained in the Treaties establishing the Coal and Steel Community (ECSC) and the European Atomic Energy Community (Euratom). Conservatives have supported progress towards a common European energy policy while recognising that different national circumstances made a monolithic energy policy unworkable. Since the General Election several important developments have taken place.

Reducing Dependence on Oil. Following the oil price shocks of 1979 and in the light of agreements reached at the Venice Summit in May 1980, the EEC Energy Council adopted a resolution on energy targets for 1990 and fixed interim objectives for 1985. These were: to reduce the EEC's dependence on imported energy to 50 per cent; to reduce the ratio between the rate of growth of energy consumption and the rate of growth of GDP; to limit oil consumption; and to limit net Community imports of oil to a level not exceeding 472 million tonnes a year. Progress has been excellent and many of the targets have already been achieved. In 1981, the EEC's dependence on imported energy was around 50 per cent. In 1981, net imports of crude oil were 366 million tonnes.

Energy Pricing. Agreement was reached in December 1981 on energy pricing principles. Following a report on Community Energy Pricing published by the Commission, the Council of Ministers agreed detailed conclusions which stressed the need for consistent and clear energy pricing policies. In particular, the Council concluded that energy prices should not be kept at artificially low levels, and that users should have adequate access to information on prices and on the methods by which both prices and tariffs are determined. Further work is under way to establish 'transparency' on pricing, i.e., to show clearly how energy prices are calculated, so that industries in countries which follow economic pricing principles do not suffer because of the unfair competitive advantage of industries in countries which do not.

Coal. The Council of Ministers agreed on 16th December 1982 that there was a common interest in progress towards a balanced and comprehensive Community strategy for solid fuels. Commission proposals to encourage the development of coke and coal reserves are being considered. Meanwhile, EEC loans have been made available to industry for up to half the cost of converting to coal boilers.

Research and Development. The EEC gives generous grants towards the cost of research and development on conservation and alternative sources of energy. The research and development budget for 1979–83 was set at about £70 million, and resources available for research and development regarding alternatives were set at £63 million for the five years from May 1979. Examples of help given include loans available for up to 49 per cent of the cost of industrial energy demonstration projects, and loans towards the cost of research and development into oil and gas technology. The most significant EEC-supported research project in the United Kingdom is the Joint European Torus (JET) project researching nuclear fusion at Culham in Oxfordshire. The research work is now nearing completion and the JET device is expected to commence operation in summer 1983.

(L) OPPOSITION POLICIES

1. LABOUR PARTY

Labour's approach to energy was set out in *Labour's Programme 1982* and the Labour Party's campaign document, *The New Hope for Britain*. (March 1983). They promise a restoration of

central planning; an increase in the role of the public sector; increased public spending; and an abandonment of a sensible policy based on rational energy pricing.

Prices and Conservation. Labour criticise the increases in domestic gas and electricity prices under the Conservative Government, and suggest, by a reference in *Labour's Programme 1982* to 'subsidising energy in general' an intention to abandon their official policy in government of rational energy pricing. Instead, to promote conservation they promise a massive expenditure of £1 billion on conservation measures over four years. To help poor consumers they intend to replace the 'narrow' scheme of the Conservative Government with 'a new and comprehensive system of fuel allowances'.

It was the irresponsible actions of the last Labour Government in holding down the price of domestic gas well below the cost of production that forced the British Gas Corporation to push up the price of gas to industrial users by 288 per cent in Labour's period of office, and made above-inflation increases in gas prices necessary under this Government. As for domestic electricity prices, in criticising increases under this Government, they overlook the fact that when they were last in government, domestic electricity prices rose by 168 per cent, considerably more than the increase in prices generally. Under the Conservatives, domestic electricity prices increased by 83 per cent between April 1979 and December 1982, and are not set to rise in 1983.

If energy prices are subsidised, as Labour clearly intend, the £1 billion conservation programme will be wasted. Under-pricing will encourage the wasteful use of energy and counteract spending on other conservation measures.

Help given to poor consumers has increased under the Conservative Government. In 1978–9, Labour's most 'generous' year, help to poor consumers totalled £128 million, equivalent to £214 million at January 1983 prices. In 1982–3 this Government is spending £325 million in help with fuel bills.

Coal Industry. *Labour's Programme* pledges to help increase coal production and provide 'adequate support to the British coal industry in line with European practice'. No mention is made of the need to improve productivity.

This Government is already giving record levels of support to the coal industry, higher in real terms than under Labour. Increased expenditure without improved productivity is not the way to improve prospects for the coal industry. Financial support 'in line with European practice', might mean (taking Belgium as an example) support from the taxpayer of between £2.5 billion and £3 billion. However, most of this would be spent on subsidising the price of coal. In fact, Britain invests more in her coal industry than any other EEC country.

Oil and Gas. Labour are pledged to renationalise Britoil on terms that would involve no speculative gains being made, and to restore to BNOC the unfair advantage it enjoyed under the last Labour Government. Labour are also committed to bring BP into public ownership. Their campaign document states that the public sector will have the dominant role in all future oil and gas exploration and development in the North Sea. They believe that BP and BNOC together should be responsible for all future oil exploration and development.

Labour's pledge to renationalise Britoil and BP and restrict future North Sea oil development is unreasonable and dogmatic in the extreme. In December 1982, the cost to the taxpayer of renationalising these two companies would have been about £4.9 billion. To keep the private sector out of future development of the North Sea would be extremely damaging to our interests.

Labour disregard the fact that but for the private sector the development of our North Sea oil assets would not be the spectacular success it is.

Nuclear Power. The question of building a PWR was first put forward by Mr Benn as Secretary of State for Energy in January 1978. It remained an option for the rest of the Labour Government's term of office. Now *The New Hope for Britain* pledges to 'stop Sizewell and scrap the Tory PWR programme'. This change of mind which took place even before a public enquiry into its safety.

2. SDP/LIBERAL ALLIANCE

The Alliance can hardly be said to have an energy policy. Alliance MPs and policy groups have made statements concerning energy policy but these have been inconsistent and it is still not clear where the Alliance stands on most issues.

Nuclear Power. There are conflicting views within the Alliance on this issue. In 1981, Dr David Owen made a statement suggesting unambiguous support for a nuclear power programme.

'A proportion of nuclear generated electricity is necessary objectively under any criteria, even taking account of different forecasts about renewable energy and likely electricity generation demand figures for the future ... The Social Democratic Party in Parliament has already made it clear that it supports an "on going nuclear power programme as being necessary for the future of this country" (Warrington, 1st July 1981).

This policy has frequently been reiterated by other SDP MPs, such as Mr Roy Jenkins and the SDP's energy spokesman, Dr Dickson Mabon. However, it appears that anti-nuclear supporters within the SDP have succeeded in pushing the leadership away from this clear position. A paper published by the Social Democrat's Industry and Finance Group in October 1982 entitled *Towards an SDP Energy Policy* argued that 'The SDP should not support the construction of a PWR at Sizewell until it has been satisfied that there is a clear need for additional generating capacity'.

The Liberals meanwhile have adopted an extreme anti-nuclear stance. Their 1980 Party Conference called for a halt to the building of new nuclear power stations and for a decommissioning of those already in existence or under construction, a resolution which prompted the resignation of Professor Ian Roxborough as Chairman of their energy panel.

Pricing and Conservation. The Liberals are totally inconsistent in their attitude to pricing and conservation. The 1980 Liberal Assembly argued that conservation and the more efficient use of energy should be the main priority. This required:

'fiscal and pricing measures to encourage the efficient use of fuel'.

Mr David Steel, however, called for:

'a significant reduction in the Chancellor's tax on gas sufficient to cancel the October 1982 10 per cent domestic price rise' (Marple, 26th February 1982).

Of course, fiscal and pricing policies which reduce the price of fuel will not encourage the efficient use of fuel.

The SDP, meanwhile, in *Towards an SDP Energy Policy* argued for economic pricing principles. For gas this would mean ‘significantly higher prices than at present ... any change in prices would have to be phased over a long period of time’.

BNOC. Both the Liberals and SDP opposed the denationalisation of BNOC. However, Mr David Penhaligon, the Liberals' energy spokesman, speaking during the Second Reading of the Oil and Gas Enterprise Bill on 9th January 1982, said that the Liberals' opposition to the Bill could not be seen as a pledge to renationalise BNOC later. On the other hand, Dr Dickson Mabon, SDP energy spokesman, suggested during the same debate that the SDP would renationalise BNOC; and the SDP's paper, *Towards an SDP Energy Policy*, suggested that ‘The SDP should commit itself to reverse this Act at the earliest opportunity’.

9. ECONOMIC STATISTICS

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(A) NATIONAL OUTPUT

1. GROSS NATIONAL PRODUCT

(at current prices—£million)

	1977	1978	1979	1980	1981
i Consumers' expenditure	85,948	98,867	117,071	135,738	151,042
ii Public authorities current expenditure on goods and services	29,244	32,984	38,324	48,424	55,151
iii Gross domestic fixed capital formation	25,727	29,743	34,469	39,411	39,377
iv Value of physical increase in stocks and work in progress	1,881	1,601	2,995	-2,706	-4,160
v Total domestic expenditure at market prices	142,800	163,195	192,859	220,867	241,410
vi Exports of goods and services	43,582	47,726	55,125	63,158	67,854
vii Less imports of goods and services	-42,607	-45,546	-54,616	-57,913	-60,866
viii Less taxes on expenditure	-20,028	-22,951	-29,868	-36,882	-43,471
ix Subsidies	3,303	3,655	4,437	5,308	5,861
Gross domestic product at factor cost*	127,050	146,079	167,937	194,358	210,788
Plus net property income from abroad	118	615	892	-273	1,004
Gross National Product	127,168	146,694	168,829	194,265	211,792
Less capital consumption	-15,833	-18,693	-22,243	-27,223	-30,613
National Income	111,285	128,001	146,586	167,042	181,179
Public authorities current expenditure on goods and services as a per cent of GDP	23.0	22.5	22.7	25.0	26.0

* After adjusting for taxes on expenditure and subsidies

(Source: *National Income and Expenditure 1982*)

Note:

Gross Domestic Product (GDP) is the measure of a country's total output of goods and services. When we talk of economic growth we are talking of changes in GDP in real terms, i.e., after making allowance for the effects of inflation.

Gross National Product (GNP) is GDP plus net property income from abroad. *National Income* is GNP after deducting 'capital consumption' i.e., wear and tear on the nation's assets.

2. CONSUMERS' EXPENDITURE AT 1975 PRICES

(£ million)

	1976		1977		1978	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Food (household expenditure)	12,151	18.7	11,994	18.4	12,331	18.0
Alcoholic drink	4,938	7.6	5,025	7.7	5,313	7.8
Tobacco	2,653	4.1	2,523	3.9	2,746	4.0
Housing	9,238	14.2	9,406	14.4	9,695	14.2
Fuel and light	2,887	4.4	2,957	4.5	5,015	4.4
Clothing	5,194	8.0	5,232	8.0	5,716	8.3
Durable goods (including cars)	5,641	8.7	5,224	8.0	5,932	8.7
Other household goods *	1,699	2.6	1,705	2.6	1,906	2.8
Books, magazines and newspapers	911	1.4	907	1.4	915	1.3
Running costs of motor vehicles	4,181	6.4	4,238	6.5	4,360	6.4
Travel	1,969	3.0	1,957	3.0	2,030	3.0
Communication services	935	1.4	976	1.0	1,062	1.5
Entertainment and recreational services	1,368	2.1	1,437	2.2	1,513	2.2
Other items (goods and services)	11,356	17.4	11,583	17.7	11,932	17.4
TOTAL	65,121	100.0	65,162	100.0	68,462	100.0

* Includes expenditure on household textiles, household hardware, etc.

	1979		1980		1981	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Food (household expenditure)	12,575	17.6	12,651	17.9	12,319	17.4
Alcoholic drink	5,575	7.8	5,367	7.6	5,197	7.3
Tobacco	2,731	3.8	2,685	3.8	2,492	3.5
Housing	10,091	14.1	10,024	14.1	10,434	14.7
Fuel and light	3,179	4.5	3,073	4.3	3,080	4.3
Clothing	6,100	8.5	6,247	8.8	6,308	8.9
Durable goods (including cars)	6,595	9.2	6,337	8.9	6,182	8.7
Other household goods *	1,891	2.6	1,855	2.6	1,898	2.6

	1979		1980		1981	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Books, magazines and newspapers	932	1.3	930	1.3	916	1.3
Running costs of motor vehicles	4,378	6.1	4,430	6.2	4,524	6.4
Travel	2,096	2.9	2,176	3.1	2,274	3.2
Communication services	1,160	1.6	1,200	1.7	1,214	1.7
Entertainment and recreational services	1,562	2.2	1,543	2.2	1,545	2.2
Other items (goods and services)	12,440	17.4	12,306	17.4	12,517	17.6
TOTAL	71,305	100.0	70,824	100.0	70,900	100.0

(Source: *National Income and Expenditure 1982*)

* Includes expenditure on household textiles, household hardware, etc.

(B) BALANCE OF PAYMENTS

(All figures refer to the Current Account of the United Kingdom Balance of Payments, are seasonally adjusted and are in £m)

<i>Yearly</i>	<i>Current Balance</i>	<i>Visible Balance of Trade in Goods</i>	<i>Invisible Balance of Services and other Transactions</i>
1976	-875	-3,929	+3,054
1977	-22	-2,284	+2,262
1978	+1,018	-1,542	+2,560
1979	-853	-3,449	+2,596
1980	+2,929	+1,233	+1,696
1981	+5,961	+2,870	+3,091
1982	+3,948	+2,228	+1,720
<i>Quarterly</i>			
1979 1	-571	-1,433	+862
2	-6	-479	+473
3	+34	-723	+757
4	-310	-814	+504
1980 1	+37	-397	+434
2	-26	-252	+226
3	+1,068	+761	+307
4	+1,850	+1,121	+729
1981 1	+2,411	+1,631	+780
2	+1,904	+1,046	+858
3	+294	-200	+494
4	+1,352	+393	+959
1982 1	+589	+234	+355

<i>Yearly</i>	<i>Current Balance</i>	<i>Visible Balance of Trade in Goods</i>	<i>Invisible Balance of Services and other Transactions</i>
2	+803	+123	+680
3	+847	+609	+238
4	+1,709	+1,262	+447

(Source: *Financial Statistics* and Central Statistical Office)

It should be noted that all figures in this table from January 1981 onwards are likely to be revised by the Department of Trade.

(B) BALANCE OF PAYMENTS—*continued*

<i>Yearly</i>	<i>Exports (fob)</i>	<i>Imports (fob)</i>
1976	25,191	29,120
1977	31,728	34,012
1978	35,063	36,605
1979	40,687	44,136
1980	47,389	46,211
1981	50,977	48,107
1982	55,545	53,317

Monthly

1980

Jan.	4,054	4,047
Feb.	4,008	4,287
Mar.	3,814	3,927
Apr.	3,953	4,252
May	4,016	4,031
June	3,946	3,954
July	4,050	3,748
Aug.	3,784	3,811
Sept.	3,873	3,528
Oct.	3,943	3,438
Nov.	3,948	3,540
Dec.	4,000	3,648

1981

Jan.	4,036	3,353
Feb.	3,851	3,515
Mar.	3,967	3,555
Apr.	4,074	3,472
May	4,024	3,774
June	4,131	3,937
July	4,302	4,304

<i>Yearly</i>	<i>Exports (fob)</i>	<i>Imports (fob)</i>
Aug.	4,392	4,700
Sept.	4,448	4,338
Oct.	4,600	4,278
Nov.	4,512	4,681
Dec.	4,640	4,400
1982		
Jan.	4,312	4,455
Feb.	4,496	4,326
Mar.	4,662	4,455
Apr.	4,681	4,561
May	4,553	4,630
June	4,553	4,473
July	4,555	4,362
Aug.	4,390	4,299
Sept.	4,757	4,432
Oct.	4,674	4,459
Nov.	4,894	4,355
Dec.	5,018	4,510
1983		
Jan.	4,585	5,076

(Source: *Economic Trends* and Central Statistical Office)

(C) UNEMPLOYMENT

**(All figures are for Great Britain and are not seasonally adjusted.)*

	Total unemployed (percentage rate in brackets) 000's*			Total unemployed (percentage rate in brackets) 000's	
1979			1981		
Jan.	1,312	(5·6)	Jan.	2,178	(9·5)
Feb.	1,308	(5·5)	Feb.	2,218	(9·6)
Mar.	1,261	(5·3)	Mar.	2,239	(9·7)
Apr.	1,203	(5·1)	Apr.	2,279	(9·9)
May	1,161	(4·9)	May	2,312	(10·0)
June	1,175	(5·0)	June	2,299	(10·0)
July	1,279	(5·4)	July	2,414	(10·5)
Aug.	1,277	(5·4)	Aug.	2,488	(10·8)
Sep.	1,226	(5·2)	Sep.	2,643	(11·5)
Oct.	1,206	(5·1)	Oct.	2,668	(11·6)
Nov.	1,199	(5·1)	Nov.	2,668	(11·6)
Dec.	1,201	(5·1)	Dec.	2,663	(11·6)

***(All figures are for Great Britain and are not seasonally adjusted.)**

Total unemployed (percentage rate in brackets) 000's*			Total unemployed (percentage rate in brackets) 000's		
1980			1982		
Jan.	1,311	(5·6)	Jan.	2,791	(12·3)
Feb.	1,325	(5·7)	Feb.	2,766	(12·2)
Mar.	1,313	(5·6)	Mar.	2,718	(12·0)
Apr.	1,353	(5·8)	Apr.	2,714	(11·9)
May	1,340	(5·7)	May	2,695	(11·9)
June	1,444	(6·2)	June	2,664	(11·7)
July	1,657	(7·1)	July	2,744	(12·1)
Aug.	1,763	(7·5)	Aug.	2,790	(12·3)
Sep.	1,806	(7·7)	Sep.	2,950	(13·0)
Oct.	1,832	(7·8)	Oct.	2,935	(12·9)
Nov.	1,929	(8·2)	Nov.	2,951	(13·0)
Dec.	2,011	(8·6)	Dec.	2,985	(13·1)
			1983		
			Jan.	3,109	(13·7)
			Feb.	3,085	(13·6)

Regional Unemployment

(Annual Averages)

	000's			
	1979	1980	1981	1982
South East	258	328	548	665
East Anglia	31	39	61	72
South West	91	107	156	179
West Midlands	120	170	291	338
East Midlands	71	99	155	177
Yorkshire/Humberside	115	155	237	273
North West	187	242	355	408
North	114	141	192	215
Wales	81	103	146	165
Scotland	168	208	283	318
Northern Ireland	60	75	98	108

(Source: Department of Employment Gazette)

(D) RETAIL PRICES

(i) Retail Price Index 1947–1982

The table shows the five post-war Retail Price Indices based successively on June 1947–100 (discontinued in December 1952), January 1952–100 (discontinued in December 1956), January

1956–100 (discontinued in December 1962), January 1962–100 (discontinued in December 1973), and January 1974–100. The index's make-up and weighting (i.e. the relative importance attached to different terms) is designed to reflect monthly price changes of the items purchased by most households, including practically all wage-earners and most small and medium salary earners.

Figures in italics show the percentage change over the previous twelve months.

Year Jan. Feb. Mar. Apr. May June July Aug. Sept. Oct. Nov. Dec.
June 1947 = 100

1947 100.0 100.7 100.1 100.6 101.3 103.4 103.7

– – – – – –

1948 104.2 106.1 106.4 107.9 107.8 109.7 108.0 108.0 108.2 108.4 108.7 108.8

– – – – – 9.7 7.2 7.8 7.6 7.0 5.1 4.9

1949 109.0 109.2 108.9 108.6 110.6 111.1 111.2 111.3 111.7 112.3 112.3 112.6

4.6 2.9 2.3 0.6 2.5 1.3 2.9 3.1 3.2 3.6 3.3 3.4

1950 112.9 113.2 113.5 113.9 114.2 113.6 113.6 113.2 113.9 115.1 115.6 116.2

3.6 3.6 4.2 4.9 3.3 2.3 2.2 1.7 2.0 2.4 2.9 3.2

1951 117.3 118.4 119.2 121.1 124.1 124.5 126.4 127.0 127.9 128.8 129.3 130.2

3.9 4.6 5.0 6.3 8.6 9.5 11.3 12.2 12.3 11.9 11.8 12.0

January 1952 = 100

1952 100.0 100.1 100.6 102.2 102.2 103.9 103.8 103.2 103.0 103.9 103.8 104.5

12.9 11.9 11.8 11.8 9.1 10.6 8.8 7.6 6.7 6.9 6.3 6.3

1953 104.4 104.7 105.4 106.4 106.0 106.6 106.6 105.9 105.7 105.7 106.0 105.6

4.4 4.6 4.8 4.1 3.7 2.6 2.7 2.6 2.6 1.7 2.1 1.1

1954 105.8 105.6 106.6 107.0 106.7 107.3 109.1 108.4 108.2 108.7 109.2 109.8

1.3 0.9 1.1 0.6 0.7 0.7 2.3 2.4 2.4 2.8 3.0 3.9

1955 110.2 110.2 110.2 110.8 110.6 112.9 113.3 112.5 113.2 114.4 116.2 116.2

4.2 4.3 3.4 3.6 3.7 5.2 3.8 3.8 4.6 5.2 6.4 5.8

January 1956 = 100

1956 100.0 100.0 101.3 102.7 102.5 102.4 102.0 102.3 102.1 102.7 103.1 103.4

5.1 5.1 6.4 7.3 7.3 5.0 4.2 5.3 4.4 3.9 2.7 3.0

1957 104.4 104.3 104.1 104.5 104.6 105.7 106.6 106.4 106.1 107.1 107.7 108.2

4.4 4.3 2.7 1.7 2.0 3.2 4.5 4.0 3.9 4.3 4.5 4.6

1958 108.1 107.6 108.4 109.6 109.2 110.2 108.5 108.3 108.4 109.4 109.8 110.2

3.5 3.2 4.1 4.9 4.4 4.3 1.8 1.8 2.2 2.1 1.9 1.8

1959 110.4 110.3 110.3 109.5 109.1 109.3 109.0 109.3 108.7 109.2 110.0 110.2

2.1 2.5 1.7 -0.1 -0.1 -0.8 -0.4 0.9 0.3 -0.2 0.2 0.0

1960 109.9 109.9 109.7 110.3 110.3 110.9 111.1 110.4 110.5 111.4 111.9 112.2

-0.5 -0.4 -0.5 0.7 1.1 1.4 1.9 1.0 1.7 2.0 1.7 1.8

1961 112.3 112.3 112.7 113.3 113.6 114.6 114.6 115.7 115.5 115.7 116.9 117.1

2.2 2.2 2.7 2.7 2.9 3.3 3.2 4.8 4.5 3.8 4.5 4.3

January 1962 = 100

<i>Year</i>	<i>Jan.</i>	<i>Feb.</i>	<i>Mar.</i>	<i>Apr.</i>	<i>May</i>	<i>June</i>	<i>July</i>	<i>Aug.</i>	<i>Sept.</i>	<i>Oct.</i>	<i>Nov.</i>	<i>Dec.</i>
1962	100.0	100.1	100.5	101.9	102.2	102.9	102.5	101.6	101.5	101.4	101.8	102.3
	4.6	4.7	4.8	5.6	5.7	5.4	5.1	3.2	3.3	2.9	2.3	2.6
1963	102.7	103.6	103.7	104.0	103.9	103.9	103.3	103.0	103.3	103.7	104.0	104.2
	2.7	3.4	3.2	2.1	1.7	1.0	0.8	1.4	1.8	2.3	2.2	1.9
1964	104.7	104.8	105.2	106.1	107.0	107.4	107.4	107.8	107.8	107.9	108.8	109.2
	1.9	1.2	1.4	2.0	2.9	3.4	3.9	4.7	4.3	4.1	4.6	4.8
1965	109.5	109.5	109.9	112.0	112.4	112.7	112.7	112.9	113.0	113.1	113.6	114.1
	4.5	4.5	4.5	5.6	5.0	4.9	4.9	4.7	4.8	4.8	4.4	4.5
1966	114.3	114.4	114.6	116.0	116.8	117.1	116.6	117.3	117.1	117.4	118.1	118.3
	4.4	4.5	4.3	3.5	3.9	3.9	3.4	3.9	3.6	3.8	3.9	3.7
1967	118.5	118.6	118.6	119.5	119.4	119.9	119.2	118.9	118.8	119.7	120.4	121.2
	3.7	3.7	3.5	3.0	2.2	2.4	2.2	1.4	1.5	2.0	1.9	2.5
1968	121.6	122.2	122.6	124.8	124.9	125.4	125.5	125.7	125.8	126.4	126.7	128.4
	2.6	3.0	3.4	4.4	4.6	4.6	5.3	5.7	5.9	5.6	5.2	5.9
1969	129.1	129.8	130.3	131.7	131.5	132.1	132.1	131.8	132.2	133.2	133.5	134.4
	6.2	6.2	6.3	5.5	5.3	5.3	5.3	4.8	5.1	5.4	5.4	4.7
1970	135.5	136.2	137.0	139.1	139.5	139.9	140.9	140.8	141.5	143.0	144.0	145.0
	4.9	4.9	5.1	5.6	6.1	5.9	6.6	6.8	7.0	7.4	7.9	7.9
1971	147.0	147.8	149.0	152.2	153.2	154.3	155.2	155.3	155.5	156.4	157.3	158.1
	8.5	8.5	8.7	9.4	9.8	10.3	10.1	10.2	9.9	9.3	9.2	9.0
1972	159.0	159.8	160.3	161.8	162.6	163.7	164.2	165.5	166.4	168.7	169.3	170.2
	8.2	8.1	7.6	6.3	6.1	6.1	5.8	6.6	7.0	7.9	7.6	7.6
1973	171.3	172.4	173.4	176.7	178.0	178.9	179.7	180.2	181.8	185.4	186.8	188.2
	7.7	7.9	8.2	9.2	9.5	9.3	9.4	8.9	9.3	9.9	10.3	10.6
January 1974 = 100												
1974	100.0	101.7	102.6	106.1	107.6	108.7	109.7	109.8	111.0	113.2	115.2	116.9
	12.0	13.2	13.5	15.2	16.0	16.5	17.1	16.9	17.1	17.1	18.3	19.1
1975	119.9	121.9	124.3	129.1	134.5	137.1	138.5	139.3	140.5	142.5	144.2	146.0
	19.9	19.9	21.1	21.7	25.0	26.1	26.3	26.9	26.6	25.9	25.2	24.9
1976	147.9	149.8	150.6	153.5	155.2	156.0	156.3	158.5	160.6	163.5	165.8	168.0
	23.4	22.9	21.2	18.9	15.4	13.8	12.9	13.8	14.3	14.7	15.0	15.1
1977	172.4	174.1	175.0	180.3	181.7	183.6	183.8	184.7	185.7	186.5	187.4	188.4
	16.6	16.2	16.7	17.5	17.1	17.7	17.6	16.5	15.6	14.1	13.0	12.1
1978	189.5	190.6	191.8	194.6	195.7	197.2	198.1	199.4	200.2	201.1	202.5	204.2
	9.9	9.5	9.1	7.9	7.7	7.5	7.8	8.0	7.8	7.8	8.1	8.4
1979	207.2	208.9	210.6	214.2	215.9	219.6	229.1	230.0	233.2	235.6	237.7	239.4
	9.3	9.6	9.8	10.1	10.3	11.4	15.6	15.6	16.5	17.2	17.4	17.2
1980	245.3	248.8	252.2	260.8	263.2	265.7	267.9	268.5	270.2	271.9	274.1	275.6
	18.4	19.1	19.8	21.8	21.9	21.0	16.9	16.3	15.9	15.4	15.3	15.1
1981	277.3	279.8	284.0	292.2	294.1	295.8	297.1	299.3	301.0	303.7	306.9	308.8
	13.0	12.5	12.6	12.0	11.7	11.3	10.9	11.5	11.4	11.7	12.0	12.0

<i>Year</i>	<i>Jan.</i>	<i>Feb.</i>	<i>Mar.</i>	<i>Apr.</i>	<i>May</i>	<i>June</i>	<i>July</i>	<i>Aug.</i>	<i>Sept.</i>	<i>Oct.</i>	<i>Nov.</i>	<i>Dec.</i>
1982	310.6	310.7	313.4	319.7	322.0	322.9	323.0	323.1	322.9	324.5	326.1	325.5
	12.0	11.0	10.4	9.4	9.5	9.2	8.7	8.0	7.3	6.8	6.3	5.4

(Source: *Department of Employment Gazette*)

Linking the Indices: The figures based on Jan. 1974 = 100 can be linked to the January 1962 index by multiplying them by 1.918. The figures based on January 1962 = 100 can be linked to the January 1956 index by multiplying them by 1.175. The figures based on January 1956 = 100 can be linked to the January 1952 index by multiplying them by 1.158. The figures based on January 1952 = 100 can be linked to the June 1947 index by multiplying them by 1.325.

Purchasing Power of the Pound: If the purchasing power of the pound is taken to be 100p in a particular month (or year) the calculation for finding the comparable purchasing power in a subsequent month (or year) is:—

$$100 \times \frac{\text{Earlier month Retail Price Index}}{\text{Later month Retail Price Index}}$$

If using indices on different basis it is essential that before applying the formula given above the indices are linked using the technique described above.

(ii) Value of the Pound (Jan. 1980–Dec. 1982)

(All figures derived from 15th Jan. 1974 = 100: based on All Items Index of Retail Prices)

	<i>Value of Index</i>	<i>% change over Previous Month</i>	<i>% change since May 1979</i>	<i>Value of 100p (£1) in May 1979 in following months</i>
1980				
Jan.	245.3	2.5	13.6	88.0
Feb.	248.8	1.4	15.2	86.8
Mar.	252.2	1.4	16.8	85.6
Apr.	260.8	3.4	20.8	82.8
May	263.2	0.9	21.9	82.0
June	265.7	0.9	23.1	81.3
July	267.9	0.8	24.1	80.6
Aug.	268.5	0.2	24.4	80.4
Sept.	270.2	0.6	25.2	79.9
Oct.	271.9	0.6	25.9	79.4
Nov.	274.1	0.8	27.0	78.8
Dec.	275.6	0.5	27.7	78.3
1981				
Jan.	277.3	0.6	28.4	77.9
Feb.	279.8	0.9	29.6	77.2
Mar.	284.0	1.5	31.5	76.0
Apr.	292.2	2.9	35.3	73.9
May	294.1	0.7	36.2	73.4

(All figures derived from 15th Jan. 1974 = 100: based on All Items Index of Retail Prices)

	<i>Value of Index</i>	<i>% change over Previous Month</i>	<i>% change since May 1979</i>	<i>Value of 100p (£1) in May 1979 in following months</i>
June	295.8	0.6	37.0	73.0
July	297.1	0.4	37.6	72.7
Aug.	299.3	0.7	38.6	72.1
Sept.	301.0	0.6	39.4	71.7
Oct.	303.7	0.9	40.7	71.7
Nov.	306.9	1.1	42.1	70.3
Dec.	308.8	0.6	43.0	69.9
1982				
Jan.	310.6	0.6	43.9	69.5
Feb.	310.7	0.0	43.9	69.5
Mar.	313.4	0.9	45.2	69.1
Apr.	319.7	2.0	48.1	67.5
May	322.0	0.7	49.1	67.0
June	322.9	0.3	49.6	66.9
July	323.0	0.0	49.6	66.8
Aug.	323.1	0.0	49.7	66.8
Sept.	322.9	0.0	49.6	66.9
Oct.	324.5	0.5	50.2	66.6
Nov.	326.1	0.5	51.0	66.2
Dec.	325.5	-0.2	50.8	66.3

(Source: *Department of Employment Gazette*)

(E) STANDARD OF LIVING

PERSONAL DISPOSABLE INCOME PER CAPITA (seasonally adjusted)

	Personal disposable income per capita (1975 prices)	Percentage increase/decrease on corresponding quarter in previous year (1975 prices)	Personal disposable income per capita (current market prices)	Percentage increase/decrease on corresponding quarter in previous year (current market prices)
	£	%	£	%
1974 1st Quar	330	0.9	248	13.8
2nd Quar	324	-4.6	256	10.8
3rd Quar	335	-0.3	277	18.4
4th Quar	333	-0.9	289	19.4
1975 1st Quar	340	3.0	313	26.2
2nd Quar	327	0.9	321	25.3

PERSONAL DISPOSABLE INCOME PER CAPITA (seasonally adjusted)

	Personal disposable income per capita (1975 prices)	Percentage increase/decrease on corresponding quarter in previous year (1975 prices)	Personal disposable income per capita (current market prices)	Percentage increase/decrease on corresponding quarter in previous year (current market prices)
	£	%	£	%
1976 3rd Quar	328	-2.1	337	21.7
4th Quar	327	-1.8	350	21.1
1976 1st Quar	331	-2.7	365	16.6
2nd Quar	323	-1.2	366	14.0
3rd Quar	333	1.5	389	21.2
4th Quar	326	-0.3	399	14.0
1977 1st Quar	322	-2.8	412	12.9
2nd Quar	314	-2.9	415	13.4
3rd Quar	323	-3.1	437	12.3
4th Quar	333	2.1	458	14.8
1978 1st Quar	336	4.3	472	14.6
2nd Quar	345	9.9	495	19.3
3rd Quar	357	10.5	522	19.4
4th Quar	362	8.7	540	17.9
1979 1st Quar	369	9.8	567	20.1
2nd Quar	371	7.5	585	18.2
3rd Quar	370	3.6	621	19.0
4th Quar	386	6.6	672	24.4
1980 1st Quar	377	2.2	682	20.3
2nd Quar	373	0.5	701	19.8
3rd Quar	382	3.2	735	18.4
4th Quar	382	-1.0	753	12.0
1981 1st Quar	379	0.5	764	12.0
2nd Quar	368	-1.4	768	9.6
3rd Quar	368	-3.8	787	7.1
4th Quar	364	-4.9	796	5.7
1982 1st Quar	369	-2.7	818	7.0
2nd Quar	361	-1.9	822	7.0
3rd Quar	n.a.	n.a.	n.a.	n.a.
4th Quar	n.a.	n.a.	n.a.	n.a.

(Source: *Economic Trends*)

n.a.=not available

(F) EXTERNAL VALUE OF THE POUND

(Amount of foreign currency to £1)

	<i>U.S. Dollars</i>	<i>French Francs</i>	<i>Swiss Francs</i>	<i>Deutsch- marks</i>	<i>Japanese Yen</i>	<i>Effective sterling exchange rate Average 1975 = 100</i>
1947	4.03	—	17.35	—	—	—
1950	2.80	—	12.25	—	—	—
1955	2.79	—	12.23	11.74	—	—
1960	2.81	—	12.13	11.71	—	—
1965	2.79	—	12.09	11.16	—	—
1970	2.39	13.21	10.33	8.74	857.84	—
1975	2.02	9.04	5.30	5.30	617.37	100.00
<i>Average</i>						
1976 Dec.	1.68	8.37	4.11	4.00	494.4	—
1977 Jan.	1.71	8.52	4.27	4.10	498.3	—
May	1.72	8.51	4.33	4.05	476.7	—
Sept.	1.74	8.58	4.14	4.05	465.2	—
1978 Jan.	1.93	9.12	3.84	4.09	466.1	—
May	1.82	8.45	3.57	3.83	411.0	—
Sept.	1.96	8.54	3.08	3.86	372.1	—
1979 Jan.	2.00	8.52	3.35	3.71	396.4	—
May	2.06	9.07	3.55	3.93	449.6	86.3
Sept.	2.20	9.24	3.53	3.95	489.2	89.7
1980 Jan.	2.27	9.15	3.70	3.91	538.8	91.8
May	2.30	9.63	3.88	4.13	525.2	94.7
Sept.	2.40	10.00	3.95	4.30	515.3	97.6
1981 Jan.	2.40	11.16	4.57	4.83	485.9	102.0
May	2.09	11.47	4.30	4.79	461.0	98.8
Sept.	1.82	10.24	3.57	4.28	416.8	88.1
1982 Jan.	1.89	10.99	3.47	4.33	423.8	91.2
Feb.	1.85	11.12	3.45	4.37	435.1	91.5
Mar.	1.81	11.10	3.44	4.30	435.6	90.8
Apr.	1.77	11.05	3.51	4.24	431.9	90.0
May	1.81	10.89	3.58	4.18	428.8	89.9
June	1.76	11.54	3.65	4.27	441.2	90.9
July	1.74	11.89	3.63	4.28	442.1	91.2
Aug.	1.75	11.94	3.65	4.28	446.6	91.5
Sept.	1.71	12.11	3.67	4.29	450.4	91.7
Oct.	1.70	12.13	3.70	4.29	460.1	92.5
Nov.	1.63	11.79	3.59	4.17	432.6	89.5
Dec.	1.62	11.11	3.32	3.92	392.4	85.4

(Amount of foreign currency to £1)

	<i>U.S. Dollars</i>	<i>French Francs</i>	<i>Swiss Francs</i>	<i>Deutsch- marks</i>	<i>Japanese Yen</i>	<i>Effective sterling exchange rate Average 1975 = 100</i>
1983 Jan.	1.57	10.65	3.09	3.76	366.0	81.9
Feb.	1.53	10.54	3.09	3.72	361.5	80.7

(Source: *Financial Trends*)

(G) INDUSTRIAL PRODUCTION

(seasonally adjusted: average 1975 = 100)

(i) Yearly Figures 1974–1982

	<i>Index of Industrial Production (all industries)</i>	<i>Index of Industrial Production (Manufacturing only)</i>
1974	105.5	107.5
1975	100.0	100.0
1976	102.2	102.0
1977	106.1	103.0
1978	110.3	104.0
1979	113.0	104.3
1980	105.8	95.4
1981	100.4	89.4
1982	101.4	88.3

(Source: *Monthly Digest of Statistics*)

(ii) Monthly Figures, May 1979–1982*

(Figures in brackets show percentage change since May 1979)

	<i>Index of Industrial Production (all industries)</i>	<i>Index of Industrial Production (Manufacturing only)</i>
1979 May	115.5 (—)	107.4 (—)
June	116.1 (0.5)	108.3 (0.8)
July	115.0 (–0.4)	106.5 (–0.8)
Aug.	112.0 (–3.0)	102.6 (–4.5)
Sept.	110.7 (–4.2)	100.7 (–6.2)
Oct.	111.6 (–3.4)	103.0 (–4.1)
Nov.	113.3 (–1.9)	105.0 (–2.2)
Dec.	112.5 (–2.8)	104.8 (–2.4)
1980 Jan.	112.2 (–2.9)	102.9 (–4.2)
Feb.	110.0 (–4.8)	100.3 (–6.6)
Mar.	109.2 (–5.4)	98.4 (–8.4)
Apr.	107.6 (–6.8)	98.6 (–8.2)
May	107.4 (–7.0)	97.3 (–9.4)
June	107.3 (–7.1)	96.8 (–9.9)
July	106.1 (–8.1)	95.7 (–10.9)

(ii) Monthly Figures, May 1979–1982*
 (Figures in brackets show percentage change since May 1979)

	<i>Index of Industrial Production (all industries)</i>	<i>Index of Industrial Production (Manufacturing only)</i>
Aug.	103.5 (–10.4)	93.3 (–13.1)
Sept.	102.3 (–11.4)	91.9 (–14.4)
Oct.	101.6 (–12.0)	90.6 (–15.6)
Nov.	101.4 (–12.2)	89.9 (–16.3)
Dec.	101.3 (–12.3)	89.6 (–16.6)
1981 Jan.	99.8 (–13.6)	88.7 (–17.4)
Feb.	100.4 (–13.1)	89.2 (–16.9)
Mar.	100.4 (–13.1)	88.7 (–17.4)
Apr.	100.0 (–13.4)	89.1 (–17.0)
May	99.3 (–14.0)	88.5 (–17.6)
June	100.4 (–13.1)	90.1 (–16.1)
July	100.4 (–13.1)	89.5 (–16.6)
Aug.	100.2 (–13.2)	89.6 (–16.6)
Sep.	101.0 (–12.5)	90.2 (–16.0)
Oct.	102.0 (–11.7)	90.7 (–15.5)
Nov.	100.8 (–12.7)	89.7 (–16.5)
Dec.	100.2 (–13.2)	88.5 (–17.6)
1982 Jan.	100.2 (–13.2)	88.4 (–17.7)
Feb.	100.7 (–12.8)	89.7 (–16.5)
Mar.	101.1 (–12.5)	89.9 (–16.3)
Apr.	101.3 (–12.3)	89.1 (–17.0)
May	101.6 (–12.0)	89.5 (–16.6)
June	100.3 (–13.2)	88.1 (–18.0)
July	101.4 (–12.2)	88.1 (–18.0)
Aug.	101.5 (–12.1)	88.1 (–18.0)
Sept.	101.9 (–11.8)	88.2 (–17.9)
Oct.	101.4 (–12.2)	87.4 (–18.6)
Nov.	100.0 (–13.4)	86.4 (–19.5)
Dec.	101.5 (–12.1)	86.8 (–19.2)

(Source: *Economic Trends*)

*Figures subject to revision.

(H) WAGES AND EARNINGS

(i) Average Earnings (G.B.)
 (Wages and salaries combined, January 1976 = 100, seasonally adjusted)

	<i>All industries and services covered by Dept. of Employment survey</i>	<i>Percentage increase on year earlier</i>	<i>Manufacturing industry</i>	<i>Percentage increase on year earlier</i>
<i>Yearly</i>				
1976	106.1	–	106.2	–
1977	115.6	9.0	117.1	10.2
1978	130.6	13.0	134.0	14.5
1979	150.8	15.5	154.8	15.5
1980	182.1	20.7	182.5	17.9
1981	205.6	12.9	206.6	13.2
1982				
<i>Quarterly</i>				
1976 1st	101.6	–	101.4	–
2nd	104.6	–	104.4	–
3rd	107.8	–	108.4	–
4th	110.2	–	110.7	–
1977 1st	112.4	10.7	113.4	11.8
2nd	113.9	8.8	114.8	10.0
3rd	116.3	7.9	117.7	8.6
4th	120.0	8.9	122.5	10.7
1978 1st	123.8	10.1	126.8	11.8
2nd	129.2	13.5	132.4	15.3
3rd	133.0	14.4	136.2	15.7
4th	136.5	13.8	140.7	14.9
1979 1st	141.0	13.9	145.4	14.7
2nd	146.6	13.4	152.7	15.3
3rd	153.9	15.7	155.0	13.8
4th	161.8	18.5	166.2	18.1
1980 1st	168.8	19.7	170.6	17.3
2nd	178.0	21.4	179.9	17.8
3rd	188.1	22.2	188.3	21.4
4th	193.3	19.5	191.3	15.1
1981 1st	196.7	16.5	196.9	15.4
2nd	201.2	13.0	200.5	11.5
3rd	209.6	11.4	212.0	12.6
4th	214.8	11.1	216.9	13.4
1982 1st	218.5	11.1	222.2	12.9
2nd	221.5	10.1	226.5	13.0
3rd	227.5	8.5	232.4	9.7
4th	n.a.	–	n.a.	–

(Source: *Economic Trends*)

(ii) Average Earnings, Hours and Salaries: Male Manual Workers*

	<i>Average Weekly Earnings</i>		<i>Average Hours Worked†</i>
	£	s	
Oct. 1946	6	9	47.6
Oct. 1951	8	6	47.8
Oct. 1959	13	11	48.5
Oct. 1964	18	2	47.7
Oct. 1965	19	12	47.0
Oct. 1966	20	6	46.0
Oct. 1967	21	8	46.2
Oct. 1968	23	0	46.4
Oct. 1969	24	16	46.5

(Decimalisation)

	£	
April 1970	27.40	45.5
April 1971	30.20	44.4
April 1972	32.10	46.0
April 1973	37.00	46.7
April 1974	42.30	46.5
April 1975	54.00	45.5
April 1976	63.30	45.3
April 1977	69.50	45.7
April 1978	78.40	46.0
April 1979	90.10	46.2
April 1980	108.60	45.4
April 1981	118.40	44.2
April 1982	131.40	44.3

All male manual workers employed in industry (21 years and over).

† Weekly

(Source: Department of Employment Gazette)

(I) PRODUCTIVITY

OUTPUT PER PERSON EMPLOYED*

(seasonally adjusted 1975 = 100)

	<i>Whole economy</i>	<i>Percentage change since corresponding quarter in previous year</i>	<i>Manufacturing industries</i>	<i>Percentage change since corresponding quarter in previous year</i>
1976 Q1	101.3	0.4	103.3	1.9
Q2	102.1	2.3	105.2	6.9
Q3	102.4	3.2	105.0	5.9

(seasonally adjusted 1975 = 100)

	<i>Whole economy</i>	<i>Percentage change since corresponding quarter in previous year</i>	<i>Manufacturing industries</i>	<i>Percentage change since corresponding quarter in previous year</i>
1977 Q4	104.5	4.4	107.8	6.6
1977 Q1	105.2	3.8	109.0	5.4
1977 Q2	104.6	2.4	106.5	1.3
1977 Q3	105.3	2.8	106.0	0.8
1978 Q4	105.7	1.1	106.3	-1.0
1978 Q1	106.6	1.3	106.8	-2.0
1978 Q2	108.4	3.6	108.6	2.0
1978 Q3	109.0	3.5	109.1	2.9
1979 Q4	108.6	2.7	107.9	1.5
1979 Q1	108.0	1.3	107.2	0.4
1979 Q2	111.8	3.1	112.5	3.6
1979 Q3	109.8	0.7	108.8	-0.3
1980 Q4	110.4	1.7	110.5	2.4
1980 Q1	109.9	1.8	110.8	0.7
1980 Q2	109.1	-2.5	106.7	-5.2
1980 Q3	108.5	-1.2	105.4	-3.1
1980 Q4	108.5	-1.7	103.5	-6.3
1981 Q1	109.6	-0.3	105.4	-2.4
1981 Q2	110.6	1.4	108.6	1.8
1981 Q3	112.6	3.8	112.9	7.1
1981 Q4	113.8	4.9	114.1	10.2
1982 Q1	114.1	4.1	115.2	9.3
1982 Q2	115.1	4.0	116.4	7.2
1982 Q3	n.a.	-	117.8	4.3
1982 Q4	n.a.	-	n.a.	-

* The ratios do not take into account part-time working or hours of work.

n.a. = not available.

(Source: *Economic Trends*)

(J) MONEY SUPPLY

(All figures are seasonally adjusted)

Total M1	M1 † Percentage increase/decrease since respective quarter in previous year	Total M3	M3 ‡ Percentage increase/decrease since respective quarter in previous year
<i>£ million</i>		<i>£ million</i>	

(All figures are seasonally adjusted)

	Total M1	M1† Percentage increase/decrease since respective quarter in previous year	Total M3	M3‡ Percentage increase/decrease since respective quarter in previous year
	£ million		£ million	
1976 Q1	17,900	20.5	38,050	6.6
Q2	18,480	15.6	38,820	8.2
Q3	19,100	13.8	40,100	8.7
Q4	19,060	11.1	40,470	9.6
1977 Q1	19,500	8.9	40,760	7.1
Q2	20,490	10.9	41,750	7.5
Q3	22,030	15.3	42,830	6.8
Q4	23,250	22.0	44,650	10.3
1978 Q1	24,370	25.0	46,880	15.0
Q2	25,010	22.1	48,200	15.4
Q3	26,030	18.2	49,400	15.3
Q4	27,070	16.4	51,440	15.2
1979 Q1	27,620	13.3	52,390	11.7
Q2	28,100	12.3	54,310	12.7
Q3	29,970	11.3	55,950	13.2
Q4	29,550	9.2	58,030	12.8
1980 Q1	29,360	6.3	59,570	13.7
Q2	29,950	6.6	62,860	15.7
Q3	29,800	2.9	65,790	17.6
Q4	30,730	4.0	69,100	19.1
1981 Q1	31,880	8.6	70,250	17.9
Q2	33,000	10.2	73,310	16.6
Q3	33,410	12.1	76,600	16.4
Q4*	33,530	9.1	78,330	13.3
1982 Q1	36,600	14.8	88,010	25.3
Q2	37,530	13.7	89,840	22.5
Q3	37,980	13.3	91,100	18.9
Q4	39,920	11.9*	94,000	9.8*

n.a. = not available

* Figures up to and including Q4 1981 have been calculated on the basis of the old banking sector; after that date changes have been calculated on the basis of the new monetary sector. †

M1—consists of notes and coins in circulation with the public plus sterling sight deposits.

‡ M3—consists of notes and coins in circulation with the public together with all deposits (including certificates of deposits) whether denominated in sterling or other currencies held by UK residents in both the public and private sectors.

(Source: *Economic Trends*)

(K) PUBLIC SECTOR BORROWING REQUIREMENT

<i>Financial Years</i>	<i>Public Sector Borrowing Requirement</i>	<i>Public Sector Borrowing Requirement as a percentage of Total GDP at market prices</i>
	<i>£ million</i>	<i>%</i>
1976-7	9,188	6.7
1977-8	5,996	3.8
1978-9	8,357	5.5
1979-80	12,608	5.1
1980-1	12,206	5.7
1981-2	10,630	3.5
1982-3	n.a.	2.75(est.)
* 1976		
Q1	1,665	
Q2	2,923	
Q3	2,262	
Q4	2,338	
1977		
Q1	1,001	
Q2	2,085	
Q3	943	
Q4	1,967	
1978		
Q1	599	
Q2	2,218	
Q3	2,297	
Q4	3,243	
1979		
Q1	1,473	
Q2	3,385	
Q3	3,795	
Q4	3,955	
1980		
Q1	-1,223	
Q2	4,818	
Q3	3,774	
Q4	4,837	
1981		
Q1	-235	
Q2	7,843	
Q3	2,205	
Q4	817	
1982		
Q1	-2,132	
Q2	2,828	
Q3	1,709	

<i>Financial Years</i>	<i>Public Sector Borrowing Requirement</i> <i>£ million</i>	<i>Public Sector Borrowing Requirement as a percentage of Total GDP at market prices</i> <i>%</i>
Q4	n.a.	

Note: A minus figure indicates a net overall repayment of government debt in the quarter.

n.a. = not available.

* The quarterly figures are not seasonally adjusted.

(Source: *Economic Trends*)

10. AGRICULTURE, FISHERIES AND FORESTRY

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(A) AGRICULTURE

1. THE GENERAL POSITION

Labour's Legacy. The economic position of British farmers and food producers declined sharply in the late 1970s. The Labour Government created conditions which positively discouraged agricultural expansion and progress. Indeed, by 1979 the industry was finding it extremely difficult even to maintain its position in the home market (to say nothing of steadily diminishing prospects abroad). The Labour Government also undermined the confidence and morale of the farming community by such measures as the introduction of Capital Transfer Tax and the creation of hereditary tenancies under its Agricultural (Miscellaneous Provisions) Act 1976. Anxiety was further increased by the threats of land nationalisation and the calls for a wealth tax that came regularly from the Labour Party. British farmers looked to the future without optimism, which was hardly surprising since they had seen their incomes fall, in real terms, by a third since 1976.

During the term of the Labour Government, food prices rose spectacularly. Significantly, Mr John Silkin, then Minister of Agriculture, did not even attempt to transfer the blame from the Government to the EEC, Labour's obvious scapegoat. He admitted:

'Food prices have risen by about 110 per cent (since 1974), 10 per cent of which is entirely due to CAP prices' (*Hansard*, 3rd April 1979, Col. 1168).

Reversing the Trend. Under this Government, despite the recession, recovery has taken place. Clear signs of returning prosperity appeared in 1981, and in 1982 farming incomes increased dramatically by 45 per cent. Moreover, modern technology is now being exploited more fully, bringing with it greatly enhanced efficiency. Productivity rose by no less than 25 per cent between 1979 and 1982. As a result of these striking improvements, the industry (though employing less than 2 per cent of the working population) is now able to produce nearly two-thirds of all the food that this country requires (compared with just over a half in 1978). Some of our food simply cannot be grown in the temperate climate that we possess; but of the total that can be produced in such a climate, no less than three-quarters is provided by British agriculture (as compared with 67 per cent in 1978). The following table shows the extent to which each of our principal foods is now produced at home.

British Production as a Percentage of Total Supplies

Food Product	1970–2 average	1982 (forecast)
All Meat	74	85
Eggs	99	100
Cheese	51	71
Butter	17	64
Sugar (as refined)	35	54
Wheat	50	100

(Source: *Annual Review of Agriculture 1983*, Cmnd. 8804)

Trade. As a result of increased self-sufficiency, coupled with the recovery of greater competitiveness in foreign markets, the overall balance of trade in agricultural products has altered significantly. The total improvement since 1978 is of the order of £1.6 billion. Food exports alone have grown from £300 million at the start of the last Labour government to some £2.5 billion in 1982.

Benefit for the Consumer. The interests of the consumer, however, have not been neglected as the Government has helped farmers to recover their lost prosperity. In the period from May 1979 to January 1983, food prices rose by 35 per cent, while the Retail Price Index went up by 51 per cent.

2. DOMESTIC POLICY INITIATIVES

In implementing its policy to restore agricultural confidence and prosperity, the Government has introduced a number of measures to give practical help and stimulus to farmers and food producers.

Apples and Pears. Support and encouragement has been given to the efforts being made by apple and pear growers to improve the quality of their fruit, and to combat foreign competition (particularly from the French). £400,000 was provided to assist the 'Kingdom' campaign to promote the English Cox apple in 1980; and in 1982, a grant scheme was introduced for a five-year period, under which a substantial part of the cost of replanting apple and pear orchards is borne by the Government (22.5 per cent of the cost for apple orchards and 32.5 per cent for pear orchards).

Pigs. The ravages of 'Anjesky's Disease' have caused considerable hardship among pig farmers. Power has therefore been given to the Meat and Livestock Commission (under the Pig Industry Levy Act 1983), to raise funds from producers that can be used to compensate losses suffered by those farmers whose pigs have caught the disease and been slaughtered.

Marketing. A drive to improve the marketing of British agricultural produce was launched immediately after the Government took office. Advice was sought from five experts appointed in 1979. These experts subsequently reported on many of the sectors that were experiencing declining market shares and low returns. In particular, they recommended that a central marketing body for the whole industry should be set up along the same lines as successful marketing organisations in Germany and France. On 7th June 1982, Mr Peter Walker, Minister of Agriculture, announced that this recommendation would be implemented by the establishment

of a new marketing body entitled 'Food from Britain'. This organisation, which was brought into being by the Agricultural Marketing Act 1983, will complement the work of the Sea Fish Industry Authority created in 1981. During the next five years it will receive over £20 million by way of financial support from the Government. It has set itself an ambitious objective: to enable the British food industry to lead the world, in both production and marketing, by the end of this decade.

Capital Transfer Tax Relief. For the first time, such relief was provided in 1981 at a rate of 20 per cent on the transfer of tenanted land (see Chapter 2, p. 48), increased to 30 per cent in 1983.

3. AGRICULTURE AND THE EEC

The Common Agricultural Policy aims to reconcile the interests of agricultural producers and consumers by:

- i. Increasing agricultural productivity.
- ii. Ensuring a fair standard of living for the agricultural community.
- iii. Stabilising markets.
- iv. Ensuring the availability of supplies.
- v. Ensuring that supplies reach consumers at reasonable prices.

To fulfil these aims, the CAP gives a measure of protection to farmers within the EEC; provides a secure market for agricultural produce; and funds various forms of support from the Community's Budget. The Council of Ministers sets minimum prices to be received by farmers (i.e., minimum 'farm gate' prices) for most commodities except pigs, poultry, wool and potatoes. The Community ensures that these minima are maintained by a series of measures which vary from commodity to commodity, and which include:

- a. Direct subsidy to farmers.
- b. 'Intervention' buying of surplus commodities.
- c. Levies on cheap imports.
- d. Subsidising exports.

For certain commodities, including beef, a low 'support' price is set, as the minimum to be received by farmers; this can usually be maintained without the need for any intervention. For other commodities, including cereals and dairy produce, there is a higher 'target' ('farm gate') price which has to be maintained either by significant 'intervention' buying of surplus produce, or by direct subsidy to farmers.

In addition, to ensure that there is a truly 'common' market for agricultural products in Europe, the EEC creates an artificial currency for each member country (the 'green pound', 'green franc', etc), and keeps the relation between these artificial currencies constant despite changes in the value of the real currencies of the member countries. Thus, if the £ sterling decreases in value vis-à-vis the franc, French and English agricultural commodities continue to be traded at constant prices. The EEC itself makes up the difference between the value of the exports in real currency and their prices in the artificial currency by paying a subsidy (a 'Monetary Compensatory Amount') to the exporting farmers.

The Government's Record. The Conservative Government has successfully reduced the proportion of the Community's Budget going into agriculture. The European Agricultural

Guidance and Guarantee Fund, through which the CAP is financed, absorbed four-fifths of the Community's Budget when Labour were in office; it now absorbs only about two-thirds.

The present Government has also been far more successful than its Labour predecessor in establishing a fair deal for Britain. The proportion of CAP expenditure received by this country has doubled since 1979. In the course of seeking more equitable arrangements, the Government has:

- i. Devalued the 'green pound' three times, in fulfilment of an election pledge, thereby restoring to British exporters the competitive advantage that they had lost under Labour when the CAP worked to the clear disadvantage of British traders by subsidising imports from, and taxing exports to, Europe.
- ii. Eliminated unfair competition from Dutch horticulturalists, (a) by special grants of £6.5 million, and (b) by forcing the Dutch in the longer term to increase their fuel charges for the heating of glasshouses.
- iii. Secured a doubling of the EEC butter subsidy to Britain in 1979, and thereafter succeeded in preventing any reduction of the subsidy.
- iv. Retained the special UK variable 'beef premium' in the face of stiff EEC opposition (by 1982 the maximum payable to farmers had increased by 46 per cent).
- v. Dramatically increased (with EEC assistance) the level of aid provided for hill farmers through the hill livestock compensatory allowances and the suckler cow premium. The total amount paid to them in 1982 was over £100 million. Hill cow allowances alone are now worth £44.50 per cow, having risen by 96 per cent since 1979.
- vi. Maintained the level of milk production by ensuring regular price increases at a time when the total dairy herd has been declining (with substantial EEC grants for farmers who give up milk production).

Sheep. The Government has taken particular care to ensure that the CAP's arrangements for mutton and lamb safeguard British interests and those of New Zealand. On 30th September 1980, the Council of Agricultural Ministers agreed on a new Community régime for sheep and goat meat, to take effect from 20th October. Following the agreement, Mr Peter Walker, Minister of Agriculture, Fisheries and Food, said:

'The regime will ... bring substantial benefits to the United Kingdom agricultural industry from Community funds, rising to £100 million per year by the fourth year. Producer returns will be substantially improved, but in a way which will not increase the price to the housewife. It also safeguards New Zealand's position in the United Kingdom and other Community markets on terms which are acceptable to the New Zealand Government. There will be an annual quota for New Zealand lamb of 234,000 tonnes, a figure greater than their average exports during the last four years. The tariff on New Zealand lamb will be halved' (London, 1st October 1980).

Under the agreement, Britain retained her traditional system of guaranteed prices and premiums; the guaranteed prices are now 40 per cent higher than when the Labour Government left office.

Agricultural Price Review 1982. This Government has firmly defended British interests in each of the annual Agricultural Price Reviews held since 1979. The Reviews which occurred under the last Government increased prices by an average of 7.56 per cent each. Since 1979, the average rise has been 6.43 per cent.

In 1982, the negotiations were both protracted and difficult since they took place in the shadow of vital discussions about Britain's contribution to the European budget. Eventually, despite

British objections, decisions were made by majority vote and not, as hitherto, by unanimous agreement. This action was a clear breach of the 'Luxembourg compromise' of 1966 (see Chapter 25, p. 395). Nevertheless, Britain was again successful in securing its main national interests, thanks to the firm stand taken by Mr Walker. His principal objectives were:

1. No revaluation of the 'green pound'.
2. No cut in the special UK butter subsidy.
3. An increase of two-thirds in the maximum 'beef premium' payments.
4. No increase in the co-responsibility levy for milk.

These objectives were all achieved. In addition:

- a. The basic price for sheep meat, on which the weekly premiums are calculated, was increased by 10.5 per cent.
- b. The basic price for pigmeat was increased by 10.5 per cent.
- c. The target prices for wheat, barley and maize were increased by 8.7 per cent; the single common intervention price for all grains was raised by 8.5 per cent; and the reference price for milling wheat went up by 7.5 per cent.

This settlement did not impose a heavy financial burden on the consumer. The overall effect of the settlement was to raise the retail price index over a full year by only 0.25 per cent. As Mr Walker said:

'In a nutshell, the effect on consumer prices over a year will be rather less than the increase in food prices every month during the period of office of the previous Labour Government' (*Hansard*, 19th May 1982, Col. 356).

(B) FISHERIES

Britain is one of Europe's most important fishing nations. The fishing industry provides about 70 per cent of British fish supplies, and is an important source of employment and income in a number of coastal communities. In 1981, there were 16,609 fishermen in regular employment and about 7,320 occasionally employed. It is estimated that for every fisherman there are between three and five jobs in associated industries. The maintenance of fishing opportunities through conservation of stocks and the preservation of British fishermen's access to traditional grounds are prime government concerns.

1. THE EEC FISHERIES AGREEMENT

With the extension of EEC fishery limits to 200 miles (agreed in 1976 and given effect in this country by the Fishing Limits Act 1976), new arrangements became necessary to control Community fishing in the greatly extended area. Britain has a particularly strong interest in such control, since most of the total catch within the 200-mile limits of Member States is taken in British waters, while the loss of fishing opportunities in distant waters, (such as Iceland) has reduced the British industry's total catch more than that of most other Community states. Consequently, Britain needed (and was clearly entitled to) increased fishing opportunities in EEC waters.

Labour's Legacy. Under the Labour Government, proposals for a new EEC Common Fisheries Policy reached an advanced stage. But these proposals were in many respects profoundly unsatisfactory to Britain. An agreement reached at The Hague in 1976 sanctioned the new 200-mile EEC limits. On that occasion Britain was represented by Dr Owen, then Foreign Secretary; but he made no serious effort to obtain the terms (particularly as regards quotas) that the British fishing industry required in order to safeguard its future. The Irish Republic, on the other hand, went to considerable lengths to secure its vital interests. It sought, and was given, arrangements to enable it to double its catch in absolute terms. Dr Owen, however, demanded no special arrangements for Britain. At a further meeting in Berlin in 1978 (boycotted by Mr John Silkin, then Minister of Agriculture) agreement was reached on quotas and some other points, in a form that was gravely prejudicial to British interests. The present Government therefore had to negotiate afresh.

A New Agreement. The Government's efforts were rewarded at Luxembourg on 26th October 1982, when all the EEC countries, except Denmark, accepted a new fishing policy covering all the main issues, including quotas, access, conservation and enforcement. It was further determined that the implementation of the agreement should not be frustrated by Denmark's opposition. Consequently, the new arrangements were brought into force on 1st January 1983. This resolute approach brought Denmark into line, and on 25th January 1983, all ten states subscribed to the new agreement, which will run for 20 years. The terms obtained by the Government have been accepted by all the organisations representing the industry, the British Fishing Federation, the National Federation of Fishermen's Organisations and the Scottish Fishermen's Federation. Mr Walker said:

‘... I have always undertaken that I would only approve an agreement that has the approval of the British fishing industry. When the Commission's final proposals were made, I met the leaders of the three fishing organisations and all three asked me to accept these final proposals’
(*Hansard*, 27th October 1982, Col. 1051).

Main Points of the Agreement

(1) *Quotas.* When the Government began the renegotiations, the Commission was proposing a British quota of only 31 per cent of EEC stocks in the seven main edible species of fish. The final agreement gave Britain more than 37 per cent—a far greater share than that of any other Member State. The following table shows the quotas allotted to each state:

	<i>Per cent</i>
United Kingdom	37.3
Denmark*	25.5
France	11.6
Germany	11.4
Netherlands	7.7
Ireland	4.6
Belgium	1.9
Italy	nil
Greece	nil
Luxembourg	nil

*Including Greenland

Per cent

(Source: MAFF, February 1983)

The new quotas will enable British fishermen to maintain their operations at high levels, generally comparable with those of recent years. As stocks increase, additional opportunities for British fishermen will be created. The average catch of North Sea cod in the years 1973–8 was 85,000 tonnes, while the quota under the new agreement is 114,700 tonnes. (The new quotas also provide the UK with 47 per cent of the Community's Total Allowable Catch (TAC) of North Sea cod, 60.5 per cent of west coast herring, and 58.7 per cent of west coast mackerel.)

(2) *Access.* In 1964, when Britain's original 3-mile exclusive zone was increased to 6 miles (with a subsequent extension to 12 miles), 'historic' fishing rights to be enjoyed by other countries within the 6–12 mile zone were clearly laid down. When Britain joined the EEC in 1973, other Member States obtained generous additional rights to fish in the 6–12 mile zone around 1,999 of our 2,667 miles of coastline. Under the new agreement, the Government succeeded in reducing or eliminating these rights for 73 per cent of those 1,999 miles (i.e., 1,441 miles). A major improvement has therefore been achieved. United Kingdom fishermen have also obtained important rights in the 6–12 mile zones of other Member States. These include rights to fish for all species in the French waters from the frontier with Belgium to Cap d'Alprech; for demersal species from Texel Island in the Netherlands to the border with Germany; for cod and plaice around Heligoland in Germany; and for most species around the Irish Republic along the southern coast and up the eastern coast to the Ulster border. The advantageous arrangements under which Northern Ireland fishermen can fish in any part of the Irish Republic's 12-mile zone (and vice versa) have also been confirmed. Furthermore, a 'box' has been put around the Scottish Islands, so that fishing by larger vessels will be licensed, thereby conserving the important stocks of that area. The restriction does not apply to vessels under 80 feet in length. These arrangements will prevent fishing being conducted in a more intensive fashion during the next 20 years in one of this country's most vital fishing grounds.

Summing up these improved arrangements, Mr Walker has said:

'In terms of the coastal area we have a better position than at any time in history' (*Hansard*, 27th October 1982, Col. 1053).

(3) *Enforcement.* Great importance is, of course, attached to ensuring that the fishing fleets observe the regulations. At the United Kingdom's instigation, the Commission is establishing a special unit whose specific task will be to oversee Member States' fulfilment of their responsibilities to enforce the agreement. Inspectors from this unit will make regular visits to all the Member States concerned. They will have the power to make on-the-spot inspections, and to accompany national inspectors to check that agreed control measures are being properly enforced. The Commission will also have the power to ask for information, and to insist upon an administrative enquiry if it is not satisfied with that information. Moreover, the Commission will be able to stop a Member State fishing, where there is reason to believe that its quota has been exhausted.

Fishermen who fail to abide by the terms of the new agreement will be liable to substantial penalties, including fines up to £50,000 and the confiscation of equipment.

(4) *Conservation.* The new agreement confirms Britain's established arrangements for conserving fish stocks. It prohibits the catching of fish below a certain minimum size, and bans fishing in

spawning grounds. In addition, it protects vital stocks of white fish in the North Sea by making the 'Norway pout box' permanent. Finally, it introduces more rigorous control over beam trawling.

(5) *Marketing.* Under the new agreement, the Government will hold annual discussions with the industry and with EEC partners concerning marketing arrangements.

(6) *Prices.* The new agreement also provides a set of arrangements for determining prices. The Council of Fisheries Ministers decides annually on a fair general level for fish prices (known as 'Guide Prices'). On the basis of these 'Guide Prices', the Management Committee of the European Commission establishes price levels for both internal EEC fish sales and for imports. For internal sales, a 'Withdrawal Price' is set: producers agree to withdraw from the market any fish that cannot be sold at or above this 'Withdrawal Price'; and they receive compensation from the EEC for such fish that are withdrawn (from 1st January 1983 the maximum compensation is 85 per cent of the Withdrawal Price). As far as imports from outside the EEC are concerned, the Commission sets 'Reference Prices': whenever imports drop below these prices, the Commission carries out an inquiry and, where necessary, imposes import controls.

2. SUPPORT FOR THE INDUSTRY

1981 Fisheries Act. The Act prepares the way, as Mr Walker has said, for 'Government during the 1980s to take appropriate action to ensure future success for our fishing industry' (*Hansard*, 12th January 1981, Col. 751). In particular, the Act:

- i. Created a Sea Fish Industry Authority, replacing the White Fish Authority and the Herring Industry Board.
- ii. Settled the membership of the new Authority, making it more representative of the industry than its predecessors (the Authority includes 8 representatives of the industry and 4 independent members).
- iii. Gave power to the new Authority to assist in the marketing of fish.
- iv. Enabled the Government to provide new financial aid to the industry.
- v. Improved the arrangements for conservation.

Financial Assistance. Throughout the very difficult period when the new Common Fisheries Policy was under negotiation, the industry received special government aid. Under the Labour Government, however, the amount was totally insufficient. Between 1974 and 1979 only £14.9 million was provided. This Government has taken a very different view of its responsibilities. By the autumn of 1982 it had given the fishing industry £42.2 million. Furthermore, when agreement on the new EEC policy was finally reached in October 1982, the Government immediately recognised that the industry would need additional aid. An extra £15 million has therefore been made available, as Mr Walker said, to put the industry 'in a viable position to take advantage of the opportunities that the common fisheries policy will provide' (*Hansard*, 27th October 1982, Col. 1052). This one package exceeds the entire amount given by way of aid under the last government.

Restructuring. In addition to its other benefits, the new EEC agreement provides a variety of grants to help fishermen re-equip and modernise their vessels. Half the cost of scrapping a boat can be recovered from the EEC, which will also make a 25 per cent contribution towards the costs of modernisation and construction. Other grants will relieve fishermen of half of the

expenses arising from exploratory voyages and certain joint ventures. Around £150 million has been set aside by the EEC for expenditure under this scheme.

(C) FORESTRY

Great Britain possesses 4.4 million acres of forest, from which timber can be obtained either now or in the future for commercial use. Ownership is divided almost equally between the Forestry Commission and private individuals, both of whom are pursuing a policy of expansion, thus adding to Britain's forests at the rate of about 50,000 acres a year. Total employment in 1981 was estimated at about 18,500.

The Government's Policy. Continued expansion at broadly the current rate is, in the Government's view, highly desirable so that in the future the country can become much less dependent on imports of timber (which at the moment provide 90 per cent of our requirements). The other chief aim of Conservative policy has been to enlarge the contribution which private owners can make towards achieving the greatly increased production of timber at home. (Under the existing plans it will double in the next twenty years.) The close and harmonious partnership between the Forestry Commission and the private sector which has evolved over recent years will continue to flourish; but the nature of that partnership has now been modified (to the benefit of forestry as a whole) in a way that no Labour government would have permitted. Under the Forestry Act 1981, new opportunities were created for private investment by allowing the Forestry Commission to sell some of its land (both planted and unplanted). Apart from giving fresh incentives to private owners, this new approach to forestry contributes directly to the reduction of public expenditure, since the Forestry Commission is partially financed by government grants. However, no pressure is put on the Commission to sell. It remains in complete control of its assets; but, as a result of this Government's policy, it has acquired a commercial freedom that it previously lacked. By March 1983 it had used that freedom to sell some 48,000 hectares of land, raising £48 million thereby. Furthermore, these sales have made the Commission's remaining forests more manageable and cost effective.

The Government's approach was set out clearly by Mr George Younger, Secretary of State for Scotland, during the debates on the 1981 Forestry Act. He said:

'We believe that in the longer term our rising production will be absorbed by British manufacturing industry and that we are justified in encouraging new planting, broadly at the rate of the last 25 years. That should preserve an acceptable balance with other land use interests and take account of our long-term wood requirements. ... We see greater scope for participation by private forestry, although we intend to maintain the successful partnership between the private sector and the Forestry Commission, for which we see a continuing role (*Hansard*, 26th January 1981, Col. 649).

(D) ANIMAL WELFARE

A New Monitoring Body. It is a criminal offence under the Agriculture (Miscellaneous Provisions) Act 1968 to cause unnecessary pain or distress to livestock on farms. Regulations control surgical operations, and require owners of intensive units to arrange for the daily inspection of their stock and the equipment on which it depends.

The 1979 Manifesto made clear the Conservative Party's determination to secure improvements. Within weeks of taking office in 1979, the Government strengthened the arrangements designed to secure the humane treatment of animals by replacing the purely advisory committee responsible for monitoring them with a new, independent Farm Animal Welfare Council. This body keeps under strict and continuous review the welfare of farm animals on agricultural land, at markets, in transit and at the place of slaughter. Farmers have to follow its codes of practice, which cover all aspects of animal welfare. It also has the task of advising the Government about legislative and other changes that may be necessary.

Further Improvements. The transport and export of animals are now much more closely controlled as a result of the revision in July 1981 of the Export Animals Protection Order of 1964. Under the tougher regulations, a consignment of farm animals cannot be exported without a licence from the Ministry of Agriculture. Furthermore, government officials supervise and record the loading of each consignment. Separate regulations instituted by an EEC Directive specify conditions that must be provided during travel, and prevent unduly long journeys. Full support has been given to these regulations, in fulfilment of a manifesto commitment. More recently, the European Commission has been examining egg production, with particular reference to the size of cages used for battery hens. Proposals have been published, specifying the amount of space that each hen should be given, and prescribing minimum cage heights.

Experiments on Live Animals. The 1979 Manifesto promised legislation on this subject to replace the existing Cruelty to Animals Act passed in 1876. In answer to a recent parliamentary question, Mr David Mellor, Parliamentary Under-Secretary, Home Office, stated:

‘We hope to have proposals ready in the spring and to introduce legislation as soon as possible’ (*Hansard*, 3rd February 1983, Col. 416).

The new legislation will provide fresh controls on such experiments. The Government has also taken an active part in drafting an international convention on animal experiments under the aegis of the Council of Europe. The preparatory work had reached an advanced stage by March 1983, and the publication of proposals was in prospect. The work done by the Government will ensure that countries subscribing to the Convention can go beyond the minimum standards it lays down, and impose stiff controls.

(E) THE OTHER PARTIES

1. LABOUR PARTY

The Last Labour Government, by its conduct and policies, forfeited the confidence of the entire farming community. Particular exception has been taken by the main farmers' organisations (such as the NFU) to the Agricultural (Miscellaneous Provisions) Act 1976 which has made it virtually impossible for new, young farmers to find a farm that they can rent. The Act in effect conferred security of tenure on a tenant farming family for three generations. Subsequent developments have made it clear that this highly unpopular restriction was but the first stage of a longer-term policy designed to bring all tenanted land into public ownership.

Current Policy. Since 1979, Labour have stepped up their campaign against the farming community. In their latest proposals, published in *The New Hope for Britain*, Labour threaten:

- i. to undermine agricultural prosperity by withdrawing from the EEC (thereafter the industry will be aided by 'limited intervention buying and direct income support');
- ii. to 'end the de-rating of agricultural land';
- iii. to establish 'a new Rural Land Authority, which will administer land already publicly owned and *begin to extend public ownership to tenanted land*';
- iv. 'to reconstitute the Forestry Commission ... so that it operates as an expanding public enterprise' and ceases 'to act as a spokesman for the private sector' (a role which it does not in any case perform);
- v. to conduct 'an annual assessment of the industry' which will determine the level of support given to agriculture; in this process, help will be sought from 'commodity agencies' and 'marketing cooperatives'.

Land Nationalisation. It is clear that widespread support exists in the Labour Party for the nationalisation of all tenanted land. The proposal has been endorsed by successive Labour Party Conferences; indeed, in 1982 the Conference voted in favour of the nationalisation of all land. Even this policy, however, is less extreme than that favoured by the most militant elements in the Labour Party. Its Common Market Safeguards Committee stated in 1982 that 'there is no particular merit in having an agricultural industry'. The membership of this Committee includes some august personages: Messrs Foot, Silkin and Benn, and Mrs Barbara Castle.

Animal Welfare. *The New Hope for Britain* states:

- i. 'Hare coursing, fox hunting and all forms of hunting with dogs will be made illegal. This will not, however, affect shooting and fishing'.
- ii. 'Over a phased period' all extreme livestock systems will be banned.
- iii. 'Animals kept in zoos, circuses and safari parks will be included in our animal protection legislation'.

2. THE LIBERALS

Liberals favour a fundamental reconstruction of the financial basis of the CAP:

'We should pursue the elimination of 'green' currencies and MCAs within the context of the EMS' (*Liberal Programme for Agriculture and Food*, March 1982).

Leading members of the party have in the past called for higher food prices:

'Only higher food prices will make us self-sufficient in food' (Mr John Pardoe in his constituency, 26th March 1978, as reported in the *Birmingham Post*, 27th March 1978).

It is Liberal policy to reimpose rates on agricultural land:

'Site value rating should be applied to all land' (*Your Future with the Liberals*; a summary of Liberal Policies, July 1978).

They also wish to introduce new planning controls, and to establish a land bank:

'The current exemptions from planning requirements applicable to agriculture should be reassessed and realistic legislation introduced to give increased control over effluent and waste disposal' (*Liberal Programme for Agriculture and Food*, March 1982). Another step 'would be

the establishment of a land bank to provide finance for farmers, in particular for new entrants and those engaged in development' (ibid.).

3. SOCIAL DEMOCRATIC PARTY

The SDP would also end derating:

'There is also one exclusion from the rating system which can no longer be justified: the de-rating of agricultural land and buildings. The re-rating of agriculture would strengthen the rate base of many local authorities with low resources' (Discussion Paper 8, *Local Government Finance*, p. 4, para. 5).

On all other agricultural issues the SDP has been conspicuously silent.

11. TRANSPORT

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(A) CONSERVATIVE APPROACH AND LABOUR LEGACY

1. CONSERVATIVE APPROACH

The Conservative approach to transport policy was set out before the 1979 General Election in a pamphlet by Mr Norman Fowler, then Conservative spokesman on transport, entitled *The Right Track* (Conservative Political Centre, October 1977). The document listed seven principles of transport policy:

- a. To achieve value for money and assist in economic recovery.
- b. To ensure that decisions should be taken by and for the user of transport rather than by and for the providers.
- c. To remove unnecessary restrictions on the development of new services.
- d. To recognise the need for some form of transport for everybody.
- e. To recognise personal transport needs, particularly the growth of car ownership.
- f. To recognise the interests of the environment, and the need to conserve energy.
- g. To recognise that everybody's interests lie in better productivity and more efficient and cheaper services.

As Mr David Howell, Secretary of State for Transport, has explained:

‘At the top of the transport agenda comes the customer and the passenger. That is where the resolute approach to transport begins. We wholly reject the approach which puts the interests of the industry before the interests of its customers. The former would not exist without the latter. ‘The best way to cheaper, better travel is lower costs, not forever putting a hand in the taxpayers' or ratepayers' pocket. So our policies combine sensible and steady support with incentives for innovation, experiment and quick response to people's needs and the needs of an enterprise economy’ (London 19th February 1983).

The Conservative Government came into office with specific Manifesto commitments (a) to sell shares in the National Freight Corporation to the general public in order to achieve substantial private investment in it; (b) to relax the Traffic Commissioner Licensing regulations to enable new bus and other services to develop; and (c) to revise the traffic laws including the totting up procedure.

With reference to the railways, the Manifesto stated:

‘High productivity is the key to the future of industries like British Rail, where improvement would benefit both the workforce and passengers.’

2. LABOUR'S LEGACY

The approach implicit in the Conservative Manifesto, that of widening choice, increasing private sector involvement and pressing for greater value for money, was one almost totally lacking under Labour. Socialist Ministers turned a blind eye to inefficiency and the rapidly increasing burden of nationalised transport undertakings on the taxpayer. Throughout, Labour remained committed in theory to extending nationalisation still further in the transport industries. Some common sense was discernible in Labour's 1977 Transport White Paper (Cmnd. 6836) but, while for example this recognised that some changes in the bus licensing laws were probably desirable, it was left to Conservatives to make a start on reform by means of the Minibus Act 1977, a Private Member's measure introduced by Mr David Hunt, MP for Wirral, and amendments carried during the passage of the Passenger Vehicles (Experimental Areas) Act 1977.

(B) PASSENGER TRANSPORT PATTERNS

Patterns of passenger transport have changed dramatically over the last few decades. Since 1951, passenger transport (expressed in distance travelled) has increased by about 150 per cent. By far the most significant development has been the rapid growth in travel by private car. This has been accompanied by a decline in travel by public transport. The following table illustrates the change.

Passenger Transport by Mode, 1951–1981

	Buses & Coaches	Private Transport (excl. pedal cycles)	Rail	Billion Passenger Kms (percentage) All modes incl. air and cycles
1951	82(41)	57(29)	39(20)	199(100)
1961	67(24)	161(58)	39(14)	279(100)
1971	51(12)	330(78)	36 (8)	424(100)
1981	38 (8)	422(84)	35 (7)	503(100)

(Source: *Department of Transport Statistics, 1971–81*)

The motor car provides mobility which is highly valued by the individual and has raised standards of living. Nevertheless, the shift in personal transport towards the car has given rise to many problems. First, although many people still depend on public transport services, the decline

in the number of passengers has made these services less economic to run. Second, the growth in road transport has given rise to environmental, safety and law enforcement problems.

(C) ROAD PASSENGER TRANSPORT

1. BUS LICENSING LAWS

The licensing of bus and coach services is controlled by the Traffic Commissioners. Until 1980 the licensing laws (regulating the quantity and quality of bus services) administered by the Commissioners had remained virtually unchanged since the 1930s when they were designed to regulate a situation in which there was an over-provision of bus services, all competing for a good market. These tended to put obstacles in the way of new operators and discourage innovation.

2. THE TRANSPORT ACT 1980

The Government's first Transport Act removed licensing restrictions from new long-distance express services, excursions and tours. Provided that safety regulations are satisfied, any operator may now run a long distance service. For local stage carriage services, the onus of proof that a licence should not be granted rests with the opponents of the services and not the applicant. Other provisions in the Act scrapped remaining restrictions on car-sharing schemes and gave local education authorities the right to use school buses to provide local stage carriage services. In order to see whether further deregulation was desirable, the Act enabled local authorities to apply for 'trial area' status in which no licences apart from those relating to safety would be required.

New Services. As a direct result of the legislation, the cost of long-distance coach travel has come down and new services have been developed. On 25th January 1982, Lord Avon, speaking for the Government, announced that since the 1980 Act came into force, 90 new coach services and a further 70 on a less than daily basis had been introduced (*Hansard*, House of Lords, Col. 755).

In rural areas, a large number of unconventional low cost services have been introduced, and the Government has continued to give active encouragement to innovative schemes. For example, as many as 60 social car schemes have begun in Shropshire, and Durham and Northumberland County Councils are using school buses to provide public services.

Trial Areas. Three trial areas have been set up, in Norfolk, Devon, and Hereford and Worcester. So far results have been mixed, but in Hereford and Worcester, the County Council has taken an active approach to the trial area by instituting a tendering system for contracts to run subsidised services. The result has been that many services have changed hands, and on many of the newer services lower fares are being charged and the operators receive less revenue support. Both the traveller and the ratepayer have benefited.

National Bus Company. In the wake of the Transport Act 1980 the National Bus Company's principal coach business, National Express, expanded rapidly, carrying 50 per cent more passengers in 1981 than in 1980. The Government decided that with this good performance, the interests of the express services and the travelling public would be best served if National Express and NBC's holiday business were allowed to develop profitably in the private sector.

The Transport Act 1982 contained provisions enabling private capital to be introduced into these businesses, and the NBC to co-operate with the private sector in developing its property assets, in particular its coach terminals.

(D) RAILWAYS

1. FINANCIAL SUPPORT AND INVESTMENT

The Government has done more than any previous administration to give the railways an opportunity to have a secure and successful future. First, it has put more money into the railways than ever before, as the following table illustrates:

Public Support for the Passenger Business, 1977–82

(at 1982 prices)

	1977	1978	1979	1980	1981	1982
Total Grant £m	664	702	768	774	891	926
Grant (pence) per passenger mile	3.6	3.7	3.9	3.9	4.7	5.4

(Source: *Serpell Report 1983*)

Second, the Government has maintained the ceiling on investment in BR (£325 million at 1980 prices) at the same level in real terms as it was under Labour, and many investment projects are going ahead. Between 1979 and 1982, £1,600 million was invested in the railways, compared with £1,100 million under Labour. However, in recent years BR has not spent up to its investment ceiling because, as Mr Howell explained: ‘the problem with investment is not government constraints but the fact that investment resources have been drained away in day to day losses and industrial disputes’ (*Hansard*, 16th June 1982, Col. 933).

Grants for freight facilities paid out under Section 8 of the 1974 Transport Act have so far totalled £21.2 million under the Conservative Government (up to December 1982) compared with £5.9 million under Labour.

2. ELECTRIFICATION

Following a joint BR/Department of Transport review of mainline electrification published in February 1981, Mr Norman Fowler, then Transport Secretary, announced on 22nd June 1981 Government approval in principle for a programme of main-line electrification based on better business performance and improved productivity. On 23rd December 1981, the Government gave the go-ahead for a £30 million scheme to electrify the main line between London and Ipswich, Norwich and Harwich. However, progress elsewhere has been slow. By the end of 1982, British Rail had not provided forecasts for their inter-city business demonstrating a path to profit by 1985, a condition laid down by the Government for approval of further schemes. On 30th November 1982, Mr Howell said that he expected BR to present revised proposals for the future of the Inter-City business early in 1983, and if these proved satisfactory, the way would be clear for a decision on the East Coast main line.

3. NEED FOR IMPROVEMENT IN PRODUCTIVITY

The Government has always made it clear that better productivity is essential if there is to be an effective railway serving the needs of the passenger as well as the railway worker. Unfortunately, there has been very little improvement in productivity in recent years, as the following table illustrates.

Manpower Productivity Indicators 1975–81
(1975 = 100)

<i>Indicator</i>	1976	1978	1979	1980	1981
Passenger miles/Freight net tonne miles/Tonnes (parcels) per employee	97	103	105	102	102
Loaded train miles per train crew member	100	102	101	103	107
Output per person employed in UK economy	103	108	110	109	112
Output per person employed in UK economy excl. oil and gas	102	106	107	106	107

(Table 9.1, Serpell Report)

4. INDUSTRIAL DISRUPTION ON THE RAILWAYS

Central to improving productivity is the need to change working practices, many of which have remained unchanged since 1919. During the 1981 pay negotiations, the railway unions agreed to six ‘undertakings’ on productivity. However, by January 1982 the train drivers' union ASLEF had failed to honour its commitment to complete negotiations on flexible rostering (working shifts shorter or longer than the fixed eight hours). This failure, and their objection to attempts later in 1982 by BR to introduce flexible rostering, led to ASLEF's left-wing executive calling two damaging strikes, one in January—February, and one in June—July 1982. By July 1982, ASLEF members had had enough of the destructive attitude of their executive. After a two week strike, the ASLEF executive accepted a TUC formula to call off the strike and to recommend to its conference acceptance of the disputed issue of flexible rostering. The reconvened conference unanimously accepted their resolution.

Separate action was taken by the National Union of Railwaymen in June 1982, when its Left-wing dominated executive voted for an all-out strike of NUR members on both BR and London Transport in protest at the 5 per cent pay offer made by BR and in the case of LT, on the flimsy pretext of an objection to proposed timetable changes on London's underground system. The NUR's annual conference overturned the decision to strike, but not before travellers had suffered two days of unnecessary chaos. Altogether, strike action in 1982 is estimated to have cost BR well over £200 million in lost revenue.

5. THE SERPELL REPORT

On 20th January 1983, Mr David Howell, Secretary of State for Transport, published the Report of the Committee on Railway Finances, chaired by Sir David Serpell, a former director of British Rail. The Committee had been appointed by Mr Howell in May 1982 in response to requests by the Chairman of British Rail, Sir Peter Parker, and against a background of soaring levels of support from the taxpayer (who in 1982 contributed more to BR's revenues than the fare paying passenger).

Even before the Report was published, Labour and SDP Members were quick to condemn it, in particular some supposed conclusions which were not contained in the Report at all. Two of

these concerned alleged recommendations that commuter fares should rise by 40 per cent and that the rail network should be cut. These were not only not recommended, but the figure of 40 per cent was not even mentioned in the Report.

Scope for Savings. The Serpell Report consists of two Reports, one signed by the majority of the Committee and a Minority Report submitted by one member of the Committee, Mr Goldstein. In many areas the two Reports were in agreement, particularly in identifying the scope for savings in British Rail and opportunities for achieving better value for money. The main text of the Majority Report assessed how efficiency on the railways could be improved. It identified 'ample scope for further improvements' in productivity, and potential cost savings of £220 million per annum by 1986. It gave a detailed and quantified analysis of where savings could be achieved. Both Reports agreed that sensible planning has been hindered by deficiencies in BR's management information and control systems, and recommended that these should be improved as a matter of urgency.

The Committee questioned British Rail's case for increased support from the taxpayer. It did not accept BR's case for massive new investment in the railways, and the Majority Report did not find that increased support was needed, apart from some help with the transitional costs of achieving savings. Neither was the Committee persuaded that the railways needed an immediate increase in investment, although higher investment levels would be needed in the later 1980s and early 1990s.

As Mr Howell said, Serpell's basic contention was that:

'with the railway broadly in its present shape, substantial savings could be achieved over and above those on which British Rail is now working' (*Hansard*, 20th January 1983, Col. 495).

Options. The part of the Report which caused the greatest controversy was the section which set out options for alternative policies for the railways, some of which, if adopted, would mean cuts in the network. The Committee emphasised that 'to avoid misunderstandings, we should emphasise first that the 1992 Network Options are no more than "illustrations"'.

The options illustrated the sort of network that could be expected, given a variety of different levels of public support, ranging from a railway network that would break even in the long run to a railway requiring increased government subsidy, together with a range of options in between.

The Government welcomed the Report as basis for informed public discussion about the sort of railway we want and are prepared to pay for. As Mr Reginald Eyre, Parliamentary Under-Secretary of State for Transport, made clear, the network options are:

'... not the Government's options nor their only choices. Still less are they conclusions... Their value is to stimulate informed public debate on the costs and efficiency of this form of public transport' (*Hansard*, 3rd February 1983, Col. 507).

The Government made it clear that the many opportunities for improved productivity were top priority for action following the Report. During the debate on the Report on 3rd February 1983, Mr Howell said:

'In the short term we all know, and the Report emphasises, that cost savings are essential, that further substantial cost savings and management improvements can be achieved. The Report is clear about that. In the longer term, after 30 years of nationalisation, we clearly need a better

structure for our railways. I believe that Serpell provides the stepping stone which should be welcomed and used as an advance towards that better railway' (ibid, Cols. 446–7).

6. BRITISH RAIL SUBSIDIARIES

The 1981 Transport Act contained provisions to allow for the denationalisation of British Rail subsidiaries, in particular Sealink, British Transport Hotels, the Hovercraft business and BR property holdings. By the end of March 1983, 27 out of 29 hotels, with a value of £38 million, had been privatised, together with the hovercraft business, a number of other subsidiary businesses and over £100 million worth of non-operational property. British Rail is now proceeding with plans to privatise Sealink, and is looking at ways of bringing private capital into other BR operations.

(E) LOCAL AUTHORITY TRANSPORT

1. TRANSPORT SUPPLEMENTARY GRANT 1979–83

The Government has accepted generous levels of expenditure on local transport for transport supplementary grant, although the grant paid by the taxpayer has been slightly reduced in real terms, reflecting the Government's view that the proportion of local authority expenditure contributed by the taxpayer should be reduced.

Accepted expenditure allocations for 1979–80 to 1983–4 were as follows:

	<i>£m</i>	<i>Price base</i>
1979–80	917.2	Nov. 77
1980–1	959.0	Nov. 78
1981–2	1,112.9	Nov. 79
1982–3	1,631.8	Cash
1983–4	1,836.2	Cash

(Source: Department of Transport)

2. TRANSPORT FARES AND SUBSIDIES

The Socialists, who took control of the Greater London Council in May 1981, stated that they would 'cut London Transport fares by 25 per cent and freeze them at that level for the remainder of their term of office' (*A Socialist Policy for the GLC*).

In October 1981, London Transport fares were reduced on average by 32 per cent and a supplementary rate was levied mainly to pay for half a year of cheap fares.

However, on 17th December 1981, as a result of court action taken by Bromley Council, five Law Lords ruled that the 'fares fair' scheme was illegal. The GLC had exceeded its statutory powers, and in levying a supplementary rate to pay for the fares cut, was in breach of its fiduciary duty to the ratepayers. As a result of the judgement, fares rose by 100 per cent on 21st March 1982, not only to return to previous fare levels but also to pay for inefficiencies

deliberately imposed on London Transport by the GLC. This was accompanied by a 90 per cent increase in the GLC's rate precept for 1982–3, mainly to pay for the costs of half a year of cheap fares.

Other Labour-controlled councils elected in 1981 also had their high transport subsidy policies challenged. The supplementary rate levied by West Midland Metropolitan Council was challenged, but even before the High Court had quashed the supplementary rate, the Council decided on legal advice to abandon the policy, and announced a fares increase of 70 per cent to take place in February 1982. Merseyside also had its supplementary rate challenged, but in this case the High Court ruled in favour of the Council, although the judgement made clear that the situation in Merseyside differed from that in other metropolitan areas.

3. TRANSPORT ACT 1983

Because of the legal uncertainties in the wake of the court judgements, and after various local authorities, including the GLC, and Passenger Transport Executives (PTEs) had emphasised the need for clarification of the law, the Government introduced a Bill designed to provide a firm legal basis for the granting of subsidy to urban transport operators. As Mr Howell explained during the Second Reading debate, the prevailing uncertainty had meant problems for PTEs, whose attentions in approaching the major problems confronting urban public transport had been diverted by the legal ambiguity. The Act provides for:

- a. An area of subsidy to be defined after full consultation between the Government, local authority and transport operators which will be protected from legal challenge but above which the GLC or metropolitan authorities risk legal challenge.
- b. Stability in the financing and planning of urban passenger transport to encourage efficiency and better productivity. PTEs will have to put forward annual plans on a three year rolling basis and will have to consider obtaining tenders from private operators who are prepared to offer services more cheaply.
- c. Reasonable legally protected levels of revenue support. This will discourage reckless spending by local councils.

1983–4 Subsidy Guidelines. A White Paper setting out the Government's view on transport subsidies and defining acceptable subsidy levels for 1983–4 was published with the Bill. Mr Howell pointed out that the subsidy guidelines were reasonable. For London Transport:

‘... the protected levels of expenditure in the White Paper would allow London Transport fares to be held without increase. The Chairman of London Transport has said that and also that the Bill gives the prospect of a period of stability in which London Transport could get on with the job of running and improving services to customers’ (*Hansard*, 15th November 1982, Col. 44).

4. FUTURE OF LONDON TRANSPORT

On 28th July 1982, the Parliamentary Select Committee on Transport published a Report on transport in London. Its main recommendation was that responsibility for long-term decision-making on roads and public transport should be transferred to a new Metropolitan Transport Authority, representing both central and local government, whose writ would run throughout the main London commuting area. The Government welcomed the Report and is considering whether a more fundamental reorganisation is required in London.

(F) ROAD GOODS TRANSPORT

1. BACKGROUND

A healthy road haulage industry is vital to Britain's economy. In 1981, 82 per cent of all freight was carried by road, compared with 9 per cent by rail. In 1981, there were 93,000 goods vehicles of over 28 tonnes gross vehicle weight. These accounted for only 5.3 per cent of all goods vehicles, but for 70 per cent of all road freight tonne mileage.

The increase in the volume of goods moved by road has created problems for the environment which Labour failed to tackle. Immediately on coming into office, the Government appointed an inquiry, headed by Sir Arthur Armitage, to examine the problems of heavy lorries and their effect on people and the environment. The Armitage Report, published on 9th December 1980, recommended a comprehensive package of measures to control heavy lorries, and an increase in the maximum permitted weight of heavy lorries to 44 tonnes.

2. POLICY ON HEAVY LORRIES

In December 1981 the Government published a White Paper (Cmnd. 8439) on lorry controls. After a period of consultation, on 4th November 1982 it produced a package of measures designed to reduce the disturbance and damage caused by heavy lorries, and at the same time to help British industry become more up-to-date and efficient.

The main elements in the package were:

New controls on the dimensions of lorries. No lorry larger than those already in existence to be allowed on our roads.

Safer vehicles. Sideguards, rear underrun guards and better braking standards to be compulsory and spray suppression equipment to be compulsory probably by 1984.

Quieter lorries. Lorries to be quieter by three decibels in April 1983, with a further reduction in 1984.

Taxation to reflect road track costs. The Government included provisions in the Transport Act 1981 to ensure that lorries pay their full share of road track costs and that the most damaging vehicles carry the most tax. New tax rates were introduced in the 1983 Budget.

Greater priority to bypass schemes. 220 towns and villages to receive relief from through traffic within the next 4–5 years.

More vigorous use of local authorities' lorry control powers over lorry routeing with Government grant for routeing schemes. Mr Howell announced that there were already 2,300 such schemes in England and Wales.

A new concept of Lorry Action Areas. Help to be given to places adversely affected by lorry traffic where there are no good alternative routes available. The Government is supporting 60 such schemes with TSG grant in 1983–4.

Encouragement for alternative freight transport. The Government has increased the maximum grant rate for rail freight facilities (section 8 grants) to 60 per cent and has extended the scope of the grant to waterways.

More spending on weighbridges and enforcement of safety and weight rules. In 1982 the Government doubled spending on weighbridges, and more traffic examiners are being recruited. Maximum fines for offences have been increased.

An increase in the maximum weight of heavy lorries from 32.5 tonnes on 4 axles to 38 tonnes on 5 axles.

As Mr Howell explained:

‘Our proposals will not mean increased trailer dimensions. However, we must accept that it cannot make sense to allow existing trailer sizes to be three quarters loaded rather than fully loaded. That is bound to mean for a given amount of freight more journeys and more damage. It will mean more part loads and more lorries being sent back to the quayside to pick up extra loads’ (*Hansard*, 25th November 1982, Col. 1026).

The measures will mean less damage to the roads because the extra axle on the 38-tonner will spread the load. The proposals will help industry contain costs and will mean fewer lorries for a given level of freight.

3. NATIONAL FREIGHT CORPORATION

In 1979, 90 per cent of the British road haulage industry was controlled by the private sector which provided profitable, competitive and efficient transport for most freight journeys. 10 per cent of the market was controlled by the National Freight Corporation (NFC), a company formed as a publicly owned undertaking in 1963 out of several companies operating mainly in the road haulage business. In the 1970s the NFC's financial performance deteriorated. In 1975, for example, it made a loss of £31 million.

The Conservative Government saw no reason why a company in a sector, 90 per cent of which was profitable, should remain in the public sector. The Transport Act 1980 provided for the complete denationalisation of the NFC, and on 22nd January 1982 it was sold for £53.5 million to a consortium of the NFC's own management and employees. The new National Freight Company has been so successful since denationalisation that on 30th October 1982 the shares were worth twice their original value and, despite the recession, the company made a profit of £6.3 million after tax between 20th February and 2nd October 1982.

4. HEAVY GOODS VEHICLE TESTING STATIONS

The Transport Act 1982 provided for the annual testing of heavy goods vehicles and public service vehicles to be transferred to the private sector, together with 1,000 staff. Negotiations are in progress with the Lloyds Register of Shipping, a respected independent regulatory authority, to transfer the stations in their entirety to a new Lloyds Register Vehicle Testing Authority.

(G) PORTS

Financial Problems. In recent years the financial problems of many of Britain's ports have been growing. This is as a result of three main factors: an overall reduction in world trade; the movement of some cargo handling to more competitive ports both in Britain and on the Continent; and a chronic problem of over-manning in many ports, resulting mainly from the effect of the 'container revolution', but aggravated by the effects of the 1976 Dock Labour Scheme.

London and Liverpool. The ports of London and Liverpool have suffered particularly badly from all these factors, and the Government has acted to tide the ports over their financial difficulties and to enable them to put their operations on a sounder financial footing. The Ports (Financial Assistance) Act 1981, the Transport (Finance) Act 1981, the Transport Act 1983 and the Ports (Reduction of Debt) Act 1983, provide for financial help to the ports industry, mainly to enable the Port of London Authority and the Mersey Docks and Harbour Company to make essential manpower reductions and to continue operating. The Government has made it clear that revenue subsidies to the two authorities would cease at the end of 1982.

British Transport Docks Board. The Transport Act 1981 provided for the sale of 49 per cent of the equity in the British Transport Docks Board, which owns 19 of Britain's most profitable ports. 51 per cent of the shares in the new company, Associated British Ports Holdings plc, were sold in February 1983 with proceeds for the taxpayer of £21.95 million.

(H) ROADS

1. THE MOTORWAY AND TRUNK ROAD PROGRAMME

The Government has published two White Papers on the roads programme (Cmnd. 7908, 1980 and Cmnd. 8496, 1982). Both White Papers emphasised the Government's main priorities for road building. These were for industrial routes which aid economic recovery and development; roads which bring commercial benefit, such as by-passes; and the maintenance of the existing network. Spending on roads has been increased under the Conservative Government. Capital expenditure (at constant prices) is expected to be more than 12 per cent higher in 1982–3 than in 1978–9.

Progress on new construction has been extremely good. Nearly 300 miles of new motorways and trunk roads were opened between May 1979 and March 1983, including 43 by-passes. Many strategic routes have been built or are nearing completion. The M25 round London is on schedule for completion by 1986. Taking trunk road and local road schemes together, some 220 towns and villages will be by-passed in the next 4–5 years. Progress has been so good on road building that in both 1981–2 and 1982–3 many schemes were completed earlier than expected and keen tender prices enabled more schemes to be brought forward in both years. On 28th January 1983, Mr Howell announced that in order to take advantage of the favourable conditions, the Government was seeking £45 million extra funds from Parliament for 1982–3. This extra sum, together with the Government's provision for 1983–4 to 1985–6, should enable completion of about 375 miles of new motorways and trunk roads relieving over 100 more towns and villages of through traffic. In 1981–2, total expenditure in real terms on motorways and trunk roads was 5 per cent up on the previous year, and should be 17 per cent higher in 1982–3 than in 1980–1. Good progress has meant that output is accelerating well above levels inherited from the last Government.

Expenditure on motorway and trunk road maintenance has risen dramatically under this Government from £86.9 million in 1978–9 to £209 million in 1982–3. Between 1980–1 and 1982–3, spending on reconstruction of older motorways and other structural maintenance increased by 80 per cent in real terms.

Capital Expenditure on Motorways and Trunk Roads

	£m cash				
	1978–9	1979–80	1980–1	1981–2	1982–3 Est'd
Maintenance	86.9	107.3	119.3	179.4	209
Construction	281.3	340.9	406.5	448.1	537.0
Total	368.2	448.2	525.8	627.5	746.0

(Source: *Hansard*, 16th February 1983, WA, Cols. 177–80)

2. LOCAL AUTHORITY SPENDING ON ROADS

The Government has increased provision for local authority capital expenditure on roads accepted for grant. For 1983–4, the accepted expenditure level of £619 million (cash terms) compares well with an accepted expenditure level of £306 million (1977 prices) for 1978–9 under the last Labour government, and is £100 million or 19 per cent more than in 1982–3. The 1982–3 provision enabled work to start on 35 new by-pass schemes. A further 50 new capital projects will be started in 1983–4, including 35 bypasses and urban relief roads. Provision for maintenance and other current expenditure has also increased. In 1978–9, expenditure accepted for grant was £442 million (1977 prices); in 1983–4 it is £844 million (cash terms).

3. ROAD CONSTRUCTION UNITS

On 6th March 1980, Mr Fowler announced the Government's intention to phase out the road construction units (which design trunk roads and motorways), and hand their work over to private consultants and county councils. By the end of 1981, the design work of the units had been transferred mainly to private firms: road schemes involved were worth around £2,000 million.

4. MOTORWAY SERVICE AREAS

On 22nd October 1979, Mr Fowler announced that motorway service areas would be sold on long leases to private operators. Leases on all but one of the 38 services areas have now been sold, with proceeds of nearly £50 million.

(I) ROAD SAFETY AND LAW ENFORCEMENT

1. BACKGROUND

More and faster traffic on our roads has created problems for road safety and law enforcement. Over the last 50 years, road casualties have risen in number from 139,000 casualties in 1926 to

325,000 in 1981, 5,046 of which were fatal. It is estimated that, apart from the human suffering caused, road accidents cost the country nearly £2,000 million a year. Motorcycle riders are particularly vulnerable. In 1981, 1,131 motorcycle riders were killed and 67,998 injured. About half of those killed were under 20.

Problems of enforcement of traffic laws, particularly parking regulations, have also worsened. In 1980, over 2.5 million traffic offences were taken to court in England and Wales, imposing a heavy burden on our judicial system. As pledged in the Manifesto, the Government set up a working party in November 1979, to examine ways of simplifying and improving traffic law and making it fairer for drivers.

2. ROAD SAFETY

Motorcycles. The Transport Act 1981 sought to improve motorcycle safety especially among young and inexperienced riders, by restricting learner drivers to machines with a maximum capacity of 125cc (instead of 250cc). It provided for a two-part motorcycle test, and a limit on the duration of a provisional licence to two years, with an interval of one year between consecutive licences, to provide a substantial incentive for learners to take the test.

Compulsory Wearing of Seat Belts. Parliament decided after a free vote to include provisions in the Transport Act 1981 to make the wearing of seat belts compulsory. Regulations requiring people in the front seats of cars to wear seat belts came into effect on 31st January 1983.

Bicycles. On 26th January 1982, Mr Kenneth Clarke, then Parliamentary Under-Secretary of State for Transport, made a statement on cycling policy following the issue of a consultation paper in May 1981. He announced that changes in the law were planned, requiring all bicycles sold in the UK to comply with a British standard on safety and construction requirements. It would become an offence to drive a motor vehicle on cycle tracks. Simpler procedures were planned for the conversion of footpaths to cycle tracks. The Government, he said, had appointed regional cycling officers to look after the interests of cyclists on trunk roads and plan improved facilities. County Councils' proposals for cycling schemes would be given favourable consideration for grant purposes. The Department of Transport was expanding its grant-aided experimental schemes to test new cycling facilities.

3. LAW ENFORCEMENT

The Report of the Government working party on Road Traffic Law was published on 20th May 1981. This recommended a new points system of traffic offence to replace the 'totting up' procedure, and an extension of the fixed penalty system to cover the less serious moving traffic offences.

The Points System. The Transport Act 1981 introduced a new 'penalty points' system by which traffic offences are graded according to their seriousness by a number of penalty points. Once 12 points have been accumulated within a three-year period, disqualification for at least six months will usually follow. This replaced the system, widely criticised as being unfair, in which a motorist who committed three endorseable traffic offences within three years was liable for disqualification, no matter how serious or minor the offences.

Fixed Penalties. The Transport Act 1982 provided for the extension of the fixed penalty system to include some of the less serious moving traffic offences such as speeding. When the system

comes into effect the motorist will be able to pay the fine within 21 days or opt to take his case to court. There will be no 'on the spot' fines. Mr Howell explained that there were two reasons for the change:

'The first is to reduce the burden on the police and the costs imposed by road traffic offences... This could take up to 600,000 cases a year out of court ... The second objective is to improve the enforcement of the fixed penalty system. At present, far too many people ignore the notices because they believe they are unlikely to be prosecuted if they do not pay...' (Press Statement, 29th January 1982).

Drinking and Driving. The Transport Act 1981 amended the law on drinking and driving to enable it to be enforced more effectively. The Act introduced evidential breath testing, with breath machines in police stations to be used instead of blood or urine samples, and removed procedural difficulties that allowed acquittals on technicalities.

Illegal Parking. Maximum fines for parking offences were raised in the Transport Act 1982 to £10. The Act allows for the experimental use of wheel clamps to immobilise illegally parked vehicles.

(J) TRANSPORT AND THE EEC

Conservatives have always supported the idea of a common Community Transport Policy and have pressed for observance of the principles enshrined in the Treaty of Rome that barriers to traffic and trade should be removed within the Community. However, progress to date has been disappointing, but recent agreements include:

Drivers' Hours and Tachographs. Agreement has been reached in the Community on the implementation of regulations limiting all drivers of commercial road vehicles to 8 hours' maximum driving time (with a maximum continuous driving period of 4 hours), and on the fitting of tachographs (instruments for recording automatically the distance travelled by a vehicle, its speed, and time on the road) on all commercial vehicles. These regulations are now in force in the UK. **European Driving Licence.** Agreement has been reached on the mutual recognition of driving licences between Member States. This came into effect on 1st January 1983. Common driving licences with a standard format will be issued by 1st January 1986.

Quotas and Permits. Most freight traffic between European countries takes place under bilateral agreements on quotas. Progress on increasing the number of permits within these quotas has in many cases been satisfactory, but overall progress has been disappointing. Bilateral permits issued to UK hauliers increased by only 2,341 between 1979 and 1982, from 111,344 to 113,685. The Community also has a multilateral quota for carriage between all member states. Progress here has been very disappointing, with the UK share of the quota more or less unchanged since 1977 at around 11 per cent. The number of permits issued under the Community quota increased from 355 in 1979 to 436 in 1982. **Railway Policy.** On 15th December 1981, the Council of Ministers passed a resolution on railway policy. This called on the Commission to pursue the implementation of a common railways policy, and especially to promote co-operation between railway undertakings. It asked the Commission to produce a report and proposals on the barriers to co-operation between national railway systems and how these could be eliminated. It also asked the Commission to investigate ways to improve international rail passenger services.

Channel Link. In March 1980, following a joint study carried out by British Rail and French Railways (SNCF) into the possibility of building a Channel Tunnel, Mr Norman Fowler announced that, while public funds would not be made available on the scale required for the

construction of a fixed link, he wanted to examine schemes which were commercially viable and would attract genuine private risk capital. By May 1981 nine possible schemes had been submitted for consideration, and on 1st June 1982 an Anglo-French study group submitted a report, confirming the technical feasibility of a rail tunnel. Further studies are still being carried out into whether and on what terms private finance can be raised for a fixed link.

Future Prospects. In a statement on the EEC Transport Council meeting held on the 23rd February 1983, Mr Howell said that he had set out the priorities which the British Government wished to see in European transport policy in the future.

‘I stressed the need for a new and sustained initiative towards liberalising road transport, reducing transport costs and removing unnecessary barriers to trade. Ideally there should be complete abolition of quantitative restrictions on road haulage between member states and at the very least substantial and frequent increases in the number of community road haulage permits. Second, the Council should rapidly complete agreement on important proposals to improve the organisation at frontiers where inefficiencies are currently costing industry hundreds of millions of pounds a year. Third, higher priority needed to be given to the current review of EC drivers' hours legislation where the current over rigidity of the rules hampered the efficiency and flexibility of our transporters’ (*Hansard*, WA, 25th February 1983 Col. 557).

(K) LABOUR PARTY POLICY

Labour's 1977 Transport Policy White Paper contained some elements of realism, casting doubt as it did on several ‘sacred cows’ of Socialism, such as central planning and further nationalisation. But in the same year as it was published the Labour Party's annual conference passed two resolutions expressing ‘deep disappointment’ with the White Paper and calling for a ‘re-examination’ of the Government's transport policies. Since then most of the main themes of the White Paper have been rejected wholesale.

Central Planning. The 1977 White Paper dismissed any idea of a ‘national plan’ for transport or of a ‘central agency for transport planning’, but Labour's campaign document, *The New Hope for Britain*, commits a Labour government to establish ‘a National Transport Authority to develop transport policy and good practice, secure integration and facilitate comprehensive planning’. Furthermore:

‘The Department of Transport must assume a broader and more interventionist role if the Labour movement's transport objectives are to be achieved’ (*Labour/TUC Liaison Committee Document*, September 1982).

Bus Transport. Labour's 1977 White Paper admitted that ‘There is already a case for some general modification in the licensing law’ and, in relation to inter-urban transport, that ‘The Government sees no justification for seeking to restrict the choices given to people of their method of travel’.

Labour are now, however, committed to repeal the licensing provisions of the 1980 Act and to reintroduce ‘a proper licensing system (The New Hope for Britain). Any privatised parts of the National Bus Company would be restored to public ownership.

Transport Subsidies. The 1977 White Paper admitted that transport policy was constrained by considerations of public expenditure.

‘Public expenditure will be limited for many years to come and investment to support economic recovery must not be hampered by allowing too high a proportion to be pre-empted...’

So,

‘Subsidy should be paid only where there is a clear requirement for it to meet social needs in transport that would not otherwise be met.’

Indeed, throughout its period of office, the Labour Government was opposed to indiscriminate subsidies to fares on public transport, and penalised local authorities who threatened to overspend in this way. For example, in 1976, when South Yorkshire refused to cut its spending plans, the Labour Government gave them only £291,000 in TSG for 1977–8 instead of £4 million. Labour's present support of the action taken by some Socialist Metropolitan County Councils is cynical, as Mr Howell has pointed out:

‘... restraint in the growth of these subsidies used to be an objective that the Opposition, in Government, wholly supported and vigorously embraced, and that was when the figures were far, far lower than they are now’ (*Hansard*, 15th November 1982, Col. 40).

Labour have now conveniently forgotten their policies in government.

‘Labour is determined to ensure that throughout the country, in every town or village, people are provided with the level of services they need at fares they can afford to pay’ (*Labour's Programme 1982*).

Railways. During the 1982 industrial disputes (see p. 186), the Labour Party gave support and comfort to the strikers. On 27th January 1982, Labour's NEC proposed a resolution supporting ASLEF and blaming the whole dispute on the British Railways Board. It called for the Board to honour its agreement on pay which was ‘specific and unconditional’. But as *The Times* put it: ‘They must know that if British Rail simply pays up, it will jeopardise the prospect of substantial investment. Labour's reflex politicians have long ago given up pretending to take a national view’ (28th January 1982).

The 1977 White Paper talked of:

‘The need to pursue vigorously measures for increasing efficiency and reducing costs.’

In particular, it foresaw a decrease in the grants for passenger services and an elimination of the freight subsidy. However, *Labour's Programme 1982*, states:

‘Labour believes that government payments to the railways will need to be increased in real terms if services are to be maintained and improved.’

The urgent need for greater efficiency is no longer stated unequivocally:

‘The necessary improvements in efficiency and productivity can only be fully achieved in the context of a substantial programme of investment.’

Labour appear to ignore the failure of the railway unions from 1981 to March 1983 to agree to one-man operation on trains on the Bedford to St Pancras line resulting in £150 million worth of new rolling stock lying idle in the sidings for nearly a year.

Labour are also firmly committed to renationalising BR subsidiaries which have been sold to the private sector.

Freight. Labour opposed the Government's lorry package, although some members of the party could not swallow the arguments put forward by Labour's front bench spokesmen. In the debate on the regulations, Mr John Home Robertson, Labour MP for Berwick and East Lothian, admitted that 'There are more potential 38 tonne gross lorries on the road than there need be because they are running at only 32 tonnes gross' (*Hansard*, 25th November 1982, Col. 1077).

He and several other Labour MPs abstained when the vote was taken.

Labour's Programme 1982 stated:

'The Government may also need to take back-up powers to license the long distance movement of freight by road and to promote long term agreements with major customers and transporters.'

The Labour Government's 1977 White Paper took a completely opposite view:

'... requiring industry to get approval before moving its goods would hinder its efficiency and mean extra costs to consumers.'

Socialist ideology demands that there must be a publicly owned sector of the road haulage industry, even if this means overriding the wishes of the National Freight Company employees.

'There could be resistance amongst NFC employees to the renationalisation of their company. It is anticipated however that the NFC should form part of a public sector approach to road haulage' (*Labour/TUC Liaison Committee Document*, September 1982).

Ports. *The New Hope for Britain* commits Labour to 'establish a new National Ports Authority to take ports into public ownership and to develop a new overall strategy for these'. *Labour's Programme 1982* used the specious argument that:

'Central control over development in all ports, including those at present outside the public sector is required if the interests of the industry and the economy as a whole are to be met.'

The Labour/TUC Liaison Committee paper on Transport Policy published in 1982 stated that:

'The present National Dock Labour Scheme needs to be revised and extended so that severance arrangements are adequately funded and applied to all ports.'

This would extend the problems of London and Liverpool to other ports in the country.

(L) LIBERAL/SDP ALLIANCE POLICY

Local Transport and Buses. As former Labour Ministers in the Department of Transport, the SDP MPs, Mr William Rodgers and Mr John Horam have made clear their opposition to blanket subsidies for local transport fares, and Mr Tom Bradley, SDP transport spokesman, said during the Second Reading debate on the Transport Bill:

‘To a large extent operating subsidies must be regarded as money down the drain’ (*Hansard*, 15th November 1982, Col. 67).

However, in a press release issued on 11th March 1982, the Parliamentary Committee of the SDP, referring to the GLC's ‘Fares Fair’ experiment, stated:

‘The Parliamentary Committee believes that the lower fares introduced on 4th October were reasonable fare levels.’

The Liberals adopted a resolution at their 1980 Party Conference in Blackpool, proposed by Mr David Alton, MP for Liverpool Edge Hill, calling for the introduction of free public transport. But Mr McPherson, Chairman of the Liberal Assembly's transport panel, described the scheme as an ‘expensive red herring’ (*The Times*, 11th September 1980); and Mr Clement Freud, MP for the Isle of Ely, observed that ‘The more you think about this motion, the nuttier it becomes’ (*ibid.*).

Mr David Penhaligon, MP for Truro and party spokesman on transport, dismissed the proposal:

‘I certainly would not be prepared to stand up in the House of Commons and advocate free public transport’ (*Sun*, 12th September 1980).

Lorries. The Liberals have tried to make capital out of the issue of heavy lorries. However, such was their concern that in the debate on heavy lorries on 25th November 1982, three Liberal MPs failed to vote, including Mr David Steel, and a majority of the SDP Members abstained, including the ‘Gang of Four’. Only ten out of the 29 Social Democrat MPs voted against the Government's proposals.

12. EDUCATION

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(A) PROGRESS SINCE 1979

1. LEGISLATIVE RECORD

Three Education Acts have been passed in this Parliament. These have fulfilled most of the Conservative manifesto pledges and reversed the Socialist, centralist, approach.

The effects of these measures have not yet been fully seen. Much will depend on the efforts of local authorities, parents and other interested parties to obtain the greatest possible advantage from these important reforms. It has to be remembered that apart from legislation the Government has remarkably little direct power over education provision. Much of the improvement has to come from persuasion, since the powers of direction do not exist.

The 1979 Education Act saved the remaining maintained grammar schools by repealing the Labour Government's 1976 Education Act, which compelled local authorities to go comprehensive. Local authorities and the voluntary bodies once again have the freedom to preserve—and indeed to restore—the grammar schools.

The 1980 Education Act was a substantial legislative achievement that gave effect to the 'Parents' Charter'. In particular the Act:

- Provided for full information about schools, including examination results, to be available to parents.
- Complementing the parent's choice, placed a statutory duty upon the local education authority to meet that choice, except in well-defined cases where this is impossible.
- Gave a right to choose a school outside the area of the home local education authority.
- Provided for clearer admissions criteria to be published for the benefit of parents.
- Set up a local appeals procedure for parents not obtaining their first choice of school.
- Ensured that there is a separate governing body for each school, with certain exceptions.
- Put parents and teachers on the governing bodies of maintained schools (normally two of each).
- Introduced the new Assisted Places Scheme (see below).

The Act does not guarantee a place at the school chosen by parents. What it does achieve is a significant improvement of choice (which in many areas was previously non-existent), and an improvement in the response that local authorities make to that expression of choice.

The 1981 Education Act extended the parental rights contained in the 1980 Act to parents of handicapped children, and children with 'special educational needs' (see p. 205). It set the framework for a better and more appropriate educational provision for such children, implementing many of the Warnock Committee's 1978 recommendations.

2. THE ASSISTED PLACES SCHEME

The Assisted Places Scheme is part of the package of measures introduced under the 1980 Education Act to strengthen and extend parental choice of school; to try to meet more closely the needs of each child; and thereby to raise standards. The scheme fulfils the Conservative Party's promise to restore the old Direct Grant system (which Labour abolished in 1976) in a new and improved form.

Under the scheme, 228 fully independent secondary schools in England and Wales offer just over 5,000 places per year. To qualify for one of these places, a child must pass the entrance examination of the school that he wishes to enter; and, once he is accepted for a place, his parents are asked to pay a sum varying with their income, while the rest of the school fees are paid by central government.

The scheme is now in its second year. In the first year, 31 per cent of the total entry had a completely free place because their parents' income was below the minimum required for any payment. For the September 1982 entry, the figure was 38 per cent. Furthermore, two-thirds of this year's places went to families earning less than £150 per week. On average, the parental contribution is £285 per pupil per year; whilst the State's contribution is £1,090 per pupil per year—less than the average cost of secondary education in the maintained sector. An analysis of the backgrounds of the children in the scheme shows that many are the sons and daughters of bus drivers, coal miners, railwaymen and shop assistants. The largest single group to benefit has been children of one-parent families; and the next largest category has been those whose parents are unemployed.

3. THE RAISING OF STANDARDS

Better Staffing Standards. The pupil-teacher ratio is now better than it has ever been. Overall, in 1982 there were, on average, only 18.5 pupils per teacher, compared with 18.9 in 1979, and 22.5 in 1971. In secondary schools, where staffing levels are particularly important, the average is better still: only 16.6 pupils per teacher. As a result, the average class is smaller than it has ever been: 25.4 pupils in a primary school, and 21.3 pupils in a secondary school.

Core Curriculum. In February 1981, the Government issued a document entitled *The School Curriculum*. This document is the first of its kind: never before has full guidance been published on the school curriculum from five to sixteen. The aim of the document is to encourage every local education authority: (1) to give all primary school children an education in the basic subjects; (2) to ensure that all children are literate and numerate; and (3) to provide a proper 'core curriculum' in the secondary schools, including Mathematics, English and Science, together with a modern language where appropriate. (In 1980 National Opinion Polls questioned parents, teachers, and pupils about this issue: they were practically unanimous in support of a core curriculum.)

New Curriculum for the Least Able. The Government has allocated £2 million to fund a programme for the development of more effective and more practical education for the 40 per cent of pupils who take few, if any, public examinations.

Examinations. The public examinations system has itself been examined to ensure that existing high standards are not lowered, and to see where improvements might be made.

Soon after taking office in 1979, the Government confirmed that the GCE 'A' levels were to stay, ending speculation initiated by the previous Government that they were to be replaced by examinations of a lower standard. For the GCE 'O' levels and CSE, a full-scale exercise has been mounted between the Government, the examining boards, and the teachers, to improve and standardise the syllabuses for these examinations; to ease the problem of choice between them; and to reduce the excessive number of examining boards. This work continues, and it is too early to say whether the result will be an amalgamation of 'O' level and CSE, or whether the two examinations will continue in parallel, but improved and in greater harmony. A new Certificate of Pre-vocational Education is to be introduced for less academic pupils aged 17+. It will be set by a new board, combining existing boards in the pre-vocational field, and will give young people, who at 16 have few or no examination achievements, coherent courses preparing them for either technical, clerical or vocational training. These courses will lead to assessments of character and application as well as to externally moderated examinations where they are capable of being passed. It is intended that the new Certificate can be taken either in schools or colleges of further education.

Information about Schools. The Government has made strenuous efforts to ensure that parents are properly informed about the schools that their children are attending, or are about to attend. Under Section 8 of the 1980 Education Act, local education authorities are compelled to publish information about their admissions policies; and under subsequent regulations schools have also been compelled to make exam results available to parents.

This move towards increased openness has been carried further by the Government's decision to publish Inspectors' reports on individual schools. Announcing the decision, Sir Keith Joseph, Secretary of State for Education and Science, said:

'The current practice of issuing such [HMI] reports in confidence ... deprives parents and others of information which is of interest and concern to them.... Citizens, including parents, those who pay for the inspected institutions through rates and taxes, and others who use them should ... have the right to see these assessments. ... The Secretary of State for Wales and I have therefore decided to give public access to all reports on formal inspections which issue from January 1983 onwards' (*Hansard*, 16th November 1982, Col. 116.).

4. TECHNICAL AND VOCATIONAL TRAINING

Further Education. A modest expansion in non-advanced further education was made in the first two years of the Government, increasing the provision of vocational training for 16–19 year-olds. In 1982–3, an extra £49.5 million has been allocated to local education authorities, to enable more young people to stay at school or college after the age of 16. The Government's plans provide for additional expenditure of £74 million in 1983–4.

Microcomputers in Schools. A £9 million programme has been initiated to familiarise teachers with micro-electronics applications and to develop computer software for schools. This

programme is complemented by the Department of Industry scheme to meet half the cost of a microcomputer for those schools that have not yet acquired one.

Technical Education Initiative. Pilot schemes are being set up by the Manpower Services Commission, in co-operation with local education authorities, the Department of Education, the Department of Employment, and the Welsh Office. Under the schemes, young people will be given 4-year courses (14–18) of full-time technical, vocational and general education, including appropriate work experience, leading to recognised vocational qualifications. The costs are to be met partly by LEAs and employers, and partly by the Exchequer. Estimated Exchequer costs are £7 million for 1983–4.

17 + Certificate. A new Certificate of Pre-vocational Education is to be introduced for less academic pupils aged 17 + (see p. 201).

Adult Education. Continuing education for adults is provided by Colleges of Further Education, the Open University, and specially designed Adult Education Institutes. Courses are provided in basic Literacy and Numeracy, Arts and Crafts, Parenthood, English as a second language, and Computer Technology. The cost of the Adult Education Institutes is about £69 million in 1983–4, and total public expenditure on adult education in all its forms is estimated by the DES to be in the region of £770 million a year.

(B) SCHOOLS

1. FALLING SCHOOL ROLLS

Between 1964 and 1979, the birthrate in England declined markedly: from a peak of more than 800,000 births in 1964, it dropped to less than 550,000 in 1979. Now that these children have begun to attain school age, there has been an equivalent fall in the number of pupils at school. From 8.5 million in 1977, the maintained school population fell to 8.3 million in 1979, and to an estimated 7.6 million in 1982–3; it will continue to fall for the next few years, reaching a low of about 7 million in the late 1980s.

2. EXPENDITURE

As a result of falling school rolls, it has been possible to limit total public expenditure whilst maintaining high spending per pupil.

	1977–8	1979–80	1982–3
Total Public Expenditure on Schools	£3.99 bn.	£4.06 bn.	£7.05 bn. planned
Public Expenditure per Pupil			
(1) Primary	£375	£460	£778
(2) Secondary (11–16)	£551	£635	£1,026
(3) Sixth-form	£931	£1,045	£1,606

(All figures are for full recoupment costs, derived from Public Expenditure White Papers.)

The 1982–3 figures for spending per pupil are a record *in real terms*.

3. School Population, Expenditure and Pupil-Teacher Ratios (England only)

4. DIFFERENT TYPES OF SCHOOL

The following table shows the distribution of pupils¹ among the different types of school in England.

	1979		1982	
	Schools	Pupils	Schools	Pupils
Maintained Schools				
<i>1. County Schools</i>				
Nursery	593	31,481	582	31,326
Primary	13,863	3,247,936	13,464	2,852,874
Secondary (Total)	3,768	3,233,116	3,706	3,158,433
(a) Comprehensive	3,128	2,810,425	3,260	2,864,361
(b) Grammar	157	105,235	118	81,044
(c) Secondary Modern	428	279,234	288	184,819
(d) Technical and Other	55	38,222	40	28,209
<i>2. Voluntary-aided Schools</i>				
Primary	7,446	1,196,602	7,186	1,069,935
Secondary (Total)	926	638,920	916	639,567
(a) Comprehensive	695	517,264	757	557,274
(b) Grammar	97	57,758	67	42,900
(c) Secondary Modern	108	48,856	69	26,548
(d) Technical and Other	26	15,042	23	12,845
<i>3. Totals (County and Voluntary)</i>				
Nursery	593	31,481	582	31,326
Primary	21,309	4,444,538	20,650	3,922,809
Secondary	4,694	3,872,036	4,622	3,798,000
4. Independent Schools²				
(a) Day schools (only day pupils)	1,371	270,440	1,345	266,180
(b) Boarding schools (or Boarding and Day)	993	247,494	995	249,461
(c) Total (all independent schools)	2,364	517,934	2,340	515,641
Total Independent as percentage of school population	—	5.8	—	6.1
5. Special Schools				
Maintained	1,489	122,826	1,469	118,478
Non-maintained	110	8,453	102	7,469

	1979		1982	
	Schools	Pupils	Schools	Pupils
Total	1,599	131,279	1,571	125,947
All schools	30,559	8,997,268	29,765	8,393,723

¹Counting each part-time pupil as 0.5

²Including former direct grant schools

(Source: Department of Education and Science)

5. CONSERVATIVE ATTITUDES

School Closures. Falling school rolls (see p. 202) have meant that a large number of schools have been left with surplus places; and the Government, though willing to spend more than ever before on each pupil (see p. 202), has aimed to keep public expenditure within sensible limits by calling upon local education authorities to devise schemes for reducing the number of surplus places. In many cases, such schemes have involved school closures. (In all, some 626 schools were closed between 1st January 1979 and 31st October 1982, of which 484 were primary and 142 secondary.) Under Sections 12 and 13 of the 1980 Education Act, an LEA must submit any proposal for closing a school to the relevant Secretary of State, i.e., Secretary of State for Education (England), Secretary of State for Wales, or Secretary of State for Scotland. These proposals are examined with great care, and a decision is made on the educational merit of the individual case. Because there is so much variation between cases, no precise general principles have been formulated, but the Government is concerned to ensure that small village schools are not closed, wherever such closures can be avoided.

School Meals. Under Section 22 of the 1980 Education Act, every local education authority has a duty to provide:

- i. facilities for all children who wish to eat their own sandwiches at school;
- ii. free meals for children whose parents receive Supplementary Benefit or Family Income Supplement.

Beyond this, local authorities are free to provide whatever services they see fit; and in practice, most authorities offer meals at a low charge to all children that wish to have them. The total net cost of school meals (i.e., the total subsidy) in England in 1982 was £387 million, and the average cost per meal was roughly 50 pence.

Corporal Punishment. A number of judgments at the European Court of Human Rights (which is *not* part of the EEC) have thrown doubt upon the legal propriety of corporal punishment in schools. The Government has not yet formulated any specific policy on the issue: in answer to a Parliamentary Question, Dr. Rhodes Boyson, Parliamentary Under-Secretary of State for Education said:

‘We are still considering questions related to corporal punishment, about which we intend to consult interested parties’ (*Hansard*, 9th November 1982, Col. 115).

The Youth Service. At present the Youth Service is almost entirely voluntary, consisting of organizations such as the Scouts, the Boys Brigade, and the Youth Clubs. The DES gives small

grants to about 60 per cent of these organizations, but only to cover the cost of their Headquarters; and the LEAs, though given the power to provide aid (by Sections 41 and 53 of the 1944 Education Act), have no duty to do so. Since this situation was considered unsatisfactory by many of those concerned with the Service, the Government set up a Review Group in 1981. This Group reported in October 1982, recommending (1) legislation to strengthen the powers and duties of the LEAs; and (2) greater involvement of the LEAs in the Service. Mr William Shelton, Parliamentary Under-Secretary of State responsible for youth, circulated the recommendations amongst interested parties, and asked for their comments by 31st March 1983.

School Transport. Under Section 55 of the 1944 Education Act, local education authorities have a duty to provide such transport as they 'consider necessary'. Where this transport is in a vehicle owned or hired by the LEA, it must be without cost to the children; and where public transport is used, the LEA may give a partial subsidy. In the light of Section 39 of the 1944 Act (which concerns school attendance), most local authorities have decided that it is 'necessary' to provide entirely free transport for those children who are either under 8 years old and living more than 2 miles from school, or over 8 years old and living more than three miles from school. But it is not clear whether the local authorities have correctly interpreted the Act; nor does it seem reasonable that a given ten-year old, living 3.1 miles from school should receive entirely free transport, whilst another ten-year old—possibly from a poorer home—living 2.9 miles from school receives no assistance whatsoever. Recognizing that this situation was unsatisfactory, the Government attempted to introduce reforming legislation in 1980, which would have enabled local authorities to charge a small flat rate for all transport. The proposed legislation was, however, defeated in the House of Lords. Conservatives are, therefore, continuing to discuss ways in which the present unsatisfactory arrangements might be improved.

Religious Education. Section 25(2) of the 1944 Education Act requires that: 'Subject to the provisions of this section, religious instruction shall be given in every county school and in every voluntary school'.

By virtue of Section 26 of the 1944 Act, the religious instruction given at any county school must be in accordance with an agreed syllabus and may not be distinctive of any particular religious denomination. There are special provisions for pupils whose parents wish them to be withdrawn from such instruction and to receive alternative forms of RE. There is also provision for collective worship. Section 25(1) of the 1944 Act provides that:

'The school day in every county school and in every voluntary school shall begin with collective worship on the part of all pupils in attendance at the school, and the arrangements made therefor shall provide for a single act of worship attended by all such pupils unless, in the opinion of the local education authority or, in the case of a voluntary school, of the managers or governors thereof, the school premises are such as to make it impracticable to assemble them for that purpose.'

Parents may withdraw their children from daily worship if they so choose. In county schools the act of worship must not be distinctive of any particular religious denomination. There is no formal requirement that it should be Christian.

The Conservative Party believes that both religious education and collective worship should be retained.

Politics in School. Conservatives are increasingly concerned about political bias in schools. Speaking at Wembley on 18th June 1982, Dr Boyson said:

‘There is a new fashion in schools, sometimes called “Political Studies”, and sometimes “Peace Studies”, and no doubt many well-meaning teachers have been fooled into believing that it is peace and freedom that such studies are meant to promote.’

The Under-Fives. Following the Plowden Report (*Children and Their Primary Schools*, June 1967), it has been widely agreed that the education system should expand its provision for the under-fives. Under present economic circumstances, it has not been possible to accelerate the rate of growth achieved over the past few years; but the expansion has continued at a moderate pace. In 1950, only 11 per cent of children in England aged 3 or 4 were in any form of class; by 1970, that figure had risen to 17 per cent; in 1979, when the Conservative Government came to office, it stood at 37 per cent; and it reached 40.4 per cent by 1982—costing a total of more than £250 million. Of the under-fives being formally educated in 1982–3, roughly half (some 234,000 children) were in nursery classes, and the other half (some 203,000) were in infant classes. To this must be added the increasing scope and effectiveness of the playgroup movement which, though under the umbrella of the Department of Health and Social Security, is in many cases supported by local education authorities, who provide both spare classrooms for the playgroups and training courses for playgroup leaders in Colleges of Further Education.

Handicapped Children. The Education Act 1981 improved the position for handicapped children by:

1. Changing the definition of handicapped children to include all those who have either ‘significantly greater difficulty in learning than the majority of children’ or ‘a disability which ... prevents (them) from making use of educational facilities of a kind generally provided in schools’ (Section 1(2));
2. Requiring LEAs to make a proper assessment of the special educational needs of any handicapped child, (Sections 5–9);
3. (3) Giving parents the right to appeal against any decision by an LEA concerning the school to which a handicapped child is sent (Section 8).

The Act came fully into force on 1st January 1983.

Ethnic Minorities. The Conservative Government has revitalised Section 11 of the Local Government Act 1966, under which a local authority whose area is inhabited by a large number of immigrants can claim special grants from the Exchequer with a minimum amount of red tape. About 88 per cent of the funds granted are devoted to educational expenditure, the money being used for such purposes as the employment of local advisers and the appointment of teachers of English as a second language.

The Government also appointed Lord Swann in May 1981 as chairman of an enquiry into all educational problems arising in connection with ethnic minorities. A report is to be produced during 1983.

Independent Schools. The Conservative Party continues wholeheartedly to support the existence of independent schools. Dr Boyson has said:

‘It is fascinating that the independent schools are not attacked because of their failures but because of their success. Only 6 per cent of all school leavers come from independent schools

but 29 per cent of all school leavers with 3 or more “A” levels come from these schools’ (Brighton, 6th October 1982).

Conservative support for the independent sector has been confirmed by the introduction of the Assisted Places Scheme (see p. 200).

Voluntary Aided Schools. The Conservative Party also firmly supports the continued existence of the voluntary-aided sector (i.e., schools that are financially aided by the taxpayer and run by voluntary associations such as the Churches). Dr Boyson has said:

‘As long as these voluntary schools provide a high standard of education, which they do, and as long as parents wish to send their children to them, as they do, we shall see to it that the voluntary schools continue and prosper, in spite of the opposition to them from ... political quarters.’ (Speech at Cardinal Vaughan Memorial School, London, 21st May 1982).

Increasing Parental Power. The Government is continuing to seek new means of increasing the power of parents, and of making schools more responsive to parental demands. Amongst the measures under consideration is a voucher system of some sort. But no scheme has yet been adopted, and it is in any case recognized, as Sir Keith Joseph said in his speech to the 1982 Conservative Party Conference, that pilot projects ‘would have to be the first step’.

(C) TEACHERS

1. TEACHER SUPPLY AND DEPLOYMENT

The decline in the school population has made it possible to achieve record pupil-teacher ratios and to reduce somewhat the size of the teaching force. The following table shows the distribution and total number of teachers in England from January 1979 to January 1982:

	Jan 1979	Jan 1980	Jan 1981	Jan 1982	Change Jan 1981 to Jan 1982
<i>All teaching staff</i>					
Nursery schools	1,630	1,673	1,675	1,686	+ 11
Primary school	197,736	194,293	188,484	181,009	-7,475
Secondary school	238,527	239,011	239,027	237,328	-1,699
Not allocated	2,933	3,116	-	-	-
Total	440,825	438,091	429,184	420,023	-9,161

(Source: DES Statistics)

The Government's aim is to reduce the number of teachers gradually over the course of the next few years, so as to match the fall in the number of pupils without substantially impairing the present pupil-teacher ratio. The numbers of teachers assumed by the 1982 Public Expenditure White Paper (Cmnd. 8494) were as follows:

	1982-3	1983-4	1984-5
<i>All teaching staff</i>	405,000	390,000	380,000

2. TEACHER TRAINING

Numbers. As a result of falling school rolls and the consequent reduction in the numbers of teachers, it has become necessary to reduce the number of places in teacher-training courses. Planned admissions to such courses in England have been reduced from some 17,190 in 1981 to 13,410 in 1982 and 14,330 in 1983. The full estimated figures are as follows:

Planned Entry to Initial Teacher-Training Courses in England

	1981	1982	1983
<i>Universities</i>			
Courses for primary teachers:	530	460	590
Courses for secondary teachers:	4,800	3,900	3,960
<i>Public Sector</i>			
Courses for primary teachers:	5,060	4,900	5,730
Courses for secondary teachers:	6,800	4,150	4,050
<i>Totals</i>			
Courses for primary teachers:	5,590	5,360	6,320
Courses for secondary teachers:	11,600	8,050	8,010
All courses:	17,190	13,410	14,330

(Source: DES Statistics)

Because of these necessary reductions in the number of places, the Government decided to discontinue initial teacher training at 10 public sector institutions in England. These were:

- a. *Polytechnics:* Huddersfield, North East London, North Staffordshire, Teeside, and Thames.
- b. *Other maintained establishments:* Dorset IHE, Liverpool CHE, New College, Durham, North Cheshire College.
- c. *Voluntary college:* De La Salle College.

Quality of Teacher Training. The Government has identified various deficiencies in the present arrangements for teacher training: the academic standard is often too low; there is often too little connection between training courses and classroom practice; and there is often too little connection between the training that teachers receive and the type of teaching in which they subsequently engage. Three important steps have been taken to deal with these deficiencies:

1. To raise the academic standards of students entering teacher training, the proportion of 1-year university post-graduate courses (Post Graduate Certificate of Education) has been increased, while the proportion of 4-year B.Ed courses (particularly in institutions other than universities) has been reduced.
2. To investigate ways of bringing teacher training into closer contact with the schools, the DES has signed a contract with Professor Hirst (of the Department of Education at Cambridge University), under which he will be monitoring experimental courses for about 80 students in four teacher-training institutions. These students will be given both professional guidance by, and teaching practice under, experienced teachers at present engaged in the classroom.

3. On 21 March 1983, Sir Keith Joseph published a White Paper on Teacher Training (Cmnd. 8836). In this Paper, Sir Keith announced that, for the first time ever, the Government would use its powers to approve or reject teacher training courses, and that approval or rejection would be based upon criteria to be developed by the independent Advisory Council for the Selection and Education of Teachers (ACSET). In addition, Sir Keith suggested the form that these criteria should take: they should demand that all courses contain more practice in school and more instruction in the techniques of conveying information and keeping discipline; and they should ensure that the full four-year B.Ed course contains a proper amount of training in the academic subjects to be taught by the student (e.g., Maths or French, rather than Philosophy of Education or 'Curriculum Studies').

3. TEACHERS' SALARIES AND PENSIONS

Salaries. Teachers' salaries are usually fixed with effect from 1st April of each year. Under the Conservative Government, these salaries have increased by 8.9 per cent in 1979–80, 24 per cent in 1980–1, 7.5 per cent in 1981–2 and 6 per cent in 1982–3—the total increase from 1979 to 1983 being 53.8 per cent. Given these recent increases, the Government has assumed a rise of only 3½ per cent in 1983–4. It should be remembered, however, that many individual teachers benefit not only from these overall improvements in the salary scales, but also from the fact that they receive incremental increases during their early years on any particular scale. Thus, the salaries of teachers on the lowest scale range from £4,900 in their first year to £7,800 in the fourteenth. Further details of the salary scales that came into force on 1st April 1982 are given in the following table:

Scale 1	£4,900–£7,800
Scale 2	£5,700–£8,700
Scale 3	£7,000–£10,000
Scale 4	£8,300–£11,200
Senior Teacher	£9,000–£12,100
Deputy Head	£6,200–£15,000
Head	£8,700–£20,800

The Government is also interested in the possibility of introducing greater flexibility into the pay structure, so as to give outstanding teachers the opportunity of more rapid progress up the scales. To this end, a Salary Structure Working Party has been set up, including representatives from the DES, the teachers' unions and the LEAs.

Pensions. Teachers have a contributory pension scheme, under which they contribute 6 per cent of their annual income and receive, at the age of 60 (or later, if they retire after 60), one-eightieth of their final salary for each year served, in addition to a lump sum of three-eightieths of their final salary. There is also a substantial bonus for teachers who have served 40 years or more. Like other public service pensions, teachers' pensions are index-linked.

(D) FURTHER AND HIGHER EDUCATION

1. REDUCTIONS IN PUBLIC EXPENDITURE

In line with the Government's general plans to contain public expenditure, it was decided in 1980 to reduce direct public expenditure on higher education by roughly 8½ per cent in real terms over the three academic years 1981–2 to 1983–4. The figures here refer to such recurrent expenditure on home students as is paid directly to institutions—i.e. *not* via the student grant system. Additional savings are being achieved by charging full fees to overseas students (see p. 211).

2. UNIVERSITIES

Basic Statistics

	<i>1979–80</i>	<i>1982–3</i>
Number of Institutions (excluding Buckingham)	51	51
Number of Academic Staff	41,754	41,344
Number of Students (full-time equivalent)	c. 306,000	c. 302,000
Direct Public Expenditure (i.e., excluding student grants)	c. £850 million	c. £1,200 million

Reductions in Academic Staff. In order to meet the Government's expenditure targets, the universities have been considerably reducing the number of their academic staff; these reductions will appear in the statistics for 1983–84 and 1984–5. The principal methods of achieving the reductions have been 'natural wastage' and early retirement. (Generous provision has been made for academic staff to retire early: for example, a 55 year-old academic who had served for 30 years and had a final salary of £15,410, would immediately receive an inflation-proof pension of £7,705 and a lump sum of £23,115.)

The rates of pay for university teachers (for 1982–3) are as follows:

Assistant Lecturer/Lecturer:	£6,375–13,505
Senior Lecturer/Reader	£12,920–16,180
Professor	£16,515–19,405

Continued Support for the Universities. Indications of the Government's massive commitment to the universities include:

- a. Provision of over £1 billion a year to the university system. There was more cash going to the universities in 1981–2 than in 1980–1, and more in 1982–3 than in 1981–2.
- b. An increase in real terms in the universities' equipment grant in each of the last two academic years, by about 2 per cent between 1979–80 and 1980–1, and by about 1½ per cent between 1980–1 and 1981–2.
- c. Continued commitment to preserving university independence and autonomy through the University Grants Committee (UGC) system.
- d. Endorsement of the UGC's decisions:
 - i. to build on strengths of particular universities and departments;
 - ii. to place emphasis on sciences;
 - iii. to protect academic standards, and in particular research capability, by setting targets for student numbers.

- iv. Assistance in the universities' transition to a lower level of funding;
- v. provision of restructuring money;
- vi. agreement to guidelines for redundancy proposed by CVCP;
- vii. planned expenditure of more than £20 million to create new posts for outstanding young academics.

The Open University. This was founded in 1969, and was the first institution of its kind in the world. It has expanded year by year, and now employs some 2,000 permanent staff (including 400 full-time academics) to take care of some 63,000 students. The total grant to the OU for 1983 will have been £57 million, or £904 per student: this figure is to be compared with the £2,500 per annum that is spent per student in the normal public sector institutions, and the £4,000 that is spent per student in the universities. The only unfortunate aspect of the OU's activities has been the promulgation of social science courses that are believed by many to contain undue Left-wing bias. This problem is now firmly in hand: the OU's new Visiting Committee (appointed by the Secretary of State) is investigating the allegations, and will be reporting soon, as will the OU's own internal committee.

3. RESEARCH COUNCILS

The Government has continued to support a substantial programme of advanced research via the Research Councils. A total of almost £500 million has been spent for this purpose in 1982–3. The amount allocated to each council was as follows:

Agricultural Research Council	£43.6 million
Medical Research Council	£107.5 million
Natural Environment Research Council	£57.6 million
Science & Engineering Research Council	£234.4 million
Social Science Research Council	£20.9 million
<i>Total</i>	<i>£464 million</i>

SSRC. On taking office as Secretary of State for Education, Sir Keith Joseph asked Lord Rothschild to conduct an enquiry into the working of the Social Science Research Council. Following Lord Rothschild's report (Cmnd. 8554, May 1982), Sir Keith decided (1) to reduce the Council's budget progressively between 1983–4 and 1985–6 (reallocating the liberated funds to other Research Councils); (2) to encourage a change in the Council's method of distributing postgraduate grants; and (3) to ask the Council to consider changing its name, in order to avoid any confusion between its role and that of the Councils dealing with the Natural Sciences.

4. STUDENTS

Student Numbers. 12.9 per cent of those aged 18–20 were enrolled in higher education in 1981–2 (the last year for which statistics are available). This is a lower percentage than in some other countries. But there is no reason to suppose that this puts us at a disadvantage: it merely means that our students are better qualified for higher education, and more able to make proper use of it. As Mr William Waldegrave, Parliamentary Under-Secretary of State for Higher Education, said: 'we are, of course, more rigorous than many countries about what we allow to be called degree level work'.

Of those who had the minimum qualification of 2 'A-levels', 86.1 per cent were admitted to higher education in 1981–2.

The University Grants Committee has given the universities targets for student numbers to be achieved by 1983–4 or 1984–5. These are important both because they bring about the desired change of emphasis in favour of science-based subjects, and because they protect the capacity of the universities to undertake research and to provide teaching of high quality.

The UGC envisaged a reduction of 5 per cent in home student numbers between 1979–80 and 1984–5, made up from a fall of 8.4 per cent in arts-based students and 1 per cent in science-based and medical students. Within this, however, it allowed for an increase of 2 per cent in engineering and technology, 3 per cent in mathematics and 7 per cent in physical sciences. The overall number of places was to be maintained at 249,000.

Since the 1981 allocations, the UGC has held detailed bilateral discussions with a large number of institutions, and has allowed some modest increases in student number targets or grant, or both, in respect of a total of eighteen universities. This has included, for example, an addition of about 750 students places in science.

Student Grants. Local education authorities are required to provide grants covering both fees (c.£480 in 1982–3) and maintenance to all students taking first degree and comparable courses, and to students in teacher-training courses. (90 per cent of the cost of these grants is borne by the Exchequer.) The maximum maintenance grant varies according to whether the student lives at home or in lodgings, in or out of London, while the actual amount received by any student is determined according to a parental means test. As part of the general programme of containing public expenditure, maximum maintenance grants have not been increased in line with inflation: their real value has diminished, since 1979, by 6 per cent for students outside London and by 8 per cent for students inside London. However, the cash value of the grants has increased, as is shown in the following table.

Maximum Maintenance Grants

	<i>Students Living in London</i>	<i>Students Living outside London</i>	<i>Students Living at home</i>
1979–80	£1,485	£1,245	£985
1982–3	£1,900	£1,595	£1,225

Overseas Students. In order both to control public expenditure and to give preference to home students, the Government decided that overseas students starting new courses in 1980–1 would pay full-cost fees rather than the subsidised fees that they had previously paid. The fees set for 1983–4 are:

Universities

Arts Courses:	£2,900
Science Courses:	£3,800
Clinical Medical Courses:	£7,000

Polytechnics

Advanced Courses:	£3,180
Non-Advanced Courses:	£1,750

To help students from poor countries, the Overseas Development Agency has set up an aid programme of about £40 million a year, which covers 6,000–7,000 cases in all; and the Commonwealth Scholarship and Fellowship Fund has provided a further £10 million to help some 1,000 students from Commonwealth countries.

Student Unions. Under new arrangements introduced by the Government in 1981, student unions no longer derive their financial support automatically from the student grant; instead, they have to bargain with the departments and central authorities of their universities for a share of the total budget. As a result, the senior members of any university will have a direct interest in ensuring that the money devoted to the student unions is well spent. Moreover, the Government is making urgent enquiries into allegations of political abuse of funds by unions in some universities.

Student Loans. The Government has not at present any policy on student loans.

5. THE PUBLIC SECTOR

All institutions of further and higher education, other than the universities, are under the control of local education authorities, and are consequently referred to as the 'Public Sector'; these include Polytechnics, Colleges of Further Education, Colleges of Agriculture, and other specialized colleges. Students in these institutions are engaged in three different sorts of education:

1. *Non-Advanced Further Education* (viz. courses of A-level standard or lower).
2. *Advanced Further Education* (viz. non-degree, two-year courses such as those leading to the Higher Diplomas of the Business Education Council and the Technical Education Council).
3. *Higher Education* (viz. degree-level courses).

The distribution of students between these levels was as follows:

	1979–80	1982–3
Advanced (viz., HE + AFE)	208,000	217,500
Non-Advanced (viz., NAFE)	526,300	516,700
Total	735,100	734,200

(Source: DES Statistics)

Public expenditure on public sector higher and further education (excluding student grants) rose by more than 40 per cent *in real terms* between 1979–80 and 1982–3, and now exceeds £1.7 billion.

(E) LABOUR AND ALLIANCE POLICIES

1. LABOUR PARTY

The general lines of Labour's educational policy, set out in *Labour's Programme 1982*, are depressingly familiar. They are the furtherance of the Labour Party's aims to abolish all distinction and diversity.

Compulsion on Comprehensives

‘A Labour government will immediately introduce a ... bill to repeal the Tories' Education Act 1979 and forbid LEAs to continue secondary school selection on the basis of attainment’ (*Labour's Programme 1982*).

85 per cent of pupils at the secondary level are already in comprehensive schools. But the Labour Party is still wedded to the outdated egalitarianism that it first introduced seventeen years ago when it began to apply pressure on reluctant LEAs to abolish grammar and secondary modern schools. Such, indeed, is its doctrinaire zeal that it is undeterred by evidence about academic standards. Its insistence on complete comprehensivisation, with all the implied dislocation of pupils and teachers, comes at a time when the survey conducted by the independent National Children's Bureau (Vol. I, 1982; Vol II, 1983) suggests that pupils in comprehensive schools, on average, do no better than those in secondary modern and grammar schools.

Abolition of Independent Schools

‘We will ... introduce a second and more substantial Education Bill ... which ... would provide that schools for the primary and secondary age groups that exist wholly or partly on fees paid from private funds (other than those for the handicapped) shall be deemed not to have charitable purposes’ (*Labour's Programme 1982*).

The Labour Party has for many years entertained proposals to end the charitable status of independent schools. Its October 1974 Manifesto, for example, stated that ‘the next Labour Government will withdraw charitable status from public schools’. On the face of it, this policy is indefensible, since the schools in question are not intended to make money for their proprietors, and the provision of education at no profit to oneself is clearly a charitable enterprise. Nor have the Labour Party provided any argument to show that the purposes of independent schools are other than charitable. They merely use the removal of charitable status as a device for achieving their stated aim which is:

‘to abolish all private schooling—with the exception of special schools for the handicapped—within a period of not more than ten years’ (*Labour's Programme 1982*).

It is worth noting that no democratic country in the world has abolished private schools; and it is unlikely that such abolition would be compatible either with the UN declaration, or with the European Convention, on human rights.

Abolition of Assisted Places Scheme

‘We will introduce an Education Bill which would ... end the Assisted Places Scheme and terminate the fee remission for all pupils in assisted places at the end of the academic year in which the repealing legislation is introduced’ (*Labour's Programme 1982*).

This is a proposal to make it financially impossible for children on the Assisted Places Scheme to remain at the independent schools at which they are at present enrolled. The Labour Party thus

takes no account of the suffering and dislocation that will be inflicted on the children concerned. Once again the interests of pupils are being sacrificed to the demand of Socialist dogma.

Uniform Abolition of Corporal Punishment

‘The Labour Party believes that the time has come for the abolition of corporal punishment in all schools, and the next Labour Government will introduce legislation to bring this into effect’ (*Labour's Programme 1982*).

In contrast to the Conservative wish to leave matters of discipline in the hands of individual schools and local authorities, the Labour Party insists, here as elsewhere, upon total uniformity.

Erosion of Academic Standards in the Universities

In its policy statement, *Education After 18* (November 1982), the Labour Party has put forward proposals to abolish GCE ‘A’ levels, and to institute instead a system of ‘modular credits’. Under this new system, pupils who would be incapable of passing ‘A’ levels would be able to take up places at university merely by obtaining ‘credits’ in a sufficiently wide range of subjects studied at a fairly low level. The authors of the policy statement explicitly admit that this would ‘change the nature of some degree courses’, and would make it necessary for ‘more preparatory work ... to be done at degree level’. In other words, the academic standards of the universities would fall.

Massive Expenditure. The Labour Party's proposals to abolish distinctions and render education uniform are accompanied by a programme of massive public spending. The plan to close independent schools would, by itself, cost over £1,000 million; and to this must be added items such as the promise of a statutory right to free school transport (£150 million p.a.) and the promise of maintenance allowances for all 16 and 17 year-olds (£400 million p.a.). The total cost of the measures for education put forward in Labour's Programme has been calculated as almost £5 billion per annum.

Labour's campaign document *The New Hope for Britain*, reiterates the views put forward in *Labour's Programme 1982*.

2. SDP POLICY

In January 1983, the SDP produced a ‘White Paper’ on education, entitled *Education and Training*. This can be taken as an authoritative statement of SDP policy, since it has been approved both by the Policy Group on Education (after discussions within the party) and by the Party's Council.

Independent Schools. The White Paper is somewhat confused on this question. It is said that ‘the free society to which we as Social Democrats are committed could not take away the right of parents to pay for the education they choose for their children. We would not abolish the independent schools’. But it is also said that ‘Social Democrats believe in an “open, classless and more equal society” and we are pledged to end the class divisions of which the independent schools are part cause and part symptom’. What this means is a matter for speculation. The only firm proposal is an ending of the Assisted Places Scheme: ‘any scheme for co-operation which acts merely to cream off the ablest from the maintained sector we reject. The Assisted Places Scheme is one such example and we will end it, together with any possible extension of it by way of a voucher system’.

It should be remembered that Mrs Shirley Williams, the member of the SDP with most experience of education policy, was not on the committee that produced the policy document. Her views, which may well prove influential, are widely known:

‘The freedom to send one's children to an independent school is bought at too high a price for the rest of society.’ (*Politics is for People*, London 1982, p. 158). ‘The social case for the comprehensive school has always been unanswerable’ (*Politics is for People*, p. 156).

Further and Higher Education. The SDP wishes to reform higher education by (1) reviewing the separation of universities and polytechnics; (2) installing a system of ‘modular courses’ giving ‘credits’ that can be taken by the student from institution to institution; and (3) replacing the present, specialised three-year courses by lower level, two-year general degree courses. In further education, the White Paper proposes: (1) to expand the Government's vocational training initiative; (2) to give grants to all those over sixteen; and (3) to insist that paid educational leave be written into all contracts of employment.

3. LIBERAL POLICY

The Liberal Party issued an interim policy statement, entitled *Liberals and Education* in May 1982. This contains a number of unequivocal statements. The following are in conflict with Conservative policy.

Selection at 11

‘We are committed to comprehensive schooling and would require all local authorities still operating a selective system to submit plans for ending selection.’

Assisted Places

‘Liberals would phase out the Assisted Places Scheme.’

Independent Schools

‘We would review the Charity laws to ensure that tax concessions benefit only genuinely charitable enterprise.’

Others are in tune with action already being undertaken by the Government.

Parental Choice

‘We favour parents being free to choose a school other than the nearest, provided all those within the catchment area of a school have priority.’

Information on Schools

‘Parents should be given full information about schools. To this end, schools should publish an annual prospectus, details of curriculum, disciplinary requirements and punishment system, any costs that will have to be met by parents, examination results in the context of pupil intake, system of reporting to parents, parental access to the school, system of pupil records and access to them.’

Higher Education

‘We should shift the emphasis towards the manufacturing technologies, and management education should become a more significant part of higher education.’

It has yet to be seen whether the Liberal Party and the SDP can agree on a joint policy for education, and whether this joint policy (if it is produced) will be more explicit than the present, separate statements.

(F) THE ARTS AND THE HERITAGE

Government Support for the Arts. The Government has continued to give a high priority to expenditure on the arts. This was the view of Mr (now Sir) Kenneth Robinson, then Chairman of the Arts Council, writing in *Critical Judgments*, the Arts Council Report for 1980–1: ‘the subsidised arts are a great deal better off today than many feared they would be. The Council's grant-in-aid has by and large survived the major surgery which has had to be applied to many areas of government spending, and certainly the Council does not face the traumatic halving of resources imposed on its United States counterpart, the National Endowment for the Arts, by the new administration in Washington.’

Both Mr Norman St. John-Stevas, and his successor as Arts Minister, Mr Paul Channon, have been able to give the Arts modest increases in grant aid over successive years:

Government Support for the Arts

	£ million				
	1979–80	1980–1	1981–2	1982–3	1983–4
	£m	£m	£m	£m	£m
Arts Council	61.5	70.5	80.1	86.0	92.0
British Film Institute	4.9	5.8	6.4	7.0	7.2
Crafts Council	1.1	1.3	1.4	1.6	1.7
National Museums	33.3	43.3	46.4	49.7	53.7
Other Museums	1.4	2.9	3.4	3.9	4.3
Public Lending Right	–	0.04	0.3	0.3	2.0
British Library	32.4	35.9	38.9	42.0	45.3
Other	1.5	1.0	1.2	1.4	1.7
Total	136.1	160.7	186.2	193.5	207.9

(Derived from Office of Arts and Libraries' tables)

Supplementary Grant 1982–3 and Scrutiny. In a statement on 20th December 1982, Mr Channon announced a supplementary grant of £5 million for the Arts Council for the remainder of 1982–3. A considerable share of this money has been paid to the Royal Opera House and the Royal Shakespeare Company. Mr Channon also announced that he proposed to have a special financial scrutiny of one or more major companies. On 7th February 1983 he announced details of the proposed financial scrutiny of the Royal Opera House and the Royal Shakespeare Company.

Private Finance for the Arts. In June 1980 Mr St. John-Stevas, then Minister for the Arts, launched a campaign to encourage business involvement in, and support for, the arts. *The Arts Are Your Business*, a brief guide to prospective sponsors, was circulated to some 20,000 businesses and organisations. On 27th November 1981, Mr Channon launched a new campaign to increase businesses sponsorship with a booklet, *How to Win Sponsors and Influence People*. It is estimated that business sponsorship of the arts is now running at about £7 million a year.

Museums and Galleries. A number of major new developments have been and are being carried out, financed from a wide variety of public and private sources. The Science Museum is establishing a Museum of Photography in Bradford, with generous provision of premises and money from the City Council. The Clore Foundation is to pay for the building of a new Turner Museum next to the Tate Gallery, and major improvements are in train at the British Museum (with half the money provided from private sources), the National Gallery and the Victoria and Albert Museum. A commercial firm has adapted a building and is sponsoring an exhibition of industrial design at the Victoria and Albert Museum. The Wallace Collection has been refurbished.

The Museums and Galleries Commission has been strengthened to give more support and advice to provincial museums. It will in future take direct responsibility for financing the Area Museum Councils which provide help with conservation and other services to local museums and for which increased funds have been provided by Government. Announcing the new proposals on 9th September 1981, Mr Channon said:

‘The museums and galleries of this country are one of our proudest possessions. The Commission has done a lot of good work since it was set up more than fifty years ago. Until very recently its functions have been purely advisory and for many years its advice has been concerned primarily with the development of the national institutions. More recently it has offered advice on a wide range of issues affecting museums generally. The changes announced today mean that from April 1982 the Commission will assume further administrative responsibilities. The Commission will also further develop its relations with the Area Museum Councils and their increasingly important work in the regions.’

The Rayner Scrutiny. The Rayner Scrutiny Report on the Victoria and Albert and Science Museums was published on 27th May 1982. Following its recommendations, the National Heritage Act 1983 (see below) establishes trustee status for the two museums. The recommendations to consider closing the Museum of Childhood and to abandon the proposed Theatre Museum were rejected by the Government.

On 27th May 1982 Mr Channon announced that the Government had accepted the main recommendation of the Rayner Scrutiny Report that the Victoria and Albert Museum and the Science Museum should cease to be departmental museums. He said:

‘... the report makes a strong case for providing the Victoria and Albert Museum and the Science Museum with a high degree of independence and recommends that both Museums should cease to be departmental museums. The Government accept this recommendation and will seek an early opportunity to introduce legislation to establish separate bodies of trustees to be responsible for the management and control of each Museum. This will bring them into line with the other national museums in England and Wales. Steps will be taken to safeguard the interests of the staff concerned. ‘Secondly, the report also contains recommendations concerning the introduction of admission charges for the two Museums. The Government do not intend to impose charges for general admission to the main collections of the Museums, nor to change the

well-established practice of charging for entry to some outstations and special exhibitions' (*Hansard*, Cols. 360–1)

The National Heritage Bill 1982. The Bill establishes separate bodies of trustees to be responsible for the management and control of the Victoria and Albert Museum and the Science Museum in line with the other national museums in England and Wales as proposed by Mr Channon on 27th May 1982.

A Board of Trustees will be set up to run the Royal Botanic Gardens at Kew and Wakehurst Place (as proposed by Mr Peter Walker, Minister of Agriculture, Fisheries and Food, on 21st April 1982). The proposal has wide support among interested organisations, and will achieve a more appropriate management structure for an institution which combines the functions of curatorship, research, advice and instruction and public amenity.

The Bill also establishes the Historic Buildings and Monuments Commission for England to take over responsibility for a number of functions in the heritage field currently undertaken by the Department of the Environment, and the advisory roles currently carried out by the relevant Ancient Monuments Board and Historic Buildings Council.

The Bill does not include any provision in respect of the Royal Commission on Historical Monuments for England. Although there are advantages in bringing together all the existing major bodies into a coherent whole, there is also an advantage in having a separate and independent scholarly body carrying out an inventory function for historical monuments. The new Commission will operate in England only. When consultation was being carried out, the firm view emerged from almost everybody consulted in Scotland and Wales that circumstances were different from those in England. The Government therefore decided that management arrangements in Scotland and Wales (which are similar to those at present operating in England) should continue. It has also decided against giving the new Commission a major executive role at the Royal Palaces, both occupied and unoccupied. These Royal properties raise major security issues. The Government's view is that Ministers need to retain direct control rather than delegate responsibility to an appointed body.

Public Lending Right (PLR). The Public Lending Right Act 1979 fulfils a Conservative undertaking given to provide a right of payment to authors whose books are borrowed from public libraries. When the PLR scheme came into operation in 1981–2 a long-standing inequity in the law was corrected by creating a new right of personal property which will exist for fifty years after an author's death. The appointment of the first Registrar of PLR was announced in July 1981. Parliament has approved the PLR scheme. The first registration of author's interests started on 1st September 1982.

The British Library. This has long suffered from inadequate accommodation. It now occupies 16 different buildings in Greater London. The stock increases at the rate of just under two miles of shelf space a year. Although every effort is made by the Library to provide efficient public services to its readers, such a state of affairs imposes severe limitations. Storage conditions are extremely unsatisfactory.

In January 1971 the Conservative Government published a White Paper, *The British Library* (Cmnd. 4572), proposing the amalgamation of the British Museum Library, the National Central Library, the National Lending Library for Science and Technology and the British National Bibliography.

In the mid-1970s, difficulties arose in the way of realising a 1951 plan to build in Bloomsbury because of the amount of redevelopment and disturbance involved. In 1975, it was decided to build the new Library in Euston Road. In 1978, the Labour Government announced that work on the building would begin in 1979–80.

The Select Committee on Education, Science and Arts, in a report published in May 1980, drew attention to these problems and recommended that work begin on the first stage of the new building as soon as possible.

Re-examination of the project by the present Government has led to the first stage, as approved by the previous Government, being sub-divided into two parts. This has the effect of reducing the cost of the project in the early years and of providing extra storage accommodation which the Library so badly needs, and which allows the largest component of the first sub-stage to be made available within a shorter time than would have been the case. The first sub-stage will provide 470,000 square feet of accommodation. Work on the first stage started in 1981.

When completed, the whole scheme, which will cost £250 million–£300 million (at September 1979 prices), will provide space for storage and readers well into the 21st century. It has been approved by the Royal Fine Art Commission, who have described the design as a ‘brilliant solution to an extremely complex problem’.

National Heritage Memorial Fund. The National Heritage Act 1980 created the National Heritage Memorial Fund to assist the preservation, maintenance, and acquisition of items of outstanding importance which may be lost to the nation. The Fund in its first year made grants of over £2 million for a number of acquisitions and projects. By providing for Government insurance indemnity, the Act also enabled a number of institutions to present exhibitions to the public which might otherwise not have been possible.

The Fund made a significant contribution to the heritage in its first year. A grant of £1.5 million for repairs, together with an endowment fund, enabled the National Trust to safeguard the future of Canons Ashby, a 16th century mansion in Northamptonshire.

In both 1981–2 and 1982–3, the National Heritage Memorial Fund received a grant of £3 million. The Fund has received £20 million in total.

In 1980–1 the Fund made grants and loans amounting to just over £2 million, and in 1981–2 grants and loans totalled £4.8 million. Grants in 1982–3 amounted to £6.3 million.

13. HEALTH AND WELFARE

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(A) NATIONAL HEALTH SERVICE: CONSERVATIVE RECORD

1. DEMAND AND RESOURCES

Over the last twenty years the demands upon health care services have been steadily increasing in all EEC countries, including Britain. This is partly because new medical techniques have opened up new areas of demand, but the major cause has been the rise in the number of elderly and disabled people who are heavy users of the Health Service. For example, the number of people over retirement age in the UK increased from around 7.7 million in 1961 to 10 million in 1981 and the number of disabled people, many of whom are elderly, has also risen sharply.

Against this background the Conservative Party promised, before it came to office in 1979, to exempt certain areas from public expenditure economies. These included law and order, defence and the National Health Service. This commitment has been fulfilled despite the very difficult economic circumstances which the Government has had to face.

Expenditure on the National Health Service in Great Britain has grown as follows:

1978–9	£7,750 million
1982–3	£14,500 million (estimated)

(*Hansard*, 17th March 1983, Col. 525–6)

Mr Norman Fowler, Secretary of State for Social Services, has emphasised that the expenditure on the NHS has risen about 16 per cent faster than retail prices over the same period.

The share of GDP or national wealth devoted to the NHS has also increased from 4.7 per cent in 1978 under Labour to 5.5 per cent in 1982 (*Hansard*, 20th January 1983, WA, Col. 196, and 11th March 1983, WA, Cols. 522–6).

Expenditure in 1983–4 in Britain is expected to total £15,500 million and will represent a further improvement in real terms (*Hansard*, 17th March 1983, Col. 361). As Mr Fowler pointed out:

‘If the purpose of the Opposition, in discussing the National Health Service, is to seek to establish that the Government have cut back the Health Service, they are hopelessly mistaken. For let there be no mistake about the position. This Government is spending more—not just in

cash but in real terms—than in any year of the previous Labour Government' (*Hansard*, 6th November 1981, Col. 223).

The Conservative commitment to the National Health Service has been emphasised by the **Prime Minister**:

'The National Health Service is safe with us. As I said in the House of Commons on December 1st last: "The principle that adequate health care should be provided for all regardless of ability to pay must be the function of any arrangements for financing the National Health Service". We stand by that' (Brighton, 8th October 1982).

2. NHS STAFF

The extra resources set aside for health have been directed towards improving staff numbers and pay as well as towards capital expenditure.

The table below shows that the largest staff increase over the last three years has been among nurses and midwives.

Directly-Employed NHS staff in England

(Whole-time equivalents)

	1978	1982 (provisional)	Increase
Nurses/midwives	351,000	396,000	45,000
Medical & dental	36,000	40,000	4,000
Ancillary	172,000	170,000	-2,000
Ambulancemen	17,000	18,000	1,000
Others	184,000	202,000	18,000
All	760,000	826,000	66,000

(Source: Cmnd 8789-II, February 1983)

Over the same period nurses and midwives have had their working week reduced from 40 hours to 37½ hours, which has eased the strain on staff and has therefore been widely welcomed.

Nurses' pay has been significantly improved. Between 1978-9 and 1981-2 it rose on average by 61 per cent, compared with a rise in prices of about 52 per cent over the same period. The table below illustrates the position:

	Nurses' Pay (£ per week)					
	1978-9		1981-2		Increase	
Staff nurse	Basic Rate	Average Earnings	Basic Rate	Average Earnings	Basic Rate	Average Earnings
(min)	53.22	62.77	85.34	99.85	60%	60%
(max)	64.92	75.96	104.06	121.75	60%	60%
Ward Sister						

Nurses' Pay (£ per week)						
<i>Staff nurse</i>	<i>1978-9</i>		<i>1981-2</i>		<i>Increase</i>	
	Basic Rate	Average Earnings	Basic Rate	Average Earnings	Basic Rate	Average Earnings
(min)	66.24	75.51	107.93	123.04	63%	63%
(max)	84.94	96.83	138.37	157.74	63%	63%

(Source: DHSS)

Following the prolonged Health Service dispute in 1982 (see p. 222) the nurses accepted a 7½ per cent pay increase for 1982–3, and a 4½ per cent increase for 1983–4. However there still remained the important question of how future pay negotiations were to be managed. Before she became Prime Minister, Mrs Thatcher—referring to the nurses—had said that: ‘We must try to negotiate a no-strike agreement with those who operate these services in return for firm guarantees on pay now and in the future’ (Radio broadcast, 17th January 1979).

In announcing the settlement of the pay dispute with the professional bodies in 1982, Mr Fowler added:

‘We should remember that we are dealing here with a group of dedicated and skilled staff who do not take strike action, because of the consequences of such action on patients. The Government believe that it is time that we settled upon more satisfactory arrangements. We have, therefore, decided to propose the establishment of a review body, which will have the task of making recommendations to Government about the pay of nurses, midwives and health visitors. We propose that it should have the further remit of making recommendations about the pay of the professions allied to medicine, such as physiotherapists and radiographers’ (*Hansard*, 9th November 1982, Col. 427).

In February 1983 the Government circulated a consultative paper about the review body to interested organisations, with comments being required by 6th April 1983 so that it could be set up as soon as possible.

The pay of ancillary staff has also been protected under the Conservatives. For example, between 1978–9 and 1981–2, male ancillaries had their average earnings increased by 52 per cent (i.e., in line with prices) to £104 per week and the increases agreed for 1982–3 and 1983–4 were 6 per cent and 4½ per cent respectively.

3. CAPITAL EXPENDITURE

There was a large fall in real terms in capital expenditure under the last Labour Government: under the Conservatives this fall has been halted and much of the ground recovered.

Capital Expenditure on Hospital and Community Health Services in England

Figures at constant 1982–3 price levels

<i>Labour</i>	£m	change
1973–4	881	–35 per cent
1978–9	576	

Capital Expenditure on Hospital and Community Health Services in England

Figures at constant 1982–3 price levels

Conservative

1978–9	576	
1982–3	677	+ 18 per cent

(*Hansard*, 21st March 1983, WA, Cols. 352–3)

Hospital Provision. The planning of new hospitals has reflected demographic changes in Britain, with additional hospital services being provided in areas of population growth. At the same time, some hospitals have been closed in areas where the population has been declining, for example in Greater Manchester where between 1971 and 1981 the population fell by 4.9 per cent and Greater London, where it fell by 9.9 per cent over the same period. Hospitals may also have had to be closed where new, larger hospitals make existing ones uneconomical, or where patients suffering from mental handicap or mental illness are transferred out of hospitals and into the community.

More important, however, than the actual number of hospitals is the number of patients receiving hospital treatment in any one year. This indicates how well (or how badly) the National Health Service is serving the nation. In 1981, more people were treated in NHS hospitals than in any year of Labour government or, indeed, any year since the National Health Service was founded (see p. 222).

4. REDUCTION OF BUREAUCRACY

The Government has reduced the excessive number of Departmental circulars and other health communications issued by Labour Ministers; these were more than halved from 880 in 1978–9 to 363 in 1981–2 (*Hansard*, 30th November 1982, WA, Cols. 132–3).

Administration has also been simplified, as had been recommended by the Royal Commission on the Health Service, whose report (Cmnd. 7615) was published in July 1979.

The main tiers of administration in England used to be the Department of Health and Social Security, 14 Regional Health Authorities, 90 Area Health Authorities and 199 health districts. In 1980 the Government announced that:

- a. Regional Health Authorities would be retained for strategic purposes.
- b. The Area Health Authority tier of administration would be removed.
- c. New District Health Authorities would be created, with responsibility for the main functions currently carried out by the area and district tiers (*Hansard*, 23rd July 1980. Cols. 505–509).

These changes were provided for in the Health Services Act 1980 and, from April 1982, the old Area Health Authorities and health districts were replaced by a single structure of 192 District Health Authorities. It is estimated that the savings in management costs will prove to be around £30 million a year (*Hansard*, 18th February 1982, Col. 425).

The Government has retained the Community Health Councils which, under the new regulations, retain the same right to be consulted about substantial developments in health services (including hospital closures) as they had before the recent reorganisation. The longer-term future of

Community Health Councils is the subject of a review (*Hansard*, 26th January 1982, WA, Col. 336).

The administrative changes set out above affect England only. This is because the administrative systems of health care are different in other parts of the UK, and no major reforms were needed except in England.

5. PUTTING PATIENTS FIRST

Numbers Receiving Treatment. As Mr Fowler has emphasised:

‘As far as the Health Service is concerned, perhaps the most significant indicator of all is the number of patients being treated’ (*Hansard*, 17th March 1983, Col. 355).

The number has risen in England as follows:

	<i>Inpatients and Day Cases</i>	<i>Outpatients and Accident and Emergency Attendances</i>	<i>Total</i>
Labour 1978	5,932,000	47,310,000	53,242,000
Conservative 1981	6,474,000	48,879,000	55,353,000
<i>Increase</i>	542,000	1,569,000	2,111,000

The length of stay in hospitals has fallen over the same period from 9.4 days to 8.6 days for the average acute patient; and from 80.5 days to 67.3 days for the geriatric and younger disabled patients (Cmnd 8789—II February 1983).

NHS Dispute 1982. In April 1982 industrial action was started in the NHS in support of a claim by the unions for a 12 per cent pay increase as well as improvements in hours and conditions of work, equivalent in total to a 20 per cent pay increase.

The unions' actions caused considerable hardship to patients in many hospitals before the dispute was ended in November 1982. The final pay settlements for 1982–3 ranged from 6 per cent to 7½ per cent (see p. 220–1).

Many instances of sheer callousness emerged during the dispute. At King's Mill Hospital near Mansfield a three-year-old boy was given a preliminary anaesthetic for an operation, but porters refused to wheel him to the theatre and the operation had to be postponed. At the Royal United Hospital in Bath there was a significant increase in the number of cases, particularly those involving gynaecological problems, which were returning as genuine emergencies after earlier treatment had been postponed. At Broadgreen Hospital in Liverpool a porters' shop steward crossed out five operations which he did not consider life saving. At the Royal Victoria Hospital in Bournemouth an operation was denied to a woman patient with cancer. In many hospitals patients were forced to sleep in paper sheets and paper nightgowns because hospital supplies had been picketed even in cases of incontinence (Sources: *Hansard*, 20th October 1982, Col 379; *Daily Telegraph*, 6th August 1982; *Guardian*, 28th May 1982; and *Times*, 26th June 1982).

Despite such hardships, Mr Albert Spanswick, General Secretary of the Confederation of Health Service Employees, said that he was 'delighted and overwhelmed' with the response to the first of the 24-hour NHS strikes (*Times*, 20th May 1982).

The toll taken by the dispute steadily mounted and, in October, the Government estimated that in England alone more than 130,000 operations and over 120,000 out-patient appointments had been cancelled, and that waiting lists had grown by 140,000 (*Hansard*, 20th October 1982, Col. 379).

The reversal of the trend towards much smaller waiting lists was particularly disappointing. The number of patients on hospital waiting lists in England had fallen from an all-time peak of 752,000 under Labour in March 1979 to 622,000 by March 1982, but most of this improvement was effectively wiped out by the dispute (*Hansard*, 21st January 1982, WA, Col. 171, and 21st March 1983, WA, Col. 350).

Royal College of Nursing. However, one important and hopeful sign was the number of NHS staff who refused to take part in the dispute. In particular, the Royal College of Nursing, to which about half of all nurses belonged, remained true to its established principles and rejected all forms of strike action. Mr Fowler emphasised that:

'The real heroes of this dispute are the thousands of men and women in the health service who continue to care for patients. The medical staff, the nurses, the managers and all the others who have kept the service going—often doing other jobs in addition to their own—are the people to whom first and foremost the public would want to pay tribute' (Brighton, 6th October 1982).

Labour's attitude was very different from that of the Labour Government in early 1979 when there was a similar pay dispute in the NHS. Mr James Callaghan, then Prime Minister, had clearly stated:

'It is not acceptable in any community that sick human beings, be they adults or children, should be denied good and proper attention forbidden them by the actions of people' (*Hansard*, 1st February 1979, Col. 1667).

Yet when the Labour front-bench were invited to issue similar condemnations of the strike action in 1982, there was no response. Instead of condemning strike action, as their predecessors did in 1979, Mr Foot and Mrs Dunwoody (Labour spokesman on Health) remained silent.

Patients' Rights. In recent years there has been growing interest in the rights of patients and in the complaints procedures which are open to them. In 1982 the National Consumer Council published *Patients' Rights*, a comprehensive guide to the rights and responsibilities of patients and doctors in the NHS.

Actions already taken by the Conservative Government include:

- a. New guidance for health authorities for the better handling of complaints;
- b. Provision for the independent review of clinical complaints (as the Health Service Commissioner's jurisdiction excludes clinical judgement, this measure filled an important gap);
- c. Publication of a short, explanatory leaflet for the general public about these procedures (DHSS Press Release, 19th January 1983).

Over the years there have been a number of incidents where the medical defence organisations have not advised their members to co-operate in enquiries which health authorities wished to set up. Mr Kenneth Clarke, Minister for Health, has emphasised:

‘This is a situation which is in nobody's interests. The health service faces obstruction from its employees. The doctors face public criticism for their attitude, and may feel there is a witch-hunt against them. The patient or relative is caught in a public controversy to add to the harm or distress he has already suffered’ (ibid., 19th January 1983).

Consultations are to be held with the medical profession on new procedures which the Government has proposed for remedying this situation. These procedures include thorough internal investigations of untoward incidents, with the more complex cases being looked at by outside assessors. In rare cases there would be a formal independent enquiry, headed by an experienced lawyer with formal hearings.

Mental Health. In the field of mental care, the protection of patients has been significantly improved by the Mental Health (Amendment) Act 1982. This updates the Mental Health Act 1959 with regard to a small minority of just over 7,000 patients who are detained in hospitals under the 1959 Act (compared with about 130,000 patients who have been admitted informally as voluntary patients).

Mr Fowler explained that the new legislation:

‘will seek to remove the uncertainties of the law, clarify the position of staff who care for detained patients and improve and add to the safeguards of those patients. The Bill will halve the time before a patient's detention in hospital or period under guardianship has to be reviewed by a mental health review tribunal’ (*Hansard*, 6th November 1981, Col. 221).

The new Act also establishes a Mental Health Commission with a general protective function for detained patients.

(B) FINANCING THE NATIONAL HEALTH SERVICE

The National Health Service is financed almost entirely by central government, as the table below illustrates:

	<i>Percentage</i>
Exchequer contributions	88.5
National Insurance (NHS element) contribution	8.8
Patient payments	2.7
Total	100.0

(Source: Office of Health Economics; 1980 provisional figures)

In contrast, other EEC countries generally finance their health services not out of central government funds but rather by compulsory health insurance. For example, in France, some 70 per cent of the population are required to join the general scheme (*régime général*), but there are

also special schemes for miners, agricultural workers, seamen and others, so that in all 99 per cent of the population is covered by insurance. In the Netherlands, 73 per cent of the population are compelled to join insurance schemes; in West Germany 93 per cent and in Belgium 99 per cent (Source: *The Organisation, Financing and Cost of Health Care in the European Community*, by Abel-Smith & Maynard, Social Policy Studies No. 36, Brussels 1978).

The *advantages* of compulsory health insurance are that the population is fully protected against illness; private or charitable hospitals can be financed by recovering payments through the insurance companies; and hospitals actually compete for patients and therefore give them the priority they deserve.

The *disadvantages* are that costs are extremely difficult to control because (unlike the British system) no cash limits can be imposed. As a result health costs have tended to rise faster in other EEC countries than in Britain, and this has caused grave financial problems. Furthermore, a large public sector is still required to fill the gaps which cannot be met by the private or charitable hospitals and which are to be found in the fields of mental health, maternity and geriatric care, and in remote country areas.

In 1981, the Government set up a working party to study aspects of health financing in other countries and those options which would improve health care in Britain. The Government subsequently concluded that the overseas systems of compulsory health insurance were unsuitable for this country, Mr Kenneth Clarke confirmed in 1982 that:

‘We have already made clear that we do not plan to alter the way the NHS is financed, which is mainly from taxation’ (Worcester, 26th November 1982).

Privatisation of Services. The use of private contractors in the National Health Service has been traditional under governments of both Parties, and has been a useful element in allowing some hospitals to maintain standards whilst at the same time reducing costs. This has enabled more money to be spent on nursing staff, medical equipment and other forms of direct patient care.

Out of the 90 Area Health Authorities in England in 1981–2, 24 used private contractors for some of their catering and 88 for some of their domestic cleaning. The total value of these contracted-out services in 1981–2, including laundry, was £17 million (*Hansard*, 16th November 1982, WA, Cols. 131–2, and 17th February 1983, Col. 484).

Two factors discouraged private contractors. First, Health Authorities were under no obligation to invite tenders from outside contractors and thus see if they could provide the services cheaper; and, second, health authorities were exempt from VAT if they employed their own staff but not if they employed outside contractors. This often made it financially unattractive to employ outside contractors. The Government has, therefore, issued a draft circular which would require health authorities to test the cost-effectiveness of their domestic cleaning, catering and laundry services by putting them out to tender, and has announced that VAT would be refunded to health authorities where services are contracted out (*Hansard*, 17th February 1983, Col. 484).

The savings could be considerable. The domestic cleaning, catering and laundry services cost the Health Service almost £800 million a year and Mr Fowler has stressed that: ‘health authorities will be able to use all savings achieved in this way for extra patient services’ (*ibid.*)

It may also be that, as in local government, the very act of going out to tender will result in the trade unions accepting a proper review of in-house services and agreeing to cost reductions which would otherwise never have been achieved.

NHS Charges. In 1976, the Conservative policy document, *The Right Approach*, stated with regard to the National Health Service:

‘when the service is short of funds for priority tasks, there is no case for holding down prescription and other charges’.

In July 1979 the prescription charge, which had remained unchanged at 20p per item since April 1971 was raised to 45p per item. It was subsequently raised by stages to £1.40 per item in April 1983. Retirement pensioners, children under 11, those on low incomes and a number of other groups continue to be totally exempt from paying prescription charges. This means that about six out of every ten people obtaining medicine on prescription pay no charge at all.

Revenue from prescription, dental and optical charges is expected to provide the NHS in England with £340 million in 1983–4. This is an important source of income, equivalent to building some ten hospitals every year costing £34 million each.

During the last General Election campaign, Labour attempted to frighten sick people into voting for them by alleging that Conservatives would make them pay for visiting their family doctor or going into hospital. Mrs Thatcher repudiated these smears at the time and subsequently reaffirmed:

‘I happen to hold very strong views on certain things such as charges for staying in hospitals and for visits to doctors. I gave specific pledges during the election about them. Those charges will not be introduced’ (*Hansard*, 22nd January 1980, Col. 195).

Ironically the Socialist Government in France is planning to bring in charges for hospital patients. By following a programme of financial irresponsibility, very similar to that now proposed by Labour, the Socialist Government brought about a major economic crisis and this in turn forced it to introduce legislation empowering it to charge a 20 francs (about £2) daily subsistence charge for hospital patients.

NHS Pay-beds. The 1979 Conservative Manifesto promised to allow pay-beds to be provided where there was a demand for them, and this has been done (see p. 227). The revenue from pay-beds in 1981–2 in England was estimated at £52.5 million and provided the NHS with a useful source of income. (*Hansard*, 28th July 1982, WA, Col. 558).

Overseas Visitors. The system of charges for hospital patients who are visitors from abroad has always operated in a rather haphazard fashion, and the Government has introduced a more sensible system.

In October 1982 a new standard procedure was brought in for checking the eligibility of all new hospital patients, which is expected to raise an extra £6 million a year for patient care. Members of other EEC countries will normally be exempt from these charges, as will visitors from countries which have reciprocal arrangements with Britain and overseas students who have been in Britain for more than a year.

(C) PRIVATE MEDICINE

When the National Health Service was created in 1948, it was widely assumed that the private medical sector would wither away. It was asserted that competition between a health service that was free and a health service that charged a full market price would invariably favour the former.

In fact the reverse has occurred. As living standards have risen so the public has become more willing to join private medical schemes.

The **Prime Minister** has emphasised that:

‘People are paying for the NHS whether they use it or not. The more people are prepared to look after their own wants, the fewer demands you have on the state, and the more resources you have, *by definition*, to look after those who need it. The poor, the elderly, the disabled and those who wish to make use of it’ (*Sunday Times*, 27th February 1983).

Conservatives have reversed Labour's vendetta against the private sector. The Health Services Act 1980 repealed Labour legislation designed to phase out NHS pay-beds, and allows them to be provided where there is a demand for them; eased restrictions imposed by Labour on the development of private hospitals; and abolished the Health Services Board set up to administer these policies.

The 1979 Conservative Manifesto promised to restore income tax relief on employer-employee medical insurance schemes, which the previous Labour Government had abolished. This commitment has been fulfilled: from 1982–3, tax relief has been restored and applied, as previously, to all those with earnings of up to £8,500 a year. This will be of particular help to trade unionists, many of whom have negotiated private health agreements with their employers. Mr Patrick Jenkin, then Secretary of State for Social Services, also emphasised the advantages for the state sector:

‘If private insurance and private care can relieve the NHS of some part of acute in-patient care, that leaves more resources for the NHS to spend on those who do not have private care, which includes the Cinderella services for the elderly and handicapped’ (*Hansard*, 3rd February 1981, Col. 138).

The number of people insured with the three major provident associations has grown considerably in the last few years. The total, including dependants, rose from 2.5 million in March 1979 to 4.2 million by the end of 1982 (*Source*: Lee Donaldson Associates, Consultants to the DHSS, and *Hansard*, 2nd March 1983, WA, Cols. 158–9). Many trade unionists are either members of the provident associations (some 350,000 are estimated to belong to BUPA), or of the Industrial Orthopaedic Society which runs its own hospital, Manor House, in London.

The Conservative Government wishes to develop a partnership between the state and private sectors, which Mrs Barbara Castle and Dr David Owen, Secretary of State for Social Services and Minister for Health respectively in the last Labour Government, deliberately tried to destroy when they were in office.

Mr Fowler has outlined the Conservative strategy:

‘what Britain needs in the 1980s is a developing partnership between all those involved in the provision of care whether in the public sector or the private. ... This vital principle of partnership in care underlies the approach of this Government, an approach which meets the needs of the 1980s and an approach which combines economic realism with commonsense’ (*Guardian*, 14th February 1983).

Already the private sector cares for a number of NHS patients. In 1981–2 expenditure by health authorities on contractual arrangements with private hospitals and nursing homes for the care and treatment of NHS patients totalled £30.9 million, and 2,743 beds were occupied at the end of the year under such arrangements (*Hansard*, 21st February 1983, WA, Col. 362). The common use or leasing of equipment by both sectors, and the money being injected into Tadworth Court hospital for sick children from private sources, also indicate how this partnership can sensibly be developed.

(D) PERSONAL SOCIAL SERVICES AND VOLUNTARY EFFORT

1. PERSONAL SOCIAL SERVICES

The personal social services run by local authorities include provision for children in care, but are mainly concerned with services for the disabled. These include provision of residential homes; meals-on-wheels; home helps and day care facilities.

Contrary to the allegation frequently made by the Labour Party, and even by those who work in social service departments, these services have not been cut and, indeed, have been expanded.

Gross expenditure on the personal social services in England and Wales has risen as follows:

	<i>£m</i>
1978–9	1,460
1979–80	1,773
1980–1	2,161
1981–2	2,412

(*Source*: Chartered Institute of Public Finance and Accountancy)

This overall increase of 65 per cent between 1978–9 and 1981–2 compares with a rise in prices over the same period of about 52 per cent. The extra expenditure has resulted in an improvement in services as well as in salaries and means, for example, that more disabled people can now be looked after in their own homes:

Personal Social Services (England)		
	1978	1981
Day nursery places	29,100	30,200
Day-care places for elderly and disabled and mentally ill (including training centres)	84,800	93,500

**Personal Social Services
(England)**

Home helps (whole-time equivalents)	44,700	46,500
Main meals served	41,075,000	41,437,000

(Cmnd. 8789—II, February 1983).

Only in residential accommodation has there been an actual overall reduction and this is because more children in care are being boarded out with foster parents rather than being kept in residential institutions.

Joint Finance. The purpose of joint finance is to find money from within the NHS, which can then be switched to the local government personal social services, thereby enabling patients to be moved from hospitals into the community.

In *Care in the Community*, a consultative document issued by the DHSS in July 1981, it was estimated that 15,000 mentally handicapped people in hospital, and up to 5,000 mentally ill patients, could be discharged into the community if the necessary services were available. In July 1982 the Government announced improvements in joint finance arrangements which included the maximum period for joint finance available to local authorities being increased from seven to thirteen years (*Hansard*, 28th July 1982, WA, Cols. 559–560). The amount set aside for joint finance has been raised from £34.5 million in 1978–9 under Labour to £96 million in 1983–4, representing an increase in real terms of 51 per cent. (*Hansard*, Standing Committee B, 3rd March 1983, Col. 67).

2. VOLUNTARY EFFORT

Lord Beveridge is commonly remembered for his famous war-time report on the social services, but what is frequently forgotten or overlooked is his strong belief in voluntary work.

His report entitled *Voluntary Action: A Report on Methods of Social Advance* (Allen and Unwin, 1948) was, in his own words, the ‘appropriate sequel and completion’ of his earlier work, and in it he noted that:

‘The state is or can be the master of money, but in a free society it can be master of very little else. The making of a good society depends not on the state but on the citizens, acting individually or in free association with one another, acting on motives of various kinds. ... The happiness or unhappiness of the society in which we live depends upon ourselves as citizens, not on the instrument of political power which we call the state’.

Today it is not always appreciated that the amount of effort by the voluntary sector in the personal social services is actually greater than that provided by local government. The Wolfenden Report of 1977 on voluntary organisations concluded that:

‘whether measured by man-hours or by expenditure, in the fields with which we are concerned, the voluntary sector is much smaller than the statutory, except in the personal social services where, taking the efforts of voluntary and paid workers together, the input of the voluntary sector is greater’.

The Government has taken a number of tax measures, worth over £30 million, to help the voluntary sector. These include:

- reducing the minimum period for covenants from seven to four years so that they can be adjusted more quickly to inflation;
- allowing gifts to charities to be free from Capital Transfer Tax (under Labour there was a limit of £100,000);
- introducing tax relief for donors at rates above the basic income tax rate, thus making covenants more attractive to higher-rate taxpayers.

In addition, the DHSS doubled its grants to voluntary organisations—under Section 64 of the 1968 Health Services and Public Health Act—from £4.4 million in 1978–9 under Labour to £8.9 million in 1981–2 (*Hansard*, 11th May 1982, Col. 522).

Measures have also been taken to encourage the unemployed to do voluntary work. Previously, an unemployed person who was committed to a charitable project could be deemed ‘unavailable for work’ and lose his entitlement to unemployment benefit or supplementary benefit. Under the new rules he continues to receive benefit even if he cannot respond immediately to a job offer (Mr Fowler, Statement, 8th February 1982).

Other measures have been taken by the Department of Employment and the Manpower Services Commission, which make it easier for the unemployed to do voluntary work (see Chapter 5, p. 81).

(D) LABOUR AND ALLIANCE POLICIES

1. LABOUR PARTY

Labour's Plan (March 1983) promises to increase the NHS budget in real terms by at least 3 per cent per annum and to remove private practice from the NHS. However, the Labour Party Conference in 1982 had gone much further in voting to abolish private medicine altogether and, as this was carried by a two-thirds majority, it is also official Labour policy. If implemented, this could mean doctors being fined or sent to prison for helping people outside the NHS; deny freedom of choice to individuals, including trade unionists; would deprive the NHS of £52.5 million a year from NHS paybeds; and result in former private patients transferring to the NHS and thus aggravating NHS waiting lists.

Other proposals include the phasing-out of prescription and other NHS charges—a promise made and broken repeatedly in the past—and using the report of the Committee under Sir Douglas Black *Inequalities in Health* (DHSS 1980) as a basis for future Labour policy (*Guardian* 30th August 1980). The latter was commissioned by the last Labour Government and put forward a vast expenditure programme of £2,000 million a year to ‘reduce class inequalities’.

Labour's policy has failed to convince even their own supporters. Following a conference held by the Labour Party on the NHS, even *Labour Weekly* was forced to conclude that:

‘the whole thing floated some feet off the ground. ... It's certainly good to know what the goals are. But a little greater emphasis on how they are going to be achieved might have helped avoid that sagging, cynical feeling at the end of the day’ (24th October 1980).

2. ALLIANCE PARTIES

The Liberal Party set out its policies in *The Liberal Programme* (1982) and the SDP in its policy document, *Health and Associated Social Services*.

The broad position appears to be that the new administrative structure would be retained, with some strengthening of community health councils. The Liberals go slightly further in promising to devolve more power to Regional Health Authorities, whilst the SDP appear opposed to any general upheaval in the near future. Both parties have some vague ideas about Regional Governments, with the NHS being devolved to them, but these are difficult to take seriously.

The Liberals promise to increase real expenditure on health, as do the SDP, although it is noteworthy that the SDP makes 'no promises about funding the health service it cannot deliver' before proposing an extraordinary figure of 100,000 extra part-time jobs in social services and an Employment and Innovation Fund for the social services costing £400 million–£500 million a year.

Both parties are clearly uneasy about how to respond to the demand for private medicine. The SDP concludes that a ban would be neither right nor possible, an attitude apparently shared by the Liberals, but both parties seem likely to impose new restrictions on the private sector, and the Liberals would abolish tax relief for employer/employee medical schemes.

14. SOCIAL SECURITY

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(A) CHANGES IN BENEFITS

Despite growing pressures on the social security budget from demographic and unemployment trends, and from the world recession, the Conservative Government has:

- Improved the real value of retirement pensions and widows pensions.
- Raised the attendance allowance and the mobility allowance for the disabled and handicapped by more than the rise in prices.
- Increased total social security expenditure on the long-term sick and disabled by 9 per cent in real terms.
- Improved supplementary benefits for the poor so that these benefits are now worth more than under Labour.

People dependent on the social services are among those who stand to gain most from the success of the Government's economic strategy, since a sustained improvement in the social services depends upon a more productive and healthier economy.

Mr Norman Fowler, Secretary of State for Social Services, has emphasised that:

'Good intentions and rhetoric are not enough ... unless we can achieve industrial recovery we will not create the wealth that is necessary to put into effect our plans and aspirations' (*Hansard*, 11th March 1982, Col. 987).

Social security benefits are normally raised every November and the table below shows the increases between 1978 and 1982.

Pensions and Other Main Benefits

	<i>(Weekly Rates)</i>				
	Nov. 1978	Nov. 1979	Nov. 1980	Nov. 1981	Nov. 1982
	£	£	£	£	£
<i>Retirement* and Widow's Pension</i>					
Single	19.50	23.30	27.15	29.60	32.85
Married couple	31.20	37.30	43.35	47.35	52.55
<i>Invalidity Pension</i>					

Pensions and Other Main Benefits

(Weekly Rates)

	Nov. 1978	Nov. 1979	Nov. 1980	Nov. 1981	Nov. 1982
	£	£	£	£	£
Single	19.50	23.30	26.00	28.35	31.45
Married couple	31.20	37.30	41.60	45.35	50.30
<i>Unemployment and Sickness Benefit</i> [†]					
Single	15.75	18.50	20.65	22.50	25.00
Married couple	25.50	29.95	33.40	36.40	40.45
<i>Child Benefit (per child)</i>	4.00	4.00	4.75	5.25	5.85

(Apr. 1979)

* If a pensioner is aged 80 or over, an age addition of 25p is also paid; if both husband and wife are 80 or over, 50p is paid.

[†] Assumes recipients are under pensionable age.

The benefit increases in November 1983 will be announced in June for reasons explained on p. 236).

The social security programme will cost an estimated £34,400 million in 1983–4, about half of which will be spent on retirement pensioners. The other main groups include the disabled, the unemployed, one-parent families and others on low incomes. As in the NHS, demographic changes (i.e., more elderly and disabled people), as well as the increase in unemployment, have meant that extra resources have been needed simply to meet these extra needs.

Social Security Economies in the UK and other Countries. Social security expenditure amounts to about one-quarter of all public spending, and any attempt to control the growth of public expenditure must therefore include this programme.

In Britain there have been three main economies:

(1) *The earnings link.* The rule whereby pensions and certain other benefits were raised annually in line with the increase in prices or earnings, whichever was more favourable, has been amended so that only the prices link remains. In practice, the change is not so important as it sounds, because Labour repeatedly broke the earnings link when they were in office (see p. 235). The formal removal of the earnings link was therefore a realistic and honest measure.

(2) *The 5 per cent abatement.* The Government exercised its powers under the Social Security (No. 2) Act 1980 to raise unemployment benefit, sickness benefit, maternity allowances, injury benefit and invalidity pensions by 5 percentage points less than the rate of inflation. These benefits, unlike the retirement pension or the widow's pension, were non-taxable, which gave their recipients a special advantage.

Subsequently, the Government promised to restore the 5 per cent abatement in unemployment benefit, which was brought into tax in July 1982. The **Chancellor** said in his 1983 Budget statement that:

'It is right now to redeem that pledge. In the uprating that takes place in November this year, the abatement of unemployment benefit will be restored in full' (*Hansard*, 15th March 1983, Col. 138).

The Government also promised to restore the abatement in invalidity pensions when these are also brought into tax in the future (*Hansard*, 10th March 1981, Col. 770).

(3) *Earnings-related supplements*. The earnings-related additions to unemployment benefit, sickness benefit, maternity allowance, injury benefit and widow's benefit—originally introduced by Labour under the National Insurance Act 1966—have been abolished. The net saving was around £300 million (*Hansard*, 1st April 1980, WA, Cols. 139–140).

It should be noted that other countries have had to face similar difficulties. Mr Terry Bamford, now Chairman of the British Association of Social Workers, wrote:

'Anyone who thinks that cuts in public spending, hostility to social workers and reductions in the level of social security benefits can be attributed entirely to the evils of the Thatcher government would have had a rude awakening at the recent meeting of social workers from the nine EEC countries which took place in Belgium. For with grim regularity, delegation after delegation reported similar patterns of governmental response to the worsening economic situation' (*Social Work Today*, 16th December 1980).

In late 1982, the Socialist Government in France was forced to propose economies in social services amounting to 6 billion to 10 billion francs, equivalent to around £600 million to £1,000 million (*Le Monde*, 1st October 1982). Family allowances were raised by 7.5 per cent in January 1983 compared with a rise in consumer prices over the previous twelve months of 9.6 per cent; the ceiling on unemployment benefit is being brought down from 90 per cent of average earnings to 80 per cent; higher rate unemployment benefit is to be payable for only six months instead of a year; suspensions of unemployment benefit for voluntary resignation has been extended from six weeks to three months; and new hospital charges for patients are expected to bring in 2 billion francs (see also Chapter 13, p. 226). At the same time, the French Government has increased expenditure by reducing the normal retirement age from 65 to 60, but this will require heavy extra taxation of employers and is expected to put more firms out of business and thus aggravate France's economic difficulties.

France is not alone. In 1981 Mr Patrick Jenkin, then Secretary of State for Social Services, pointed out:

'Germany and the Netherlands have trimmed their uprating provisions. Denmark has done the same and has also cut back on family allowances. Canada has reduced the level of income replacement for illness, injury and pregnancy' (*Hansard*, 3rd February 1981, Col. 169).

(B) THE ELDERLY

Some 10 million people in the UK are over retirement age, and they account for about half of total social security expenditure.

Under the Conservatives the retirement pension has risen as follows:

	<i>£ per week</i>	
	Nov. 1978	Nov. 1982
Single	19.50	32.85
Married	31.20	52.55

This increase of 68 per cent compares with an increase in prices over the same period of 61 per cent. Thus, retirement pensions are higher in real value than when Labour were in office.

Inflation and Pensioners. Inflation is the greatest enemy of the retired because it erodes the value of their savings and any fixed income (e.g.) a small fixed occupational pension) they may have. Under Labour, pensioners saw the value of their savings gravely undermined by rising prices. Mr Fowler pointed out that between 1974 and 1979:

‘inflation went up by 110 per cent. Pensioners with savings of, say, £5,000, saw the real value of those savings halved under the Labour Government’ (*Hansard*, 8th November 1982, Cols. 333–4).

The Government's economic strategy therefore continues to be directed towards reducing the rate of inflation, a process from which pensioners especially stand to gain. Indeed, pensioners have long recognised that their interests are best safeguarded by the Conservatives. This is why, in recent General Elections, more of them have voted Conservative than for any other political party (*Political Attitudes and Ageing in Britain*, Age Concern, 1981).

Christmas Bonus. The £10 Christmas Bonus has been paid each year under the Conservative Government, and will be paid again in 1983. In contrast, Labour did not pay the Christmas Bonus in 1975 or 1976 and Mr Joel Barnett, then Labour's Chief Secretary to the Treasury, has revealed that in 1978 it had to be almost forced on DHSS Ministers: ‘The Christmas Bonus was a very low priority for both David Ennals and Stan Orme, and it had to be almost forced on them’ (*Inside the Treasury*, André Deutsch, 1982).

Heating Additions. The heating additions paid to people on supplementary benefit have been increased substantially since 1978, with the two higher rates being consolidated into one. They will be increased again in November 1983.

	<i>£ per week</i>				
	Nov. 1978	Nov. 1979	Nov. 1980	Nov. 1981	Nov. 1982
Basic rate	0.85	0.95	1.40	1.65	1.90
Higher rate	1.70 or 2.55	1.90 or 2.85	3.40	4.05	4.65

Furthermore, since November 1980 the basic heating addition has been paid automatically to householders aged 70 or over who receive supplementary benefit. Overall, the Conservative Government is providing more help with heating costs than was given by the last Labour Government, both in cash terms and in real terms.

The table below shows expenditure in Britain on help with heating costs under Labour and under the Conservatives. This includes supplementary benefit heating additions; extra help towards heating costs through Family Income Supplement; and expenditure through the Electricity Discount Scheme (in 1978–9) which was discontinued by the present Government:

Expenditure on Heating Costs

	Current Prices	Constant 1982–3 Prices
	£m	£m
1978–9 (Labour)	125	201
1982–3 (Conservative)	325	325

(*Hansard*, 16th April 1981, WA, Col. 289; 31st January 1983, WA, Col. 27; and 11th March 1983, WA, Col. 526)

Retirement Policy. The cost of reducing the retirement age for men to 60 and paying them full pensions would be around £2,500 million, even assuming that half the jobs vacated were filled by people from the unemployment register (Official Evidence to the Select Committee on Social Services, 11th November 1981). The Government has recommended instead, in the White Paper *Growing Older* (Cmnd. 8173, March 1981), that a flexible retirement system should be introduced for both men and women between the ages of 60 and 70:

‘At whatever “normal point” was chosen, men and women would have the choice of taking their full pension and continuing to work full-time or part-time with no earnings rule; of deferring their pension to earn a higher one when they wished to retire; or of giving up work altogether. Men and women who wished to retire before that age could do so on a reduced pension’.

Evidence to the Select Committee from interested organisations strongly supported the principle of flexible retirement. ‘Age Concern’, the largest voluntary organisation representing the elderly, has agreed that flexibility between 60 and 70 is desirable; and the CBI has undertaken to develop its own proposals for flexible or phased retirement.

Earnings Rule. This sets out the rate of reduction in the retirement pension which occurs if a pensioner goes out to work. Currently, he can earn £57 a week without loss of pension; for every £1 of earnings above £57 per week he (or she) loses 50p of his pension; and for every £1 of earnings above £61 per week he loses £1 of his pension. This discourages people who wish to work after retirement age.

The earnings rule limit has been raised from £45 per week in November 1978 to £57 per week at present. The White Paper *Growing Older* reaffirmed the Government's commitment to eventual abolition.

Occupational Pensions and Tax Credits. The Social Security Pensions Act 1975 provided for a second pension for all employed persons related to their previous earnings. This was on top of the basic retirement pension, and employees have had to join either a contracted-out private pension scheme or join the state second pension scheme.

The Act represented a compromise between the Parties, and Conservatives have kept their pledge to accept it in Government. However, the new scheme does not help poor pensioners who retired before it had begun and it will not be until 1998 that the first full pension will be paid.

A Tax Credit Scheme, which would replace personal tax allowances with the equivalent tax credit (or negative income tax), would be of special help to poor pensioners whose income is so low that they currently pay no tax at all. Furthermore, hundreds of thousands of pensioners

would be lifted out of supplementary benefit entirely. The White Paper *Growing Older* emphasised that:

‘Greater help for elderly people was an aim of the tax credit proposals in a Green Paper published in 1972. In such a scheme all income would be taxed but tax credits—replacing personal allowances—would be set against tax liabilities, and if the credit were greater than the tax due, the difference would be paid to the taxpayer. The Government wishes to move towards the fulfilment of its tax credit objectives as and when resources become available’.

Methods of Calculating Pension Increases

(1) *The Link to Average Earnings*. Under the last Conservative Government, the Social Security Act 1973 was passed to ensure that pensions and other social security benefits were raised each year at least in line with prices. When Labour came into office they introduced further legislation, the National Insurance Act 1974, which linked pensions and other long-term benefits to the movement of prices or earnings, whichever was more favourable.

In practice, the earnings link was too expensive for any government to sustain, and Labour was driven to some strange measures in order to get round it. For example, in 1976 pensions were raised by less than the increase in prices or earnings (see below); in November 1977 the earnings link did not apply, as prices rose faster than earnings, but in November 1978 Labour gave a pension increase of 11.4 per cent, although earnings rose by 13.3 per cent. In March 1979, Labour proposed a pension increase of 12.8 per cent at a time when earnings were rising by about 15 per cent (*Hansard*, 28th March 1979, Col. 482).

The then Labour Secretary of State for Social Services, Mr David Ennals, made the surprising admission that the earnings link was not necessarily enforceable in a court of law. When tackled about the 1978 pensions deficiency, he replied cynically that:

‘There is a statutory obligation to take these figures (i.e., earnings) into account, which was done, but no statutory obligation to get it right’ (*Pensioners Voice*, January 1979).

The abolition of the earnings link under the Social Security (No 2) Act 1980 was therefore a sensible and overdue measure. Mr Patrick Jenkin, then Secretary of State for Social Services, emphasised that:

‘The Bill contains a guarantee for pensioners against rising prices. My right hon friends and I have repeatedly committed ourselves to ensure that pensioners share in rising prosperity ... this is a more realistic, a more honest and, above all, a more sustainable prospectus’ (*Hansard*, 20th December 1979, Col. 903).

(2) *Changes in the Basis of Calculation*. Up to 1976, increases in benefits were based on the *historic* or actual rise in prices or earnings that existed at the time of the uprating announcement. In March 1976, when the uprating for the following November was announced, this would have meant an increase in all benefits of 21.2 per cent to match the then rate of inflation. (Pensions and other long-term benefits, as explained earlier, were linked to the annual rise in prices or earnings; but earnings were rising by the lesser figure of 19.4 per cent, so the increase in prices was the one that would have counted.)

In the event, Mrs Castle dispensed with the historic method of calculation and increased pensions by 15 per cent. This was done by switching to a *forecast* method, based on the estimated rise in

prices or earnings in the year to November. This meant that pensioners and others received £500 million less than under the old system, a loss equivalent to about £1,000 million at current prices (*Hansard*, 8th November 1982, Col. 400).

The forecast method had a further disadvantage. It was usually wrong. Even when the forecast was restricted to prices (the earnings link was abolished after 1979, as explained earlier), it proved to be 1 per cent too high in 1980, 2 per cent too low in 1981 and 2.7 per cent too high in 1982. This created great confusion.

The Government has therefore announced that it will revert to the historic method of calculation and legislation has been introduced to put this into effect. In 1983, benefit increases will be announced in June (based on the annual rise in prices in May) and will be put into effect in November.

In practice, the amount of the pension increase in November 1983 will be little affected by the change. Under the historic method the increase is expected to be about 4 per cent; under the forecast method it would have been in line with the expected rate of inflation in November *minus* the 2.7 per cent 'overshoot' in November 1982, when prices rose more slowly than expected and pensioners gained by that amount.

Mr Fowler has pointed out:

'If we take an illustrative assumption of 4.25 per cent annual inflation in May, that would mean in aggregate that pensions will have increased by 75 per cent under the Government, compared with an expected rise in prices between November 1978 and November 1983 of about 70 per cent' (*Hansard*, 17th March 1983, Col. 358).

(C) THE DISABLED

The Conservative Government has paid special attention to the needs of disabled people since returning to office. Total social security expenditure on the disabled increased by over 9 per cent in real terms between 1978-9 and 1981-2, as the table below illustrates:

	<i>£ million</i>	
	Cash	Constant 1981-2 Prices
1978-9	£1,730	£2,600
1981-2	£2,840	£2,840

(*Hansard*, 15th February 1983, WA, Col. 119).

The **attendance allowance**, paid to 440,000 disabled people, has been increased by 68 per cent between November 1978 and November 1982 (from £15.60 to £26.25 at the higher rate) compared with a price rise of 61 per cent.

The **mobility allowance** has been increased over the same four-year period from £10 per week to £18.30 per week, an increase of 83 per cent, much higher than the rise in prices. Furthermore, in 1982 the Chancellor exempted the mobility allowance from tax, which helped some 40,000 recipients and was of particular assistance to disabled people who go out to work and thus have other taxable income.

Invalidity Pensions. The Government has raised invalidity pensions by 5 percentage points less than prices. The invalidity pension is at present non-taxable, unlike the retirement pension, and the Chancellor has confirmed that when it is brought into tax this deduction will be restored (*Hansard*, 10th March 1981, Col. 770).

Income Support. The aim of the Conservative Party, as set out in the 1979 Election Manifesto is:

‘To provide a coherent system of cash benefits, to meet the costs of disability, so that more disabled people can support themselves and live normal lives. We shall work towards this as swiftly as the strength of the economy allows’.

Taxation. In his 1981 Budget, the Chancellor doubled the tax allowance for the blind from £180 to £360; zero-rated VAT car adaptations for disabled drivers; and relaxed the conditions under which trusts for the disabled can obtain capital gains tax exemption.

Housing. The White Paper, *Growing Older*, drew particular attention to the housing needs of the elderly disabled, and many government departments made a special effort to assist in 1981 as part of their contribution to the International Year of Disabled People. For example, the Department of the Environment made clear that the special needs of the disabled should continue to receive major priority in public sector housing investment; extended the priority rates and higher eligible expense limits in home improvement grants needed to make dwellings suitable for occupation by disabled people; and enabled severely disabled people on low incomes to benefit from higher rates of grant under the homes insulation scheme (*Hansard*, 18th January 1982, WA, Col. 24).

Education. The Education Act 1981 updated the law with regard to the needs of handicapped children and their parents.

Employment. Under the Companies Act 1980, company policy towards the employment of disabled people must be set out each year in the directors' report.

Access. The Government gave practical help and encouragement to a Private Member's Bill, introduced by Mr Dafydd Wigley, MP for Caernarvon, now the Disabled Persons Act 1981. The Act requires greater attention to be given by planning and other authorities to access by disabled people to buildings, as well as making a number of other improvements.

The Government's Approach. The Minister for Social Security (with special responsibility for the disabled), Mr Hugh Rossi, has emphasised that Government policy:

‘has no truck with discrimination, but concentrates on the promotion and integration of disabled people. That approach acknowledges that serious problems still exist and that, while public awareness of the problem is increasing, there is still much to be done through education and persuasion so that people may be judged by their abilities, rather than by their disabilities. ‘I believe that our approach builds on the fundamental goals of the IYDP (International Year of Disabled People), which were to promote integration and participation. That has been, and will continue to be, the cornerstone of Government policy’ (*Hansard*, 11th February 1983, Col. 1281).

(D) SUPPLEMENTARY BENEFITS

Supplementary benefits are often referred to as a 'safety net', because they provide a minimum level of income for some six million people, including dependants.

Most of the unemployed rely on supplementary benefits rather than unemployment benefit. This applies particularly to school-leavers, who have normally not paid National Insurance contributions, as well as to the long-term unemployed who rely on supplementary benefits when their unemployment benefit ceases after a year.

The two other main groups depending on supplementary benefits are pensioners and one-parent families.

Under the Conservatives the main supplementary benefit rates have been raised as follows:

	<i>£ per week</i>		
	Nov. 1978	Nov. 1982	% increase
<i>Ordinary Rate</i>			
Single	15.55	25.70	65
Married	25.25	41.70	65
<i>Long-term Rate</i>			
Single	19.90	32.70	64
Married	31.55	52.30	66

Mr Tony Newton, Parliamentary Under-Secretary of State for Health and Social Security, has confirmed that:

'Between the November 1978 uprating and the most recent uprating in November 1982 the main supplementary benefit scale rates increased by about 65 per cent., while the retail prices index increased by 61 per cent. There has therefore been an increase in the real value of the supplementary benefit rates since this Government took office' (*Hansard*, 21st February 1983, WA, Cols. 351-2).

In November 1983 supplementary benefits will be increased again. Because the basis on which the benefit increases will be calculated has been changed to the historic method, the announcement will not be made until June (see p. 236).

Adult Rates. There are two adult rates of supplementary benefits, the long-term, or higher rate, and the ordinary or lower rate. The difference between the two is substantial, with the long-term rate for a married couple being £10 per week higher than the ordinary rate, and being paid mainly to pensioners.

Improvements made by the Government in 1980 ensure that the disabled and single-parent families can claim the long-term rate after being only one year on the ordinary rate, instead of having to wait two years as they did under Labour. From November 1983, invalidity pensioners over 60 will be able to claim the long-term rate immediately.

The unemployed are not eligible for the long-term rate of supplementary benefit, and to allow them to claim it after one year would cost an extra £325 million annually (*Hansard*, 10th December 1982, WA Col. 639).

Child Rates. In 1980, the Supplementary Benefits Commission commented that ‘all the available evidence shows that it is claimants with children who have the hardest time’ (Cmnd. 8033, September 1980). The Government has responded to this argument, unlike the previous Labour administration, and the rates of supplementary benefit for children have been consolidated into two and substantially increased:

	<i>£ per week</i>				
	Nov. 1978	Nov. 1979	Nov. 1980	Nov. 1981	Nov. 1982
Age					
0–5	4.40	5.20	7.30	7.90	8.75
5–10	5.30	6.25			
11–12	6.55	7.70	10.90	11.90	13.15
13–15	7.95	9.35			

The Supplementary Benefits Commission commented: ‘We are encouraged by the degree to which the Government's priorities match our own’ (ibid.). A publication by the Child Poverty Action Group, while calling for further improvements, confirmed that:

‘The supplementary benefit rates have been adjusted to reflect more adequately the needs of children ... the rates for children aged under five and aged 11 or 12 showed a considerable and welcome improvement’ (*Children and Poverty*, David Piachaud, CPAG, December 1981).

Administrative Reforms. In the Social Security Act 1980 the Government took a number of measures to simplify the supplementary benefits administration. These included:

- A reduction in the huge number of discretionary payments which had made the system more complicated.
- A limit on the amount of capital (to be raised to £3,000 in November 1983 plus £1,500 for life assurance policies) which a person can have and still be eligible for supplementary benefit. This replaced a complicated, sliding scale arrangement.
- The abolition of the Supplementary Benefits Commission and its replacement by the Social Security Advisory Committee, which advises the Government on all social security measures, including National Insurance benefits.

Heating Additions. People receiving supplementary benefit can claim heating additions, which have been substantially improved since 1979 (see p. 234). Furthermore, since November 1980 the basic heating addition has been paid automatically to supplementary benefit recipients with a child under 5 or where the householder is a pensioner aged 70 or over.

(E) FAMILY POLICY

The 1979 Conservative Manifesto placed emphasis on helping the family, and Mrs Thatcher has affirmed that:

‘... not only is the family the most important means through which we show our care for others. It's the place where each generation learns its responsibilities towards the rest of society’ (London, 19th January 1981).

Under the Conservative Government the family has been strengthened in a number of ways:

- Parents have been granted greater statutory rights in their choice of schools, and the right to representation on school governing bodies,
- Families in council houses have been given the right to buy their own houses and so acquire a major asset to leave their children. The **Prime Minister** has commented that:

‘This is the largest transfer of assets from the State to the family in British history and it was done by a Conservative Government’ (Brighton, 8th October 1982).

- The fostering of children in care, rather than placing them in institutions, has been encouraged,
- The Criminal Justice Act 1982 ensures that parents are held clearly responsible for the delinquent behaviour of their children up to the age of 17.
- A review of conciliation services has been set up with a view to easing the problems of divorce for children and reducing conflict between parents.

The Government has also published a Green Paper, *The Taxation of Husband and Wife* (Cmnd. 8093, December 1980), which examines the way in which the income tax system penalises mothers who stay at home to look after their children, and how this can be put right. In 1983–4 a family with both parents in work receives tax allowances worth £4,580; whilst a family where the mother stays at home to look after her children receives tax allowances worth only £2,795.

Family Care for the Disabled. In his speech to the Conservative Party Conference in 1980, Mr Jenkin, underlined that:

‘More elderly people are being looked after by their families than at any time in our history, and it is right to remind ourselves of that. ... It simply is not fair to accuse the modern family, as some do, of shuffling off its responsibilities onto the state’ (Brighton, 8th October 1980).

In particular, he drew attention to the fact that of some 700,000 elderly people suffering from dementia, only 13,500 were being cared for in hospital. The vast majority were being looked after by their families.

The Government has relieved some of the pressure on families by improving social security benefits for the disabled, thus easing financial difficulties, and by presiding over a substantial increase in services offered to families by the personal social services and voluntary effort (see Chapter 13, p. 228–9).

A recent DHSS report has called for greater recognition of the burden on the family and has emphasised the importance of the statutory services becoming more family-orientated. For example, some local authorities take elderly or mentally handicapped people into residential accommodation for short spells so that their families can be given a break and take a short holiday. Such measures can make all the difference to people's decisions on whether or not they can continue to look after relatives (*Report of a Study on Community Care*, 1981).

Social Security. The Government has paid special attention to social security improvements for families:

- The supplementary benefit rates for children under 5 has been doubled.

- The basic heating addition is now paid automatically to households on supplementary benefit with a child under 5.
- Single parents are eligible for the long-term rate of supplementary benefit after one year instead of two.
- Single parents now have more than half their earnings up to £20 per week disregarded for supplementary benefit purposes. This has enabled more single parents to take up part-time work and rely less on the State.
- The one-parent benefit (paid for the first child of single parents on top of child benefit) will have been more than doubled from £2 per week when the Conservatives returned to office to £4.05 in November 1983, which will be ahead of the expected increase in prices.
- The maternity grant was made non-contributory in 1982, and is paid annually to some 60,000 mothers who would otherwise not receive it.

Child Benefit. In the late 1970s, family allowances and child tax allowances were gradually replaced by Child Benefit, a cash benefit that is normally paid to the mother. It represented the first stage of the Tax Credit Scheme. In April 1979 the phasing-in of Child Benefit (then £4 per week per child) was completed.

Child Benefit helps significantly towards family finance although, of course, it falls short of the full cost of a child. It was estimated that the *minimum* cost of raising a child in 1980 was £7.90 per week for a child aged 2, increasing to £10.80 for a child aged 8 (*The Cost of a Child* by David Piachaud, Child Poverty Action Group).

Sir Geoffrey Howe has emphasised the importance of Child Benefit to the low-paid:

‘[Child Benefit] plays a major part in easing the unemployment trap, and so in our strategy of improving incentives for everyone. It is important for families, and particularly for the low-paid. Indeed it is the benefit which provides the greatest help to many of the poorest families in the country’ (*Hansard*, 15th March 1983, Col. 144).

At present, one of the main reasons why some people are better off out of work is that child support is smaller for employed families than for unemployed families. An increase in child benefit helps to remedy this situation because employed families gain from the increase but not unemployed families (for whom an increase in child benefit is matched by a decrease in their supplementary benefit, leaving their net income unchanged).

Child Benefit will have been raised by stages from £4 per week in April 1979 to £6.50 in November 1983, an increase of over 62 per cent and one that matches the expected increase in prices over the same period. Child support will therefore have been fully protected under the Conservative Government, and the yearly average will have been higher in real terms than under the previous Labour Government.

(F) OTHER ISSUES

New Sick Pay Scheme. In 1980 the Government published proposals for making employers rather than the State liable for income during the early weeks of sickness. These proposals were embodied in the Social Security and Housing Benefits Act 1982 and came into effect in April 1983. As a result:

- a. Employees receive a statutory minimum income from their employers for the first eight weeks of sickness.
- b. Employers can deduct from their National Insurance contributions the amounts of statutory sick pay that they have made.

The advantages of the scheme include ending the nonsense whereby the existing State scheme ran in parallel with private sick pay schemes. Some 80 per cent of employees were already covered by private sick pay arrangements with their employers and this duplication involved unnecessary extra administrative work. The change will cut the number of civil servants by 3,000.

Furthermore, the scheme will take the State out of business which employers can do perfectly well. As Mr Fowler said:

‘I do not think that any reasonable person would continue to claim in the 1980s that all welfare provision should come from the State. We must realise that conditions have changed, and the Bill recognises that fact’ (*Hansard*, 23rd November 1981, Col. 648).

Housing Benefits. There used to be two methods by which assistance was given with housing costs (i.e., rent and rates): one for people dependent on supplementary benefits, administered by supplementary benefit offices; the second for other people with low incomes, and administered by local authorities.

Under the Social Security and Housing Benefits Act 1982 responsibility for housing needs has been withdrawn from the supplementary benefits system and placed entirely on the shoulders of local authorities, thereby producing a simpler system and saving 700–800 staff overall. All those receiving supplementary benefit for their non-housing needs will continue to have their rent and rates met in full under the new system.

The supplementary benefit rates were increased in November 1982, in line with the expected increase in the general level of prices after excluding housing costs. In this way double-counting was avoided. The scale rates were thus raised by 10.6 per cent in November 1982, compared with 11 per cent for most other benefits.

Taxation and the Unemployed. The 1979 Conservative Manifesto proposed that unemployment benefit should be brought into tax, and this took effect from July 1982. At the same time supplementary benefits for the unemployed were also brought into tax except where such payments were for housing needs, children or special requirements (see p. 232).

Clearly it was unfair that a man with an earned income of £4,000 per annum should pay more tax than another man also with an annual income of £4,000 which came partly from earnings and partly from unemployment benefit. This disparity has now been ended.

Social Security Abuse. A major drive against fraud and abuse has been initiated by the Government. Extra staff have been taken on, totalling 900 by 1981–2, and these alone saved £45 million in that year. The total saving in that year from measures taken against fraud and abuse amounted to no less than £217 million (*Hansard*, 22nd November 1982, WA, Col. 381).

Strikers' Benefits. The 1979 Conservative Manifesto stated:

‘Strikes are too often a weapon of first rather than last resort. One cause is the financial treatment of strikers and their families. In reviewing the position, therefore, we shall ensure that unions bear their fair share of the cost of supporting those of their members who are on strike.’

Strikers themselves are ineligible for benefit, and payment is normally made only where there is a dependent wife or child. As a result, only a minority of strikers drew supplementary benefit. Nevertheless, there was growing public concern about subsidising strikes out of taxpayers' money; and under the Social Security (No. 2) Act 1980 all strikers are deemed to be receiving strike pay of £12 per week and their supplementary benefit entitlement has been reduced by that amount.

Children are largely protected because child benefit is paid automatically to all mothers, irrespective of whether the father is on strike.

Occupational Pensions and Unemployment Benefit. In order to save public expenditure the Government introduced measures, from April 1981, whereby unemployment benefit for men aged 60 or over has been reduced by 10p for every 10p of occupational pension above £35 per week. This is estimated to save £25 million p.a. (*Hansard*, 15th April 1980, Col. 1047).

Benefits for widows and war widows, and equality in social security are discussed in Chapter 18.

(G) LABOUR AND ALLIANCE POLICIES

1. LABOUR PARTY

The Labour Party's proposals, set out in its campaign document *The New Hope for Britain* (March 1983), are so profligate with taxpayers' money that it is difficult to know how seriously to take them.

There appears to be no benefit for which they do not propose a major increase. For example, the maternity grant would be raised from £25 to £100; the death grant increased from £30 to £200 and the Christmas Bonus doubled to £20; child benefit would be raised by £2 per week at an annual cost of £1100 million; the unemployed would be given the long-term rate of supplementary benefit and the earnings link for pensions would be restored, although Labour broke it when they were in office (see p. 235). In addition, Labour had promised to ‘make progress’ towards a common retirement age of 60 and to move towards a new, comprehensive disablement income.

The problem of sensibly assessing these and previous commitments was explained by Mr Fowler:

‘It is simply no good the Opposition declaring, as appears to be their policy, that they would increase spending on health and social security by anything between £10 billion and £20 billion. That would have intolerable implications for taxation, inflation and for the economy as a whole’ (*Hansard*, 8th November 1982, Col. 326).

There is, of course, no explanation as to why Labour promise now what they were unable to do in Government, and how they can find an extra £10 billion–£20 billion a year. Even Mrs Molly Meacher, author and wife of a leading Bennite Labour MP, has written:

‘A major concern ... must be the failure to cost adequately or to make a priority of the social programme. What chance is there that the most important and often the most expensive ingredients of the strategy will be implemented by an incoming Labour Government?’ (*Tribune*, 16th July 1982).

2. THE ALLIANCE PARTIES

The SDP has veered between sensible policies, which Conservatives have implemented, and those which are ill-considered.

For example, in February 1983, Mr Roy Jenkins produced an economic package on behalf of the Alliance which, in the social security area, called for an increase in child benefit to £6.50 and abolition of the earnings rule for pensioners. In fact child benefit is being raised to £6.50 in November 1983 and Conservatives are also committed to the abolition of the earnings rule.

An example of an ill-thought out policy was the SDP's Green Paper *Attacking Poverty* (November 1982), which claimed in a covering press release, to ‘eliminate the poverty trap’. The proposal was for the introduction of a new means-tested benefit, to replace some of the existing ones. Unfortunately, any family with children which drew the new benefit would face an effective marginal tax rate of 84 per cent and, because the new benefit would be available to all families where a father with two children was earning up to £200 per week, many more people would be drawn into the poverty trap than at present.

The Child Poverty Action Group rightly condemned the SDP plan, and commented that it would ‘make current poverty trap problems pale into insignificance’ (*The Democrat*, 25th February 1983).

The Liberal Party is committed to ‘a comprehensive tax credit scheme which will unify and simplify the taxation and social security systems’ (*The Liberal Programme 1982*).

15. HOUSING

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(A) INTRODUCTION

On coming into office, the present Conservative Government was faced with the problem both of improving and adding to Britain's existing housing stock, and of dealing with people's changing expectations in housing—a matter which had been totally ignored by the Labour Government.

More people than ever before look forward to owning their own homes, especially the young. Owner-occupiers now account for about 59 per cent of all households in England and Wales. *The General Household Survey 1978* showed that owner-occupation was the first preference of 75 per cent of the whole population, and about 90 per cent of those under 45. In the rented market, many people, especially the young and single, would like to rent privately, but there is a chronic shortage of privately rented accommodation. In the public sector, people are no longer prepared to take the first local authority dwelling they are offered. This is one of the factors giving rise to 'difficult-to-let' housing, in which category there are now 290,000 dwellings, or six per cent of the total local authority housing stock (see p. 251).

Conservatives aim to improve the quality of our stock and widen the area of choice in housing. The Labour Party, on the other hand, is committed to restricting freedom of choice and perpetuating an economic and social division between the owner-occupier and the council tenant. Mr Roy Hattersley, then Opposition spokesman on the Environment, explained at a Labour Conference on Housing:

'What we want to see is two housing sectors, the public generally to rent, the private generally to buy' (London, 24th November 1979).

(B) LABOUR'S LEGACY

The five years of Labour government, February 1974–May 1979, were characterised by broken pledges and unattained targets. Labour's February 1974 Manifesto, for example, promised to 'reverse the serious fall in the housing programme'. The reality was a dramatic fall in housebuilding. The private sector, in particular, suffered severely from a shortage of development land

resulting from the Community Land Act; the high rates of Development Land Tax; and the ever-present threat of nationalisation.

The effects of Labour's economic policies were felt in the construction industry. As Mr John Stanley, Minister of Housing, said:

‘One thing was certain—the economy we inherited was set on a course that was firmly downhill. If we had been content to go further down the slope of too much government borrowing, too much taxation and too great an increase in the money supply, the result could only have been a further decline in the strength of the economy from which the construction industry could not have escaped’ (London, 5th July 1979).

Improvement Grants. Despite the inadequacy of much of our housing stock, improvement grants under Labour fell to less than half the number granted under the previous Conservative Government; instead the Labour Government preferred to spend money on wasteful land acquisition and municipalisation policies. Improvement Grants approved fell from peaks of 225,800 in 1972 and 279,200 in 1973, to just over 121,000 in 1976, and 113,200 in 1977 (see also p. 255).

Higher Prices and Fewer Mortgages. For first-time buyers prospects worsened under the Labour Government. Average house prices rose by 31 per cent (40 per cent in Greater London) in the year ending June 1979 (*Source*: Nationwide Building Society Bulletin, August 1979).

At the same time mortgages were harder to get under Labour. Local authority lending for house purchase was cut back from £516 million in 1973–4 to £115 million in 1977–8 (1979 Public Expenditure White Paper, 1978 Survey Prices). In March 1978, the Labour Government limited building society lending as well.

Less Freedom of Choice. Labour's 1974 Rent Act extended security of tenure to tenants in furnished accommodation and brought about a dramatic reduction in the supply of private accommodation for rent. Between 1974 and 1979 about 410,000 private dwellings ceased to be available for rent. Yet there is overwhelming evidence of need, especially among young people, for privately rented accommodation: Britain has one of the lowest percentages of privately rented accommodation in Europe.

Tenure of Dwellings

Country	Owner Occupied	Privately Rented	Public Rented	Other Rented
EEC	49	N/A	N/A	51
Belgium	59	36	5	–
Denmark	52	30	18	–
France	50	N/A	N/A	50
Ireland	75	N/A	N/A	25
Italy	56	N/A	N/A	44
Luxembourg	59	39	2	–
Netherlands	40	25	35	–
UK	54	13	33	–
West Germany	39	43	18	–

N/A = not available

Tenure of Dwellings

Country Owner Occupied Privately Rented Public Rented Other Rented

(Source: *Nationwide Building Society Bulletin*, August 1979).

(C) THE CONSERVATIVE APPROACH

Widening Areas of Choice. The Government has widened areas of choice in housing by giving council tenants the right to buy their own homes and by bringing in measures to revive the privately rented sector. Local authorities have been given powers, and are being encouraged, to promote low-cost home ownership.

Getting Value for Money. Local authorities are also being encouraged to get better value for money from their housing allocations, for instance by encouraging land release to private builders; by building low cost homes for sale; by selling council houses; and by improving run-down property for sale with the aid of an exchequer grant.

Making Better Use of Existing Resources. Unlike the Labour Government, which was content to see dwellings in both the public and private sectors alike empty or unimproved, the Conservative Government is stressing the need to get dwellings held empty in both these sectors back into use.

Concentrating Resources on Cases of Need. Under the new finance system (see Chapter 16, p. 265), capital allocations for housing are to be concentrated on areas of greatest housing need. Several measures taken by the Government have been designed to encourage local authorities to concentrate resources on priority cases, in particular the elderly and disabled.

(D) HOME OWNERSHIP

1. INCREASING HOME OWNERSHIP

Between May 1979 and the end of 1982, the number of owner-occupied dwellings in Great Britain increased by about one million. The present Parliament is certain to see one of the largest increases in owner-occupation in any Parliament since 1945. Owner-occupation passed the 60 per cent mark in Wales in 1981 and is expected to do the same in England in 1983.

There were, however, in 1981 still 55 local authorities—8 London boroughs, 15 metropolitan districts, 18 English non-metropolitan districts, 1 Welsh district, and 13 Scottish districts—where council housing accounted for over 40 per cent of housing stock.

2. SALE OF COUNCIL HOUSES AND FLATS

Under the Housing Act 1980 and the Tenants Rights, etc. (Scotland) Act 1980, tenants of local authorities, new towns, and non-charitable housing associations have been given the right to buy their houses or flats, and the right to a mortgage from their landlord or, in the case of housing associations, from the Housing Corporation. If tenants are unable to afford to buy outright, they will, on payment of £100, have the right to a two-year option to buy at the original price. Local authorities have been given wider powers to sell their houses and flats at their own discretion.

The sale of council houses is central to the Government's policy of widening ownership. As Mr Stanley said at the Conservative Party Conference on 5th October 1982:

‘... no other single policy of our Government is bringing about a more profound, a more immediate and a more beneficial impact on the lives of hundreds of thousands of families in this country than the right to buy. And don't let anyone underestimate, either, the scale of the social revolution that is now taking place, or the determination of the Government to carry it further.’

In the first three years of this Government more public sector dwellings passed into private ownership than in the entire period since 1945. It is estimated that by the end of September 1982 the number of council, new town and housing association dwellings sold in Great Britain since the last General Election had reached 430,000, including 225,000 right-to-buy sales. The figure now is likely to be around 500,000. Progress with the right to buy has been achieved in the face of determined opposition and obstruction from many Labour councils. These have refused to supply tenants with right-to-buy application forms; refused to carry out repairs to the homes of those in the process of buying; imposed unreasonable covenants on sales; and circulated incorrect information about the level of service charges.

As a result of the Government's use of powers of statutory intervention, obstruction by Labour councils has been steadily worn down. As Mr Stanley said:

‘In case anyone doubts the progress that we are making in the Labour areas, I should like to tell the conference that there are now 28 councils which have completed the sale of more than 1,000 houses under the right to buy. There are now eight Labour councils which have completed more than 2,000 right-to-buy sales. And there are now two Labour councils which have completed more than 3,000 right-to-buy sales. So we are delivering in the Labour areas, and we intend to go on doing so’ (Brighton, 5th October 1982).

Further action is being taken by Mr Stanley to deal with recalcitrant Labour councils. The following authorities are under formal warning that the Secretary of State for the Environment is contemplating use of his powers of intervention under S.23 of the Housing Act 1980: Ashfield, Barking and Dagenham, Bassetlaw, Brent, Gateshead, Greater London Council, Greenwich, Hackney, Islington, Lambeth, Leicester, Lewisham, Newham, St Helens, Sheffield, Southwark, Stockton-on-Tees, Thamesdown, and Wolverhampton (*Hansard*, 26th January 1983, Col. 887).

Housing and Building Control Bill 1982. This Bill, which applies to England and Wales only, was given a Second Reading on 23rd November 1982. It extends the right to buy to public sector tenants in leasehold dwellings; gives all tenants the right to buy on shared ownership terms (see p. 248); gives tenants the right to make repairs; and also makes far-reaching changes in the building control system (see p. 257).

Leasehold Homes. 50,000 local authority, new town and housing association tenants whose landlord does not own the freehold of their homes, but who otherwise qualify under the existing right-to-buy rules introduced by the Housing Act 1980, will be given the right to buy a long lease on their homes. (At present, the right to buy arises only if the landlord owns the freehold of the dwelling.) Tenants of leasehold property will have the right to purchase a long lease, of up to 125 years depending on the length of time that the landlord's lease still has to run, subject to the landlord's own outstanding leasehold interest being not less than 22 years in the case of houses and 50 years in the case of flats. Tenants living in houses, as opposed to flats, who purchase a long lease in this way will also be able to buy their freeholds subsequently if they qualify under

the normal leasehold enfranchisement provisions of the Leasehold Reform Act 1967. Leasehold enfranchisement does not extend to flats.

Tenants of Charitable Housing Associations. The Government intended to extend the right to buy to some tenants of charitable housing associations and housing trusts. (Tenants of non-charitable associations already have the right to buy.) 80,000 tenants, whose dwellings have been provided predominantly if not exclusively with public funds in the form of Housing Association Grant (HAG), would have benefited from this extension of the right to buy. It would not have applied to dwellings of charitable associations that were provided by the charity before 1974 when HAG was introduced, nor to dwellings provided before 1974, which have been repaired or improved with the aid of HAG. Following the defeat of Clause 2 of the Bill in the House of Lords on 26th April 1983, Lord Bellwin announced on 28th April that the Government would not be reintroducing it.

Shared Ownership. Eligible secure tenants of local authorities, new towns and housing associations, who cannot afford to buy their homes outright under the right to buy scheme, will be given a new right to buy on 'shared ownership' terms—in effect, part-renting and part-buying their homes. Shared ownership purchasers will be able to buy an initial share of not less than 50 per cent in their homes, with the right to progress to full ownership by buying additional shares in 12½ per cent tranches.

Service Charges. The Bill also proposes statutory protection for tenants who have bought houses under the right to buy where their local authorities are levying a service charge on them. Statutory protection on service charges for right-to-buy purchasers of flats already exists under Schedule 19 of the Housing Act 1980.

The Right to Repair. In February 1983, Mr Stanley announced that the Government would incorporate in the Housing and Building Control Bill a scheme to give council, new town and housing association tenants a statutory right to carry out their own repairs and to obtain reimbursement from their landlords towards the cost of the repairs.

Labour Policy on Council House Sales. On 1st December 1981 the Labour Party published a policy statement on council house sales (see also p. 258). It said that the next Labour Government should, 'in its first days of office, make an official announcement of its intention to end enforced sales. Legislation would then follow within a matter of weeks, and would be backdated to the date of the repeal announcement... All applications to buy made after that date would thus automatically lapse'.

Sales in the pipeline. The statement said: 'Where a purchaser has agreed all the details of prices, mortgage and terms of sale, and in an ordinary private sector house purchase would thus have entered into a legally binding contract with the vendor, the sale should be allowed to proceed to completion. But where the sale is less advanced than this, and a private vendor would thus still have the right to withdraw without penalty, we believe that a public landlord should be equally entitled to do so.'

Options to buy. Under the 1980 Act, tenant purchasers have the right to defer purchase for up to two years while the price of the house is frozen on payment of a deposit of £100. Labour's statement said: 'All £100 deposits put down after the publication of this statement and outstanding at the date of the repeal announcement will therefore be returned, and the associated options to buy cancelled.'

Repurchase of houses sold. Labour have also threatened to repurchase dwellings: ‘... our repeal legislation should impose retrospectively, into conveyances or grants ... a pre-emption clause reserving in perpetuity the local council's right to repurchase, but applying only to the first resale.’

3. OTHER MEASURES TO ASSIST HOME OWNERSHIP

In addition to the sale of council houses, the Government's low-cost home ownership programme includes a range of initiatives designed to help first-time buyers who are not council tenants.

Sale of Land for Starter Homes. To encourage the release of publicly-owned land for starter home schemes, authorities have been able since 1st April 1981 to increase their individual Housing Investment Programme (HIP) allocations by 50 per cent of the amount of their receipts from sale of housing land. Between April 1979 and September 1982, local authorities and new towns sold around 2,300 acres of land to private house builders in England sufficient for building some 21,000 homes.

Building for Sale. Maximum encouragement is being given to partnership schemes between local authorities and private house-builders whereby building for sale is carried out on local authorities' own land. A total of 142 out of the 367 authorities in England and Wales intend to pursue such schemes in 1982–3, as do all the new towns. Building for sale schemes by both local authorities and new towns produced 15,000 dwellings for sale between April 1979 and September 1982.

Improvement for Sale. Under the Housing Act 1980, powers were taken to make a central government grant available to both local authorities and housing associations which improved run-down dwellings for sale. The grant is paid on any difference, up to a maximum of £7,500 per dwelling (£10,000 in Greater London), between the cost of providing the improved dwelling and its sale value after improvement. Experience so far suggests that this provides exceptional housing value for a relatively small amount of public expenditure. Nearly 100 local authorities and about 90 housing associations are pursuing Improvement for Sale schemes in 1982–3, and around 6,000 dwellings have been, or are being, improved under the Improvement for Sale scheme.

Sale of Unimproved Homes (Homesteading). Homesteading—the sale of unimproved dwellings for improvement by the purchaser—provides the lowest-cost route of all into homeownership. Pioneered by the GLC (when under Conservative control), around 4,400 houses had been sold by local authorities and new towns for homesteading by September 1982, and some 82 authorities were undertaking homesteading schemes in 1982–3.

To encourage homesteading, powers have been taken whereby the Secretary of State for the Environment can give an authority consent to waive the interest payments on the mortgages it grants for homesteading for up to five years. Such consents have been given to the GLC; the London boroughs of Barnet, Ealing, Havering and Wandsworth; and several other councils, including Birmingham, Blackpool and Brighton.

Shared Ownership (Part-owning and Part-renting). To bring home ownership within reach of more people, local authorities, new towns and housing associations have been empowered to offer shared ownership as an alternative to outright ownership in all the circumstances where

they may be selling a dwelling—including sales of council houses, building for sale, improvement for sale and homesteading.

About 64 local authorities, 11 new towns and about 45 housing associations were undertaking shared ownership schemes in 1982–3. Since the present Government was elected, some 5,365 shared ownership sales have been completed.

A new do-it-yourself Shared Ownership Scheme (DIYSO) was announced in January 1983, which will enable job movers, tenants of local authorities or housing associations, people on their waiting lists or other first-time buyers, to select their own properties for purchase on a shared ownership basis anywhere in England. A housing association has been designated for every area of the country to hold the balance of the equity of the dwelling not initially purchased by the shared owner. £45 million has been provided to enable 3,000 dwellings to be purchased under the scheme.

Homeloan Scheme. First payments under the Homeloan scheme were made in December 1980, and about 10,000 people had benefited by 30th November 1982. Prospective purchasers who save under the scheme for at least two years, and who then buy a house within the regional price limits set by the Government, can qualify for a loan of £600, free of repayments of interest and capital for up to five years, and a tax free cash bonus of up to £110.

Support Lending Scheme. The Building Societies have agreed to continue the Support Lending Scheme in 1983–4, and have earmarked £350 million for this. From December 1981, the priority categories of borrower under the Scheme have been extended to include council, new town, and housing association tenants who are buying their homes, and purchasers of homes under the Improvement for Sale scheme.

(E) THE PUBLICLY RENTED SECTOR

1. THE TENANTS' CHARTER

In the Housing Act 1980 the Government introduced the first statutory charter of rights for tenants of local authorities, new towns and housing associations. The main rights are:

- a. Security of tenure, subject to the ability of the landlord to obtain repossession for certain specific reasons.
- b. The right of a widow, widower, or a resident member of the family to succeed to the tenancy.
- c. The right to take in lodgers.
- d. The right to sublet.
- e. The right to improve
- f. The right to information about tenants' rights and obligations.
- g. The right to be consulted about matters affecting the tenancy. Similar rights apply in Scotland.

In order to encourage tenants to take more direct responsibility for managing the housing estates on which they live, powers were renewed in the 1980 Housing Act for the Secretary of State to approve agreements between local authorities and tenants' management co-operatives who are

willing to take over the day-to-day management responsibility for their estates. Eighteen management co-operatives have so far been approved under the 1980 Act.

Mr Stanley, in a speech to the Greater London Secondary Housing Association Conference on 5th February 1982, said:

‘There are of course a range of ways in which tenants can be brought to participate more closely in the management of their estates, and there is no single or optimum solution that can simply be applied across the board. But the most radical course of all, and one that I certainly wish to encourage and support in the right areas, is the transfer of most, if not all, of the day-to-day management functions to the tenants themselves, through the formation of a tenants' management co-operative’.

2. MOBILITY

The Government worked closely with the local authority associations in England and Wales in developing proposals for the first ever National Mobility Scheme, which came into operation on 1st April 1981. The scheme was extended to Northern Ireland on 1st October 1982, and a number of Scottish local authorities have agreed to join it from 1st April 1983. The scheme is open to tenants, and people high on waiting lists (of all participating authorities) who need to move to a different area for work or family reasons. Other people with a pressing need to move can also apply.

At present, about 98 per cent of councils and all new town development corporations are participating in the scheme. In the first 18 months of the scheme, nearly 23,000 individuals and families were nominated for moves across county boundaries; nearly 5,000 moves had taken place; and many more were in the pipeline.

The Government launched the Tenants' Exchange Scheme in England and Wales on 1st April 1982. It was extended to Northern Ireland on 1st October 1982. The scheme provides a national computer-based information service for tenants of councils, new town development corporations, and other public sector housing authorities, who want to exchange homes with similar tenants in other parts of the country. At the end of each month councils and new towns are sent a computer printout listing details of tenants elsewhere in the country who want to move to their area. These printouts are made available for examination by tenants who are seeking exchanges. In the first nine months, nearly 50,000 tenants had registered their housing details.

3. DIFFICULT-TO-LET COUNCIL ESTATES

In 1981–2, housing authorities in England reported that they had 286,000 ‘difficult-to-let’ dwellings, just over 5 per cent of the total council housing stock. In addition to the Priority Estates Project launched in 1979 in Hackney, Bolton and Brixton, featuring tenant involvement and estate-based management, the Department of the Environment has also encouraged the councils on Merseyside to set up Community Refurbishment Schemes, using local unemployed building workers to rehabilitate the estates on which they live, and involving tenants in the management of their estates. At Stockbridge Village (formerly Cantril Farm) in Knowsley, near Liverpool, an estate with even more serious problems, private builders operating with funding from the Abbey National Building Society and Barclays Bank will bring the estate into use again by mixed development under new management. The Government has also introduced a right to repair in the Housing and Building Control Bill which will enable tenants to do their own repairs,

if they wish. The Tenants Repair Scheme entitles tenants to arrange for their own repairs and recoup a proportion of the costs from the local authority (see also p. 248).

Empty Dwellings. The second factor contributing to the difficult-to-let problem is the presence of empty dwellings. Most councils do not have this problem. Nearly 80 per cent of councils have 2 per cent or less of their stock empty. But the following 13 English local authorities each reported in their 1982 HIP returns that they had more than 500 dwellings vacant for more than 12 months:

Greater London Council	Manchester
Hackney	Lewisham
Knowsley	Sunderland
Liverpool	Corby
Southwark	Camden
Islington	Hammersmith and Fulham
Wandsworth	

Note: Figures are for dwellings which became vacant before 1st April 1981 and were still vacant in June 1982.

Mr Stanley called for much closer attention to be given to empty dwellings on the part of councillors and officials. He said: 'A reduction ... in the length of time between lettings, will only be achieved if both Councillors and senior officers insist on rigorous and regular detailed information on the number of dwellings their authority has vacant and why ...' (Brighton, 26th June 1981).

4. RENTS

Guidelines for council house rent increases were announced in November 1982. In setting the levels of government support to local authorities, the Government is assuming that in 1983 rents will rise on average by 85p a week.

If local authorities increase rents according to the Government's guidelines, the average unrebated council house rent will be £14.02 a week. This will represent a 119 per cent increase over rent levels in 1979.

Hardship and low incomes are catered for by rent rebates and supplementary benefits. The Social Security Act 1982 introduced a new system of housing benefit which will simplify the payment of these benefits to low income families. A tenant in work with a wife and two children paying rent and rates of £20 per week with earnings of £100 per week now receives rent and rate rebates of £9.23 a week. At present 2.6 million people are in receipt of rent assistance, including 1.2 million receiving rent rebates (23 per cent of all tenants) and 1.4 million people in receipt of supplementary benefits (27 per cent).

Rents and Earnings. Under Labour, the average increase in rents fell behind the average increase in earnings. In 1974, when the Labour Government came into office, the average unrebated rent represented 8 per cent of average male earnings. In 1979, at the time of the fall of the Labour Government, the average unrebated rent had fallen to 6.4 per cent of average male

earnings. In April 1982, the average unrebated rent represented 8.7 per cent of average male earnings.

The Labour Government's Green Paper, *Housing Policy* (Cmnd. 6851, June 1977), stated:

‘the Government considers that over a run of years rents should keep broadly in line with changes in money incomes’.

In a debate on Council House Rents on 16th December 1981, Mr Stanley pointed out that ‘over the period of the last Parliament, rent, far from keeping in line with money incomes, totally failed to do so. Money incomes rose by more than 110 per cent while rents, went up by hardly more than half that, by 65 per cent’. Mr Joel Barnett, former Labour Chief Secretary to the Treasury, said in London on 26th November 1976: ‘I am already on the record, for example, as questioning whether it is really the best use of resources in the longer term to subsidise council rents to the extent of 57 per cent of the costs as we do at present. Last year's Public Expenditure White Paper set the very modest target of reducing this to 50 per cent over a five year period.’

As Mr Stanley pointed out in the debate on 16th December 1981:

‘Instead of rents being 50 per cent of costs when the previous Government left office, they were, on the same basis as in the calculation made by the former Chief Secretary, only 37 per cent of costs’ (*Hansard*, Col. 366).

It is significant that if rents in general had been increased to 50 per cent of costs, in accordance with the Labour Government's policy, rents in England would have averaged £9.15 when Labour left office. In fact, they averaged only £6.48. If the previous Government had fulfilled its own rent policy, rents in 1982 would have been only 25 per cent higher than in April 1979.

Rent Subsidies and Mortgage Tax Relief. The subsidies to council houses are still greater than the tax relief and option mortgage subsidy to owner-occupiers. In 1981–2 in Great Britain the subsidy to local authorities and new towns per dwelling was £276, excluding rebates; £352 including rebates; and £480 including rebates and housing element of supplementary benefit. Tax relief and option mortgage subsidy was £189 per owner-occupied dwelling, and £329 per mortgaged dwelling.

(F) THE PRIVATE RENTED SECTOR

1. SHORTHOLD

Under the shorthold system, landlords have the right to let for between 1–5 years with a guaranteed right of repossession, subject to the following safeguards for tenants:

- a. Existing statutory or protected tenancies cannot be converted into shortholds
- b. Tenants have security of tenure during the period of the tenancy plus a further year's security if the landlord does not give notice of repossession before the end of the shorthold period
- c. A fair rent applies during the period of the tenancy.

At the Conservative Party Conference on 13th October 1981, Mr Stanley announced that the compulsory requirement to register a fair rent before the start of a shorthold letting would be lifted throughout England and Wales, excluding Greater London. This came into operation on 1st December 1981.

Labour's Policy. The future of shorthold has been jeopardised by Labour's threat to end it. Mr Gerald Kaufman, Labour's Environment spokesman, said on 26th October 1981: 'The next Labour government will take an early opportunity to repeal the shorthold tenancy sections in the Housing Act 1980 ... (and) will give all shorthold tenants and shorthold successor tenants full security of tenure and Rent Act protection' (*Hansard*, Col. 681).

2. ASSURED TENANCIES

Under the Housing Act 1980, the Government created 'assured tenancies' under which landlords approved by the Secretary of State can build for rent at freely negotiated (i.e., market) rents outside the provisions of the Rent Acts. Assured tenants have security of tenure. 57 bodies have been approved. Provision was made in the Finance Act 1982 to make capital allowances available for the construction of dwellings for letting as assured tenancies. The introduction of these allowances, which are at the rate of 75 per cent in the first year, has resulted in a significant increase in the number of applications.

3. HELP FOR PRIVATE RENTED AND LEASEHOLD SECTORS

In the 1980 Housing Act the Government ended the system of controlled tenancies under which rents were pegged at 1956 levels; these tenancies have now been brought into the fair rent system. The Government has also reduced the period between reviews of fair rents from three to two years, with a corresponding reduction in the phasing of instalments, in order to give greater protection of the value of fair rents against inflation. Rent registration procedures have been improved to avoid delays. The Housing Act has extended the rights of temporarily absent owner-occupiers, servicemen and the owners of retirement homes—and their successors if they die—to regain possession of their homes from tenants.

It is now easier for owner-occupiers who sublet part of their homes to regain possession. In addition, resident landlords have been helped by the Finance Act 1980 which exempted from Capital Gains Tax the part of an owner occupier's home which is sublet, provided that it is not self-contained.

Service Charges. In the Housing Act the Government has given tenants and long leaseholders of flats who pay service charges:

- a. Increased rights to obtain summaries of costs and to inspect the landlord's accounts
- b. New rights to be consulted on major works, with a financial sanction against a landlord who fails to consult
- c. New rights for tenants associations, and a simple procedure whereby associations can obtain recognition
- d. A new right to challenge demands for advance payments which are unreasonable
- e. A new right for tenants, who pay service charges as part of a fixed fair rent, to challenge a landlord's evidence on service costs before a fair rent is registered by the rent officer.

The Government has increased the maximum penalty for failure of landlords of flats to provide summaries of costs, or facilities for inspection of their accounts.

Leasehold Reform. In the Housing Act the Government has amended the Leasehold Reform Act 1967 to help long leaseholders of houses by providing for the creation of local leasehold valuation tribunals (which came into operation on 31st March 1981) to settle valuation disputes arising under the Act quickly and inexpensively; by reducing the residence requirement from five years to three; and reducing the bar on making a second application to buy the freehold, from five years to three.

Mansion Blocks. On 15th March 1982, Mr Stanley welcomed the initiatives taken by the British Property Federation and the Royal Institution of Chartered Surveyors on mansion blocks.

The British Property Federation has recommended that when its members propose to sell a residential block of flats, they should notify the tenants individually and give them an opportunity to consider making a formal offer to purchase the landlord's interest on a collective basis in competition with other potential buyers. The Royal Institution of Chartered Surveyors set up a Working Party to identify the nature and extent of problems for landlords and tenants in the management of blocks of flats, and to make recommendations as to codes of good practice and for other steps which might be adopted in the interests of both landlords and tenants. Its report was published on 7th January 1983.

(G) IMPROVING THE HOUSING STOCK

The English House Condition Survey was published on 14th December 1982. The results of the survey as they affect dwellings lacking amenities, dwellings that are unfit, and dwellings that are in substantial disrepair can be summarised as follows:

- a. There has been a significant reduction in the number of dwellings lacking basic amenities—from 2.8 million in 1971 to 1.5 million in 1976 to 0.9 million in 1981. The proportion of the dwellings in owner-occupation that lack one or more basic amenities fell by over two-thirds from 11 per cent in 1971 to 3 per cent in 1981. A similar proportionate fall occurred in the private rented and local authority sectors. The greatest progress was made in the north of England.
- b. The number of unfit dwellings has remained relatively constant at 1.1–1.2 million. The northern regions have seen a substantial improvement from the past high level; the South-East, including London, has seen a deterioration; and the rest of the country a small improvement.
- c. The number of dwellings with high repair costs—over £7,000 at 1981 prices—increased between 1976 and 1981, following no discernible change between 1971 and 1976. In total, the number of dwellings in serious disrepair increased by about 200,000, or 22 per cent, between 1976 and 1981. Over the decade 1971–81, the number of dwellings in serious disrepair increased by 9 per cent in the north of England, by 82 per cent in the South-East and by 16 per cent in the rest of England.

Improvement Grants. The Government has taken a number of steps to increase the availability of improvement grants. The number of improvement grants paid in the third quarter of 1982 was the highest since 1974.

**Renovations with the Aid of Grant or Subsidy
(England)**

	<i>Thousands of dwellings</i>			
	Local authorities and new towns	Housing associations	Private owners & tenants	All
1976	39.0	13.4	68.7	121.1
1977	37.6	18.8	57.0	113.3
1978	60.9	13.1	57.6	131.6
1979	76.0	17.2	65.4	158.5
1980	77.3	15.0	74.5	166.7
1981	52.9	10.8	68.9	132.7
1982*	62.8	17.6	113.8	194.3

*Provisional

(Source: Department of the Environment)

To deal specifically with the problem of disrepair, the government has taken the following measures:

- i. In the Housing Act 1980 extended repairs grants, previously only available to those in hardship in Housing Action Areas and General Improvement Areas, to all houses built before 1919 in need of substantial and structural repairs.
- ii. Made 90 per cent grants available for repair for the whole of 1982–83 and 1983–84.
- iii. Provided, since October 1982, improvement grant funds without limit for the remainder of 1982–83.
- iv. Given authorities an assurance of additional allocations for 1982–83 if their expenditure on improvement grants is more than the indicative figure in their HIP allocation letter—normally their HIP bid plus 10 per cent.
- v. Started the national enveloping scheme for all local authorities on 1st December 1982.

Enveloping. A fresh initiative announced by Mr Stanley on 21st October 1982 will enable local authorities to tackle some of the worst problems of housing disrepair in towns and cities in England. From 1st December 1982, local authorities have been able to carry out ‘enveloping schemes’ in Housing Action Areas (HAAs), where whole streets of houses can be improved externally in a single operation. Mr Stanley said:

‘Enveloping may at first appear to be an excessively generous use of public money and you won't be surprised to know that we have looked at this aspect rigorously. We have examined in depth the Birmingham schemes and those followed up elsewhere. Our firm conclusion is that in the right circumstances enveloping can be an extremely cost-effective use of public funds for home improvement. The simultaneous improvement of the exterior of an entire street will trigger off a substantial amount of internal improvements at private expense’ (Speech to the National Home Improvement Council, 21 October 1982).

(H) HOUSEBUILDING

It is provisionally estimated that 193,400 dwellings were started in Great Britain in 1982, compared with 153,700 in 1981. Starts in the public sector were 53,000, 16,000 more than in 1981: starts in the private sector were 140,400, 23,600 more than in 1981.

In 1982, 170,900 dwellings were completed, compared with 199,400 in 1981. Completions in the public sector totalled 49,200, a decrease of 36,000 on 1981, and in the private sector 121,600, an increase of 7,500 on 1981.

Housebuilding Starts and Completions

(Great Britain)

Thousands of Dwellings

Starts

	Public	Private	Total
1973	112.8	215.7	328.5
1974	146.1	105.9	252.1
1975	173.8	149.1	322.9
1976	170.8	154.7	325.4
1977	132.1	134.8	266.9
1978	107.4	157.3	264.7
1979	81.2	144.0	225.2
1980	56.0	98.0	154.0
1981	36.9	116.8	153.7
1982*	53.0	140.4	193.4

*provisional.

Thousands of Dwellings

Completions

	Public	Private	Total
1973	107.5	186.6	294.1
1974	128.6	140.9	269.5
1975	162.3	150.8	313.0
1976	163.0	152.2	315.2
1977	162.5	140.8	303.3
1978	130.7	149.0	279.8
1979	104.0	140.4	244.4
1980	106.9	126.6	233.5
1981	85.2	114.2	199.4
1982*	49.2	121.6	170.9

*provisional

(Source: Dept. of Environment)

Mr Stanley has forecast that housebuilding and improvement will lead to economic recovery. Speaking in Southwark on 12th January 1983 he said:

‘As we start 1983, all the signs are that both new housebuilding and home improvement will be spearheads of economic recovery this year... In 1982 the housebuilding industry seems certain to have achieved a 20 per cent increase in starts of homes for sale for the second year running. And last year also saw a major recovery in housebuilding for rent in the public sector as well. In addition, a veritable explosion in home improvement is now taking place with expenditure on

home improvement grants more than doubling in the course of just one year. '1983 should see the upward trend in both new housebuilding and in home improvement continuing. The Government's success in reducing inflation has made 1983 one of the easiest and best years for a decade for first-time buyers to embark on home-ownership. The National Housebuilding Council's Ability to Buy Index shows that it is now easier to buy a home than at almost any time since the beginning of 1974. First-time buyers will also be greatly helped in 1983 by the fact that no less than three-quarters of all local authorities in England are now undertaking one or more of the Government's low cost home-ownership schemes. ... 'The demand for home-ownership is still far from satisfied. As the New Homes Marketing Board have pointed out, 75 per cent of people want to own their own homes but only 56 per cent actually do so. I hope 1983 will see further significant progress in closing that gap.'

(I) OTHER HOUSING MEASURES

Mobile Homes. The Government has introduced legislation which provides important rights for people who live in mobile homes. Under the Mobile Homes Bill, which replaces the main provisions of the Mobile Homes Act 1975:

- a. Site owners must offer agreements to all residential occupiers on site at commencement, and to those who come on to the site subsequently.
- b. The initiative to offer agreements is firmly placed on site owners.
- c. Agreements will normally run indefinitely unless terminated because of the deterioration of the mobile home.
- d. Sites owned by local authorities are included.
- e. Occupiers will have three months in which to accept, refuse or challenge the agreement they have been offered. They will be able to challenge agreements in the county court or before an arbitrator.

Mr Stanley, moving the Bill's Second Reading on 8th February 1983, said:

'New mobile homes legislation is now imperative. That is because the agreements under (the) Mobile Homes Act 1975 begin to expire as from October this year. There is no provision in the 1975 Act for extending those agreements, and new legislation is therefore essential if mobile home residents are to have the continuing protection of a statutory agreement. ... 'We believe that the operation of the 1975 Act has shown that while the basic framework of that Act was sound, there are undoubtedly points at which it is legitimate and necessary to strengthen the statutory rights of the 160,000 or so people living in so-called mobile homes but which are in fact their permanent homes. Equally, we recognise the useful contribution towards meeting housing needs represented by this form of accommodation. ... Our objective is then to strike a fair and sensible balance between those who provide the sites and those who live on them' (*Hansard*, Cols. 912-3).

Building Control. The Housing and Building Control Bill provides the most important change since the building control system was introduced in 1936. These reforms will be of particular benefit to the construction industry.

The building control provisions of the Bill will give effect to the Government's commitment to achieve greater self-regulation by the construction industry and a simpler building control system, as envisaged in *The Future of Building Control in England and Wales* (Cmnd. 8179, February 1981). The White Paper outlined the main criticisms of the present system:

‘The present system of building control produces safe buildings in which fire and serious structural failure is rare. This is not in question. But there are persistent criticisms on other counts—in particular, that the system is more cumbersome and bureaucratic than it need be; and that the present detailed form of the Regulations is inflexible for many purposes, inhibits innovation, and imposes unnecessary costs.’

Building Regulations. The Bill proposes amendments to the law on building control, so that a simpler and more flexible system of building regulations can be introduced. It will enable the present highly complex and inflexible building regulations to be replaced by a series of functional requirements that will have legal force, supported by technical documents, approved by the Secretary of State or a body designated by him, which will give practical guidance on compliance with the functional requirements.

Private Certification. This is not simply a matter of transferring functions and responsibilities at present shouldered by local authorities to private individuals: the inherent differences between the two must be recognised. Local authorities are given statutory functions by Parliament, and they are under a general legal obligation to carry them out in a reasonable and responsible way. So far as building control is concerned, the authorities' statutory function is to ‘enforce Building Regulations in their district’, and they have powers to bring prosecutions for contraventions of Building Regulations and to require the removal of works which do not comply. These powers are peculiarly appropriate to local authorities because of their general duty under public law, and it is not possible simply to transfer them to persons or bodies in the private sector.

For all these reasons, private certification cannot be a complete substitute for local authority control. Within the framework of local authorities' wider responsibilities, however, certifiers could be given powers to take over the functions of checking plans of proposed works, and inspecting subsequent work on site. Local authorities must, however, remain responsible for taking any enforcement action that may be necessary.

The Bill provides for a system of private certification of compliance with the building regulations as an alternative to local authority building control. Inspectors approved by the Secretary of State or by a body designated by him will be able to supervise building work in place of the local authority.

(J) LABOUR AND ALLIANCE POLICIES

1. LABOUR PARTY

Labour's 1983 Campaign document, *The New Hope for Britain*, confirms Labour's destructive policies in the housing field.

The Right to Buy

‘Labour will ... end enforced council house sales.’

This means that Labour will take away from tenants the right to buy their homes. It will not increase the supply available to let. It is a mean and spiteful attack on ordinary working people who want to own their homes.

‘Labour will ... empower public landlords to repurchase homes sold under the Tories.’

This is an assault on the right of property owners freely to sell their property on the open market. It is conceived as a further device to scare tenants from purchasing their homes.

‘Labour will ... provide that future voluntary agreed sales will be at market value.’

This will not take account of the number of years a tenant has lived in his home. It means that even where a local authority wished to sell at a discount it could not do so (see also p. 248).

Council Rents

‘The document pledges to introduce ‘a freeze on rents for a full year’.

This is an expensive election bribe to council tenants. It is unrelated to any objective attempt to relate rents to incomes or to control subsidy levels in this sector.

The Private Rented Sector

‘We will actively encourage the transfer of all property owned by absentee private landlords to the public or owner-occupied sectors ... with local authorities setting the pace’.

Labour propose extensive municipalisation of private rented housing. This could cost between £20 and £30 billion and would take out of the market over two million dwellings available at present to people who require flexible housing provision at short notice.

Labour are also determined to destroy any chance of fresh private sector letting:

‘Labour will ... repeal the Tories' shorthold scheme’.

Labour's commitment to repeal shorthold has already undermined this initiative which could have released thousands of empty properties in the private sector for occupation by tenants willing to rent them for a limited period.

2. ALLIANCE PARTIES

The Alliance believe that the sale of council houses to tenants should be a matter to be decided by the local council which would have the power, if it so chose, to block all sales. This is in contrast to Conservative policy, which gives individuals the right to buy. The SDP states, in its *Policies for the Local Elections 1983*: ‘Social Democrats would want to see some cut in the current level of discounts for the purchase of council properties.’

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(A) LABOUR'S LEGACY

When Labour left office in May 1979, morale in local government was at a low ebb because of the contempt shown for local government by the Labour Government.

Labour Ministers put party advantage before the interests of good local government time after time. *First*, Mr Peter Shore, as Secretary of State for the Environment, annually distorted the distribution of the rate support grant to favour high spending Labour-controlled boroughs at the expense of shire counties where the population was expanding.

Second, Mr Shore announced divisive proposals for wholesale local government reorganisation designed to set county councils at odds with district councils in the shires, where most local authorities were Conservative-controlled.

Third, the Labour Government proposed the extension of direct labour powers which would have increased loss-making public works activities, in competition with local private builders and at the expense of the ratepayer.

Fourth, Labour did nothing at all to reform the basis of local government finance. After wasting twelve months agonising over the Layfield Report (May 1976), they produced a Green Paper in May 1977 containing a number of proposals which came to nothing in the two years they remained in office.

Fifth, millions of pounds were wasted on the costly Community Land Scheme which took land into public ownership but released very little for development (see p. 264).

(B) EXPENDITURE

1. BACKGROUND

The Conservative Government was elected in May 1979 with a mandate to reduce public expenditure. For the financial year 1979–80, the Labour Government had encouraged growth of 1½ per cent in real terms over 1978–9. The Conservative Government on taking office asked

local authorities to reduce their spending in 1979–80 by 3 per cent in real terms (removing the 1½ per cent growth envisaged by Labour and requiring a further cut of 1½ per cent).

In 1980–1, the Government asked local authorities to make a further cut to bring spending to a level 1½ per cent below their 1979–80 budgets or 2 per cent below the 1978–9 out-turn.

With limited powers available under the old RSG system, the Secretary of State for the Environment was unable to discriminate between co-operative and recalcitrant authorities, and he was obliged to withhold £200 million in grant from all authorities irrespective of their circumstances.

In 1981–2, grant settlements for England and Wales were dealt with separately. The RSG settlement for England envisaged a further real reduction of 3 per cent between the plans for 1980–1 and 1981–2, or a reduction of 5.6 per cent compared with the out-turn of 1978–9. For 1982–3 and 1983–4 the Government was able to set expenditure targets for individual local authorities (see p. 267).

Local Government: Net Current Expenditure (England and Wales)

	Target	Out-turn	Overpending
	£m cash	£m cash	(Per cent)
1979–80	12,826*	13,784	7.5
1980–1	15,752	16,653	5.7
1981–2	17,245	18,627	8.0
1982–3	19,178	20,461	6.7

*Excluding reduced target set by Conservative Government.

(Derived from DOE and Welsh Office statistics.)

2. CURRENT AND CAPITAL SPENDING

The Government is anxious to see substantial further reductions in the burden of public expenditure. Good progress has been made in the past three years, but there is a long way still to go. In 1982–3 and 1983–4 the increase in public expenditure as a whole is expected to be held below what was budgeted. In local government, most Conservative councils have performed significantly better than Labour councils in making the economies requested by the Government. Nevertheless, although the Government was elected on a programme which implied substantial economies in local government expenditure, local government overall has not met the targets set by central government. More particularly, in a number of authorities, current consumption has been protected at the expense of capital investment.

Local Government's Record. For the last eight years most local authorities have increased current spending at the expense of capital investment. This point was highlighted by Mr Michael Heseltine, then Secretary of State for the Environment, in a speech on 20th October, 1982:

‘... between 1974–5 and 1981–2 current expenditure by local government in England had gone up, in real terms, by about 6 per cent: over the same period capital expenditure by local government has gone down, in real terms by 62 per cent ...’

Mr Heseltine went on to compare local government spending with the provision made for it in the Government's own expenditure plans:

‘Take current expenditure first: in 1981–2 local authorities spent some £1.3 billion above provision; that is about 8 per cent. In 1982–3 they are budgeting to overspend by about the same amount, or 7 per cent of this year's cash provision. Then take capital. In 1981–2 authorities underspent provision by some £600 million. For 1982–3 it looks like being £1 billion.’

The attack on capital spending was started by the Labour Government in 1976, when it ordered local government to cut capital spending by nearly £400 million over the three years 1976–7 to 1978–9.

Insufficient Staff Reductions in Local Government. Too many local authorities are still overstaffed. This is crucially important to their expenditure totals, since staffing costs amount to some two-thirds of all local government current expenditure. Between June 1979 and June 1982, staff numbers in local government fell by only 4½ per cent, compared with a reduction in the Civil Service of 10 per cent over the same period. In the Department of the Environment, staff numbers fell by 26 per cent in the three years 1979–82 (see also p. 263).

New Flexibility in Capital Spending. This Government has substantially increased local authorities' discretion over their capital spending (see p. 265). No longer do authorities have to submit each project to the detailed scrutiny of government departments. Instead, there is a control on the total of local authority capital expenditure, within which individual authorities enjoy much greater discretion. Most important of all, authorities can now reinvest the proceeds of capital disposals. The Government has strongly encouraged authorities to dispose of surplus assets which are lying idle. There has been a good response from many authorities. Sales of assets, including council housing, yielded £1,000 million in the financial year 1981–2. Other capital receipts produced another £400 million. These are very considerable sums when it is recognised that total expenditure allocations in 1981–2 were £3,000 million.

There are several reasons why local authorities fail to apply their capital receipts to new capital expenditure: for example, there are long lead times for capital investment. But a significant reason is that certain local authorities have been using capital receipts to make loans from one department to another within the authority, and releasing rate fund balances for revenue expenditure.

It was this failure to invest capital receipts which stimulated the **Prime Minister's** letter of 2nd November 1982 to the leaders of the local authority associations. In it she reiterated the Government's firm policy of restraint in public expenditure as a whole, but pointed out that there was scope for a shift from current to capital spending. ‘That is why local authorities have been enabled, and indeed encouraged, to increase their capital expenditure by using capital receipts to supplement their capital allocations.’

The Labour Party, through its Environment spokesman, Mr Gerald Kaufman, has sought to make political capital and scare the local authorities by claiming that additional capital expenditure will generate fresh revenue spending, for example on staff, and hence involve them in penalties under the grant system. Mr Heseltine dealt with this in the debate on Urban Affairs on 5th November 1982:

‘... many capital projects do not have ... staffing consequences, although they all have interest charge consequences. For example, home improvement grants and derelict land projects do not

have such staff consequences. Many infrastructure programmes on local government's capital account do not have those staffing consequences ... It is possible for local authorities to increase their capital expenditure in many cases without running into penalties from the Government' (*Hansard*, Col. 284).

Some other capital schemes, such as energy conservation measures, replacement of Victorian schools, or the building of modern, efficient offices could even reduce revenue expenditure. Mr Heseltine also urged local authorities to buy completed, or nearly completed, low-cost homes direct from house builders for sale, under shared ownership arrangements, to first-time buyers and those on the waiting list.

(C) STAFF NUMBERS

One of the main factors in the continuing high level of local government spending has been the relatively slow decline in staff numbers. Many authorities have done little to reduce staff, preferring to cut capital projects and services where cuts provoke public antagonism. Overall, local government has made modest reductions in staff numbers, as the table below shows.

England and Wales		
	Staff Nos. (full-time equivalents) 000s	Per cent change over previous year
June 1979	2,104	+1.7
June 1980	2,075	-1.8
June 1981	2,036	-2.0
June 1982	2,001	-1.7

Between June 1979 and June 1982, local government in England and Wales reduced its staff numbers by just over 100,000, or 4.8 per cent.

(D) LOCAL GOVERNMENT, PLANNING AND LAND ACT 1980

1. OBJECTIVES

The main objectives of the Act were set out by Mr Heseltine in a statement when the Bill was first published on 4th December 1979:

'This Bill marks a significant advance in the relationship between central and local government. It has four central themes:

- i. a better framework for the distribution and control of public funds in place of the present unsatisfactory system;
- ii. (ii) the withdrawal of central government from detailed scrutiny of local government;
- iii. (iii) improvement of the general level of information available to councillors and ratepayers to help them play a full and constructive role in their authorities;
- iv. (iv) better value for money in local government.'

The better framework for local government finance will encourage the best use of resources. The new Block Grant system (see p. 265) relates grant more closely to standard spending levels, so that authorities which choose to spend more no longer automatically receive an equivalent increase in grant. The new broad control of capital expenditure enables the Government to prescribe ceilings for expenditure within which local authorities have more freedom to determine their own spending priorities.

The withdrawal of central government is marked by the removal or relaxation of a large proportion of the 300 controls identified by the Government. The Government has already cut down the numbers of circulars going to local authorities, from 1,873 in the year to April 1979, to 592 in the year to April 1982.

Better information for councillors and ratepayers is the key to strengthening local democracy. The Act gives the Secretary of State power to ensure that essential information is freely available including, where appropriate, comparative information about the performance and efficiency of different authorities. Direct labour organisations will become properly accountable and will be tested in competition with private contractors.

Value for money will also result from getting rid of duplication between local authorities in the field of development control. This will also speed up the planning system and make clear to the public where responsibility lies. The new registers of public sector land are making it easier to see what land is potentially available for development, and will ensure that surplus land is released. The repeal of the Community Land Act removes an obstacle to development. In Merseyside and the London Docklands, new Urban Development Corporations (UDCs) have been set up to regenerate communities (see Chapter 17).

2. GREATER EFFICIENCY

First, the Act removed many controls over local authorities. Together with those repealed in the 1980 Education and Housing Acts, over 300 controls have been repealed or amended. They are a first step in reducing bureaucracy.

Second, the Community Land Act has been abolished at a saving of £50 million per year. The following table shows the losses incurred in 1976–7 and 1977–8 as a result of the Act.

Local Authorities: Land Bought and Sold				
(in England)				
	Land Bought acres	Land Resold acres	Deficit £m	Staffing Costs £m
1976–7	1,570	53.3	11.61	3.5
1977–8	743	132	6.60	3.1

(Source: DOE)

Third, districts have been required to set up registers of unused land (see Chapter 17, p. 279).

Fourth, local authorities, water authorities and other bodies have been required to publish information regarding their performance and their use of manpower. The Secretary of State for the Environment has issued a code of practice requiring the publication of information he thinks necessary, and specifying the manner of its publication (including comparison with earlier periods). This is an important step to help councillors and ratepayers form judgements about the

performance of their authority in comparison with others. It will increase the accountability of councils.

Direct Labour. There is now tighter regulation of direct labour organisations (DLOs) with the aim of (a) improving efficiency and reducing waste in local government; and (b) opening up local authority construction and maintenance work to fair competition from the private sector.

The Act requires DLOs to adopt a new framework of accounting. A significant proportion of their work will have to be won by competitive tender. The Act requires DLOs to show a real rate of return on their capital. Ministers also have powers under the Act to close down consistently unsuccessful DLOs (see also p. 275).

3. FINANCIAL REFORMS

The Act also made provision for better control of local authority spending through a new system of grant distribution (the Block Grant, see below), and for improved capital expenditure controls.

Capital Expenditure Control. All capital expenditure is now subject to a ceiling, whatever the source of finance, but within that ceiling authorities are free to spend as they wish on any project. They can switch resources between the five main service blocks: Education, Housing, Personal Social Services, Transport and Other Services according to their own priorities. They do not need specific project approval. They can augment their allocations by using capital receipts from the disposal of assets or by retaining 50 per cent of council house sales receipts.

Improvements to the Rating System. A number of measures are included in the Act which will benefit ratepayers.

1. Help has been given to small shopkeepers by the extension of domestic rate relief to most mixed business/domestic properties.
2. Small businesses are helped by giving them the right to pay rates by instalments.
3. The Act provides for the maximum level of empty property rate to be varied by order; the maximum on non-domestic properties is reduced to 50 per cent of ordinary rates (see also p. 272).
4. Charities benefit from provisions which extend charitable relief to empty properties which they acquire.
5. Eligibility for rate rebates has been extended to separated spouses.
6. Local authorities are now compelled to reach agreement with elderly owner-occupiers who are in arrears with rates. This will enable councils to recover the money from the eventual sale of their house.

4. STREAMLINING THE PLANNING SYSTEM

The Act has removed overlapping responsibilities between Counties and Districts. Counties formerly decided only 3 per cent of planning applications outside London, but accounted for 15 per cent of total local authority expenditure on development control. There has been much duplication of work. Districts are now clearly responsible for development control, with the exception only of minerals extraction and development in the National Parks.

Planning applications are subject to a scale of fees to recoup most of the cost of administering the system, currently £55 million per annum.

Urban Development Corporations, along the lines of New Town Development Corporations, have been established in the docklands of London and Merseyside (see Chapter 17, p. 282).

Enterprise Zones. As announced by Sir Geoffrey Howe in the Budget on 26th March 1980, 24 Enterprise Zones have been established in selected run-down urban areas to see whether they can be revived by easing planning restrictions and a number of financial burdens (see Chapter 4, p. 70).

(E) THE BLOCK GRANT

Need for a New Grant System. The system of grant distribution used up to and including 1980–1 was widely criticised for its inability to discourage overspending by councils. The system had four serious failings:

- (1) *It encouraged extravagance.* This happened in two ways. Need was measured in part by reference to past spending, however wasteful. In addition, authorities with low resources grants were paid additional grant to match their rate increases.
- (2) *It was unjust.* Because RSG is a fixed sum, the extra money given to spendthrift Labour councils was paid at the expense of more prudent authorities. Thrift was penalised.
- (3) *Grant distribution was arbitrary.* It took money away from shire counties and gave it to shire districts on a crude and unscientific basis, which resulted in windfall gains for certain districts.
- (4) *It was shrouded in mystery.* Informed public discussion of how the elements in the RSG formula were arrived at was impossible, because these elements were selected by computer with random variations each year. The most notorious example was the appearance, disappearance and reappearance of unemployment as a factor to indicate local authorities' needs during Labour's years of office.

The decision to introduce a block grant was primarily to remedy these defects.

Advantages of the Block Grant. These may be summarised as follows:

- (a) It is a single grant paid to every authority. Its object is to ensure that all councils of the same kind (shire county, London borough, etc) should be able to provide a similar standard of service if they levy a similar rate in the pound.
- (b) There is no longer reliance on past expenditure as a measure of need. This has been replaced by what are called 'grant-related expenditures' (GREs) for each authority. These are based as far as possible on an objective view of what a typical standard of service costs.
- (c) The Block Grant does not stop councils deciding their own levels of spending or determining the level of their rates. It does not, therefore, reduce local authority freedom, as is claimed by Labour. It does, however, provide for the first time a powerful disincentive to overspending. If a council's spending goes significantly above the GRE, the Government will progressively reduce the rate of grant, thus forcing the council to go to its ratepayers to finance increased spending. The grant they lose will be redistributed among all other authorities. Mr Tom King, then Minister for Local Government, explained:

‘The situation is that the rate fixing of local authorities will remain entirely the responsibility of councillors and local authorities. It will be up to them to determine their levels of expenditure. They will be entitled to fix their own rate levels. What we are saying is that we reserve the right on behalf of the taxpayer to determine just how far we are prepared to go on that journey with them. We are prepared and entitled to say not that they may not fix rates at whichever level they think is appropriate but just how far we are prepared to subsidise increasing levels of expenditure with public money’ (*Hansard*, 16th January 1980, Col. 1780).

Mr King also dealt with criticisms of the Block Grant:

‘There has been much misrepresentation in the debates that we have had on the matter. It has been represented as the end of autonomy for local government. I know that the previous Labour Administration considered the possibility of imposing individual cash limits on individual local authorities. They considered also fixing the rate increases of individual local authorities ... Our proposals leave with local authorities the full freedom to fix their own levels of expenditure, and to determine their own rates. What we are concerned to do is to prevent, as happens under the present position, high spenders pre-empting resources away from the more prudent authorities’ (*Hansard*, 5th February 1980, Cols. 270–1).

Expenditure Targets. Over the years, local government collectively has prided itself on meeting central government's plans for spending on local government services. While this worked adequately when expenditure was going up, local government found it more difficult to meet this Government's requirement since 1979 to halt and reverse the post-war trend of growth. Since 1981–2, the Government has been able to set targets which take due account of authorities' past spending patterns.

Targets are necessary if local authorities are to make the reductions in spending required by the Government's public expenditure plans. They have to reflect past patterns of spending in relation to those plans. But they must also be achievable.

GREs are standard benchmarks for use in a fair distribution of rate support grant based on principles of equalising differences in local rateable values and objective assessment of expenditure needs. There will, therefore, be differences between expenditure targets and GREs. This is not surprising, since they are not the same things. Targets for individual authorities will be found above as well as below GREs.

(F) THE RATING SYSTEM

1. RATING REFORM

It is generally agreed that the soaring burden of rates has destroyed jobs in industry and imposed hardships on many sections of the population. For some years the Conservative Party has been seeking alternative forms of finance for local government.

The October 1974 manifesto said: ‘..., within the normal lifetime of a Parliament we shall abolish the domestic rating system and replace it by taxes more broadly based and related to people's ability to pay. Local authorities must continue to have some independent source of finance.’

This was superseded by the May 1979 manifesto which said: ‘Labour's extravagance and incompetence have once again imposed a heavy burden on ratepayers this year. But cutting income tax must take priority for the time being over abolition of the domestic rating system.’

In his speech to the CBI Conference on 9th November 1980, Mr Heseltine referred to the question of rating reform:

‘As a government we want to reform the rating system. But we have always said that this must take a lower priority than tax reform and reduced public spending. This year domestic rates will yield £3 billion. Industrial and commercial rates will yield £4 billion.’ ‘However successful we are in reducing spending, much of that revenue will continue to be needed. If the money is not raised from rates other methods are needed to replace at least part of the revenue. To get rid of the system in full would add 10 pence to income tax or 10 percentage points to VAT. And any alternatives whether they be sales taxes, poll taxes, or local income taxes, create their own problems many of which might be particularly hard on industry and commerce. We shall continue to look at the alternatives which exist. The rampant inflation of recent years has added to the anger of all classes of ratepayer. We shall make reforms where we can ... but there is no short-term alternative to industrial and commercial rates.’

2. THE GREEN PAPER

On 14th October 1981, Mr King told the Conservative Party Conference at Blackpool:

‘As a Party we have made absolutely clear our determination to reform the system ... We shall publish very shortly indeed a complete review of the ways in which this can be done. We shall then consult very fully ... There will be real difficulties—if it was easy it would have been done a long time ago.’

The Green Paper, *Alternatives to Domestic Rates* (Cmnd. 8449), was published on 16th December 1981. Consultation took place until the end of March 1982. Since then Ministers have been considering representations and comments from a wide range of people.

Local government in Great Britain spent about £30 billion in the financial year 1981–2. About 16 per cent of this expenditure was covered by rents and various other fees and charges. The balance, about £25 billion, was borne by rates and government grants—a quarter of all public spending, representing 6½ per cent of the gross domestic product.

Of the £25 billion of local rate and grant borne expenditure in 1981–2, nearly 57 per cent was provided by central government in the form of Rate Support Grants. Of the remainder, about 44 per cent was expected to be contributed by domestic rates and about 56 per cent by industry, commerce and other non-domestic ratepayers.

The Green Paper concentrated on one particular area which is important and complex: the £4.8 billion which were contributed to local revenues in 1981–2 by domestic rates.

Any system of local taxation needs to be capable of providing an independent source of income for each of the tiers of local government.

The Present Rating System. A major criticism of domestic rates is that, for those on middle to high incomes, they bear little relationship to ability to pay, although rebates and Supplementary Benefit mitigate the rates burden of poorer families.

Another complaint is that non-householders are not required to make any direct contribution to domestic rates. A household which consists of a single person therefore pays the same amount as a household with several incomes. The higher the number of earners in a household, the smaller the proportion of household income taken by rates. This effect is not eliminated by rate rebates.

A Reformed Domestic Rating System. A number of possible reforms of domestic rates which it would be possible to implement in the short term are listed below.

Earning Non-Householders. A levy on all earners has often been proposed as a means of achieving greater fairness and widening the rate base. A scheme could be devised to add a fixed amount to the rate bill for each non-householder who had some income during a given period.

Offsetting Rates against Income Tax. Another means of improving the position of ratepayers in relation to non-householders would be tax relief for those who pay rates. The relief could take the form of an additional allowance, either at a fixed level or varying according to actual rate payments. The benefit would vary according to the ratepayer's income level. It would provide no benefit for ratepayers whose incomes were below the tax threshold; and the greatest benefit would go to those paying the higher rates of income tax.

Capital Valuation. The Layfield Committee recommended in May 1976 that the next revaluation of domestic property should be carried out on the basis of capital values, i.e., sale prices on the free market, rather than on the present basis of the hypothetical rent which the property would command on the free market. Capital valuation would compare favourably with the present rental basis of valuation, because evidence of market rents in England and Wales is scarce. This is due to the decline of the private rented sector and the wide influence of rent control in what remains of it. This scarcity makes it difficult for householders to form a view on the fairness of a rating assessment, because changes in the renting market have made the assumption on which rateable values are assessed more and more notional, whereas it should be possible for them to reach a better-informed opinion on the reasonableness of a capital valuation of their homes.

The introduction of capital valuation for the domestic sector would cause some redistribution of the rate burden between households. The main effect would be a slight increase in the relative values of both large and small houses compared with the middle range of properties.

Local Sales Tax. The Government has looked at the possibility either of a single-stage sales tax or a multi-stage tax akin to VAT. Theoretically, a local sales tax could take the form of a full-scale value added tax levied locally on all the transactions currently subject to national VAT. The Government believes that this possibility is not worth pursuing. A value added tax is charged not only on supplies of goods and services to the final consumer, but at each preceding stage of the process of manufacture and distribution. If local authorities were free to set their own local rate of tax, an item might incur tax in a number of different areas at a number of different rates during the process of manufacture, distribution and sale. This would impose a considerable burden on traders.

The Government's view is that a local sales tax with independently variable rates could not reasonably be operated at any level below that of the 66 authorities in the upper tier of local government—counties in England and Wales and regions and the islands authorities in Scotland.

For these and other reasons, the Government does not believe that a sales tax would be a satisfactory sole replacement for domestic rates. It could be more effective if combined with some other form of local revenue. Questions of accountability and perceptibility would also require consideration. Any new incentive to cross-border shopping would not only further reduce the predictability of the yield, but could mean that more people would be paying tax outside their own local authority area. The perceptibility and accountability of a local sales tax would therefore not necessarily be very high.

Local Income Tax. Compared with domestic rates, a local income tax would be seen to spread the tax burden wider, and an individual's tax liability would be related more closely to ability to pay. The most straightforward means of introducing a local income tax would be to integrate it with the present national income tax system. But this would entail adding significant extra tasks to an already complex system, which could call for substantial additional staffing requirements in the Inland Revenue, as well as additional work for employers.

According to the Inland Revenue, such a scheme could probably not be introduced until the early 1990s. There would be difficulties arising from central and local government sharing the same tax base; and for local authorities there would be problems of budgeting and financial control caused by the unpredictability and inconsistency of the tax yield. Such a system would be suitable only for the major spending authorities, and would not be very perceptible to taxpayers as a local tax. It is doubtful whether the high cost of a system administered directly by local authorities could be justified. A system under which the Inland Revenue gave details of income to local authorities, for them to collect their own tax, could make local income tax available to both tiers of local government with comparatively few problems of financial control. It would be less expensive than a fully independent system, but much more costly than integrated schemes.

Poll Tax. This could be levied on every adult, every elector or every person with an income. The higher the proportion of the adult population liable for the tax, the more evenly it would be spread among the recipients of local government services. The wider the coverage of the tax, the smaller the costs incurred in providing for exceptions or differing methods of assessment.

There are about 40 million adults in Great Britain. In order to raise £4.8 billion annually it would therefore be necessary to levy a poll tax of about £120 per head on average if all adults were liable. If there were any significant exemptions, the tax might have to be substantially higher. These figures would not be very different if electors, rather than all adults, were taxed; but if only those with incomes were to pay, then the yield would be nearly halved (or the average poll tax rate nearly doubled). The Government believes that a flat-rate annual poll tax of this order of magnitude would almost certainly not be a practical proposition. If a poll tax were used to supplement another tax, however, the tax rate would obviously be lower, and it is in this way that a poll tax is most likely to be able to contribute to a system of local revenues.

Assigned Revenues. Central government would be able annually to vary the amount of revenue from national taxes to be assigned to local government. The central government's responsibility for the control of public expenditure and the management of the economy generally would make the pressure to take decisions of this sort practically impossible to resist. To replace domestic rates with assigned revenues would therefore be to replace a revenue whose annual yield is determined locally with a revenue whose annual yield would, in practice, be decided centrally. It would not be possible to make arrangements which would prevent such intervention. Legislation which provided for assigned revenues to be determined each year on a fixed basis free from central government control, would be subject to annual review by Parliament.

A system of this sort would have implications for the existing constitutional relationship between central and local government. Even if local authorities had another source of revenue whose yield they were free to determine locally, assigned revenues would reduce considerably authorities' present freedom to take decisions about revenue and expenditure, and about what level of local services should be provided.

Combination of New Local Taxes. Probably none of the possible new sources of local revenue discussed in the Green Paper—local sales tax, local income tax, or poll tax—could be used on its own as a complete replacement for domestic rates. A local sales tax or local income tax, combined with either a poll tax or domestic rates retained at a lower level of yield, could replace the present system, but would entail correspondingly higher administrative costs.

Non-Domestic Rates. There are two million non-domestic ratepayers in Great Britain. Rates are paid not only by private industry and commerce, but also by nationalised industries and undertakings, entertainment and recreational concerns, educational, medical and cultural institutions. Non-domestic rates provided an estimated 24 per cent of local government rate fund revenue in 1981–2, compared with 19 per cent contributed by domestic ratepayers and 57 per cent from Exchequer grant. In cash terms, their estimated yield was £6 billion in 1981–2.

The Green Paper did not consider alternatives to non-domestic rates. One possible means of controlling the demands of local government on commerce and industry through non-domestic rates would be for Central Government to bring forward legislation which would give it the power to determine each year, by order, a single, national non-domestic rate poundage which would apply equally to each local authority in the country either in Great Britain as a whole or separately in Scotland, Wales and England.

Reintroduction of the Business Vote. Some people have suggested that the interests of non-domestic ratepayers could be protected to some extent, even without the introduction of controls on non-domestic rate poundages, if something like the so-called business vote were reintroduced. This arrangement was not really a business vote as such: it was a non-residential vote exercised by the owner of property in an area where he was not a resident. Incorporated companies did not have votes. It is argued, however, that enfranchising businesses might make local authorities accountable to the industrial and commercial community in their areas in the same way as they are accountable at present to domestic ratepayers, who are able to vote in local elections. The difficulties of providing for a business vote in a way which could produce a real degree of accountability, would be daunting. Of the two million business ratepayers in England and Wales, only 150,000 were entitled to vote before 1969.

The view of the Government is that the interests of business ratepayers can be more effectively represented to local authorities through the influence that central government itself brings to bear on local government's revenue and expenditure levels.

A Non-Domestic Rate Revaluation. While the non-domestic rating system continues in its present form, it is necessary to consider a revaluation of the rate base. The last revaluation took place in 1973 in England and Wales. Since then, there have been quite large changes in the relative values of some categories of non-domestic property. The effect of these changes is that some categories of non-domestic ratepayers are paying larger rate bills than would be the case if the values of all non-domestic property were brought up to date. Effectively, those ratepayers subsidise other categories of non-domestic ratepayer whose burden would, at present-day values, be higher.

3. EMPTY PROPERTY RATING

The rating of empty property is causing considerable problems for some businesses. In 1974, in order to curb property speculation, the ceiling for the rating of empty property was raised to 100 per cent of the occupied rate. At the same time, local authorities were given the power to reduce or remit empty property rates in individual cases on grounds of hardship.

As soon as the present Government took office, Mr Heseltine reviewed the rating of both empty domestic and non-domestic property in the light of the changes in climate in the property market. It was clear that the problems of the recession were being exacerbated for industry by the requirement to pay, in some cases, substantial amounts of rates on non-productive units which could not be sold.

While there was a good case for reducing the severity of the empty property rating provisions, the Government also had to consider the effect on local government finance. Abolition of empty property rates would have meant the sudden removal of a significant source of rate income. It would have led inevitably in some areas to an increase in the rate burden on other ratepayers, both domestic and non-domestic. The consequences would have been particularly serious in areas suffering from a declining industrial base. There, the rate increases on the remaining firms would have reduced their competitiveness. On balance, the Government decided that empty property rates should not be abolished outright.

Instead, powers were taken in the Local Government, Planning and Land Act 1980 to enable the Secretary of State to vary by order, both the ceilings on the amount of rates chargeable on empty domestic or non-domestic properties, and the initial grace period. In view of the difficult economic situation faced by the business sector, Mr Heseltine used these powers to reduce the ceiling on non-domestic property in general to 50 per cent of the occupied rate, with effect from 1st April 1981. This has helped to reduce the burden of rates on non-productive factories.

4. RATE INCREASES

The table below shows the annual average increase in domestic rates in England and Wales since 1979.

Year	England		Wales	
	Average Domestic Rate Bill £	Increase over previous year <i>per cent</i>	Average Domestic Rate Bill £	Increase over previous year <i>per cent</i>
1979–80	156		97	
1980–1	199	28·0	127	30·9
1981–2	244	22·7	154	21·2
1982–3	282	15·3	183	18·8
1983–4	302	7·2	186	1·6

(Source: DOE and Welsh Office)

(G) LOCAL GOVERNMENT FINANCE ACT 1982

In a speech at Torquay on 24th September 1981, Mr Heseltine outlined proposals to protect ratepayers in the areas of high spending Labour authorities:

‘My legislation will only apply to authorities who seek to rate for a provision of expenditure significantly above that normally found in authorities of their class. The vast majority of authorities will be free to proceed exactly as now.’

On 30th September 1981, a consultation document was circulated to local authorities, and on 6th November 1981 the Local Government Finance Bill was published. It proposed alterations in the rating power of local authorities, which would limit the amount of the main rate or precept of each authority from 1982–3, and require authorities to secure approval through a referendum for any supplementary rates or precepts.

Concern was expressed in local government and in Parliament about the establishment of a more widespread practice of using referendums to approve the policies of elected bodies. The Government recognised this concern, and the Local Government Finance (No. 2) Bill, which became the Local Government Finance Act 1982, approached the problem of high spending councils in a different way.

The Act's Provisions. The Government considered a range of options apart from referendums, including what is called the ‘Lothian’ option, which operates in Scotland already. The Secretary of State for Scotland can threaten to withhold grant from high spending councils unless they pay excessive rates back to ratepayers (see Chapter 21, p. 342). The 1982 Act made a simple change in the law by abolishing supplementary rates and bringing local authorities in England and Wales more closely into line with Scottish local authorities.

The Act abolished supplementary rates and supplementary precepts in England and Wales with effect from the financial year 1982–3, and required local authorities to make or issue rates and precepts for complete financial years. This part of the Act applies to all rating and precepting authorities in England and Wales.

Part II of the Act amended Section 59 of the Local Government, Planning and Land Act 1980 to make express provision to permit the Secretary of State to make adjustments in the block grant payable to individual authorities in order to encourage reductions in the level of local authority expenditure.

Part III of the Act established the Audit Commission for Local Authorities in England and Wales (see p. 275). The Commission will assume responsibility for securing the audit of the accounts of local authorities, at present the responsibility of the District Audit Service, which is part of the Department of the Environment.

Mr Heseltine explained on Second Reading of the Bill why supplementary rates were being abolished:

‘There has recently been a growing tendency for local authorities to levy supplementary rates. In 1981–2 we saw more than 30 local authorities issue supplementary rates or precepts on their own

account. This is far more than ever before. ‘It has particularly unfortunate consequences, but perhaps the most unfortunate is the effect on those people who try to budget their family income and make allowances within it for their rates payment to local government, only to find that their calculations are thrown aside by the arrival of an unbudgeted and unwelcome increase in their already increased rate demand. The effect on those with low and fixed incomes is particularly harsh. Harsh, too, are the effects on industry and commerce in many of our larger cities’ (*Hansard*, 18th January 1982, Cols. 48–9).

He went on to describe the way the system would work:

‘Once they have set their rates for the year, councils will have to live within their means without further recourse to the ratepayer. Ill-judged increases in spending part way through the financial year of the sort seen this year will no longer be possible ... These provisions should cause few problems for the vast majority of responsible local authorities which manage their finances prudently’ (*ibid.*, Col. 50).

(H) VALUE FOR MONEY IN LOCAL GOVERNMENT

1. LOCAL GOVERNMENT COMPARATIVE STATISTICS

The requirement in the Local Government, Planning and Land Act 1980 that local authorities should publish information about their performance and their use of manpower, together with the publication by the Chartered Institute of Public Finance and Accountancy of *Local Government Comparative Statistics*, have enabled ratepayers and councillors to judge whether their local authorities are giving value for money. For example, it can be seen that in 1980–1, the latest available year, Camden spent £494 per head of population, 61 per cent above the average (£306) for all inner London Boroughs; Brent spent £479 per head, 40 per cent above the average (£341) for outer London boroughs; Manchester spent £480 per head, 52 per cent above the average (£316) for metropolitan districts; Blackburn spent £104 per head, 136 per cent above the average (£44) for English non-metropolitan districts; and Merthyr Tydfil spent £115 per head, 61 per cent above the average (£71) for Welsh non-metropolitan districts.

2. LOCAL GOVERNMENT AUDIT

This was established by the Local Government Finance Act 1982. On 28th July 1981, Mr Tom King announced that the Government would be setting up a new Audit Commission to be responsible for the audit of local authorities in England and Wales. He said:

‘The Government endorse the Public Accounts Committee's conclusion that the present arrangements for local authority audit need to be improved and that greater attention needs to be given to value for money work. In addition, we do not believe it is right in principle that a local authority should appoint its own auditors. We also wish to see the experience of private sector accountants used in substantially greater measure in local government audit. ‘The Government accordingly propose to introduce early legislation to establish a new Audit Commission which

would be responsible for the audit of local authorities in England and Wales' (*Hansard*, Col. 993).

The Commission will appoint auditors to the local authorities, either from the District Auditor, or from the private sector. It will take over from the Department of the Environment responsibility for the District Audit Service.

The Commission will have powers to promote or undertake work on value for money and efficiency. During the Second Reading of the Local Government Finance Bill 1982, Mr Heseltine said:

'The central part of a value-for-money audit is comparing a local authority's practice and performance with best practice in other similar authorities. The Commission's comparative studies, and studies undertaken by, for example, the Local Authorities' Management Services and Computer Committee and the Chartered Institute of Public Finance and Accountancy, will provide the auditor with the basic tools he needs to do a value-for-money audit. 'In the final analysis it is a local authority's responsibility to give its ratepayers value for money. Neither the auditor nor the Commission can take over that responsibility. The auditor can draw an authority's attention to any shortcomings, but the policy decision rests with the local authority' (*Hansard*, 18th January 1982, Col. 52).

3. DIRECT LABOUR

On 16th March 1982, Mr John Stanley, Minister for Housing, announced measures to ensure that a greater share of local authority construction and maintenance work would be put out to competition.

Under amended Competition Regulations approved on 30th March 1982, 30 per cent by value of maintenance works below the £10,000 per job threshold, which were previously exempt from competition, are required to be put out to competition when the total value of such work is in excess of £300,000 in a full year.

The threshold for competition for highway works has been reduced from £100,000 to £50,000 from the same date.

Under the new Annual Reports Directions, local authorities and development bodies are required, amongst other matters, to identify publicly those contracts awarded to direct labour organisations (DLOs), where the DLO was not the lowest tenderer.

Direct Labour Organisations. On 14th December 1982, Mr Stanley issued a consultation paper which proposed further expansion in maintenance and new building work that would have to be put out to competitive tender from 1st October 1983, rather than being undertaken by direct labour organisations without competition.

All maintenance work above £10,000 per job, and 30 per cent of the work below the £10,000 threshold, now has to be put out to competitive tender. It is proposed to increase the 30 per cent figures to 60 per cent. All new building work above £50,000 per job, and 33⅓ per cent of the work below the £50,000 threshold, has to be put out to competitive tender now. It is proposed to increase the 33⅓ per cent figure to 60 per cent.

On highways, the Government favours the reduction of tendering thresholds and an increase in competition for highway works. It wishes to see a reduction in dependence on DLOs by highway authorities, so far as this is practicable. It would also welcome a greater involvement of contractors for highway work on a regular basis, including winter maintenance work. Ministers wish, however, to be satisfied that such developments can be fostered in an orderly and cost-effective way. They intend, therefore, to defer making any final decision on the introduction of a partial tendering requirement for work below the £50,000 threshold until they have sufficient evidence on the effect of the new £50,000 limit on highway costs and, in particular, on winter maintenance operations.

4. PRIVATISATION

The scope for contracting out local authority services to the private sector has received wider attention in recent years. A number of local authorities have started to use the private sector to operate services. Southend-on-Sea, Kensington and Chelsea, Maldon (Essex), Wandsworth and North Norfolk are using contractors for refuse collection. Wandsworth and Southend have put street cleaning out to contract. Salisbury is having council offices cleaned privately. Chiltern (Bucks) has called in private pest control contractors. Westminster and Waveney councils are using the private sector to manage leisure centres. Kensington and Chelsea has turned its architects department into a consultancy.

A wide range of services is suitable for 'privatisation': refuse collection, street cleaning, parks maintenance, building maintenance and repairs, recreation services, architectural design, valuation and surveying, and planning.

At the 1981 Conservative Conference, Mr King praised Southend Council for using private contractors. He went on to say:

'But if we pay tribute to Southend, there is one rather awkward question to ask. Where are all the others? There is great scope for contracting out other services as well to private enterprise. Why so few so far? I ask all councillors here and in the country to ask again these fundamental questions about every service. Do we need to do it at all? Do we need to do it as much as we are doing? Can we do it in a better way?' (*Blackpool*, 14th October 1981).

(I) LABOUR AND ALLIANCE POLICIES

1. LABOUR PARTY

Local Government Spending. Labour's campaign document, *The New Hope for Britain*, makes it clear that Labour are committed to a massive increase in local government spending:

'We shall give a power of general competence to all local authorities to carry out whatever activities are not expressly forbidden by statute.'

A power of general competence going further than that provided by Section 137 of the 1972 Local Government Act would give *carte blanche* to extremist Labour councils to spend money on services and causes for which they have no responsibility.

Labour's Programme 1982 states:

‘... (local authorities) decisions should not be judged simply on the narrow consideration of the immediate financial repercussions on ratepayers’.

This betrays Labour's contempt for ratepayers, believing that they are milch-cows of unlimited means, capable of paying for the frivolous and doctrinaire empire building of irresponsible Labour councils.

Mr Gerald Kaufman, Labour's chief spokesman on the Environment, spelt out Labour's plans to impose high spending policies on local government, at the local authorities' conference at Torquay on 24th September 1981:

‘I do not deny the right of Government to impose specific duties for which it has an electoral mandate. We may require local government to perform certain specific duties.’

He also said:

‘I believe a parliamentary mandate overrides local government. Parliament is paramount and the will of Parliament must prevail.’

What he had in mind became clear at Brighton on 28th September 1981, when he addressed the Labour Party Conference:

‘The next Labour Government will liberate (sic) our local councils and give them greater scope than ever before to promote municipal socialism in our towns, cities and villages.’

This was taken further by Miss Joan Maynard, MP for Sheffield, Brightside, who was then Chairman of the Labour Party Local Government Committee. She said:

‘There will be certain minimum standards below which nobody will be allowed to fall’
(*Brighton*, 28th September, 1981).

Municipal Trading. *Labour's Programme 1982* says:

‘Labour ... will significantly extend the powers of local government to engage in industrial and commercial activities ... to cut through the present legal restrictions on local authorities that wish to set up their own companies and use pension fund monies to back their industrial and commercial initiatives. We shall also act to repeal the restrictions on trading undertakings and DLOs, and we shall make new powers available to allow local authorities to supply goods and services to other organisations.’

Municipal trading in building and other commercial areas will be set up in competition with local business, with a subsidy from those businesses as ratepayers to make good the losses of the municipal trading organisations.

Direct Labour. As Mr Kaufman told the Labour Local Government Conference at Portsmouth on 11th February 1983:

‘We shall not simply be content with repealing the restrictions on Direct Labour Organisations. We shall widen the scope for DLOs, giving them the right to tender for work not only for other local authorities but in the private sector as well.’

Abolition of the Shire Counties. In the same speech Mr Kaufman said:

‘We shall ... legislate to create unitary district authorities which will be responsible for all of the functions in their area that they can sensibly undertake.’

Labour are determined to destroy the shire county councils. In rural areas this would necessitate creating unitary authorities with a huge geographical area, in order to achieve the population size necessary to sustain services like education.

Local Government Finance. Mr Kaufman said:

‘We shall reappraise the whole method of levying local taxation, and we shall look favourably on the principle of a local income tax, at least as an available option’ (ibid.).

2. ALLIANCE PARTIES

The SDP *Policies for the Local Elections 1983* indicates that the SDP favour the transfer of non-domestic rates to the Exchequer, the retention of domestic rates and the introduction of a local income tax.

It would abolish the metropolitan counties and the GLC, and would restore all-purpose ‘county borough’ powers to larger non-metropolitan districts like Bristol and Nottingham.

The SDP Green Paper No. 3 (*Decentralising Government*, July 1982) proposed a pattern of regional government in England, in which 13 regional authorities would replace one of the existing tiers of local government, most probably the counties.

The *Liberal Programme* (1982) proposes that there should be a single tier of ‘most-purpose’ district authorities, with a local income tax as the main source of revenue, with a greatly extended system of community and parish councils, and elected councils in the English regions.

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(A) TOWN AND COUNTRY PLANNING

1. THE ROLE OF PLANNING

Mr Heseltine outlined the Government's approach to planning in a speech to the Royal Town Planning Institute Summer School at Nottingham on 10th September 1981:

'I remain, as I have long been, committed to the concept of planning. Britain would be the poorer without it and it is to me unthinkable that the broad philosophy of development control will ever be set aside. Our land resource is too limited, the pressures on it too great to contemplate such a prospect.'

But he went on to question the record of over thirty years of planning:

'If we look around, can we be satisfied with the quality of the inheritance we are every day approving and creating? ... my belief remains that far too much of our new building in both the public and the private sector is dreary, monotonous and unimaginative. 'As planners we can agree that we don't design the buildings or submit the applications. But we design the systems through which the applications must pass. We create the expectation, the reactions and the climate. Developers and architects will submit that which will get through quickly.'

He urged planners to take a more positive approach to their task:

'I do not believe in growth at all costs, with necessary constraints abandoned, and with quality sacrificed. On the contrary, I believe firmly that the improvement of quality, the better use of sites, the eradication of dereliction, all can be planned in order to lead to a much better environment, perhaps especially in the inner cities.'

2. STREAMLINING THE PLANNING SYSTEM

The Government's principal policy statement regarding the conduct of the planning system is contained in Department of the Environment circular 22/80, *Development Control—Policy and Practice*, issued on 28th November 1980. The circular has two aims: first, to secure a general speeding up of the system; and second, to ensure that development is only prevented or restricted

when this serves a clear planning purpose and the economic effects have been taken into account. The circular states:

‘Development control must avoid placing unjustified obstacles in the way of any development, especially if it is for industry, commerce, housing or any other purpose relevant to the economic regeneration of the country ... Local planning authorities are asked therefore to pay greater regard to time and efficiency; to adopt a more positive attitude to planning applications; to facilitate development; and always to grant planning permission, having regard to all material considerations, unless there are sound and clear-cut reasons for refusal.’

The Government's concern for positive attitudes and efficiency in development control does not mean that its commitment to conservation is in any way weakened. In particular, it remains committed to the need to conserve and improve the countryside, natural habitats and areas of architectural, natural, historical or scientific interest, and listed buildings. There is no change in the policies on national parks, areas of outstanding natural beauty or conservation areas. The circular stresses the need to limit urban growth:

‘The Government continue to attach great importance to the use of green belts to contain the sprawl of built-up areas and to safeguard the neighbouring countryside from encroachment and there must continue to be a general presumption against any inappropriate development within them. Nor will the Government allow more than the essential minimum of agricultural land to be diverted to development, nor land of a high agricultural quality to be taken where land of a lower quality could reasonably be used instead.’

Structure Plans. Procedures for the preparation and approval of structure plans have been simplified and performance has been improved dramatically. Prior to May 1979, 25 structure plans had been approved, and the average time taken for approval was 37 months. By the end of November 1981 the average time taken had dropped to 20 months. All 72 structure plans have been submitted and 68 plans have been approved. The four still to be approved are Cumbria/Lake District, the Isles of Scilly, Dorset and Devon.

Planning Delays. There is little doubt that planning delays inhibit enterprise and the expansion of business. Recently published figures show that local planning authorities are improving their development control performance. Only 22 authorities have decided less than 50 per cent of applications within eight weeks in all the last four available quarters (i.e., between July 1981 and June 1982).

3. LAND REGISTERS

Part 10 of the Local Government, Planning and Land Act 1980 provides for registers to be kept of land owned by public bodies which is unused or not being sufficiently used. The public bodies include local authorities, the Post Office, nationalised industries such as British Steel, the National Coal Board and British Waterways Board, and statutory undertakers such as British Gas, water authorities and electricity boards.

On 18th September 1981 Mr Heseltine commented on their potential:

‘We can reduce the pressure on our countryside by making good use of land lying idle elsewhere. Our towns and cities contain many thousands of acres of unused land, much of it in public ownership. It is a national scandal that all elements of the public sector should have

allowed so much land—often at the heart of our great cities—to have been sterilised so long through lack of positive action’ (Countryside Commission Conference, Acle, Norfolk).

At 1st January 1983, the land registers in England contained details of sites of one acre or more amounting to 108,000 acres of unused and under-used land owned by public bodies. 61,000 acres, approaching two-thirds of the total, are owned by local authorities. By the same date, about 6,000 acres of registered land had been disposed of or brought into use.

The major concentrations of unused publicly-owned land are in the urban areas: the following authorities have more than 3 per cent of the district area registered as waste or vacant land:

Newham	14.8%	Warrington	3.6%
Tower Hamlets	12.6%	Portsmouth	3.3%
Middlesbrough	8.5%	Stoke on Trent	3.3%
Kingston upon Hull	5.3%	Manchester	3.2%
Southwark	4.3%	North Tyneside	3.2%
Bristol	4.2%	Liverpool	3.1%
Coventry	3.7%	Wrekin	3.1%
Sunderland	3.7%		

The Housebuilders Federation, in a report published in October 1982, has shown that a number of Labour local authorities are unwilling to release land to private developers. Out of nearly 50 acres in Tower Hamlets, over 30 acres of land assessed as suitable for housing is to be retained in the public sector, and no land has been made available for private housebuilding. In Hounslow, there are over 140 acres of land on the register, but only 22 acres are scheduled for release for private housebuilding. In Leicester, 323 acres appear on the register; and although over 50 acres are assessed as suitable for private housebuilding, nearly 40 of those acres are to be retained for council housing, and none released for private builders. In Doncaster, out of 712 acres on the register, 253 acres have been assessed as suitable for housing, but 115 acres are to be retained by Doncaster council for council housing and only 17 acres released for private housebuilding.

4. DERELICT LAND

On 18th December 1981, Mr Heseltine announced a new initiative to promote reclamation of derelict land for industrial, commercial, housing and other forms of development. The aim is to encourage local authorities and the private sector to co-operate positively in schemes to transform derelict land with the right potential into productive development which will bring employment to run-down urban areas.

The scheme will give priority to the allocation of derelict land grant to schemes designed to provide land for industry, commerce, housing, sporting or recreational use or other private development schemes.

Derelict land grant is currently payable at the rate of 100 per cent of approved expenditure by local authorities in assisted areas and derelict land clearance areas. Grant at a rate of 80 per cent is now available to the private sector (see p. 281).

5. NEW TOWNS

Most first generation new towns and many of the second generation are nearing completion. Corby New Town was transferred to the Commission for the New Towns in April 1980. Stevenage was transferred in July 1980 and Harlow in October 1980. On 1st April 1981, Runcorn's development corporation was dissolved and it has been taken over by the renamed Warrington and Runcorn Development Corporation. Bracknell Development Corporation was dissolved in June 1982, and Basildon and Redditch are due to cease at the end of 1984.

On 4th February 1981, Mr Heseltine made a statement about the future of the third generation new towns. He said that Northampton Development Corporation should be wound up in December 1984 when the town's population would reach 170,000, and Central Lancashire should be wound up in December 1985 when it had a population of about 270,000.

The other four new town development corporations (Milton Keynes, Peterborough, Telford and Warrington) should be wound up in the late 1980s.

Since 1979, nearly £500 million of new town assets have been sold.

(B) INNER CITY INITIATIVES

1. INNER CITY PARTNERSHIP AND PROGRAMME ARRANGEMENTS

The present Government has retained the original list of districts designated under the Inner Urban Areas Act 1978, although keeping it under review to ensure that the choice remains justified on the basis of these districts' exceptional economic and social problems. Partnership and Programme authority arrangements have also continued, but bureaucracy has been reduced, priority has been given to projects aimed at economic regeneration, and the private sector and local communities are being involved.

On 15th February 1983 Mr Tom King, Secretary of State for the Environment, announced new urban initiatives. With effect from April 1983, Blackburn, Brent, Coventry, Knowsley, Rochdale, Sandwell, Tower Hamlets and Wandsworth have been added to the list of Programme authorities. Mr King also announced two important schemes that the Government has launched in which public funds are used to attract substantially greater amounts of private investment to older industrial towns and cities. Category A derelict land grant has been designed to secure immediate development by private firms of land reclaimed by local authorities. Mr King announced £30 million of derelict land grant which would attract £200 million of private sector investment. He also announced the first 41 projects to receive urban development grant (UDG) (see p. 282) where £10 million of public money will lead to additional private sector investment of £40 million.

Expenditure on Urban Programmes

	1979-80	1980-81	1981-82	1982-83	1983-84
	£m	£m	£m	£m	£m
Urban Programme	165	202	215	270	348
including Partnership authorities	90	116	118	120	n.a.
Programme authorities	32	44	49	59	n.a.

Expenditure on Urban Programmes

	1979–80	1980–81	1981–82	1982–83	1983–84
	£m	£m	£m	£m	£m
Traditional Urban Programme	30	33	42	47	n.a.
Urban Development Grant	–	–	–	–	60
Urban Development Corporations	–	–	82	64	67
Derelict Land Grant	23.5	29.6	37.6	59	75

n.a.=not available

(Source: Department of the Environment)

2. MERSEYSIDE TASK FORCE

Following the civil disturbances in 1981, and Mr Heseltine's visit to Merseyside, the Merseyside Task Force was set up, composed of representatives from government departments concerned with Merseyside's economy and environment, and people seconded from the private sector. Its task is to work with local authorities, the private sector and other interests in the area, to develop specific proposals for action in the Merseyside inner city areas, with a view to promoting the best use of government resources committed to Merseyside.

3. URBAN DEVELOPMENT GRANT

A new element which has been included in the Urban Programme, in order to attract more private investment into inner city areas, is the Urban Development Grant (UDG) scheme, which provides financial assistance for development projects proposed jointly by local authorities and the private sector and containing a significant input of private finance. UDG is intended to sharpen the incentives to the private sector to prepare projects which they might not otherwise undertake in inner cities, and to encourage local authorities to adopt a more active role in seeking them out.

4. LOCAL ENTERPRISE AGENCIES

The Government has continued to encourage the growth of Local Enterprise Agencies and similar bodies in urban areas throughout the country. Local Enterprise Agencies are organisations set up by one or more private companies, often in association with local public bodies, to help tackle problems facing the community in which the companies operate. Most agencies have concentrated on tackling economic problems by helping small firms, but some have also worked on local social and environmental problems. The Finance Act 1982 made provision for tax relief on firms' contributions to approved enterprise agencies.

5. URBAN DEVELOPMENT CORPORATIONS (UDCs)

UDCs have been established, along the lines of New Town Development Corporations, for the docklands of London and Merseyside. The aim is to regenerate areas of industrial decline, where the scale of the task is too great to be shouldered by local authorities alone.

The UDC in London, London Docklands Development Corporation, is planning the regeneration of 5,000 acres of land on both sides of the river Thames, taking in land in the London Boroughs

of Tower Hamlets, Newham and Southwark. It has started to remedy the almost total lack of private housing in Docklands where there is a considerable demand for owner-occupation. The UDC is also responsible for administering the Enterprise Zone in the Isle of Dogs, which is aimed at generating new commercial interest and improved job prospects in the area.

The Merseyside Docklands Corporation is preparing plans to return economic activity to 865 acres of waste land on both sides of the Mersey in Liverpool, Bootle and Birkenhead. One major current development is the preparation of the site for the International Garden Festival, to be held in 1984.

6. ENTERPRISE ZONES

Although not precisely an inner city initiative, 24 Enterprise Zones (EZs) have been established with the aim of restoring vigorous private sector activity to a number of run-down urban areas. The zones range in size from about 140 to over 1,100 acres and all contain land ripe for development (see Chapter 4, p. 70).

(C) HISTORIC BUILDINGS AND ARCHITECTURAL QUALITY

Historic Buildings. On 19th March 1981, Mr Heseltine announced that he intended to speed up the national survey of historic buildings. The intention is that it should be completed by 1984. By streamlining procedures and involving architects from the private sector, rapid progress has been made in reviewing the list of protected buildings for the two-thirds of the country where the task is not yet complete.

On 25th June 1981, Mr Heseltine notified Josiah Wedgwood & Company, the owners of Barlaston Hall, Staffordshire, that he considered that the building was in need of immediate repairs and that he intended to carry out this urgent work to prevent further deterioration until the future of the building could be finally determined. This was the first time that such action had been taken by an Environment Minister in the interest of conservation, using powers available under existing planning law.

Listing of Inter-War Buildings. Until 1980 only a few inter-war buildings had been protected by inclusion in the statutory list. Mr Heseltine asked the Historic Buildings Council to recommend criteria for the selection of inter-war buildings for the list and to identify examples for his immediate attention. The criteria have now been established. So far over 250 buildings have been listed, including Battersea Power Station, the Coty, Pyrene and Hoover factories in West London, the Philharmonic Hall, Liverpool, and the Queens Hotel, Leeds.

Architectural Quality and Competitions. Mr Heseltine, when he was Secretary of State for the Environment, pointed to the need to improve the quality of architecture on important sites and to the potential of competitions for achieving this. He announced a number of competitions for buildings for the Property Services Agency, and urged other public bodies and the private sector to follow this example. At a conference of the Royal Institute of British Architects in Newcastle in July 1980, he pointed out that fewer competitions were held in this country than in other Western European countries, and said that he would be promoting more competitions.

National Heritage Bill 1983. This Act establishes the Historic Buildings and Monuments Commission for England (see Chapter 12, p. 217).

(D) WILDLIFE AND COUNTRYSIDE

1. THE WILDLIFE AND COUNTRYSIDE ACT 1981

The Act introduces important new safeguards for conservation of animals and plants and their habitats; provides for new procedures to assist moorland conservation in National Parks; and introduces special safeguards for National Parks generally, and for areas of special scientific interest.

Protection of Wildlife. Part I updates protection of birds legislation, partly to take account of EEC Directive 79/409 on the conservation of wild birds, which should have been implemented in April 1981. The schedules of birds which may be killed, sold or kept in captivity are amended; and new controls are introduced on certain methods of killing and on falconry, aviculture, and taxidermy, together with revised procedures for the establishment of bird sanctuaries and new licensing arrangements in general. A wider range of wild animals and plants is to be protected and new controls are to be introduced on certain methods of killing animals, protected and otherwise, and on the release into the wild of exotic species which might harm native flora and fauna. Existing controls on international trade in endangered species are extended to cover domestic trade in particularly endangered species and their derivatives.

Restrictions are imposed on dogs in fields containing sheep.

Sites of Special Scientific Interest. Part II introduces extensive new provisions concerning sites of special scientific interest. There are areas of geological or wildlife interest—at present just under 4,000 in number—which the Nature Conservancy Council (NCC) has notified to local planning authorities. The NCC will be required to notify owners and occupiers of the existence of such areas, and specify operations which might harm the features of interest. Owners and occupiers will in turn have to give three months' notice of any intention to carry out such operations. Before any new areas are notified, the NCC must publicise its intention and allow at least three months for any objections or representations to be made.

Under the Act, the Secretary of State for the Environment may make orders requiring harmful operations to be delayed for a longer period on selected very important sites whilst the NCC seeks a satisfactory conclusion by agreement or, as a last resort, by using its power of compulsory purchase. Compensation may be claimed for losses caused by these orders. Ministers will publish a code of practice to promote proper management of areas of special scientific interest, which is subject to approval by both Houses of Parliament.

Limestone Pavements. The Act enables county planning authorities or the Secretary of State to make limestone pavement orders, prohibiting removal of stone from such pavements (which are found in North Lancashire, Cumbria and North Yorkshire) unless planning permission has been obtained.

Marine Nature Reserves. The Secretary of State is given powers to establish marine nature reserves extending from high-water mark to the limit of territorial waters.

Better Agricultural Practice. The ‘Sandford’ provisions extend the advisory duties of the Agricultural Development and Advisory Service (ADAS) of the Ministry of Agriculture (MAFF), and introduce an important new procedure for dealing with applications for MAFF farm capital improvement grants in National Parks and areas of special scientific interest. The Act requires that when an application for a grant under Section 29 of the Agriculture Act 1970 (farm capital grants) is made, the Minister shall ‘so exercise his functions thereunder as to further the conservation and enhancement of the natural beauty and amenity of the countryside and to promote its enjoyment by the public’.

National Parks. Ministers are empowered to make orders requiring advance notification where moorland in National Parks is threatened by agricultural or forestry proposals. National Park Authorities have a duty to draw up and publish maps of moor and heathland which they consider particularly merit conservation, and to review these annually.

The Act makes a change in the statutory membership of National Park Authorities to provide for district council representation, and alters the status of the Countryside Commission to make it a grant-in-aid body.

Public Footpaths. Part III of the Act contains new procedures for the review of definitive maps and statements of public rights of way in the countryside, and for making orders creating, extinguishing or diverting rights of way. Bye-laws controlling bulls in fields crossed by public paths are to be replaced by a general ban with limited exceptions. Provisions are made concerning signposting, and restoration of footpaths after ploughing.

2. MINERAL WORKINGS

Under the Town and Country Planning (Minerals) Act 1981, county councils and other minerals planning authorities have been given important new powers to control the environmental effects of mineral working. The working of minerals is a long-term activity, and the Act requires authorities to review periodically sites which are being or have recently been worked. At the same time, powers have been provided to make it easier for them to impose up-to-date environmental conditions where the original permission was granted some time ago.

3. ZOOS AND DANGEROUS WILD ANIMALS

After taking over responsibility for zoos from the Home Secretary in February 1980, the Environment Secretary supported a private member's Bill introduced by Lord Craigton and Mr John Blackburn, Conservative MP for Dudley West, to control zoos through a system of licensing. The Zoo Licensing Act received the Royal Assent on 27th July 1981.

4. WHALES

Following a British initiative in September 1979, an EEC-wide ban on the import of a large number of whale products came into effect from 1st January 1982. This is a major step forward in the conservation of whales.

In the UK, the importation of most primary whale products has been banned since 1973. Of the remaining products, the importation of sperm whale oil, spermaceti and ambergris has been subject to licence since September 1979. Under the EEC regulation, the UK primary ban will

continue, and sperm oil and spermaceti will now also be banned. Ambergris will continue to be subject to licensing control under UK legislation. For the first time, however, leather treated with cetacean oil and articles made from such leather—saddlery and harness, travel goods, handbags etc., and footwear—will also be banned along with skins treated with the oil and items manufactured from them.

5. SEALS

At the EEC Council of Environment Ministers' meeting on 28th February 1983 the main subject for discussion was action on imports of certain harp and hooded seal pup products.

Mr Giles Shaw, Parliamentary Under-Secretary of State for the Environment, played a leading part in achieving unanimous support for a Directive under article 235 of the Treaty of Rome. This provides for a two-year ban on imports of these products from 1st October 1983, on conservation grounds, unless the Council decides otherwise on the basis of a report and a proposal from the European Commission.

In the UK, the Government is monitoring trade to ensure that the voluntary ban agreed with the British Fur Trade Association is effective for the year beginning March 1983. The Community-wide action has ensured that there will be no Norwegian cull of seal pups this year, and any Canadian cull will be minimal.

(E) CONTROL OF POLLUTION

Lead Pollution. Government action to deal with environmental pollution by lead was announced on 11th May 1981 by Mr Tom King (*Hansard*, Cols. 483–4).

The Government completed its review of policy, in the light of the Report of the working party (March 1980) chaired by Professor Lawther, and accepted the general conclusion of the Report that policy needed to be tightened in a number of respects.

Paint. The real problem is not paint currently on sale to the public—most of which is virtually lead-free—but old paintwork in many houses and other buildings. This will be tackled by information and advice to local authorities, and by increased emphasis in health education programmes on ways to counter the hazards.

Water. High levels of lead can occur in drinking water in some areas. The problem arises only in the minority of households which have both lead-solvent water and lead plumbing. Water authorities have been working to identify the problem areas, and are taking steps to tackle the problem at source. In some cases, particularly where drinking water comes from lead-lined tanks, the only answer is to alter the plumbing. The Government has proposed that such work should be eligible for home improvement grants.

Food. New regulations reducing the maximum permitted levels of lead in food offered for sale came into force in April 1980. The Food Additives and Contaminants Committee has been asked to study the implications of the use of lead solder in cans in their study of metals in canned foods.

Emissions of lead to air. The Lawther Report recommended an air quality standard for lead of 2 micrograms per cubic metre. The Government has agreed that this standard, which is also proposed in a draft EEC Directive, should be adopted.

So far as the control of industrial emissions is concerned, current powers are adequate to allow the proposed standard to be met. But the standard cannot be met in some areas of heavy traffic. Petrol-lead emissions may also result in high levels of lead in dust, and contribute to lead in food.

Petrol. On 18th April 1983, the Royal Commission on Environmental Pollution published its Ninth Report, *Lead in the Environment* (Cmnd. 8852).

Commenting on the Report, Mr Tom King said:

‘There is ... one recommendation which the Royal Commission believe should be the subject of immediate action by the Government and on which an early announcement is desirable. This relates to future policy on levels of lead in petrol. I announced two years ago that we would require the compulsory reduction of the maximum permitted level of petrol lead from 0.4 to 0.15 grammes per litre by the end of 1985. This action, applying to every vehicle, was the most effective way of achieving the largest possible reduction in the shortest possible time. The Royal Commission strongly endorse this decision; and they now recommend that it should be regarded as an intermediate stage in the phasing out of lead additives altogether, with the requirement that from an early date all new vehicles should be required to use 92-octane lead-free petrol. ‘The Royal Commission estimate that the cost of this change would be small in relation to the likely gains in fuel efficiency over the next few years. ‘The Royal Commission believe that the motor manufacturing industry would have no insuperable difficulty in making the transition. But they recognise that the car industry which supplies our market is organised on a European basis; and Communities Directive 78/611 lays down 0.15 grammes per litre as the minimum lead content that member states may stipulate in their own legislation. The change which the Royal Commission propose requires Community agreement, and they recommend that we initiate negotiations immediately with our European partners. I can now tell the House that the Government accept the Royal Commission's recommendations on lead in petrol’ (*Hansard*, 18th April 1983, Col. 22).

Nitrates. There has been considerable concern about nitrate levels in public water supplies. Mr Shaw told the House of Commons on 23rd March 1983:

‘Water undertakers regularly monitor the level of nitrates in public water supplies and there are effective arrangements to inform local public health authorities where recommended levels are exceeded, so that any necessary action can be taken. ‘These levels are based on world-wide evidence, and are recommended by the World Health Organisation. Provided they are observed we see no grounds for concern over the effects on health of nitrates in water supplies’ (*Hansard*, Col. 850).

Acid Rain. This is dilute sulphuric or nitric acid formed as a result of emissions of sulphur dioxide and nitrogen oxides, primarily from fossil-fuelled power stations: scientists agree that the acidity of rainfall in the northern hemisphere has increased over the past 30 years. Acidity in some lakes in southern Norway and Sweden has resulted in the loss of fish stocks. In Germany it is believed that acid rain is causing damage to forests.

In a speech to the Royal Society of Chemistry in Lancaster on 11th April 1983, Mr Shaw said:

‘We are heavily—and constructively—involved in international discussion about what to do about acid rain. We agreed at Stockholm last year to sign the Long Range (Transboundary Air Pollution) Convention. This was done in July.’

Cadmium and Chlorofluorocarbons. Precautionary steps have been taken with regard to cadmium and chlorofluorocarbons. Studies have been mounted into the practicability of using substitutes for cadmium in pigments and stabilisers, and in the plating industries. By agreement with industry, the use of chlorofluorocarbons in aerosols was reduced by 30 per cent below 1976 levels by the end of 1981.

Bathing beaches. Of the 27 coastal waters identified as bathing beaches within the European Community Bathing Water Directive, all but four already reach the required standard, and capital works are firmly projected to bring these four up to the required standard within a few years.

Oil Pollution. A Report, *Oil Pollution of the Coastline*, resulting from a study commissioned by the Department of the Environment from ISCOL Ltd. was published on 30th November 1981. The Report considered the various ways of responding to the range of oil pollution incidents that could affect our coastline. The study considered in detail the arrangements for dealing with the coastal aspects of oil-spills at sea, and the report made recommendations which complement those of the Royal Commission on Environmental Pollution's Eighth Report, *Oil Pollution of the Sea* (October 1981). The Report stated that coastal cleansing has tended to dominate the total cost of dealing with oil spills because of the low productivity of the methods used. Improvements are possible, and can be achieved at modest cost.

The main recommendations for action include coastal defence measures, proposals for low-cost adaption of existing non-specialist equipment, and development of treatment and disposal techniques in relation to oily debris.

Imported Waste. Measures to improve control over waste imported into the United Kingdom were announced on 17th December 1981 by Mr Giles Shaw, Parliamentary Under-Secretary of State, Department of the Environment. The Government has considered the nature and scope of the present system of control. Amending Regulations will place detailed restrictions on the nature and quantity of waste that may be stored without a licence being required under the Control of Pollution Act 1974. Only litter bins, dustbins, builders' skips and the like will be excluded from control.

The Government proposes that local authorities should have new powers to bring material not admitted to be waste under the controls which are applicable to waste, where the circumstances of its storage, handling or treatment suggest such action is appropriate.

The Government also proposes that waste disposal authorities should have advance warning of the arrival of wastes from abroad, whether they are ‘special’ waste or not (*Hansard*, 17th December 1981, WA, Cols. 75–6).

Noise. On 21st December 1981, Mr Shaw announced that orders would be made under the Control of Pollution Act 1974 approving three codes of practice designed to minimise noise nuisance from audible intruder alarms, ice-cream van chimes and model aircraft (*Hansard*, WA, Cols. 320–1).

(F) THE WATER INDUSTRY

1. STREAMLINING THE WATER AUTHORITIES

The Government has undertaken a series of reforms to streamline the operation of the water industry. At the Conservative Party Conference on 8th October 1980, Mr Tom King, then Minister for Local Government, listed the steps the Government had taken to improve the efficiency of the water authorities:

‘We have set tight cash limits to their capital expenditure. We have given them clear financial targets. We shall be setting tough performance targets to improve the productivity in each of their activities. We are taking powers in the Local Government Bill to require publication of information which is directly relevant to the efficiency of their operations. We have asked them to dispose of surplus assets, particularly land. As a result of that request, they have already sold some £7 million worth of surplus land. ‘We intend to have a special drive to reduce the waste of water in the present system. In some areas, as much as 50 per cent of the water that goes into the system remains totally unaccounted for. ‘We have asked the water authorities to get out of the areas that the private sector can do perfectly well. We are stopping Labour's misguided water equalisation policy. We have made the first ever referral of a water authority (Severn-Trent) to the Monopolies Commission.’

2. THE WATER BILL

This Bill, which received a Second Reading on 16th November 1982, restructures the Regional Water Authorities and abolishes the National Water Council.

The reorganisation of the water industry embodied in the Bill was first announced by Mr King on 7th July 1982, when he said:

‘The regional water authorities were set up in 1974 with large memberships, the majority of such members being appointed by local authorities in their areas. The original intention was that these members should represent the interests of consumers. There has for some time been concern that this system is not working as intended. Customers have not felt that they were really represented and few people knew who their representatives were on the water authority. At the same time, large memberships have led to a proliferation of committees and bureaucracy and inhibited efficient decision taking’ (*Hansard*, Col. 293).

Restructuring of Water Authorities. At present, water authorities have boards of up to 62 members, with a majority appointed by local authorities. The Bill provides for the creation of small nationalised-industry style boards of between 9 and 15 members, all appointed by Ministers, and including executive members on every board. Ministers have said local authorities will have the opportunity to make nominations for some appointments in recognition of the particular historical and functional links between local government and the water industry.

Consumer Interests. These will be represented by the Consumer Consultative Committees which are to be established under the Bill. Water authorities will be asked to appoint one for each of their divisions and all local authorities within the area, along with consumer and other interested groups, will be represented. The Committees will be able to consider any water authority matter which affects the interests of people living in the area. The Government is determined that the remit of the Committees should be as wide as is necessary to enable them to represent consumers fully and effectively to the water authorities.

Press and Public Access. At the Commons Report stage of the Bill, Mr Giles Shaw explained why it would be inappropriate for the press to have access to the meetings of the new water authorities:

‘The character of the new authorities is fundamentally different from the local authority majority structure that it will replace. That, above all else, is the most important reason why the review of press access resulted in the decision that it was no longer appropriate. We must bear in mind that the Bill will move the character of the authorities away from the local authority, open forum type meeting to an executive style’ (*Hansard*, 12th January 1983, Col. 236).

(G) SPORT AND RECREATION

1. REORGANISATION OF THE SPORTS COUNCIL

Mr Neil Macfarlane, Minister for Sport, announced on 7th January 1982 changes in the organisation and structure of the Sports Council, to improve its efficiency and its relationship with the Central Council of Physical Recreation (CCPR). The changes are aimed at refining and improving the present system. The membership of the Sports Council has been reduced from 29 members to 18, plus the chairman and one vice-chairman.

Sports Council Grants. Government grants-in-aid to the Sports Council have been as follows:

	£m
1979–80	15.58
1980–1	19.16
1981–2	21.03
1982–3	22.76
1983–4	27.03

In addition, in 1982–3 the Government provided a further £2.5 million to the Sports Council for sports provision in deprived areas.

2. SPORT IN THE INNER CITIES

Sport has a part to play in reducing the tension which led to recent troubles in some inner-city areas. On 5th August 1981, Mr Heseltine announced as part of a package of measures to help Merseyside that the Government would match pound for pound money raised for sports facilities on Merseyside by local sporting organisations. On 3rd November 1981, Mr Macfarlane praised the efforts of voluntary bodies working in the cities:

‘I want to see small amounts of public funds used to prime the voluntary sector within the community for the community's benefit. There is no need for continuous commitment from local or central government.’

On 24th November 1982, Mr Macfarlane, speaking to the CCPR Conference at Bournemouth, said that the Merseyside sports initiative had attracted well over £1 million of private and voluntary sector money, which had been matched by an equal amount of public funds.

Dual Use of Sports Facilities. In a speech to the CCPR Conference at Bournemouth on 25th November 1981, Mr Macfarlane said that it was essential for the community to have the use of institutional and educational facilities.

‘There are now many instances around the country of general community use of facilities being established at educational institutions. In every region there are now examples which demonstrate that the difficulties can be overcome. ... But dual use is not just about schools. Many of the sports facilities of nationalised industries, major companies and other institutions, are all too frequently under-used; the general community has no access to them.’

3. INTERNATIONAL SPORT

On 25th November 1981, Mr Macfarlane affirmed the Government's commitment to multi-racial sport:

‘I am determined to do all that I can to ensure the UK's continued full participation in international multi-racial sport. It is, and must be, for the governing bodies of sport to choose the representative teams they wish, based entirely on merit. We made this clear at Melbourne where the Government, along with all the other Commonwealth Governments, reaffirmed its acceptance to the Gleneagles agreement’ (CCPR, Bournemouth).

4. FOOTBALL HOOLIGANISM

In his CCPR speech on 24th November 1982, the Minister outlined a four point plan for dealing with hooliganism at football matches in Europe.

- a. The liaison group which carried out the pre-planning for the World Cup should be reconstituted.
- b. Sales of tickets for matches in Europe involving the England team should be limited to members of the England Football Supporters Club.
- c. The Football Association should insist that UEFA ensure that their ground rules are followed by clubs at all matches involving British teams in Europe.
- d. Sports Ministers in other European countries should co-operate to support measures aimed at limiting crowd violence.

Mr Macfarlane also referred to the contribution of drunkenness to football violence:

‘There can be little doubt that alcohol plays a major part in inflaming emotions, thus leading to violence. I think that governing bodies must ask themselves if they are prepared to let this continue. Whether they are more concerned with keeping the family atmosphere in stands, and taking money through the turnstiles, rather than the profits over the bar. I have made my position quite clear: I am convinced that keeping bars open for long periods, ... must be a contributory factor in increasing vandalism and violence, particularly in our national game of soccer.’

In Scotland, the carrying of drink at football matches is controlled (see Chapter 21, p. 349).

(H) LABOUR POLICIES

Land Nationalisation. Labour's campaign document, *The New Hope for Britain* (March 1983) states:

‘We will establish new land authorities, similar to the successful Land Authority of (sic) Wales, with the powers and funds needed to acquire development land—at its current use value—so that local plans can be fulfilled.’

As *Labour's Programme 1982* admitted, past attempts by Labour governments to nationalise land were abject failures (see Chapter 16, p. 264). Public ownership of land is a major factor in planning blight.

18. WOMEN'S AFFAIRS

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(A) THE CONSERVATIVE COMMITMENT

The Conservative Government which took office in 1979 has maintained the impetus towards protection and advancement of women's rights. Legal and administrative obstacles have been removed from the path towards equality, and the Conservative Party has tackled a number of the fundamental issues which prevent equality of opportunity for women from becoming a reality.

In a speech to the YWCA, Baroness Young, Lord Privy Seal, stressed:

‘This Government is firmly committed to a policy of equal opportunity for women and recognises the important contribution which women make to the economy’ (15th July 1982).

(B) SOCIAL SECURITY AND HEALTH

1. SOCIAL SECURITY

Benefits. Recent changes in the pattern of social security benefits represent one of the biggest improvements in the status of women since the present social security system was introduced over 30 years ago. In particular, changes under the Social Security Act 1980 recognise that it is not uncommon for women to go out to work and be the bread-winner of the family.

Until now, a married man drawing unemployment benefit or sickness benefit could draw an addition for his wife (if her earnings were below a certain level) and for his dependent children. However, the reverse did not apply—a married woman drawing these benefits could not normally draw additions for a dependent husband and children. This is about to be changed, bringing Britain into line with EEC rules. From November 1983, a married woman will be able to claim an addition to both these benefits (as well as the maternity allowance) in respect of a dependent husband, and additions for children. So men and women will be put on the same footing.

However, the Conservatives have extended equality in other areas of social service provision, going beyond what was required by the EEC rules. For example, women receiving invalidity pensions will also be able to draw additions for a dependent husband from November 1983 and

for dependent children. Furthermore, equal treatment will be introduced in supplementary benefits so that from November 1983 the wife as well as the husband can claim for the couple.

Under Labour, families were eligible for Family Income Supplement only if it was the husband who was in full-time work. The Conservatives introduced legislation (Social Security Act 1980) which enables either the husband *or* the wife to claim FIS as from November 1983.

For births after 4th July 1982 the maternity grant has become non-contributory. Some 60,000 extra mothers a year, half of whom are single and many of whom are on low incomes, will qualify as a result.

War Widows and Service Widows. The 1979 Manifesto promised to:

‘exempt war widows’ pensions from tax and provide a pension for pre-1950 widows of “other ranks” who do not receive one at present.

These commitments have been fulfilled. The June 1979 Budget exempted war widows' pensions from Income Tax (previously half their pensions were exempt) and, from November 1979, about 30,000 pre-1950 widows of ‘other ranks’ became eligible for a service pension. Moreover, since taking office the Conservative Government has given war widows four substantial pension increases. The latest took effect in November 1982 when the standard rate of pension went up by an additional £4.25 a week to £42.70, giving war widows a lead of at least £9.85 a week over their National Insurance counterparts.

Widows' Bereavement Allowance. The 1980 Budget introduced a bereavement tax allowance for widows in the tax year of their husband's death. This gives them a personal allowance equivalent to the married man's tax allowance. In his 1983 Budget, the Chancellor of the Exchequer extended this concession to cover the year after a husband's death as well as the actual year of bereavement. It is estimated that this will benefit more than 100,000 widows compared with only 45,000 benefiting at present. Along with the other personal tax allowances, the widows' bereavement allowance will be increased by 14 per cent in 1983–4 which is 8½ per cent more than prices.

2. HEALTH

Under the Employment Act 1980, working women were given the right to take time-off to visit ante-natal clinics. The Government showed its concern about child mortality when it set up a Maternity Services Advisory Committee to review existing provisions for maternity care and to recommend ways of improving it. The Committee's first report, *Maternity Care in Action—Ante-natal Care*, was published on 30th September 1982.

The Government has reached agreement with the tobacco industry on publicising the health hazards involved in smoking, particularly in pregnancy; on restraining the more obtrusive forms of cigarette advertising; and on the establishment of the Health Promotion Research Trust. The tobacco industry will provide up to £11 million for the work of the Trust over the next three and a half years. Extra resources have also been made available by the Government to Action on Smoking and Health (ASH). In a subsequent press release, ASH commented:

'We welcome the Government's decision to increase the ASH grant in real terms, and are gratified by this demonstration of concern at the magnitude of the smoking problem' (27th October 1982).

In November 1982 the Government announced the allocation of an extra £15 million in 1983–4, to provide free milk and vitamins to 200,000 more young children and expectant mothers.

The Department of Health and Social Security is concerned with providing medical facilities for women's special medical requirements. The Government at present provides £600,000 a year to fund a national research programme into early diagnosis of breast cancer. Trials of mammography and clinical examination are taking place in Guildford and Edinburgh; self examination trials are taking place in Huddersfield and Nottingham. Four centres have been established in Avon, Dundee, Oxford and Stoke-on-Trent to provide comparative information on unscreened populations. Preliminary results should be available by 1986, although the programme will continue until 1987, with a follow-up of the study population until 1997. In addition, the Government is supporting a ten-year study, which began in Bath in 1975, on the value of thermography in breast cancer screening. Funds have also been made available specifically for the breast screening unit at the Royal Marsden Hospital in London, so that trials being conducted there may continue, until at least 1986.

(C) THE HOME OFFICE

Immigration Rules. It is alleged that the British Nationality Act 1981 discriminates against women. In fact, the Act ensures that, as the Home Secretary, Mr William Whitelaw said, 'British women will have equal rights for the first time' (*Hansard*, 30th July 1980, Col. 1521). British women who are citizens by birth will have the right, with certain safeguards, to bring in a husband or fiancé and the further right (previously confined to men) to pass on United Kingdom citizenship to their children born abroad. Moreover, men will no longer have the automatic right to transmit their citizenship to their wives on marriage. This puts them on a par with women. Both sexes will share the same means of obtaining British citizenship, that is, that a spouse should first be accepted for settlement in the United Kingdom. After that he or she should be able to apply for naturalisation after a shorter period than the normal one. (For a full description of the British Nationality Act, see Chapter 19, p. 314).

The Equal Opportunities Commission. The Government has continued to support the work of the Equal Opportunities Commission. The Commission was established under the Sex Discrimination Act 1975. Its first grant, for the year, 1976–7, totalled £850,430, compared with an estimated £3,076,000 for 1982–3 (*Hansard*, 17th February 1983, WA, Col. 221).

(D) EMPLOYMENT

Unemployment has increased sharply among women since 1979, but it is not true to say that women have suffered more than men. In fact, as the following table shows, the increase for women has been 139 per cent and for men 155 per cent.

Unemployment (UK)

(Seasonally adjusted, including school leavers)

Thousands

	<i>Female</i>	<i>Male</i>
June 1979	346.2	888.3
June 1982	726.7	2,042.9
December 1982	829.0	2,268.0
<i>Increase</i>	139%	155%

(Source: *Employment Gazette*, January 1983)

As Lady Young stated:

‘Throughout the period 1971–82 female unemployment rates have been consistently lower than male unemployment rates, even when estimates of unregistered unemployment are taken into account’. (*Hansard*, House of Lords, 16th November 1982, Col. 434).

The United Kingdom's rate of female unemployment compares favourably with that of other European countries, as shown below:

Female Unemployed as Percentage of Total Unemployed

	<i>Oct. 1981</i>	<i>Aug. 1981</i>	<i>Sept. 1982</i>	<i>Oct. 1982</i>
Germany	50.3	46.2	46.0	45.8
France	51.9	50.0	50.8	50.7
Italy	48.9	48.5	48.9	49.4
Netherlands	33.0	32.1	32.2	31.7
Belgium	57.0	56.1	56.0	55.9
U.K.	29.5	29.9	30.0	29.6
Denmark	43.7	45.6	46.3	44.6

(Source: *Eurostat* 10–1982)

Nevertheless, the Conservatives are not complacent about the special problems facing women in the field of employment. Most of the Government employment and training services are open to men and women on equal terms. Currently, £1.5 billion is being spent on Special Employment Measures. This will rise to £2 billion in 1983–4, of which roughly half will be spent on the new Youth Training Scheme starting in September 1983.

The Manpower Services Commission runs a special programme for women as part of the training opportunities scheme. Courses are designed for women returning to the labour market after a long absence. These cost about £247,000 in 1981–2. In addition, other TOPS courses specifically for women offer training in skills where women are unrepresented. In particular, one course under the programme offers management training to unemployed women.

Apart from these TOPS courses, the MSC sponsor a programme of training initiatives which aim to encourage industry to expand women's opportunities. A number of trainees are helped directly or indirectly under these schemes, which are run through industrial training boards, educational institutions, management centres and other training bodies. Total cost of the programme was £886,000 in 1981–2, of which £695,000 was spent through the Engineering Industry Board. 232 women benefited from this alone (*Hansard*, 27th October 1982, Col. 401).

On 27th July 1982, the Government announced plans to provide a grant of £750 to employers who split jobs under the Job Splitting Scheme. Although job splitting is open to both sexes it has particular relevance to women, who can use the scheme to combine work patterns with domestic responsibility. The scheme is still in its infancy, but it demonstrates the Government's willingness to support new ideas which can benefit women.

Equal Pay. The Government has continued to support the Equal Pay Act 1970. The Queen's Speech at the opening of Parliament in November 1982 committed the Government to introducing legislation to amend the law on equal pay. This is in compliance with the requirement of the European Court of Justice that the British Government must amend its domestic equal pay legislation to conform with the EEC Equal Pay Directive. The amendments will be based on the concept of equal pay for work of equal value in terms of the demands made on the employee. In February 1983, the Department of Employment published for consultation a draft Order to amend the Equal Pay Act accordingly. Comments are being considered.

(E) THE CIVIL SERVICE

Within the Civil Service the Government pursues a policy that all persons shall have equal opportunity for career advancement on the basis of their ability, qualifications and fitness for the job.

In 1970, a Committee was established to review career opportunities for women. Its report in 1971 identified many areas where discrimination lingered on, and it suggested positive changes to help women combine their domestic responsibilities with a career. To rekindle this initiative a Joint Review Group was established in 1980, with representatives of management and trade unions.

The Committee's report, published in December 1982, stresses that a change of attitudes is needed at work, by both men and women, if equal opportunity is to be achieved. Wide-ranging recommendations include the modification of traditional working patterns to make it easier for women to combine domestic and career responsibilities, and change in career development and training facilities to enable women to obtain promotion more easily. It also calls for more awareness by all civil servants of their individual responsibility to secure equality of treatment. Lady Young, the Minister in day-to-day charge of the Civil Service, said:

‘The publication of this report illustrates the determination of the Civil Service to create the environment which will allow truly equal opportunities for all and enable women in particular to have the option of planning a long term career’ (Press Release, 16th December 1982).

In an important speech to the YWCA on 15th July 1982, Lady Young illuminated the importance of training for women within the Civil Service. New initiatives have already been embarked upon. The Civil Service College has introduced a Service-wide course for developing skills for women in middle management. In 1983, the College will run a project for men and women managers to increase their personnel effectiveness in managing staff of the opposite sex. To assist in the recruitment of women, the age bars (the age limits above which applications for jobs are refused) are being removed and training grades are being reviewed. Managers in departments are being encouraged to review the provision for part-time workers, and to identify means of helping women obtain promotion. Civil Service Child Day-Care schemes are being introduced in various offices. They enable women with children to return to their former careers, and as such are being encouraged.

(F) EDUCATION

Positive action has been taken by the Department of Education and Science to influence schools in their planning of courses. The aim is to encourage both girls and boys to take a wider view of their curricula in terms of educational and career implications, and to break down traditional views on what are girls' subjects and what are boys'. In 1980, Her Majesty's Inspectors' report, *Girls and Science*, emphasised this need. In 1981, the Department launched a consultative document, *A Framework for the School Curriculum*, which proposed that a common 'core' of subjects should be taught to all pupils up to school-leaving age of 16, which would include mathematics and science. All children should also be given opportunities for some practical work (for example, craft or technology).

(G) TAXATION

The income tax system probably offers the most serious outstanding example of inequality between the legal position of men and women in Britain. The married man's tax allowance carries with it the implication that the husband is the effective head of the family; it also involves, when taken in conjunction with the wife's earned income allowance, a distinctly more favourable tax treatment of the family with a working wife than of the family where the wife stays at home to look after children or elderly people. This is not in accordance with Conservative principles as most people would see them.

As a first step towards finding a solution to this complex group of problems, the Government published a consultative Green Paper in December 1980 under the title *The Taxation of Husband and Wife* (Cmnd. 8093). In a foreword to this document, the Chancellor of the Exchequer, Sir Geoffrey Howe, wrote:

'Over the last hundred years there has been a tremendous change in the economic status of women, and of married women in particular. As recently as 1921, less than one in ten married women were working. Today about half of all married women are in paid employment. Nowadays a woman can be earning as much as or more than her husband, and a woman may well enter married life with savings of her own. 'It is not surprising that there has been growing criticism of a tax code which proceeds on the basis (originally enacted in 1806) that "A woman's income chargeable to tax shall ... be deemed for income tax purposes to be his income and not to be her income". The surprise, to most who study the matter, lies in discovering how difficult it is to find a better system than that which we have today. A number of recent measures, of course, have removed some of the more offensive features of the old code: but the central dilemma remains. 'Many people feel that we should break away from present arrangements, which basically treat the income of husband and wife as one for income tax purposes. In most cases, where husband and wife each have an income, the best answer probably lies in some form of separate taxation. But having said that, one runs into the difficulty that for a significant part of her life, a married woman may not have any earned income of her own, and she may well have no investment income either. In those circumstances the personal tax allowance, which would be hers by right under a system of separate taxation, would have no value to her. Maybe, it will be said, the "unused" part of the wife's personal allowance should be transferred to her husband—and then, when she begins work again, it should be transferred back. And so on. But the complexity is already mounting. How, for example, to cope with frequent changes in the husband's tax code in the case of a wife who intersperses spells at work with spells at home? 'The truth is that, in the real world, any tax change that is beneficial to one group of people must,

almost by definition, work to the detriment of another group of people. Of course, a tax change may be right even if it does leave some taxpayers worse off. That is for politicians to decide, knowing that if they get it wrong they will suffer for their misjudgment. But it is a course to be taken only when one is very sure of the facts.' 'Change in the present system of family taxation could well leave the working couple relatively worse off and the couple where one spouse (usually the wife) stays at home looking after the family correspondingly better off. Various alternative solutions suggest themselves; each has its strengths and weaknesses. Each meets, in varying degrees, the desire for financial independence often expressed by married women. Each, it should be added, would involve more civil servants and cost money to implement.'

Consultation continues on the subject (see Chapter 2, p. 37).

Under the Conservatives, the Inland Revenue has continued to implement minor but significant changes in the way tax offices deal with the tax affairs of married women. These are designed to give a greater degree of equality of treatment. For example, the Inland Revenue has been encouraged to change its practice in correspondence with married women about tax affairs. Tax offices now write directly to married women—whether or not they first wrote to the Revenue—about their own tax affairs, and not to their husbands. Meanwhile, changes in PAYE procedures for married women have eased the burden of excessive basic rate adjustment on a wife's earnings.

(H) OPPOSITION PARTIES

All the major political parties have the same declared objectives—the achievement of a better quality of life and of greater equality for women. But there are major differences of emphasis and major differences about the best way of realising these objectives.

1. LABOUR PARTY

Both *Labour's Programme 1982*, and *The New Hope for Britain* (March 1983) have specific sections on women's affairs. Labour's strategy is both predictable and unrealistic. Wild promises are totally unsupported by any idea of costing. Some of the proposals are plainly misguided, others are relevant to the community at large and not just to women.

Labour's proposals include the following: a Cabinet Minister would be appointed to promote equality between the sexes; the Equal Pay Act, the Sex Discrimination Act and the Equal Opportunities Commission would be strengthened; child care and other social services would be improved; Child Benefit would be put up to £8 a week and maternity grant would be 'at least £100'; measures would be taken to end discrimination in training and education; within the NHS, preventive measures would be extended; questions of divorce, maintenance and family laws would be reviewed and Labour would work further towards establishing equality in tax affairs and the social security system.

In spite of much fine rhetoric on the desirability of women's equality, motions aimed at giving women greater responsibilities at all levels in the party were defeated at the Labour Party's Conference in September 1982. A motion requiring constituency parties to short-list at least one woman when choosing a prospective Parliamentary candidate was defeated by a majority of 4,625,000. Positive action to provide more representation for women at all party levels was lost by 3,978,000. The Islington motion to give the women's conference the right to table and move

annual conference motions was rejected by 5,795,000 votes. Ladywood's motion providing for the women's section to elect representatives on the NEC was defeated by a majority of 4,670,000.

2. ALLIANCE PARTIES

Neither the SDP nor the Liberal Party have recently published policy papers on women's affairs. Women's rights were not discussed at the Liberal Assembly in 1982, nor by the Alliance at their Conference. However, the Women's Liberal Federation and the Women for Social Democracy have worked together to produce the *Alliance Charter for Women* (January 1983). In it they declare:

‘We share the same objectives and have the same views on what must be done to achieve them.’

The tone of the Charter is strident. It calls for greater participation by women in every aspect of public life. For example:

‘Women's views are heard far too little on foreign policy, defence and overseas aid. Town planning and architecture have suffered for lack of women's commonsense.’

The authors declare themselves to be ‘increasingly impatient of male-dominated interpretations of the law’ and male domination of the Health Service and the education system. They call for more women in management posts and more variety in career patterns.

‘We must abandon the hierarchies and bureaucracies which seem designed to meet men's need for personal prestige and which are quite inimical to women's and families' needs.’

The Charter is sweeping in its implication; it is not properly costed, nor does it take account of the likely availability of resources in the long term. Its main points are:

Equality in nationality, citizenship, employment opportunities, taxation, benefits and pay; fair representation in trade unions and political parties, changes in the Social Security system; equal access to education and training throughout life; flexible child care provision to help parents at home and at work; better provision for women's needs in the NHS; equality of protection, access and treatment under the law; and greater flexibility in career and employment patterns.

APPENDIX

CONSERVATIVE WOMEN'S NATIONAL COMMITTEE

The Conservative Women's National Committee (formerly WNAC) provides a channel of communication between women's sections at the grass roots and the Party leadership. It is also a valuable link in the chain of the Party organisation.

The CWNC has four sub-committees. Active participation with other voluntary organisations and pressure groups, in order to counteract Left-wing attitudes, is the responsibility of the Outside Organisations Sub-Committee. The Parliamentary Sub-Committee is responsible for increasing the level of political activity in the women's organisations and their awareness of legislation going through Parliament. The General Purposes Sub-Committee deals with the day-

to-day work of the CWNC and is particularly responsible for promoting working parties, organising conferences and 'talent spotting'. It is always on the look-out for suitable women for the Parliamentary and European Candidates List, and for public appointments. Lastly the European Committee (EUW) encourages women of the Party to assist the elected representatives to the European Parliament, and to further European thinking in the UK.

The CWNC organises an annual National Women's Conference chaired by the Chairman of the CWNC, in May, as well as a November Weekend Conference for members of the CWNC and specialist representatives from each Area. In July, the Area Women Chairmen and the General Purposes Committee have a working weekend at an Oxford college, under the Chairmanship of the Baroness Young, who in her capacity as Vice-Chairman of the Party, has special responsibility for women.

Working Parties are an important part of the work of the CWNC, and during 1982 the following subjects were tackled:

A pre-Budget submission to the Chancellor of the Exchequer. A study of alternatives to Domestic Rates. An enquiry into Cable and Broadcasting Policy. A study of the Scarman Report (still continuing).

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(A) LAW AND ORDER

1. BASIC CRIMINAL STATISTICS

There is justifiable public anxiety about the levels of crime experienced in this country over the last 20 years, in particular the increase in violent crimes, burglary and robbery, street crimes and vandalism. Nevertheless, an examination of the statistics puts the picture in perspective. *First*, crime rises in periods of prosperity as fast as in periods of economic stringency. For example, the number of notifiable offences in England and Wales per 100,000 of the population recorded by the police grew from 1,094 per annum in 1950 to 3,221 in 1970 and 5,119 in 1980 (Source: *Criminal Statistics England and Wales 1981*, Cmnd 8668 [Note: figures for 1981 are on a slightly different basis]). This argues against a close link between crime and unemployment. *Second*, the problems are common to all the developed Western countries. *Third*, an analysis of different types of crime shows that for some categories the rate of increase has slowed. Indeed, in some cases the rate has fallen.

A breakdown of crimes is given in the following table.

Notifiable Offences recorded by the Police by Offence Group
(Thousands except for Homicide)

	1971	1973	1979	1981	Percentage change 1971–81
Offence group					
Violence against the person	47.0	61.3	95.0	100.2	+113.0
Sexual offences	23.6	25.7	21.8	19.4	-17.8
Burglary and robbery	459.0	400.5	561.6	743.5	+62.2
Theft and handling stolen goods	1,003.7	998.8	1,416.1	1,603.2	+59.7
Fraud and forgery	99.8	110.7	118.0	106.7	+6.9
Criminal damage(1)	27.0	52.8	60.5	217.2	+704.4
Other notifiable offences	5.6	7.8	3.7	4.1	-26.8
TOTAL	1,665.7	1,657.6	2,376.7	2,794.2	+73.7
Homicide (actual number recorded)	459	465	629	559	+21.8

(1) Excluding 'other criminal damage' of value £20 and under.

(Source: *Criminal Statistics England and Wales 1981*)

The following conclusions can be drawn from these figures.

1. (a) Offences of violence against the person (e.g., assault) rose by no more than 3 per cent in 1980 and 1981, compared with 9 per cent a year throughout the 1970s—i.e., only a third of the average rate of increase during that period.

(b) The number of homicides in 1981 (559) was lower than in each of the two previous years.

(c) The number of sexual offences in 1981 was the lowest since 1975.

2. Nevertheless, burglary/robbery and theft increased considerably in 1981, the former by a third.

3. The scale of lawlessness in British society, while serious, is considerably less than in some other countries. In the United States in 1981 there were 1,832 homicides in the city of New York alone, three times the total for England and Wales (Source: *Financial Times*, 1st June 1982). In 1980 in France there were 1,955 homicides and 35,000 robberies with violence; in Britain there were 15,000 robberies recorded.

Young Offenders. A disturbing number of offences are committed by juveniles. For example, in 1981, 69 per cent of those convicted by courts for burglary, and 60 per cent of those convicted for criminal damage, were under 21.

2. THE PARTIES' POLICIES AND RECORDS

The Conservative Election Manifesto 1979 recognised public anxiety when it said:

‘The most disturbing threat to our freedom and security is the growing disrespect for the rule of law. In Government, as in opposition, Labour have undermined it. Yet respect for the rule of law is the basis of a free and civilized life. We will restore it, re-establishing the supremacy of Parliament and giving the right priority to the fight against crime.’

As the Home Secretary, Mr William Whitelaw, has pointed out:

‘The police, the courts, and the law and order services are faced with picking up the pieces in a society where too many individuals have turned to crime. ... We have laid too little emphasis on parental responsibility and the role of the family, too much emphasis on material possessions and too little on the hard work necessary to earn them. We have seen discipline decline in school, in workplace, and in society. Violence and greed have been too readily excused; law breakers glorified. Order has become a dirty word for some political groups: duty derided as a concept of the past’ (Harrogate, 26th March 1982).

Taking up this theme, the **Prime Minister** deplored the vilification of traditional standards and said that ‘the time for counter-attack is long overdue’ (Harrogate, 27th March 1982).

Labour's Record. Past Labour governments have been characterised by a tendency to liberalise the law and a failure to insist unequivocally that the law is upheld and respected in every circumstance. For instance, Mr Roy Jenkins, as Labour Home Secretary between 1965–7 and 1974–6, presided over:

- The abolition of capital punishment.
- The relaxation of homosexuality and abortion laws.
- The introduction of the majority verdict system into court procedure.

- An unlawful attempt to extract extra money from people who had bought television licences at the then correct rate.
- The repeal of the Riot Act.
- A crisis in the prison service.
- The policy of taking police off the beat and putting them into panda cars.

Reflecting on Labour's record at the end of 1978, the then Home Secretary, Mr Merlyn Rees, acknowledged:

‘Crime has risen faster under this Government ... than under their predecessor—25 per cent overall in 1974–7 as compared with 6 per cent in 1970–3’ (*Hansard*, 6th November 1978, Col. 515).

Labour's Disregard for the Rule of Law. The Conservative Party has always argued that respect for the law is indivisible if social breakdown is not to be risked. Labour Ministers have not always accepted this doctrine. Moreover, leading Labour Left-wingers such as Mr Ken Livingstone and Mr Arthur Scargill have been on occasions blatant in their readiness to see the law broken to satisfy political ends. Examples of a casual attitude to the law by Ministers have included the following:

- i. Special amnesties were granted to illegal immigrants by Mr Jenkins on 11th April 1974 and Mr Merlyn Rees on 29th November 1977. These resulted in 2,390 illegal immigrants having their position regularised by 1980.
- ii. At Grunwick, senior and allegedly ‘moderate’ Cabinet Ministers, including Mrs Shirley Williams, appeared on picket lines.
- iii. A special Act, the Housing Finance (Special Provisions) Act 1975, was passed to indemnify Socialist councillors from Clay Cross who had defied the Conservative Housing Finance Act 1972.
- iv. Mr Arthur Scargill called on 6th June 1982 for a campaign of civil disobedience over nuclear armaments at a CND rally in Hyde Park, London.
- v. Mr James Callaghan recently endorsed illegal secondary action during the National Health Service dispute when he said, in answer to a question about whether he would back the TUC inciting action that might prove illegal, ‘I don't like backing action that is unlawful’, but then added, ‘I would not disagree with this action’ (*Times*, 7th September 1982).

Undermining the Agencies of Law and Order. The Labour Party has become increasingly prepared to attack those charged with the responsibility of upholding the law, notably the judiciary and the police. Mr Michael Foot referred in 1974 to ‘judges who stretch the law ... to suit reactionary attitudes’ (*ITV People and Politics*, 9th May 1974). In 1977 he made the notorious statement that ‘if the freedom of the people of this country ... had been left to the good sense and fairmindedness of the judges, we would have few freedoms in this country at all’ (*Daily Telegraph*, 16th May 1977). The Left of the Labour Party have become increasingly strident in their attacks on the police. For example, an editorial in the ‘Special Victory Issue’ of *London Labour Briefing* (June 1981), which is backed by the leader of the GLC, Mr Ken Livingstone, said ‘The task, surely, is to *break* the Metropolitan Police Force as at present constituted, and *disband* the SPG (Special Patrol Group)’. Sir Kenneth Newman, appointed Metropolitan Police Commissioner in October 1982, was fiercely attacked six months before taking up his appointment. Mr Livingstone said: ‘Five years of Newman could leave the working class areas of our city in much the same state as the Catholic areas of Northern Ireland’ (*Daily Telegraph*, 26th March 1982).

Activities of the Greater London Council Police Committee. This Committee has proposed a new structure for the police which would leave them open to political control. They have refused to co-operate with the community liaison committees set up in the wake of the Scarman Report (see p. 310), preferring instead to spend £400,000 per annum of London ratepayers' money on 'Monitoring Committees', who collect only information that supports the GLC Labour Group's opinion and serves simply to undermine the police. As an example, Mr Paul Boateng, Chairman of the Committee, has said:

'The degree of racism, both individual and institutional, that exists within the Metropolitan Police cannot be wished away by attributing it to the activities of a few officers' (8th March 1982).

This view was specifically rejected by Lord Scarman in his report (op.cit. 4.62, p. 64).

The Conservative Record. This Conservative Government has redeemed the pledges contained in the 1979 Election Manifesto. These include:

- More expenditure on crime fighting. Cash spending on the police has increased by 24.7 per cent in real terms, from £1,150 million in 1978–9 to £2,314 million in 1982–3.
- A stronger police force. Police strength is up by over 9,500 since May 1979—the number of officers in England and Wales was 120,323 by the end of September 1982.
- More police back on the beat—1,550 in London alone.
- Introduction of the experimental 'short, sharp shock régime' in four detention centres.
- A wider range of penalties made available to the courts in the Criminal Justice Act 1982.
- Parliamentary time allowed to debate and vote on capital punishment.
- The system of compensation to the victims of crime strengthened.
- New legislation in the 1982–3 session. The Police and Criminal Evidence Bill is designed to allow the police to tackle crime on the street more effectively; it also revises the police complaints procedure and establishes a requirement for police consultation with local communities.

3. STRENGTHENING THE POLICE FORCE

Labour's Legacy. Towards the end of the last period of Labour Government, a grave crisis became apparent in the police force. Dissatisfaction over the relatively low rates of police pay and the imagined decline in the standing of the police force led the Police Federation into conflict with the Government. By the beginning of 1977, they had withdrawn from the pay negotiative machinery and there was talk of strike action. As a result of Labour's attitude, the numbers of police officers actually fell in 1977. It was not, however, until 7th November 1977 that Mr Rees announced that the Edmund-Davies inquiry would look into the question of police pay.

The Edmund-Davies Report, *Committee of Inquiry on the Police: Report on Negotiating Machinery and Pay* (Cmnd. 7283), was published on 17th July 1978. It stated clearly that 'pay improvements are essential to staunch the present outflow'. It further said that full implementation of the award on 1st September 1978 was its 'basic assumption'.

The Labour Party, however, decided to hold back half the recommended award until September 1979. Mr Rees said that he recognised 'the unique position of the police in our society'

(*Hansard*, 17th July 1978, Col. 31), but nevertheless went on to argue that the Edmund-Davies award would set a precedent for others.

Conservative Action on Pay. Within a week of taking office as Home Secretary, Mr Whitelaw acted to fulfil the Conservative election pledge to pay in full the Edmund-Davies pay award to the police. Since then the Government has maintained, in accordance with the Committee's recommendations, the relation between police pay and the upper quartile of annual earnings. The pay of a police constable has, since 1st April 1979, increased by almost a quarter more than the increase in average earnings and almost a third more than prices. For example, the basic pay (including London weighting) of a 22 year-old constable in the Metropolitan Force is now £9,057 per annum.

The effect on police morale has been noteworthy: recruitment has improved, and the contraction in the force which was evident under the Labour Government has been reversed. There are now over 9,000 more police officers in England and Wales than in May 1979. This is the equivalent of four extra provincial forces. All forces are up to establishment levels or will reach them in 1983–4.

Mr Whitelaw commented at the 1982 Party Conference:

‘We are gaining recruits of high quality—a sound investment for the future—and the experienced officers whose leadership and example are so vital are now staying in the service’ (Brighton, 6th October 1982).

Policemen on the Beat. Under the SDP Leader, Mr Roy Jenkins, when he was Labour Home Secretary, a policy of replacing ‘beats’ by panda patrols was pursued. The British public strongly prefer to see police on the beat. As Mr Whitelaw has pointed out, Conservative success in raising police recruitment is enabling this policy once again to be put into effect:

‘The first line of defence against violent crime is the bobby on the beat. That is why Chief Constables are using the extra manpower we have provided for just that purpose. For example, in Manchester 300 officers and in London 900, are already back where the public want to see them’ (Brighton, 6th October 1982).

More Resources for the Police. During the 1979 General Election campaign, Conservatives promised that law and order would be exempted from the full effects of the proposed economies in public spending. This has been done; and the latest Public Expenditure White Paper (Cmnd. 8789, February 1983) stated that, if the forecast growth in police manpower were exceeded, ‘further provision will be made both for the cost of additional manpower within individual establishments and for the essential associated expenditure on equipment, training and other support services’.

Labour allowed real expenditure available for the police to drop from £1,526 million in 1976–7 to £1,477 million in 1978–9 (Cmnd. 8175, 1981 [1980 prices]), a drop of 3.2 per cent. But by the autumn of 1981 the Government had more than restored the position. There was an increase in real planned annual expenditure on the police of 24.7 per cent by 1982–3, compared with the level inherited in 1978–9. Cash spending has been increased from £1,150 million in 1978–9 to £2,314 million in 1982–3 (Cmnd. 8494–II, 1982).

4. RATIONALISING POLICE POWERS

Complaints Against the Police. Much attention has been focussed on the system for monitoring complaints against the police. Some of the comment has been thoughtful; other observations have formed part of a concerted Left-wing campaign against the police. Statistics show that an overwhelming number of complaints against the police are not found to be justified.

In 1982, the Police Complaints Board dealt with 7,864 cases involving 17,514 matters of complaint. In 205 matters, the force concerned had decided to prefer disciplinary charges; the Board recommended charges in a further 46 matters. Apart from formal disciplinary charges, 1,604 matters of complaint (only about 9 per cent of the total) resulted in an officer being given suitable advice, or a warning by a senior officer.

Review of Complaints System. In a Report (Cmnd. 7966) covering its first three years of operation, the Police Complaints Board stated that ‘allegations of violence which are denied are the most important factor which militates against good relations between police and public’ (Triennial Review/Report, 1980).

The Board made it clear that it believed ‘such wrong-doing to be exaggerated in the mind of the public’. Nevertheless, it recommended new machinery for dealing with allegations of violence by the police. In response to this Report the Home Secretary set up a working party under the chairmanship of Lord Plowden. The working party reported on 18th March 1981.

Reform of the System. Following the Report of the all-party Home Affairs Select Committee (Fourth Report 1981–2, HC98, 28th May 1982) the Government issued a White Paper, *Police Complaints Procedures* (Cmnd. 8681, October 1982) endorsing its recommendations, and included them in the Police and Criminal Evidence Bill (see below). The Bill proposes an independent assessor to be the top level of a three-tier approach which will provide more flexibility than previous systems. Relatively minor matters will be dealt with locally by informal resolution and conciliation, as suggested by Lord Scarman; more substantial complaints will be investigated and independently considered as at present; and the more serious complaints will be investigated by a senior police officer, normally from an outside force, under the supervision of an independent element throughout the process of investigation. Mr Whitelaw said that the independent element ‘will give additional reassurance to the public’ (Statement, 19th October 1982); but he also stressed that the Bill did not seek to diminish the legitimate rights of police officers:

‘Complaints procedures must enjoy the confidence of the police service as well as of the public if they are to succeed’ (*Hansard*, 30th November 1982, Col. 160).

Allegations of Police Corruption. As mentioned earlier (see p. 303), the far Left movement in the Labour Party has become increasingly intent on fuelling hostility to the police. Mr Whitelaw has attacked these ‘deliberate attempts’ to discredit the police (Brighton, 9th October 1980). Moreover, the police force remains high in public estimation. A Gallup Poll in the *Sunday Telegraph* (22nd August 1982) revealed that although there was some degree of public unease about police handling of certain cases, the proportion of the sample rating the honesty and ethical standards of the police ‘high’ or ‘very high’ had risen from 54 per cent in 1976 to 56 per cent in 1982.

Operation Countryman. The investigation into allegations of corruption in the Metropolitan Police, was set up by Mr Merlyn Rees. It ran from 1978–82 at a cost of £4 million, and led eventually to the imprisonment of two police officers. Eight other officers prosecuted were found

not guilty. During the four-year period, 313 officers resigned from the Metropolitan Police as a result of these enquiries—slightly over 1 per cent of the force.

Deaths in Custody. The Labour MP Mr Michael Meacher, a close associate of Mr Tony Benn, called in 1980 for a public inquiry into deaths in police custody. During the years 1970–9, 274 people died while in custody of the police. The question was investigated by the all-party Home Affairs Select Committee, whose report (*The Investigation and Prosecution of Criminal Offences in England and Wales: The Law and Procedure*, Cmnd. 8092–1, January 1981) concluded, however, that it ‘found no evidence to support generalised accusations of police brutality to those in custody’.

Strengthening Police Powers and Improving Accountability. The Police and Criminal Evidence Bill received a Second Reading on 30th November 1982. Largely based on Part I of the Report of the Royal Commission on Criminal Procedure 1981, the Bill will modernise police powers and introduce new and clearer safeguards for the citizens. The police will have stronger powers to stop and search suspects, important in the fight against street crime. The Labour Party has announced its opposition to these new police powers, which have been introduced, and operated with success, in Scotland. The Bill will also clarify police powers concerning the gathering of evidence. Safeguards concerning the treatment of suspects, their detention, and their right of silence are included, and the principle of voluntary confessions is stressed. In addition, the Bill will establish a statutory framework for consultation between the police and local authorities. The final section of the Bill deals with the reform of the Police Complaints Procedure (see p. 305).

In support of the Bill, Mr Whitelaw has said:

‘We must remember that the fundamental support for public confidence in the police derives from their ability to catch criminals and bring them to justice’ (*Hansard*, 30th November 1982, Col. 154).

He also stressed ‘the need to counterweight the powers that we give to our police with safeguards against unwarrantable interference with the liberty of our citizens’ (*ibid.*).

Labour Party Proposals. Labour's campaign document, *The New Hope for Britain*, states:

‘We intend to protect the rights of individual suspects, while providing the police with sufficient powers to do their job effectively whilst not infringing the civil rights of individual suspects. We aim to create elected police authorities in all parts of the country, including London, with statutory responsibility for the determination of police policy within their areas.’

This proposal might well jeopardise police independence and would potentially subject police operations and the promotion of officers to political control by Left-wing authorities, as has been indicated only too clearly by the Labour-controlled GLC Police Committee (see p. 303). In contrast, the **Home Secretary** made clear that under a Conservative Government ‘there will be no political direction of the police in this country’ (Blackpool, 6th October 1981).

5. PUNISHMENT OF OFFENDERS

Conservative Approach. The 1979 Manifesto recognised the need for ‘more flexible, more effective sentencing’ (p. 19). With regard to serious crimes, Mr Whitelaw has been adamant that

‘the courts are aware of the feeling of ... the public at large that violent criminals should expect to receive substantial terms of imprisonment’ (*Hansard*, 25th March 1982, Col. 1121). This view was echoed by the Lord Chief Justice in a recent judgement, when he said that a medium or longer sentence of imprisonment was appropriate ‘for most offences involving serious violence’. Nevertheless, the **Home Secretary** has stressed that ‘it must be upheld ... that how judges and magistrates decide to use their sentencing powers is and must remain a matter for them’ (Brighton, 6th October 1982).

Long custodial sentences are already available to the courts in Britain; e.g., robbery and rape each carry a maximum of life sentence; burglary and firearms offences fourteen years. A recent article in the *Justice of the Peace* (8th September 1982) concluded that, compared with seven European countries, the prison population in England and Wales is high because average effective lengths of sentence are comparatively long.

On the other hand, as Mr Whitelaw has pointed out, ‘Nobody ... wants to see the prison system holding someone for longer than the protection of the public makes necessary’ (Brighton, 6th October 1982). In some cases a brief period of custody can be an effective deterrent; in other cases a régime of tough discipline for youngsters; in others recompense to the community via community orders. The Government has introduced the successful ‘short, sharp, shock régime’ into four detention centres and has opened 40 new attendance centres where young offenders (e.g., football hooligans) can be deprived of prime leisure time.

Criminal Justice Act 1982. This strengthened the power of the courts in the provision of both custodial and non-custodial sentences. The **Home Secretary** stated: ‘Its primary purpose is to provide the courts with more flexible and effective powers for dealing with the diversity of offenders’ (*Hansard*, 20th January 1982, Col. 294). Its main provisions include: (i) making community service orders available for 16 year-olds and allowing the courts to specify the programme to be followed; (ii) the introduction of residential care orders; (iii) allowing the imposition of a ‘night restriction’ (curfew) requirement on young offenders; and (iv) the introduction of partially suspended sentences. The Act also increases parental responsibility for juvenile offences by obliging parents to take responsibility (in general) for fines imposed on children under the age of 17.

More Support for the Victims of Crime. The Minister of State at the Home Office, Mr Patrick Mayhew, has said; ‘I am strongly in favour of offenders being required to make reparation to their victims’ (London, 12th January 1981). In this spirit, the Criminal Justice Act allows courts to make a compensation order to stand as a punishment in its own right, and ensures that compensation is given priority over the payment of a fine. Furthermore, the Criminal Injuries Compensation Scheme has been extended to cover cases of violence within the family, and support has been given to voluntary victim aid schemes. 17,350 awards were made in 1981–2 under the Criminal Injuries Compensation Scheme at a cost of £22 million.

6. PRISON BUILDING PROGRAMME

Labour's Record. Despite Mr Jenkins's well-publicised protestations of concern at the levels of overcrowding in Britain's prisons, the last Labour government took no effective action to rectify the situation. It was left to this Conservative Government, despite acute economic constraints, to find the money to launch the most ambitious prison-building programme for decades. In the late 1970s the situation rapidly deteriorated until Mr Rees, the Home Secretary, was given a stark warning in an open letter from the prison governors:

‘Total breakdown is imminent in the prison service.... The Home Office has produced no initiative’ (27th October 1978).

The May Report. It was only when this state of crisis was reached that Mr Rees felt forced to set up the May Inquiry into the Prison Service. Its report (Cmnd. 7673) was published on 31st October 1979. Its main recommendations were:

- a. Continued efforts to reduce the prison population.
- b. The reorganisation of the Prison Service in England and Wales, including a system of inspection of the Prison Service, distanced as far as possible from the Prison Department.
- c. Plans to be drawn up for a prison building programme.
- d. The pay of prison officers to be linked with civil service rates under the formula in operation since 1958. The May Committee also recommended new pay scales.

Prison Reorganisation. In April 1980, the Home Secretary announced a reorganisation of the Prison Department along the lines recommended by the May Committee. The Government also accepted the May Committee's recommendations on pay and allowances. Unfortunately, the Prison Officers' Association was unable to agree with all the May Committee's rulings on allowances. Industrial action followed, with new prisoners being refused entry to prisons. The Government immediately took powers to allow prisoners to be held elsewhere through the Imprisonment (Temporary Provisions) Act 1980. The Home Secretary then suggested a new duty system common to all prison establishments, and industrial action was finally suspended by all branches of the Association. As the Director General of the Prison Department, Mr D. J. Trevelyan, put it in his Annual Report for 1980: ‘The Home Secretary's stand during the dispute demonstrated that industrial action does not always pay dividends.’

Population. The average daily population in prisons, hostels and detention centres is shown in the following table:

	<i>1971</i>	<i>1974</i>	<i>1979</i>	<i>1980</i>	<i>1981</i>
Males	38,673	35,823	40,762	40,748	41,904
Females	1,035	1,044	1,458	1,516	1,407
Total	39,708	36,867	42,220	42,264	43,311

(Source: *Prison Statistics, England and Wales 1981*, Cmnd. 8654)

At 30th June 1982 the population was 44,000, while certified normal accommodation was 38,747. Although the prison population has continued to rise, the rate of increase in the last six years has slowed. The Government has announced initiatives to divert alcoholics from prison. The Criminal Justice Act 1982 abolished imprisonment for vagrancy, and for loitering and soliciting for prostitution.

Major Prison Construction Programme. The present Government ordered the construction of eight new prisons—the largest building programme for decades. Two prisons are to be started in each year from 1981–2 to 1984–5. The amount available to fund the repair and maintenance of prisons has been doubled. The amount for modernisation has been increased by one-third. In total, 5,000 extra places will be provided although many of these will replace existing places lost through decay. The Labour Party has not set out a full and coherent policy for dealing with the prison problem. The *New Hope for Britain* says that the prison population will be reduced ‘by cutting many maximum sentence lengths for non-violent offenders’.

7. PUBLIC ORDER

In July 1981, a number of serious disorders occurred in some of Britain's major cities, notably at Southall and Brixton in London, at Toxteth in Liverpool, and in parts of Manchester. As the **Prime Minister** said, nothing 'either condones or excuses violence on the scale that we have seen...' (*Hansard*, 9th July 1981, Col. 576). About 4,000 people were arrested, two-thirds under 20 years old. Less than half of those arrested were unemployed. Two-thirds had criminal records. The Home Office published statistics on the 'ethnic appearance' of those arrested: in London, two-thirds were of 'ethnic appearance', but only one-third in Toxteth and Moss side (Source: *The Times*, 14th October 1982).

Equipping the Police. The Government responded swiftly and firmly to the high level of police injuries by making available adequate quantities of helmets, shields and fire-resistant clothing. By the autumn of 1982, 20,000 helmets and 10,000 flame-resistant overalls had been distributed. At the same time police riot training and tactics were stepped up. In 1982, in contrast to 1981, as Mr Whitelaw put it, 'our inner city streets have not been disfigured by serious violence on any scale' (*Hansard*, 5th November 1982, Col. 221).

During the riots in 1981, CS gas was used in Liverpool. Mr Whitelaw laid down that:

'The basic principle for the use of this equipment, as a means of last resort, is that it should be used only in circumstances where other conventional methods have been tried and failed, and where, in the judgement of the chief officer, such action is necessary to prevent serious risk to life or widespread destruction of property. Such equipment should be authorised for use only by specially trained personnel and only with the authority of the chief constable himself, or in his absence, his deputy' (*Hansard*, 16th July 1981, Col. 1402).

Similar considerations are applied to the use of plastic or rubber bullets.

The Labour Party, in its *Programme 1982*, criticised anti-riot equipment as 'indiscriminate, dangerous and ineffective'. They also proposed disbanding the Special Patrol Group (SPG) despite the key role of mobile response units in quelling disturbances, and fighting serious crime such as muggings and burglaries. The Liberals at their Party Conference in Bournemouth on 23rd September 1982 voted for similar proposals.

The Scarman Inquiry and Report. The Home Secretary appointed Lord Scarman to inquire into the disturbances in Brixton on 10th–12th April 1981. His report (*The Brixton Disorders*, Cmnd. 8427) was presented to Parliament on 25th November 1981. The **Home Secretary** commented in Parliament that:

'Lord Scarman's detailed recommendations on policing policy and policing arrangements add up to a statement of philosophy and direction for the future. ... I accept and endorse this statement of philosophy' (*Hansard*, 25th November 1981, Col. 891).

Lord Scarman's report was welcomed by other political parties. However, Dr David Owen, of the SDP, has criticised it for failing to recognise 'institutional racism' in Britain (*Guardian*, 14th October 1982).

Lord Scarman's wide-ranging report set out the 'difficulties, social and economic, which beset the ethnically diverse communities who live and work in our inner cities' (para. 1.7). While

pointing to housing, educational and family problems, he made clear that ‘social conditions ... do not provide an excuse for disorder. They cannot justify attacks on the police in the streets, arson or riot’ (para. 2.31). He praised the police for standing ‘between our society and a total collapse of law and order in the streets’. But he did identify various areas where policing could be improved. The Government promptly acted on many of these suggestions. For example:

Recruitment. The report recommended attracting more black recruits. Mr Whitelaw commented a year later: ‘Progress is now being made in the recruitment of black and Asian police officers. The latest figure I have for England and Wales is 418. Applications in London from the ethnic minorities more than doubled in the first six months of this year, and the number joining more than doubled’ (*Hansard*, 5th November 1982, Cols. 223–4).

Training. Lord Scarman suggested general improvements including extension of the initial training period for recruits to six months. Mr Whitelaw reported to Parliament on 5th March 1982:

‘The Police Training Council is now fully engaged on fashioning new approaches to training in public order, management and supervision, community and race relations, and probationers. It has now settled clear objectives for probationer training: first, a two-year “apprenticeship” with close supervision, and an integrated programme of central and force training spread throughout the period; second, the need to impart a greater range of techniques and skills, and develop personal qualities, specially directed at the problems of street duty; third, a thorough-going insistence on high ethical standards; fourth, a much greater emphasis on the fact that policing with consent means knowing fully about the problems of policing a multi-racial society, and having an understanding of its diversity; and, finally, priority to be given to training in the prevention of disorder and the handling and defusing of potential conflict with the public’ (*ibid.*, Col. 223).

Monitoring and discipline. Lord Scarman suggested that the normal penalty for racially prejudiced behaviour be dismissal. Mr Whitelaw commented in the same debate:

‘Chief officers and the staff associations have firmly and publicly set their face against any toleration of racially prejudiced or discriminatory behaviour in the service; and improved screening at selection stage and continuous assessment during initial training, with the Metropolitan Police in the lead, are being developed. In the light of this work on training and selection, and in view of the unanimous view of the Police Advisory Board, I am not persuaded that the case for imposing a specific disciplinary offence of racially prejudiced behaviour has been made out.’ (*ibid.*, Col. 224).

Methods. The Scarman Report proposed a re-examination of the mix of mobile and foot patrols and the role of Home Beat Officers. This is in line with Conservative objectives. Since 1979 more officers have been put back on the beat in the major cities (see p. 305), and in one area alone of the Metropolitan Force there has been a 23 per cent increase in foot patrols.

Complaints. Lord Scarman called for an ‘early introduction of an independent element in the investigation of complaints and the establishment of a conciliation process’ (para. 7.28). That is precisely what is proposed in the Police and Criminal Evidence Bill (see p. 306).

Consultation. Lord Scarman rejected the idea of replacing the Home Secretary as Police Authority for London, as has been demanded by the Labour Party. He did, however, recommend the establishment of a statutory framework for consultation between Police Authorities and local

authorities (para. 5.69). Mr Whitelaw referred on 5th November 1982 to planned legislation to 'entrench in statute law the obligation of consultation between police and community. This provision will not, and must not, provide a straitjacket which ignores ... local wishes' (ibid., Col. 224). The obligation is set out in the Police and Criminal Evidence Bill (see p. 307).

A year after the disturbances, Lord Scarman praised the police, saying:

'We must salute the police for what they have done within the limitations of their service to implement the recommendations of the Brixton report' (*Times*, 25th October 1982).

8. CAPITAL PUNISHMENT

There is strong support in this country for the proposition that the death penalty be made available for some crimes of murder. The Conservative Manifesto recognised this feeling. It promised that Parliament would be given an early opportunity for a debate. On an issue of conscience such as this no Member of Parliament could be constrained by Party Whip. A free vote took place on 19th July 1979 and Parliament decided by a majority of 362–243 not to reintroduce the death penalty. The Government made time available for a second debate on the issue during the passage of the Criminal Justice Bill on 11th May 1982. On that occasion there were five separate votes. In each case there was a majority opposed to reintroduction, and always by a margin greater than 3:2 (i.e., a greater margin opposed to reintroduction than in 1979). The votes recorded against reintroduction were:

(i) For murder	357–195
(ii) For terrorism involving loss of life	332–208
(iii) For murder by firearms or explosives	343–176
(iv) For murder of prison or police officer	332–208
(v) For murder in course of robbery or burglary with offensive weapons	331–151

(B) IMMIGRATION AND RACE RELATIONS

1. IMMIGRATION

Legislation before 1974. It was a Conservative Government which in 1905 took powers to control the admission of aliens to this country. Citizens of the Empire were not subject to these controls because, as British subjects, they were not aliens. Their status as British subjects was confirmed by Labour's British Nationality Act 1948. Indeed, until a Conservative government took action in 1962 there were no immigration controls on Commonwealth citizens.

(a) *Commonwealth Immigrants Act 1962.* The scale of immigration into the UK unfortunately became greater than the numbers the country could readily absorb. Under the Commonwealth Immigrants Act 1962, the entry of Commonwealth citizens was limited by means of an annual quota of employment vouchers. This measure was opposed at all stages by both the Labour and Liberal Parties in the House of Commons.

(b) *Commonwealth Immigrants Act 1968*. On the attainment of independence by certain former British colonies in Africa, citizens of those colonies were given the option of retaining UK passports. Before 1967, the number of these United Kingdom passport holders (UKPH) seeking entry into this country was not significant, but in that year and early in 1968 the number of UKPH immigrants so increased that Mr Callaghan, as Labour Home Secretary, introduced the Commonwealth Immigrants Act 1968 which extended control to cover United Kingdom Passport Holders not connected by birth or descent with the United Kingdom. The Conservative Party supported this Act. Mr Callaghan also took action in 1969 to control entry by means of arranged marriages which he described as an 'abuse'.

(c) *Immigration Act 1971*. This measure implemented the pledge in the 1970 Conservative Election Manifesto that 'future immigration will be allowed only in strictly defined special cases'. This Act came into full operation in January 1973, and it established a single system of control over all immigration from overseas.

Labour's Record 1974–9. The following table shows the growth in immigration under Labour, and its subsequent restriction under the Conservative Government.

Total Acceptances for Settlement 1973–81

In thousands of persons

Year	1973	1976	1979	1980	1981	1982
Citizens of the New Commonwealth & Pakistan	32.2	55.0	37.0	33.7	31.0	30.3
Total	55.2	80.7	70.7	69.7	58.1	53.8

(Source: *Control of Immigration Statistics, United Kingdom 1981*, Cmnd. 8533)

Total immigration rose by 31 per cent between 1973 and 1978. Between 1974 and 1978, immigration from the New Commonwealth and Pakistan averaged 47,500 per year, as against 32,200 in 1973 and 30,809 in 1981.

(a) *Husbands and Male Fiancés*. On 27th June 1974, the then Home Secretary, Mr Roy Jenkins, relaxed the rules of entry to allow foreign husbands automatic entry to the UK. But in 1975 and 1976, 11,184 and 11,061 husbands respectively were accepted for settlement and 1,010 and 2,190 male fiancés. Of the male fiancés, over 80 per cent came from India and Pakistan. Similarly, the proportion of husbands coming from the New Commonwealth and Pakistan increased from 5 per cent of the 2,400 total in 1973 to 57 per cent of 11,061 in 1976. In the face of this influx, the Labour Government was forced on 22nd March 1977 to amend Mr Jenkins' policy, so that immediate settlement was no longer granted.

(b) *Voucher Scheme*. On 6th February 1975, Mr Jenkins announced an increase from 3,500 to 5,000 a year in entry vouchers issued to UKPH. These vouchers entitle heads of households to bring in dependants.

(c) *Illegal Immigrants*. On 29th November 1977, the Labour Government announced an amnesty for Commonwealth and Pakistan citizens who had entered illegally before 1st January 1973. This resulted in 2,390 illegal immigrants having their position regularised by 1980.

The Conservative Government's Record. The Conservative Government has made it clear that no repeat of such an amnesty can occur again. It has also taken a firm line in dealing with illegal

entrant cases and has been working to clear the backlog. There has been a major tightening up on immigration since 1979. The 1979 Election Manifesto made clear that good race relations and firm immigration control go hand in hand.

‘... firm immigration control for the future is essential if we are to achieve good community relations. It will end persistent fears about levels of immigration and will remove from those settled, and in many cases born here, the label of “immigrant”’.

The Government has been successful in ensuring that a sharp reduction has taken place in the numbers settling in the United Kingdom. The total for 1981 registered a drop of 14,200, or almost 20 per cent, compared with 1978; and a drop of almost a third from the 1975 peak. The number of New Commonwealth and Pakistan citizens accepted annually dropped by 11,900 between 1978 and 1981. The latest figures show a further drop of 8.5 per cent in the total for 1982.

Tightening of the Rules in 1980. In view of the unclear position inherited from the Labour Government, a revision of the Immigration Rules was announced by the Home Secretary on 14th November 1979. He explained that ‘The object of the new Rules is to prevent the exploitation of marriage as an instrument of primary immigration. We cannot permit that to continue’ (*Hansard*, 14th November 1979, Col. 1329). Under these Rules, entry clearance was refused if there was reason to believe that the marriage was one of convenience, or where the parties had not met, and thus there was reason to think that the marriage was being contracted primarily to secure entry into the UK.

The Rules on entry of allowing parents and grandparents over 65 were also tightened up to avoid the taxpayer incurring costs for maintaining these people. The Rules were also tightened on the issue of work permits and the entry of ‘au pairs’.

Reductions in immigration under this Government should be seen in the light of Britain's continuing compassion towards cases of genuine hardship. For example, following an initiative by the Prime Minister in July 1981, Britain agreed to accept for settlement some 10,000 refugees from the Communist regime in Vietnam, many of whom had reached the British colony of Hong Kong. Similarly, as a consequence of the 1974 war in Cyprus, the present Government has allowed a small number of Commonwealth Cypriot refugees to make their home here.

Further Changes Announced in 1982. When the British Nationality Act 1981 (see below) came into force on 1st January 1983, it made further changes in the Immigration Rules necessary. These were contained in the ‘Statement of Changes in the Immigration Rules’, approved by Parliament on 15th February 1983. As the **Home Secretary** explained:

‘The main reason why it was necessary to replace the existing law was quite simply that the citizenship created by the British Nationality Act 1948 had long ceased to give any clear indication of who had the right to enter the United Kingdom. Citizenship and right of abode, which ought to be related, had over the years parted company from each other’ (*Hansard*, 11th November 1982, Col. 692).

The new Rules will raise to £150,000 or £15,000 p.a. the entry requirement for self-employed people and for people with independent means. In future, parents will no longer be able to use their children to avoid deportation. Mr Whitelaw explained:

‘The Government see no reason why a child should ever have citizenship simply because his parents happen to be in the United Kingdom when he is born’ (ibid., Col. 697)

Since the Act defines a new category of British Citizenship applying only to those with very close links with Britain, discrimination between male and female British citizens would be inconsistent. The new Rules will therefore allow women holding British Citizenship to bring in husbands or fiancés. However, the requirement of the 1980 Rules that the marriage must not be an arranged one is to continue, with added safeguards.

British Nationality Act. The 1979 Election Manifesto promised a major revision of nationality law which was then based on the 1948 British Nationality Act. The Act reflected the imperial status of Britain, and the definition of citizenship—Citizen of the United Kingdom and Colonies (CUKC)—was a very broad one which included some 4–5 million people not part of the British population.

Under the British Nationality Act 1981, there are three categories of citizenship. Only those with very close ties with the United Kingdom qualify for British Citizenship—an estimated 57 million people. British Citizenship is acquired by CUKCs who:

- a. have the right of abode in the UK through birth, adoption, naturalization or registration in the UK;
- b. have right of abode by reason of having a parent or grandparent registered in the UK;
- c. have been married to a man who becomes, or who would but for his death have become, a British Citizen;
- d. have come from overseas and have acquired right of abode in the UK through being lawfully settled here.

A second citizenship, Citizenship of the British Dependent Territories, is acquired by those born, naturalized or registered in a British dependency or associated state, who have a parent or grandparent with similar associations, or who have been married to someone with those associations. They will not have right of abode in the UK.

A third citizenship, British Overseas Citizenship, will be acquired by all remaining CUKCs who receive neither of the above citizenships.

British Citizenship will normally descend only to the *first* generation of children born abroad to those British Citizens who were born in the UK. Non-British people who wish to be naturalized will have to meet a language standard: there will be no appeal against refusal of naturalization.

In the case of those who marry British Citizens, both sexes are treated equally. A spouse will first be accepted for settlement in the UK *without* citizenship, but he or she will then be able to apply for naturalization after a three-year period.

Labour's Proposals. Despite announcing at the last general election its intention to revise nationality law, the Labour Party announced during the passage of the British Nationality Act that it would repeal it, together with the 1971 Immigration Act and the 1968 Commonwealth Immigrants Act (see p. 312). Since the present Act is in many aspects based on Labour's 1977 Green Paper, their rejection of it is disingenuous. *Labour's Programme 1982* proposes legislation to ‘enable Commonwealth and foreign relatives to acquire citizenship if they qualify by objective tests’ and to ‘affirm the right of free entry to all British Citizens’. An implication of Labour's proposals is that *immediate* rights of entry could be given to the majority of those British subjects

who do not hold citizenship of the country they live in. This could embrace some 130,000 people living in Malaysia, and perhaps 34,000 in India (Home Affairs Committee Fifth Report 1981–2, HC90–1). The Labour Party has also said that it would allow citizenship to be given to any child born here, regardless of the transience of his parents' connection with the UK. (see p. 314).

Alliance Parties' Plans. The Liberal Party has promised to repeal the 1981 Act. A motion passed by its National Executive in 1982 proposed instead an Act based on principles which would allow a wide range of people to settle in the United Kingdom. For example, naturalization would be subject only to a residence qualification; citizenship would be passed on by descent for two generations.

SDP thinking, as indicated in its 1982 Green Paper on 'Citizens' Rights' is that the British Nationality Act 1981 should be revised, extending British nationality to everyone born within British territory. Naturalisation procedures should be simplified while full citizenship should be given to East African Asian holders of British passports. The new Immigration Rules would be relaxed to take account of family unity, in particular to allow entry by fiancés. The appeals procedure should be simpler and swifter.

2. RACE RELATIONS

The Government has given strong support to the Commission for Racial Equality and agencies dedicated to the resistance of racial discrimination. Although, as the Home Secretary has stated, Britain cannot 'buy' her way out of racial difficulties, the Government has committed substantial public funds to the CRE, and to local communities with large minority populations.

Under Section 11 of the Local Government Act 1966, the scheme of assistance to local authorities with large ethnic minority populations has been streamlined, and expenditure on this has been maintained. It is currently running at £70 million a year. The Urban Programme also supports local authority projects—in 1981, 140 such projects were run for the benefit of ethnic minority groups, and in 1982 there were some 242 projects worth £7 million.

Swann Committee. A major step towards better educational standards for ethnic minorities was the establishment in 1979 of an independent Committee chaired by Lord Swann looking into 'The Educational Disadvantages of Ethnic Minority Children'. The committee produced an Interim Report in 1982 looking particularly at West Indian children: its full report is expected early in 1983. In evidence to the Race Relations Select Committee, Sir Keith Joseph, Education Secretary, expressed his close interest in the work of the Swann Committee, emphasising his belief that it gave the opportunity for a thorough review of his Department's responsibilities in this field.

Racial Discrimination. New codes of practice for the elimination of racial discrimination in employment were laid before Parliament in March 1983. Their intention is to help employers and employees apply the Race Relations Act.

The Police and Race Relations. Much has been done by this Government to assist police-community relations (see p. 310), including improvements in police training, recruitment, and an obligation on the Police, under the Police and Criminal Evidence Bill, to establish community consultation procedures. In addition, the so-called 'Sus' law of 1824 has been abolished. However, as Mr Timothy Raison, then Minister of State at the Home Office, said:

‘race relations in this country will not be served by any tendency to apply different standards of law enforcement to members of the ethnic minorities to those which are applied to the rest of the community’ (Bournemouth, 25th April 1981).

Opposition Parties' Policies. *Labour's Programme 1982* said:

‘We intend ... to take a strong lead by stimulating a wide range of positive action programmes (sic) in favour of black people.’ ... ‘Labour will undertake a Positive Action Initiative which gives black people the opportunity to participate in the labour force on equal terms ... we will consider placing a statutory duty on employers to negotiate ... agreements.’

These suggest positive discrimination by lowering entry requirements in education, at work, etc., for members of ethnic minorities. However, the **Prime Minister** has said:

‘I firmly believe that we should not reduce educational standards for any group’ (*Hansard*, 27th July 1982, Col. 919).

The SDP's Green Paper No. 9, *Britain's Urban Crisis*, 1982, called for ‘positive action’ for members of ethnic minorities, and for the enforcement of equal opportunities provisions by employers, on pain of loss of contracts with Government or local authorities.

(C) BROADCASTING

1. BROADCASTING ACT 1980

Managing the Fourth Channel. The Broadcasting Act was designed to bring into operation the fourth television channel. It extends until 31st December 1996 the life of the IBA, and vests in the IBA responsibility for the new Fourth Channel. But the Authority does not itself become a programme-making organisation. The Act requires it to establish a subsidiary for these purposes. The subsidiary is furthermore required to ensure that ‘a substantial proportion’ of the programmes on the fourth channel are provided by independent producers, interest groups and the like, and not by ITV programme contractors.

Quality Safeguards. Other safeguards as to quality are written in. The IBA is required to see that the Fourth Channel contains a suitable proportion of material calculated to appeal to tastes not generally catered for on the present ITV, and to give the channel a distinctive character of its own. There is a separate Fourth Channel for Wales (see Chapter 22, p. 361). It is hoped that advertising revenue will cover the cost of the service. In the interim, finance will be provided by the existing ITV companies (who will in return have the right to sell advertising time on Fourth Channel programmes broadcast in their regions). The service was launched on 2nd November 1982.

Broadcasting Complaints Commission. The Act provided for the establishment of a new complaints commission, completely independent of the broadcasting authorities. Members of the Commission were appointed on 1st June 1981. The Commission's remit extends to both sound and TV broadcasts of the BBC and IBA, including advertisements, and to broadcasts of the BBC's External Services.

2. THE NEW TECHNOLOGIES: SATELLITE AND CABLE

The Government has acted swiftly in taking decisions on bringing into operation by 1986 Direct Broadcasting by Satellite (DBS), and in establishing the Hunt Committee on Cable Expansion and Broadcasting Policy, whose report (Cmnd. 8679) was published in October 1982. Mr Whitelaw said:

‘As a Government we firmly believe in the need for freedom and diversity in our society. The growth of new broadcasting outlets could give the individual a much greater power to choose. What we must try to ensure, however, is that the increase in freedom is genuine and benefits the whole community’ (IT Committee Seminar, 10th June 1982).

Mr Kenneth Baker, Minister for Information Technology, has pointed out that: ‘DBS and cable systems are mutually supportive. There is not a stark choice of one or the other. We would envisage a mixed system’ (*Hansard*, 20th April 1982, Col. 232).

Satellite Broadcasting (DBS). On 13th March 1980, the Home Secretary commissioned a Home Office Study to examine the options for proceeding with DBS. This was published on 19th April 1981. It proposed that the BBC should become involved in satellite broadcasts. Accordingly the Government announced on 4th March 1982 that ‘an early start’ would be made to bring into operation two channels in 1986, with a potential increase in the number to five as and when demanded. Mr Whitelaw made clear that ‘... the Government expect the capital cost of providing the satellite system to be found in the private sector’ (*Hansard*, 4th March 1982, Col. 414). Mr Baker explained that the early start in 1986 ‘will enable industry to exploit overseas markets. We have a real edge here ... It will benefit the British space industry's workload. It will boost the information services ... The satellite will be the first privately financed satellite in Europe. It will cost £150 million to £200 million. It will be made and designed entirely in Britain’ (*Hansard*, 20th April 1982, Col. 232).

Cable Television. In the United States, about 30 per cent of all households are connected to Cable TV (Source: *Financial Times*, 6th July 1982). In Canada, the proportion is nearer 60 per cent, and a similar proportion are linked up in Holland and Belgium. In Britain, some 2½ million households are wired up to receive conventional television. In some countries facilities such as ‘teleshopping’ and ‘teleshopping’ are also available via cable. A two-year pilot study of thirteen experimental schemes was established in 1980. This allowed people for the first time in this country to receive a pay channel. But following the publication of the Cabinet Office Advisory Panel's (ITAP) report entitled *Cable Systems*, on 22nd March 1982, the Government decided to speed up matters and so asked Lord Hunt of Tamworth to undertake an enquiry into cable expansion. The ITAP suggested that there were major opportunities for expansion, provided that a reasonably liberal policy was adopted to licensing, franchise, etc.

The Hunt Report was published on 12th October 1982 and suggested expansion, subject to a minimum of official restrictions. Its key recommendations were:

- A central authority to award franchises to cable system operators and exercise “oversight” by ensuring that operators live up to their promises, and by hearing complaints.
- Franchises awarded on the basis of competitive bidding, initially for ten years.

- No enforced separation between providers of physical cable networks, cable operators, programme providers and programme makers.
- No limit on the number of cable channels offered. Programme diversity encouraged. Operators free to set charges and determine their programmes and services.
- Decency standards the same as those imposed on the BBC and ITV, with no special impartiality rules. 'Premium' channels, available only by special subscription, which the viewer could blank out with an electronic 'lock' on the receiver, would not have to comply with such standards.
- Freedom to carry advertising and sponsored programmes. 'Pay per view', whereby subscribers pay to watch a particular programme, not to be allowed at present.
- New cable systems required to carry all BBC and ITV channels.

Mr Baker has said of the possibility of providing an electronic grid for Britain, using broad-based cable:

'It is a programme of major investment. The ITAP report estimated something in the region of £2–3 billion for half the country ... Estimates suggest a further £1 billion a year of generated associated activity' (Edinburgh TV Festival, 31st August 1982).

He has also said:

'The opportunities before us as a country in this recabing enterprise are tremendous. The recabing of the country will be as important for Britain as was the laying down of the railway network in Victorian England ... It will create whole new industries' (*Hansard*, 20th April 1982, Col. 238).

The Government will issue a White Paper in the early months of 1983, which will establish a framework for the development and expansion of cable services.

(D) MISCELLANEOUS ISSUES

1. CIVIL DEFENCE

Labour's Record and Present Attitude. It was a Labour government that disbanded the former Civil Defence Corps and Auxiliary Fire Service in 1968. Civil Defence from that date was put on to what was described as a 'care and maintenance' basis.

Despite the efforts made by the previous Conservative Government to improve emergency planning procedures in 1971–2, Socialist neglect meant that there was much ground to be made up when Mrs Thatcher's Government came into power.

In the last full year of Labour government in 1978–9, the total civil defence budget (at 1979 Survey Prices) amounted to only £14.6 million—a cut of almost a half from the £27.2 million recorded in 1974–5 (*Hansard*, 19th February 1980, WA Col. 510).

In the last few years the Labour Party has consistently mocked the United Kingdom's Civil Defence Programme. *The New Hope for Britain* makes no mention of Civil Defence and the implication is that a future Labour Government would run down or even opt out entirely of providing Civil Defence.

Several Labour-controlled councils have declared their areas 'nuclear free zones' and deliberately renounced action on civil defence (for example, the GLC). This completely ignores the point that Civil Defence covers far more than the consequences of nuclear war—it is associated with *any* civil emergency such as conventional war, or disasters arising from fire, flood, etc. As Mr Mayhew has commented:

'Civil Defence is not war-mongering. Its purpose is essentially humanitarian, and no responsible government can shirk this kind of duty' (York, 2nd June 1982).

Conservative Record

Increased Expenditure. As a result of a review announced in August 1980, civil defence expenditure has been increased by 60 per cent in real terms over a three-year period, to reach a planned £45 million in 1983–4.

Monitoring Capability. The United Kingdom Warning and Monitoring Organisation is being improved. The Home Defence College has been expanded.

Better Advice to the Public. The Government has updated the pamphlet, *Protect and Survive*, and has published two guides on domestic nuclear shelters. Government policy is to make available to the public all relevant information that is not prejudicial to security.

Volunteer Effort. A Co-ordinator of Volunteer Effort in Civil Defence has been appointed.

Tightening up the Law on Civil Defence. In the summer of 1982 the Government organised a large-scale Civil Defence exercise, 'Hard Rock', in which 21 Labour-controlled local authorities declined to participate. As a result, Mr Mayhew, announced on 6th October 1982 that the Government proposed to introduce new regulations under the Civil Defence Act. The draft regulations were discussed with representatives of local authorities and following redrafting, will be laid before Parliament shortly after Easter 1983. These will oblige local authorities to maintain the necessary equipment, provide training and ensure that volunteers are provided with an effective role in Civil Defence.

2. DATA PROTECTION

The lack of data protection legislation has placed the United Kingdom at something of a commercial disadvantage vis-à-vis many of her European partners. Eight European countries now have data protection legislation in force, and two have recently ratified the Council of Europe Convention. The British Information Technology industry in particular could suffer by missing opportunities for trade in data processing. The Government therefore put forward proposals in a White Paper (Cmnd. 8539) published in April 1982, which have been given legislative effect in the Data Protection Bill.

The Bill has two aims: to protect personal information held on computers and to put the United Kingdom in a position to ratify the Council of Europe Convention on Data Protection. It establishes a code of principles, and an independent Registrar who will maintain a register of all users of automatically processed personal data (subject to certain exemptions). The Bill does not apply to data on other than individuals. It will become a criminal offence to use automatically processed personal data without being registered. The register will thus enable citizens to discover who may be processing data about them. The Bill also provides a right for individuals

to have access to data held about them, and to have this data corrected or erased if the data is held in breach of any of the general principles. In addition, certain new civil remedies are created by the Bill to enable a person who suffers damage to obtain compensation. Criminal sanctions will back the powers of the Registrar.

The Government has rejected the proposal of the Data Protection Committee (Lindop Report, Cmnd. 7342, December 1978) that a Statutory Data Protection Authority be established (also suggested by the Labour Party). As Mr Raison explained in defence of an individual Registrar:

‘We believe that this will keep to a minimum the burden placed on resources; and will encourage action to be taken rapidly and efficiently by a person with real authority’ (Parliamentary Information Technology Committee, 4th May 1982).

3. OTHER ISSUES

Pornography and Indecency. The Conservative Government has been active in its efforts to see that pornography and indecent displays are properly controlled. The last Labour government established a Committee, under Professor Bernard Williams, to look into the subject. It produced its report, *Obscenity and Film Censorship* (Cmnd. 7772) on 28th November 1979. Among its main recommendations were that:

- a. There should be a ban on *pictorial* material sexually exploiting children or portraying physical harm to an individual.
- b. Other *pictorial* material whose unrestricted availability would be ‘offensive to reasonable people’ would be available only from premises which prohibit entry to those under 18, have blank windows and display warning notices.
- c. There should be no control at all over exclusively *written* material.
- d. There should be a ban on live shows which include any real sexual activity which is offensive.
- e. There should be a new statutory body to replace the British Board of Film Censors.
- f. Local authorities would no longer be able to ban particular films from being shown in their own areas.
- g. Action should be taken to control the showing of blue films in unlicensed premises.

Mr Patrick Mayhew, Minister of State, Home Office, has commented on

‘the need to reconcile the demands of two conflicting principles. The first is the principle that the citizen ought to be protected, according to his circumstances, as resolutely from assault by obscenity as from assault by physical violence. The second is that in matters of literature, art and entertainment the State ought not to make the citizen's choices for him, but that, on the contrary, both this freedom of choice and his freedom of expression should be guaranteed’ (*Hansard*, 26th June 1982, Col. 491).

While welcoming the Report's ‘valuable examination of a complex subject’, Mr Mayhew pointed out that many people disagreed with the conclusion that *only* material which could be shown to cause ‘harm’ ought to be suppressed by law. Nevertheless, he ruled out the possibility of general legislation to cover all obscenity or indecency.

However, two Conservative Private Members' Bills received strong support from the Government. Mr Timothy Sainsbury's Bill, now the Indecent Display Act 1981, controls public

displays, and Mr Peter Lloyd's Cinematograph (Amendment) Act 1982 closes a legal loophole by extending licensing to commercial cinema clubs. The Local Government (Miscellaneous Provisions) Act 1982 allows local authorities to restrict the number of sex shops in a locality.

Drugs. Despite the record quantities of heroin seized by police and customs officials last year, Home Office figures suggest an increase in the number of notified drug addicts between 1980 and 1981.

Following the Report of the Advisory Council on the Misuse of Drugs *Treatment and Rehabilitation* published on 1st December 1982, which described the changing nature and growing problem of drug misuse, the Government announced that £6 million would be available over the next three years for new initiatives to help drug misusers. Draft guidelines on how the money will be spent have been issued for consultation, based on the Council's recommendation of a multi-disciplinary response in which doctors, social workers and voluntary organisations can work together.

Shop Opening Hours. A Bill to repeal current legislation covering shop opening hours on Sundays, introduced by Mr Ray Whitney, Conservative MP for Wycombe, was defeated on a free vote in the House of Commons by 205 to 106 votes. The Government believes that this is properly a matter for private member's legislation and has no plans to enact legislation itself.

Experiments on Animals. The Government has been awaiting the Convention of the Council of Europe governing this area. Following the recent ratifications of the Convention, a White Paper setting out proposals on the updating of the Cruelty to Animals Act 1876, will be published in the spring of 1983, in line with the General Election commitment of 1979.

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(A) THE MONARCHY

1. ROYAL FINANCE

The arrangements under which the monarchy is financed do not impose a heavy burden on the taxpayer. The system dates from the reign of George III when Parliament acquired the income of the large Crown Estate for its own use in perpetuity, and agreed in return to provide a regular annual grant, known as the Civil List. In no sense has this agreement proved unduly favourable to the monarchy. The Crown Estate includes some of the most valuable parts of London and around 300,000 acres of land elsewhere; the income derived from it is slightly greater than the total cost of the monarchy which was estimated at £15 million in 1982, a figure roughly equivalent to the sum needed to construct three and a half miles of motorway (*The Times*, 9th March 1982).

Over the years, however, there has been a change in the way that the cost of the monarchy is met. Although the size of the Civil List has been increased substantially from the sum at which it was fixed at the Queen's accession in 1952 (rising from £656,000 to £4.8 million between 1971 and 1983), it now provides for only a small portion of the Crown's total expenditure: in fact, it does not do much more than pay the salaries of members of the royal household and provide allowances for various members of the royal family. Three-quarters of all the Crown's expenses are borne by the Government, whose responsibilities include the royal yacht, the Queen's Flight and the maintenance of the royal palaces. But while Parliament finances the official duties of the monarchy in these two ways, it provides nothing for the personal use of the monarch herself who meets her private expenditure from her own resources.

(B) HOUSE OF LORDS

1. ROLE OF THE LORDS

Composition and Party Strengths. At the beginning of 1983 there were 1,183 members of the House of Lords, of whom 149 had been granted 'leave of absence' (a device which enables peers to sever their connection with the Upper House for the duration of a Parliament). Of the remainder, some are much more active than others. Average daily attendance is around 300.

The ordinary, daily business of the Lords is no longer dominated by a large and impregnable Conservative majority. Although the 455 Conservative peers constitute the largest single group, the party's actual voting strength is usually much diminished by absenteeism. On many occasions

in this Parliament the balance of power in the Lords has been held by the 226 cross-bench peers, the majority of whom tend to vote against the Government in critical divisions. A combination of cross-benchers and the Opposition parties (there were 131 Labour peers, 41 Liberals and 37 Social Democrats in March 1983), assisted by a depleted Conservative representation, inflicted an unusually large number of defeats (43 in all) on the Government between 1979 and February 1983. No longer can it be said that the Lords are only interested in changing Labour legislation. Its members fully recognise that they must in practice exercise the considerable powers which they possess in a manner consistent with public opinion.

Constitutional Importance. John Stuart Mill wrote: ‘the same reasons that induced the Romans to have two consuls make it desirable that there should be two chambers, so that neither of them may be exposed to the corrupting influence of undisputed power, even for a single day’ (Quoted in James McMillan, *The Honours Game*, Leslie Frewin, 1969, p. 186). That classic defence of the two-chamber system is perhaps even more relevant today than in the nineteenth century, since in the interim the executive has acquired a much firmer control over the House of Commons. However, while the Lords remains, no government (whatever its complexion) will be able to use its Commons majority to delay an election beyond the existing statutory five-year period laid down by the 1911 Parliament Act. Nor will it be able to use its Commons majority to undermine the independence of the judiciary. Judges can only be dismissed on an address to the Queen from both Houses. This is now no mere academic point. Mr Foot has made clear his contempt for judges who show a true independence of spirit. In 1974, for example, he referred contemptuously to ‘judges who stretch the law to suit reactionary attitudes’ (*ITV People and Politics*, 9th May 1974). Since the House of Lords is itself the final court of appeal (hearing about 70 appeals a year), it has a particularly close interest in the preservation of traditional judicial freedom.

When it comes to the making of fresh law, a two-chamber system possesses obvious advantages. The sheer volume of business which is transacted in the Commons makes it inevitable that a significant amount of legislation will be passed after inadequate discussion. This neglect can be remedied in the Lords, where expertise on a wide variety of different subjects is now available. In the parliamentary session of 1981–2, no less than 1,200 amendments passed between the two Houses. No advocate of a unicameral parliament has so far shown how defective legislation could be avoided, or the real threat of an abuse of power overcome. As the Baroness Young, Lord Privy Seal and Leader of the House of Lords, has said:

‘There are those who believe that the legislative role of the Lords could easily be tacked on to the work of the House of Commons. Neither I nor my colleagues in the Lords have actually noticed that the unreformed House of Commons has much spare time or energy for such a role’ (Conservative Party Conference, Brighton, 7th October 1982).

Peers' Expenses. Members of the House of Lords receive no salary. They are, however, entitled to draw expenses for attending the Lords, calculated on a daily basis, which in March 1983 were as follows: subsistence and incidental travel, £12.10; overnight allowance for those living outside London, £25.40; secretarial and other expenses, £11. In addition, reimbursement is provided for travelling expenses to London.

2. THE FUTURE OF THE LORDS

Labour's Policy. For some years it has been the aim of the Labour Party as a whole to ensure that the House of Lords has no future. In 1977 the Labour Party Conference voted by an

overwhelming majority in favour of ‘the total reform of Parliament into an efficient single-chamber legislating body without delay’. However, the Labour leadership refused to include the official policy in its 1979 manifesto which merely stated that ‘the delaying power and legislative veto’ of the Lords should be removed. But it seems unlikely that history will repeat itself at the next election. The latest full statement of policy on the subject, which was included in *Labour's Programme 1982*, underlined the Party's ‘intention to abolish the House of Lords in the lifetime of the next Parliament’. As a first step the Lords will be stripped of all their legislative powers, retaining only a veto on attempts by the Commons to extend the life of a parliament. (But when the final *coup de grace* is delivered, there is no suggestion that it will be accompanied by the introduction of a different kind of safeguard to prevent the emergence of an elected dictatorship.)

Serious opposition within the Party itself to so extreme a commitment has so far failed to emerge. The position of Mr Foot has for long been clear: in 1977 he declared that in his view the abolition of the Lords ‘would enjoy considerable public support’ (*Hansard*, 21st November 1977, Col. 1094). The only difference of opinion is on the question of timing. Mr Benn believes that the destruction of the Lords can be accomplished virtually overnight: in the now notorious phrase which he used at the 1980 Labour Party Conference, it simply requires the creation of a thousand new peers whose sole task would be to vote for their own political extinction. He is, however, outnumbered by the advocates of a gradualist approach to the promised constitutional revolution. While not departing from the commitment to abolition (promising it ‘as quickly as possible’), Labour's campaign document (*The New Hope for Britain*), published in March 1983, laid its chief emphasis on the removal of the Lords' powers by a Bill to be introduced ‘in the first session of Parliament’.

Social Democratic Party. Although no formal policy has been declared, leading members of the SDP have repeatedly emphasised that the second chamber occupies a central position in their various grandiose schemes of constitutional reform. The most carefully considered statement to date is to be found in the Green Paper, *Decentralising Government*, published in 1982. In these proposals, a very different kind of Upper House forms part of a radical plan for wholesale devolution to 13 or 14 English regional assemblies last seen, as Lady Young reminded the Conservative Conference in 1982, ‘before King Egbert united the kingdom in the 9th Century’ (7th October 1982). The Lords would be transformed into a ‘chamber of the regions’ (the SDP's own term), consisting of regional representatives and life members appointed by the government of the day (i.e., life peers under a different title). This chamber would have a delaying power of two years over non-financial legislation, which the Lords itself possessed before it was cut down to one year under the 1949 Parliament Act.

The Liberal Party. ‘Liberals demand ... the replacement of the House of Lords by a democratically elected Second Chamber’ (*The Liberal Alternative: A Pocket Guide to Liberal Policy*, April 1982). No details have been announced as to how this sweeping change would be put into effect.

The Conservative Approach. It is a well-established Conservative tradition, stemming from the days of the great Lord Salisbury, to seek constructive reform of the Lords. Indeed, all the measures that have been taken to improve the effectiveness of the Upper House (as opposed to reducing its powers) have been carried out by Conservative governments. Following in that tradition, further proposals for reform have been discussed within the Party, particularly in the light of the report published by a committee under Lord Home in 1978. However, the existing state of opinion in the Party and the country does not permit further substantial reform at present. As Lady Young has pointed out:

'Lack of agreement within the Conservative Party and other parties would ... be fatal to any attempt at reform. ... If major reform is rejected in the future, we shall continue to search for smaller internal improvements. The House of Lords that we have now is infinitely better than no House at all' (Brighton, 7th October 1982).

While seeking whenever possible to make the House of Lords more effective, the Conservative Party will in all circumstances resolutely defend it from attack.

(C) HOUSE OF COMMONS

1. PROCEDURE

A New Committee System. The relationship between the executive and the House of Commons has altered significantly since 1979 as a result of the establishment of a comprehensive select committee system, which up to then was unknown. Previously, certain areas of government were subject to scrutiny by a handful of all-party select committees: since November 1979 the whole range of government activities has been covered by 14 such committees which, unlike most of their predecessors, are permanent bodies. Each one is related to a specific government department so that it can examine in detail its expenditure, administration and general policy.

A strong demand for this fundamental reform emerged in the last parliament, and found clear expression in the report of a Committee on Procedure published in July 1978 (HC 588, 1977–8). Its lengthy proposals for a new committee system were greeted with a marked lack of enthusiasm by Mr Foot, then Leader of the House of Commons, who maintained unconvincingly that any change would be dangerous because 'the strength of Parliament' would be 'transferred to such Committees', which would gain 'a predominance in our parliamentary affairs ... different from anything we have previously experienced' (*Hansard*, 20th February 1979, Cols. 292–3). No such reservations were felt by the incoming Conservative Government which, just over a month after taking office, provided an opportunity for the Commons to give its assent to the creation of the new system. Commenting on the effects of the change after a year's experience of it, Mr Francis Pym, then Leader of the House, said:

'There is no doubt that the new system is a major development in our procedures. It is a huge advance. ... There should be no question about the commitment of the Government to its success' (*Hansard*, 16th January 1981, Col. 1697).

By the beginning of 1983, the 14 committees and their three sub-committees had between them held 1,700 meetings (with an average attendance of 76 per cent) and issued 209 reports, ranging from carefully researched analyses of major issues to short, brisk reports designed as contributions to immediate controversies. The chairmen of the various committees published a review of their first three years' work at the end of 1982, which stated:

'So many reports on so many topics of major importance indicate the extent to which Government policies are being examined. Departments' plans are under continuous scrutiny and the House with fuller information before it, is able to make a better judgement of what Ministers and their Departments have achieved. ... Many committees now make a practice of following up their early reports and so ensure that dust does not settle on them. Thus there is, to a greatly increased extent, a continuing dialogue between Members and departments' (HC 92, 1982–3, pp. 8–9).

Greater Parliamentary Accountability. Through the new committee system, Parliament has acquired the means to discharge its constitutional duties more effectively. Government departments have as a rule published their replies to reports from the committees within two months (except where the complexity of the issues necessitates a longer period). In all cases officials have been instructed to be as helpful as possible, and only withhold material when national security or the needs of good government dictate. This Government has set new standards of frankness and openness in its dealings with the House. As Mr Barney Hayhoe, Minister of State at the Treasury, has emphasised:

‘The Government's record on providing information has been extremely good. ... The development of the Select Committee system has been carried through in tune and in harmony with our parliamentary traditions. It buttresses rather than undermines the principle of ministerial accountability. It reinforces parliament and makes parliamentary scrutiny more effective’ (*Hansard*, 6th February 1981, Col. 555).

The Opposition Parties. Little has been said by the leaders of the opposition parties about the new committee system. *Labour's Programme 1982* promises to provide them with more resources and, more importantly, to enact freedom of information legislation: but the latter would undermine the position of the new committees, and of Parliament as a whole, by transferring the attention of ministers away from the House to detailed discussions with journalists and members of the public (both of whom might be able to invoke the intervention of the courts in disputes with the Government over access to information). The Alliance parties, meanwhile, are so preoccupied with devising new structures of government that they have little time for improving the structures that already exist.

2. REMUNERATION OF MPs AND MINISTERS

Since 1970, the advice of the Review Body on Top Salaries has been sought on a number of occasions about the appropriate level of MPs' pay and allowances. Its recommendations, however, have rarely been implemented. The real value of an MP's pay fell by 40 per cent between 1971 and 1975; but the last Labour Government only allowed an increase of less than half that proposed by the Review Body in 1975. In June 1979, MPs accepted a report recommending a salary of £12,000, but agreed that the new level should be introduced in three stages, the last of which was not paid until June 1981. The further increases which have taken place each June since 1979 have not been sufficient to compensate for the effects of inflation. In May 1981, 14,200 civil servants earned more than MPs. An MP's current annual salary is £14,510, supplemented by an allowance of £8,820 for secretarial and research expenses. He, or she, also receives a number of other allowances, including free travel. A special payment of £852 is made to those representing London constituencies, while provincial members can claim subsistence allowances of up to £5,674 a year. The salaries of ministers in the House of Commons range from £15,700 a year for junior ministers and £20,575 to £24,150 for Ministers of State, to £28,950 for Cabinet Ministers. The Prime Minister is entitled to a salary of £38,200, but she actually draws the standard Cabinet Minister's salary. All ministers in the Commons also receive parliamentary salaries of £8,460 a year in recognition of their constituency responsibilities.

By Western European standards, these rates are far from extravagant. In the majority of other EEC countries, members of the legislature receive an income which is greater than that of a member of the House of Commons. In West Germany and France the parliamentary salary is

substantially higher (in France, indeed, it is more than twice as high): only in Denmark, Greece and the Irish Republic is the average income of a parliamentarian lower than in this country.

(D) ELECTORAL MATTERS

1. BOUNDARY CHANGES

Labour's Irresponsibility. It was a Labour Home Secretary in the war-time coalition who in 1944 secured parliamentary approval for the establishment of permanent and independent Boundary Commissions in each of the four parts of the United Kingdom with responsibility for conducting impartial reviews of all parliamentary boundaries at regular intervals. The Labour Party has, however, consistently judged the work of the Boundary Commissions solely from the standpoint of its own narrow self-interest. It seems to expect the Commissioners to advance the party's cause, and vigorously opposes their recommendations whenever they fail to advance it. In 1954 Labour resorted unsuccessfully to the courts; in 1969, at the instigation of Mr James Callaghan, then Home Secretary, it voted down the parliamentary orders giving effect to the Commissions' reports; and in 1982 it again initiated legal action. On 22nd November 1982 a gang of four, led by Mr Foot, sought an injunction to prevent the English Boundary Commission from submitting its proposed new boundaries to the Home Secretary. Mr Foot's arguments were dismissed out of hand by the High Court on 21st December 1982, and again by the Appeal Court on 25th January 1983. Leave to appeal to the House of Lords was refused on 11th February 1983.

Labour then transferred its campaign to Parliament itself, announcing its intention to filibuster wherever possible. A Labour MP, Dr Edmund Marshall, declared:

'Every opportunity will be taken to delay the constitutional enforcement of these boundary proposals. Every day's delay that is gained, thereby reduces the options for the Prime Minister in calling a General Election on the new boundaries' (*Labour Weekly*, 18th February 1983).

Despite this fighting talk, Labour quickly lost the will to sustain its irresponsible campaign, and the relevant orders made rapid progress through Parliament in March 1983.

Effects of the Changes. Fifteen extra seats are to be created, increasing the total size of the House of Commons from 635 to 650. Seven of the additional constituencies will be in England, five in Northern Ireland, two in Wales and one in Scotland. Most existing seats will be affected in some degree by the new arrangements. In England, 468 of the existing 516 constituencies are to have their boundaries redrawn.

2. PROPORTIONAL REPRESENTATION

The Main PR Systems

(a) *The List System* (widely used on the Continent) which can be organised either on a regional, or on a unified national, basis. The political parties present lists of candidates, and electors throughout the entire country (or individual regions) vote for one of these lists. Seats in the legislature are then divided among the parties in almost exact mathematical proportion to the vote that each has gained.

(b) *The Mixed Single Member and List System* (used for the Bundestag in West Germany) under which every elector has two votes, one of which can be cast for a candidate in his constituency, and the other for a party. Half of the elected members of the Bundestag are therefore drawn from single-member constituencies, and the other half from party lists. A party which fails to gain 5 per cent of the votes is ineligible for parliamentary representation, and the proliferation of small parties is thereby checked.

(c) *The Alternative Vote System* (used in Australia) which provides for single member constituencies, but enables electors to list the candidates in order of preference. A candidate is elected automatically if he receives a clear majority of the total votes cast. In the absence of such a majority, the candidate(s) at the bottom of the poll will be eliminated and votes reallocated amongst the remaining candidates according to the voters' second preferences until one candidate gains an overall majority.

(d) *The Single Transferable Vote System* (used in the Irish Republic and in all elections in Northern Ireland except for elections to the House of Commons) requires the creation of multi-member constituencies under arrangements which allow parties to put up as many candidates as there are members to be elected. Votes are allocated to candidates in the initial stage of counting by reference to the first preferences expressed by electors (who can number all the candidates in order of choice). Candidates have to obtain a stipulated total of votes (known as a quota) in order to gain election. The votes of successful candidates who exceed the quota are reallocated by reference to the second preferences indicated. The least popular candidates at the bottom of the poll can be eliminated and their votes redistributed in the same way. This process continues until all the seats have been filled.

The Implications of Proportional Representation. It is by no means a crushing indictment of the existing electoral system that it fails to secure the representation of parties in strict proportion to their popular support. The existing system fulfils a wider purpose. While it makes the House of Commons broadly representative of the nation as a whole, it also enables effective governments to be formed (as a rule) without resort to backstairs intrigue. By contrast, PR could lead to political instability and coalition governments. In the Irish Republic, where the STV system operates, the Government was effectively paralysed in 1981–2 by the lack of an overall majority for 18 months at a time of acute economic crisis. Indeed, many of the proponents of PR in Britain proudly boast that electoral reform would deprive any one party of the ability to govern on its own. They are not far from the truth: if PR had been in operation in Britain during the last 60 years, a majority government would only have been formed on two occasions (out of 17 elections).

Furthermore, under most PR systems, the highly prized relationship between the individual elector and the constituency MP would be broken. The arithmetical accuracy of representation which PR confers has to be weighed carefully against the possible disadvantages. Whether it brings other benefits is open to doubt. There is no reason to suppose that a coalition government would keep firm control over trade union militants (as has sometimes been argued). Nor is there any necessary correlation between PR and economic success, as the state of affairs in Italy, as well as in the Irish Republic, demonstrates.

It is for such reasons that the Conservative Party Conference has made clear its opposition to PR on more than one occasion in recent years. Adopting precisely the same tone of deep scepticism, Sir Angus Maude, a former Conservative Cabinet Minister, in a recent detailed study of the issue, has written:

'It cannot be too strongly emphasised that to change our traditional electoral system would be a major, fundamental (and probably irreversible) constitutional change with very far-reaching implications. It is not therefore to be undertaken lightly or unadvisedly. It is not enough to assert that it *might* be better, or even that it *must* be better than what we have. It is necessary to show pretty conclusively that it *would* be better and *could not* in any circumstances make things worse' (*Why Electoral Change?* Conservative Political Centre 1982, p. 10).

Position of the Alliance. PR and the Alliance are indissolubly linked. On no other issue has the Alliance defined its policy so clearly, embracing STV (the most complex form of PR) with vigour and passion. In its first report, published in 1982, the Alliance's Joint Commission on the Constitution stated that 'electoral reform is an essential pre-condition of creating the tolerant and fair society which Liberals and Social Democrats seek'; without it neither 'economic advancement or social progress' would be possible. As explained by the Commission, the Alliance believes that 'natural communities' (which are nowhere closely defined) should form the new PR constituencies. Under such a system, it is claimed, more women and 'people from minority groups' would enter Parliament.

In this blueprint, nothing is said about the tactics that the Alliance might adopt in its quest for PR. There have, however, been clear signs that they could include a departure from long-established constitutional practice. In 1981, Dr Owen was reported as saying that the SDP, if it found itself holding the balance of power, would 'seek a promise that the Queen would not grant a dissolution until the Electoral Reform Bill had been passed' (*Sunday Telegraph*, 4th October 1981).

(E) MACHINERY OF GOVERNMENT

1. THE CIVIL SERVICE

Reduction in Size. The last Labour government increased the size of the Civil Service to 748,000 in 1976, making it larger than at any time since the early 1950s. Thereafter, faced with the need for public spending cuts, the policy of expansion was put into reverse, although economies were not sought in any thorough or systematic fashion. The Civil Service merely received a light trim which brought its numbers down to 732,000 by 1979.

Under this Government, really substantial economies have been made as a result of a carefully planned policy of retrenchment announced by the Prime Minister on 13th May 1980. The overall object of that policy is to bring down the size of the Civil Service by 100,000 from its 1979 level. The new, slimmer Civil Service of 630,000 will be an accomplished fact by 1st April 1984 at the latest. There has been no procrastination by government departments. On the contrary, progress has been, if anything, more rapid than was originally expected. In February 1983, Mr Hayhoe announced that a reduction of 80,000 had already taken place, representing a fall of 11 per cent and a saving of £600 million in the annual Civil Service pay bill. He went on to say:

'I confirm that we remain firmly on course for our target of 630,000 civil servants by April next year. We already have a smaller civil service than at any time in the past 17 years, and when we reach the level of 630,000 we shall have done better than at any time since the second world war' (*Hansard*, 11th February 1983, Col. 1307).

Moreover, this dramatic contraction will be completed without any significant compulsory redundancies. They are not needed, because each year around 80,000 people leave the Civil Service on retirement or resignation.

Efficiency. Since 1979, great emphasis has been placed on the need for a more efficient, as well as a much smaller, Civil Service. Some of the Government's initiatives have achieved wide publicity, notably those associated with Sir Derek (now Lord) Rayner, whose special unit provided general supervision of 108 scrutinies and three general, inter-departmental reviews (covering 35 departments) between 1979 and 1981. These applications of the 'Rayner technique' have to date yielded savings and extra income of £180 million a year, in addition to once-and-for-all savings of £29 million. As a result of 27 further scrutinies and three more wide-ranging reviews in 1982, total savings have now risen by another £60 million a year. By such methods, the Government will continue to seek lasting improvements in the Civil Service. A new programme consisting of 30 scrutinies and four reviews was set in hand at the start of 1983.

Greater efficiency has also been promoted in other ways. At the Department of the Environment a management information system (MINIS) was set up with conspicuous success. On the basis of details provided by each Director (usually an Under-Secretary), the Secretary of State was able to cut staff by over 1,500. The techniques pioneered at the DOE are now being applied elsewhere. Another important measure was undertaken in 1982 when the Treasury and the new Management and Personnel Office (created after the disbanding of the Civil Service Department and run by Lady Young), launched a major financial management initiative, designed to ensure systematically higher standards of financial management throughout the Civil Service. The progress of these and other measures to improve the performance of the Civil Service was recorded and discussed in two White Papers, *Efficiency in the Civil Service* (Cmnd. 8293) published in 1981, and *Efficiency and Effectiveness in the Civil Service* (Cmnd. 8616) published in 1982.

Summarising the Government's general approach, Lady Young said:

'It costs nearly £14 billion a year to run government. That is a huge sum and our aim is to cut it by having less government and greater efficiency. Since 1979 we have set Government Departments strict limits on both money and manpower. We have now launched a drive to improve financial management. Equally important we are pressing ahead with a major programme of efficiency reviews. In all this civil servants have played their full part' (Statement, 28th September 1982).

Pay. Following the unprecedented Civil Service pay dispute in 1981 (which failed to break the prevailing cash limit), the Government set up a committee of inquiry under Sir John Megaw to make recommendations for a new method of settling pay in the Civil Service to supersede the old arrangements, under which limited comparisons were made with 'the up-market end' of private industry (in the words of *The Guardian*, 25th March 1981). The Megaw report, published in July 1982 (Cmnd. 8590), suggested that comparisons should in future have a much less decisive influence, and that greater attention should be given to the prevailing market forces by taking into account 'evidence on recruitment and retention of staff within and outside the Civil Service'. On 21st December 1982, the Government announced its acceptance of the report's broad approach, but in order to allow time for full negotiations with the unions, the new system will not be used to determine the 1983 pay settlement.

2. QUANGOS

In 1979 there were 2,117 quangos (Quasi-autonomous non-governmental organisations), according to figures given in the White Paper, *Report on Non-Departmental Public Bodies* (Cmnd. 7797). They fall into three categories: executive bodies (e.g., the Arts Council), advisory bodies (e.g., the parole board) and tribunals, such as the mental health review tribunals.

Under this Government, all quangos have been placed under close and stringent scrutiny. As soon as any organisation ceases to perform a useful function, it is wound up. As Mr Hayhoe has said: 'We are making sure that bodies do not get left running on when their useful lifetime is gone' (*The Times*, 21st October 1981). When the Government's plans have been fully implemented, 550 quangos will either have been abolished or reduced in size, producing annual savings of £96 million (offset to a limited extent by the creation of 46 new bodies). 440 of these have been dealt with so far.

21. SCOTLAND

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(A) THE ECONOMY

1. THE RECESSION IN SCOTLAND

Scotland has, like the rest of the United Kingdom, suffered from the impact of the recession, but it has in many respects weathered the recession better than the UK as a whole.

The Conservative Government's strategy has been to create the conditions that will attract investment and improve competitiveness, while at the same time protecting the weaker sections of the community from the worst effects of recession.

Mr George Younger, Secretary of State for Scotland, has said:

'First, we must put right the general framework of the economy and procure a stable climate in which industry can flourish and our competitiveness return ... secondly, we have determined to assist viable industry and the regions with a range of measures that are of particular relevance to Scotland. Thus we are taking positive action in a positive framework' (Scottish Grand Committee report, 6th July 1982, Cols. 48–9).

2. ECONOMIC TRENDS

Unemployment in Scotland, along with the rest of the UK, remains at a high level. But in comparison with other parts of the country, it has fared markedly better. The comparative unemployment figures tell their own story. In the past, Scotland has had the highest rate of unemployment in the country, with the exception of Northern Ireland. Today, the relative position is very different.

UK Regional Unemployment

(November 1982)

Registered Unemployed

'000s Per cent

UK Regional Unemployment

(November 1982)

Registered Unemployed

	'000s	Per cent
Northern Ireland	112.2	20.1
Northern Region	224.5	17.3
Wales	172.4	16.7
West Midlands	353.0	16.0
North West	426.2	15.7
Scotland	329.1	15.1
South East	704.1	9.6
Great Britain	2950.8	13.0
United Kingdom	3063.0	13.1

(*Employment Gazette*).

With regard to unfilled vacancies, Scotland also has a less unfavourable position. The ratio of 1 vacancy for every 24 unemployed is actually better than the UK ratio of 1:27, and a great deal better than Wales, 1:28; the North West, 1:38; and the North, 1:42.

It is worth remembering that during the five years of Labour Government between 1974 and 1979, unemployment in Scotland rose by 102 per cent. It is therefore difficult to give any credence to the Labour Party's claims that it will cut unemployment in Scotland to 100,000 in one Parliament.

The rise in unemployment has been experienced throughout the World's industrialised economies, and Scotland's has fared no worse than several other countries.

Unemployment: Comparative Figures

1979 (average) 1982 (September) Percentage rise

	'000s	'000s	
Netherlands	210	571	172
West Germany	876	2,010	129
USA	5,963	11,260	89
Scotland	160	305	91
United Kingdom	1,227	2,866	134

(*Hansard*, 17th January 1983, Cols. 37-8).

Mr Younger has said:

'We accept that the level of unemployment is tragically and unacceptably high. But we have experienced during this recession a lower increase in the rate of unemployment than in the UK as a whole since mid 1980. Over the past two and a half years unemployment in Scotland has risen by 30 per cent less than the UK as a whole' (*Hansard*, 19th November 1981, Col. 441).

The Scottish Economic Bulletin reported in the summer of 1982 signs of an improvement in the labour market. The latest available figures show that during 1981 short-time working among operatives in manufacturing had fallen from a peak of 8½ per cent in March to 2 per cent in December. This was a return to levels experienced in late 1979. Overtime working increased from 26 per cent to 32 per cent over the same period.

Certain sectors of the economy have shown a good deal of resilience during the recession. The fall in employment in the service sector of the economy was a modest 2 per cent, while oil-related employment showed continued improvements. There was an increase of just over 3,000 (5.6 per cent) in employment in wholly oil-related industry to a level of 58,320 in the six months up to June 1982. Over the whole year this represented a 9,000 (17.6 per cent) increase from June 1981.

Earnings in Scotland have in the past consistently lagged behind those in the rest of the UK. The relative position now is greatly improved and indicates a significant turn-round. Average earnings for male manual workers are some 2 per cent higher than the UK average.

Average Weekly Earnings (Male manuals)			
	£	£	<i>Scotland as percentage</i>
1979	93·6	93·0	100·6
1980	112·2	111·7	100·4
1981	124·8	121·9	102·4
1982	134·9	133·8	102·3

(Scottish Economic Bulletin)

If *all* male employees are included, the level of average earnings is very similar to that of the UK, but significantly, broken down on a regional basis, Scotland's average is higher than that of every other region with the exception of the South East of England. The level of earnings in 1982 ranges from Grampian at the top with an average of £171.5 a week, to Strathclyde at the lower end at £82.2, running 2 per cent below the Scottish average. This reflects the disparity between the oil related (private sector) areas in the North East and the older industrial areas in the West.

Industrial production between 1979 and 1981 was estimated to have fallen by 2 per cent, less than in the UK as a whole. In manufacturing production has held up by some 6 per cent more than the UK as a whole.

In the first half of 1982, total industrial production in Scotland was 1 per cent higher than in the first half of 1981, and manufacturing output was 1½ per cent higher. In the same period, there was little change over the UK as a whole. Sectoral strength has been especially evident in the capital goods industries, where output rose by 4.6 per cent between 1981 and 1982, reflecting the relative strength of engineering industries that have benefited from North Sea Oil, and the continued growth in micro-electronics.

An overall improvement in industrial performance is evident from the fact that productivity has increased significantly. Output per man rose by 13.2 per cent in Scotland between the second half of 1979 and the second half of 1981, compared with 3.8 per cent in the UK as a whole over the same period.

Industrial Relations. There has also been a marked improvement in industrial relations with significant reductions in the number of working days lost in stoppages, from a level of 3,298,000 days lost in 1979 to 599,000 lost in 1981. This trend continued in 1982.

3. SPECIAL EMPLOYMENT AND TRAINING MEASURES

The Government is obviously concerned at the high level of unemployment in Scotland, but in the long term the creation of lasting jobs will depend on a fundamental improvement in the economy. It is towards that aim that the Government's policies are working. Inflation is slowing down, wage settlements are more realistic and productivity has improved, but these factors will take time to produce a reduction in unemployment. Meanwhile, the Government has concentrated support on those areas and groups where it is most needed. Measures have been introduced particularly to alleviate the effects of youth and long-term unemployment in Scotland. At the same time, the Government has taken account of the need to provide a more positive approach to bridging the gap between education and employment, while at the same time creating a skilled and flexible workforce that can meet the challenges of the high technology industries that Scotland has attracted.

Mr Younger has said:

‘I share the Opposition's concern ... that is why, at a time when we have the gravest difficulty in finding money for any public project that we wish to put in hand, we have funded a major expansion of the programme of special measures aimed at alleviating the worst effects of unemployment and safeguarding the skills of the workforce’ (*Hansard*, 19th November 1981 Col. 439).

School Leavers. The Prime Minister announced in July 1981 that additional resources would be made available to enable a greater number of young people to remain in full-time education. These will amount in Scotland to £25 million over a three-year period. In 1981–2 there was a 4 per cent increase in school leavers remaining in full-time education but only 23 per cent of all school leavers continue in further education.

The Government has concentrated on making provision for the vast majority for whom higher education, is inappropriate. The Munn and Dunning proposals, and the Action Plan for 16–18s, which are now being implemented will ensure that all school leavers take some form of examination.

These proposals will build on those training schemes that exist already. Between June 1979 and June 1982, 140,000 were assisted through the Youth Opportunities Programme. It is to be expanded to cater for 90,000 entrants in 1982–3 (from 70,000 in 1981–2). This provides young people with the skills and work experience which will help them compete for available jobs. The new Youth Training Scheme, which will be introduced in 1983 to replace YOP, will provide 45,000 places in Scotland in 1983–4, guaranteeing all 16 year-olds one year's foundation training.

Mr Younger has said:

‘The main priority must be to help young people into real jobs. That is the only real long-term acceptable solution for those concerned and for the rest of us. That is a long-term process. Earlier

this year, we introduced the Young Workers Scheme as a direct incentive to employers to recruit more young people at realistic wage levels. We are also doing a great deal for unemployed young people by giving them a foundation in basic skills and work experience and preparing them to meet industries' needs as the upturn comes' (Scottish Grand Committee report, 16th February 1982, Col. 3).

Adult Unemployed. Various programmes are available to assist the long-term unemployed. From May 1979 to May 1982, 1,255 applications were made under the Temporary Short-Time Working Compensation Scheme that covered 75,000 potentially redundant jobs. 190,000 Scottish workers shared short-time with these 75,000 to avert redundancies.

Voluntary early retirement under the Job Release Scheme has benefited 17,000 Scots men and women, as older workers approaching pensionable age have released their jobs for others in search of employment.

In 1981–2, over 1,000 people were helped to move job under the Employment Transfer Scheme, while 8,000 adults were retrained in 1981–2 under the Training Opportunities Scheme to cater for the changing demands of the labour market.

4. PUBLIC EXPENDITURE

On 1st February 1983, the Government's Public Expenditure White Paper (Cmnd. 6393) was published. The figures allow for annual net increases in planned expenditure in cash terms of about 5 per cent in 1983–4 and an increase of around 3 per cent in each of the following two years.

The level of identifiable public expenditure per head in Scotland has been consistently above the United Kingdom average, and the latest figures show expenditure per head in Scotland higher than in both England and Wales. This reflects the Government's commitment to Scotland at a time of economic difficulty. Scotland represents around 10 per cent of the population and yet over 14 per cent of identifiable public expenditure has been consistently spent in Scotland. It has been estimated that in approximate terms the benefits which Scotland receives as a proportion of taxes paid is some 7 per cent above the UK average and has been estimated in money terms to be a net gain of £10 per head of population.

	Identifiable Expenditure £ per Head			
	1978–9	1979–80	1980–1	1981–2
England	905	1,087	1,326	1,455
Scotland	1,147	1,394	1,663	1,876
Wales	1,070	1,239	1,698	1,712
UK	950	1,138	1,393	1,527
<i>As % of UK</i>	%	%	%	%
England	95	96	95	95
Scotland	121	122	119	123
Wales	113	109	122	112

(*Hansard*, 1st February 1983, Cols 85–6).

Identifiable Public Expenditure per Head by Programme

1981–2

	£		
	<i>England</i>	<i>Scotland</i>	<i>UK</i>
Agriculture, Fisheries & Forestry	14	40	19
Trade Industry, Energy & Employment	65	112	78
Roads and Transport	63	104	70
Housing	70	147	79
Other Environmental Services	68	125	75
Law, Order and Protective Services	73	69	76
Education, Science, Arts & Libraries	256	310	263
Health and Personal Social Services	273	344	282
Social Security	518	523	521
Other Public Services	19	39	22
Common Services	12	13	12
Net Government Lending to Nationalised Industries	18	59	25
Total Expenditure Programme	1,449	1,882	1,523
Public Corporations Market and Overseas borrowing	7	–6	6
Special Sales of Assets	–2	–	–
Planning Total	1,455	1,876	1,527

(*Hansard*, 1st February 1983, *ibid*).

5. REGIONAL AID

The Labour Party, when in Government, used Regional Aid in an arbitrary manner. Every region of Scotland was designated as either a development area or special development area. No account was taken of the disparities within Scotland between the relatively prosperous North East and the structurally weak economy of the West of Scotland. The benefits were not felt where they were needed. Many areas and firms found themselves just as relatively disadvantaged as before. Investment was used to support Scotland's industrial past rather than contributing to its future prosperity.

The Opposition has sought to attack the Government for cutting assistance to industry in Scotland, while at the same time accusing it of intervention in industry in defiance of its economic principles.

This illustrates a fundamental misunderstanding of the Government's policy. Since May 1979 when the review of assisted areas took place, 42 areas have been downgraded. A further review in June 1982 restored 4 to intermediate area status. This greater degree of selectiveness has increased the effectiveness of regional aid as a whole. Thus, while the Government has successfully restrained the growth in public expenditure, Mr Younger could say that:

‘Once changes planned for August come into effect over 70 per cent of the working population of Scotland will still live within assisted areas of whom three-quarters or 55 per cent of the total will be in special development areas (*Scottish Grand Committee*, 6th July 1982, Col. 53).

Total expenditure on regional preferential assistance to industry in Scotland in 1981–2 was £235.8 million or 27 per cent of expenditure of this type in the UK. In the period 1st April 1979 to 31st December 1982, some 753 offers of selective assistance were made to companies in Scotland, amounting to over £157.75 million on projects costing in excess of £1,529.7 million. Around 72,600 jobs would not exist today but for this assistance.

Expenditure on Regional Aid (less SDA/HIDB)

	<i>£ million</i>		
	1979–80	1980–1	1981–2
Selective financial assistance			
Loans	0.2		
Grants	14.5	22.6	19.4
Regional Development Grants	70.2	113.3	142.7
Total	84.9	135.9	162.1
		(+45%)	(+ 19%)
	<i>(Scottish Economic Bulletin)</i>		

In addition, up to the end of 1982, Scotland had received £265.79 million from the European Community under the Regional Fund. No other single UK region has received such a large amount.

Enterprise Zones. There are now three Enterprise Zones in Scotland following the Chancellor of the Exchequer's announcement on 27th September 1982 that Scotland was to have two of the eleven new Enterprise Zones (In the first phase of the scheme, Clydebank became an Enterprise Zone). Invergordon and Tayside were chosen as the two designated areas, each of 250 acres. Firms establishing themselves in these areas will receive benefit from a relaxation of planning controls, exemption from industrial rates and 100 per cent capital allowances for industrial and commercial properties. In Clydebank there has been considerable evidence of regeneration. Since the 500 acre site was set up in March 1980, an estimated 120 small to medium companies had been established creating more than 1300 jobs. 40 per cent of these companies are new. (See also Chapter 4, p. 70.)

Small Business. It has been estimated that some 1.2 million Scottish workers are employed in small firms (i.e., not in excess of 200 employees). This represents some 60 per cent of the total labour force. The Small Firms division of the Department of Industry has calculated that in 1981 the number of new firms setting up in business exceeded the number going into liquidation by 1200, compared with only 100 for the previous year. The Government has successfully fostered small businesses after the punitive tax structures and stifling regulation imposed by the last Labour Government.

In Scotland up to July 1982, 258 loan guarantees covering £7.2 million worth of loans had been issued. In addition, the Scottish Development Agency has earmarked some £12.4 million for investment in small businesses over the next three years.

SDA and HIDB. The Scottish Development Agency has continued to play an important role under this Government. However, its guidelines, issued by the Scottish Economic Planning Department (SEPD), were reviewed in 1979. There was a significant change of emphasis away from purely employment and environmental objectives to a more business-orientated approach.

This was in response to the Government's aim of investing in Scotland's industrial future rather than its industrial past. The revised guidelines emphasised the development of Scottish entrepreneurship, support for growth sectors, competitiveness, and the regeneration of local economies. This change is reflected in the amount devoted to the various programmes.

	<i>Small Business Development</i>	<i>Encouragement of Investment</i>	<i>Support for Technology</i>	<i>Support Programmes</i>
Percentage	32.0	37.0	3.0	28.0
£m	20.5	24.0	2.0	18.0

(Source: SDA 1981)

These figures show that the Government has created a more dynamic programme of industrial regeneration. And yet the Labour Party has charged the Government with emasculating the SDA. This is totally unfounded.

Since 1975, when the SDA was established, it has been responsible for £401 million worth of expenditure. £275 million or 67 per cent of that has taken place since 1979 (Scottish Grand Committee report, 5th July 1982).

Industrial growth has also been fostered by the 'Locate in Scotland' programme, set up in April 1981 and run jointly by the SDA and the SEPD. The aim has been to spearhead a campaign to attract investment and industry to Scotland. This initiative was strengthened in February 1982 when it was decided to establish LIS offices in New York and San Francisco.

Despite the recession, this programme has been a success. In 1981-2, 32 companies decided to invest in Scotland, compared with 20 in 1980-1. It has been estimated that these could create 4,500 new jobs and secure 3,500 more, with a total investment of £234 million (with £21 million assistance from LIS). Scotland, as a result, is taking full advantage of growth sectors such as micro-electronics, as the arrival of Motorola and Mitsubishi and the expansion of health care industries, illustrates.

<i>Project</i>	<i>Starting Date</i>	<i>£000s</i>			
		<i>Capital Expenditure to 1982</i>	<i>Expected Expenditure</i>	<i>Target Employment</i>	<i>Firms</i>
Asset (Ayrshire)	1981	860	3,000	3,000	400
Gear (Glasgow)	1976	34,200	47,000		42
Glengarnock	1979	8,200	13,400	c2,000	80- 100
Clydebank	1980	10,500	19,000	5,000	200+
Dundee: Blackness	1981	1,300	6,000		
City	1982	-	18,000	1,200	
Leith	1981	2,800	7,000	800	
Motherwell	1982	500	37,000	3,000	

(Source: Fraser of Allander Institute).

Rural areas pose quite different problems. The whole of the Highlands and Islands area is assisted. In the last year the HIDB approved assistance of £14.9 million for some 807 projects which were expected to create or safeguard nearly 2,000 jobs. Regional preferential assistance to industry through the HIDB since 1979 totalled £36.3 million in grants and loans.

HIDB Assistance			
	<i>£m</i>		
	1979–80	1980–1	1981–2
Loans	6.9	5.0	7.0
Grants	4.6	6.4	6.3
Total	11.5	11.4	13.3

(Source: HIDB Annual Report 1982).

6. DEVELOPMENTS IN SCOTTISH INDUSTRY

The three biggest industries in Scotland are now banking and finance (80,000 employees), North Sea Oil and Gas (60,000) and electronics (40,000). This contrasts with the declining base of the Scottish economy of steel, coal and shipbuilding which combined provide 40,000 jobs. The *Financial Weekly* on 29th January 1982 reported that: ‘Much of the fall-out in Scotland's traditional industries—shipbuilding, engineering, mining and steel—was underway before the recession hit’.

A study by Professor Hood and Stephen Young of Strathclyde University, *Multinationals in Retreat: the Scottish Experience* (Edinburgh University Press, 1982), concludes:

‘Where the Scottish operations have suffered disproportionately the reasons given normally related to low productivity, over-manning, restrictive practices and poor labour relations.’

Mr Younger has said:

‘We have seen that the Government can as easily prevent as encourage change and growth and have acted to remove the barriers to recovery. So we have sought to get Government off the back of the private sector and we have sought to restore incentives. Much of our industrial policy has been geared to positive promotion of industrial change although a good deal of money is still being spent supporting the casualties of the past. This is the price of past intervention and a warning to those who clamour for Government action but really mean subsidisation’ (Chicago, 14th September 1982).

Shipbuilding. The Government has helped in restructuring the industry. In Scotland, Yarrow's warship building yard has maintained stable employment levels of 5,400 since 1979. This is an example of how viable industry can succeed even during a recession. There is a market for its high technology product, as the trading profit for 1981–2 of £8.6 million illustrates.

Govan Shipbuilders and Scott-Lithgow have shed nearly 5,000 jobs since 1977 and they have at times competed successfully for orders. During 1981 £697 million worth of orders were placed in Scotland, a 58 per cent increase on 1980. Yet Scottish yards are still struggling to find a market in mass ordinary construction, in which Far Eastern yards have a big cost advantage.

Steel. There has been a chronic lack of demand for steel in the world and a consequent decline in employment in steelmaking in the last ten years. The labour force in Scotland fell from over 20,000 in the mid-1970s to 15,000 in March 1979. It was further reduced to 10,500 by September 1982. 5,000 of these workers are employed in the Ravenscraig/Gartcosh/Hunterston complex. Productivity has increased significantly to a level of 4.45 man hours per tonne, but Ravenscraig, operating at only 63 per cent of capacity, has been making large losses. Nevertheless, after a careful examination of future possibilities, the Government decided that Ravenscraig still had a very important part to play. On 20th December 1982, Mr Patrick Jenkin, Secretary of State for Industry, said:

‘The Government believe it would be wrong to take irrevocable decisions on future steel capacity at a time of such major uncertainty. I am therefore asking BSC to prepare its plan on the basis that steel making will continue at all five major integrated sites’ (*Hansard*, Col. 673).

Mr Younger welcomed the announcement, saying that:

‘Future demand for steel products and BSC's competitiveness will be crucial. Today's decisions, however, mean that the Ravenscraig management and workforce have an opportunity to demonstrate that the plant can perform consistently at the highest possible levels of efficiency and that it can help BSC take advantage of an upturn in the market’ (Statement, 20th December 1982).

North Sea Oil and Gas. Production of North Sea oil and gas continues to rise. The 18 offshore oil fields in operation in 1981 were joined by two more in 1982, and a further three are planned for 1983. 91.2 million tonnes of oil were produced in the first 11 months of 1982, compared with 80 million in 1981. Exploration is at the highest level for several years. Twelve discoveries were made in 1981–2, the most since 1976.

These developments have provided a large boost to the Scottish economy. Employment in establishments wholly involved in oil-related work in Scotland rose by 9,000 over the year from June 1981 to 58,000. Allowing for jobs created as a result of North Sea Oil development and construction, the overall estimates of oil related employment range from 85,000 to 100,000 compared with 65,000 in 1977.

The development of the Morecambe Gas fields, and the North Alwyn and Clyde fields, and the gradual winning of orders in areas other than the North Sea, will all help to provide orders for the platform yards in Scotland. The SDA estimates that 65 per cent of North Sea Oil supply requirements are met from within the UK.

Micro-Electronics. The Scottish electronics industry is made up of 230 companies employing around 40,000 people. It is now one of the main growth areas in the Scottish economy and accounts for nearly 10 per cent of manufacturing employment. During the last three years £44 million of regional selective assistance was offered to electronics projects with a total estimated cost of £423 million; that help led to the creation or safeguarding of nearly to 13,000 jobs. In the last year alone, 32 new companies have come to Scotland, where they have committed investment of £234 million. Five companies, involved in silicon chips, are to invest almost £200 million in projects which, it has been predicted, will make the central belt of Scotland the biggest producer of semiconductors by 1985. Notable arrivals include Nippon Electric's £50 million investment at Livingstone, Motorola's £50 million expansion at East Kilbride and Burr Brown.

The Government has encouraged these developments with the SDA's micro-electronics targeting strategy and the INMAP programme to encourage companies in the use of micro-electronics systems. A *Guardian* survey on Scotland on 15th September 1982 pointed out that these companies were located in Scotland because they recognised the country's particular strengths.

‘They have come mainly because Scotland can provide a world class research base in certain key technologies in her universities and an increasingly sophisticated labour force.’

Health Care Industries. These offer another potential growth sector for the Scottish economy. They accord with the high technology emphasis which has developed. Altogether, in Scotland 7,000 people are estimated to be involved now with an output of £200 million annually. The world market is estimated to have a 7 per cent growth potential in real terms until 1985. The European market, highly accessible from Scotland, accounts for some £32.5 billion worth of sales.

Sir Geoffrey Howe, Chancellor of the Exchequer, put the changes in Scottish industry in context in a speech to the Dundee and Tayside Chamber of Commerce in May 1982:

‘Adjustment means change, and change is often hard and means making difficult choices. But without it Britain will continue its relative decline. Scotland has suffered worse than many areas of Britain from the decline in traditional industries, like steel and shipbuilding. There are signs that private sector and private enterprise are now moving forward. The economy has started to grow again, in Scotland and in the country as a whole. And this is not the hot house produce of Government intervention to pump money demand into the economy. This is the result of increased output and improved performance in the private sector.’

(B) AGRICULTURE, FISHERIES AND FORESTRY

In 1982 significant increases in production were discernible after a period of decline. For the first time in eight years the total number of cattle increased, (dairy herds expanding by 2 per cent, the first significant rise since December 1973), while the number of sheep rose to the highest level since the mid-1960s. The area of crops sown was also significantly higher.

	% change			
<i>In '000s</i>	1980	1981	1982	1981–2
All cattle	2,294	2,263	2,328	+3
All sheep	5,417	5,538	5,685	+3
All pigs	482	475	469	-1
(In 1,000 hectares)				
Wheat	9.3	40.1	49.0	+17
Barley	30.4	44.2	70.8	+60
Total crops & grass	1,688	1,677	1,684	+1

(*Agricultural Statistics*, December 1982).

The value of gross agricultural production was estimated at £1,070 million, an increase of about 12 per cent on 1980. This in turn led to an increase in the size of the agricultural workforce, which went up in 1982 for the first time since 1978. The *Annual Review of Agriculture 1983* (Cmnd. 8804) shows a continued recovery in real terms in the average level of farm incomes in Scotland in recent years, with increases of 45 per cent overall.

Total aid to the UK under EEC Guarantee and Guidance Grants was £8.6 million in 1982, of which Scotland received 20 per cent.

Fisheries. The recent EEC fisheries agreement gives the UK 37.3 per cent of the EEC's total allowable catch, and offers Scotland its largest catch since it lost its access to fishing grounds in Icelandic waters (see Chapter 10, p. 176). In addition Norwegian waters are now open to the Scottish fleet to fish for cod and haddock.

In 1981, the weight and value of landings of fish in Scotland rose by 20 per cent and 12 per cent respectively, and the total value of landings at £127 million was the highest ever recorded. Although the catch was lower than the best years of 1973 and 1977, it was still significantly higher than the value of landings in the 1960s.

The value of landings over the year to October 1982 was £122.8 million, an increase of 14 per cent over the previous twelve months. The profitability of the fleet has been affected by operating costs. In August 1980, the Government made available £14.1 million through the Fishing Vessel Temporary Support Scheme. A further £25 million was made available in 1981.

Forestry in Scotland has suffered during the recession, but under incentives offered by the Government there has been a significant and welcome upturn in the private sector, where new planting has increased from 6,656 hectares in 1979 to 10,663 hectares in 1982 (*Hansard*, 1st December 1982, Cols. 213–4).

(C) LOCAL GOVERNMENT

1. STAFFING

Staff costs account for 70 per cent of local authority expenditure. In September 1982, there were 254,000 full time equivalent local authority staff, a fall of 4,495 or 1.74 per cent since September 1981. These figures confirm a downward trend, but numbers are still 8,701 above the lowest levels achieved in December 1977. The Government believes that to meet expenditure targets, local authorities must reduce staffing levels still further, and that this should be achieved through natural wastage and selective non-filling of posts. In an 18 month period between June 1976 and December 1977, numbers fell by 11,800 without any significant compulsory redundancies.

Local Government Staffing Levels: England and Scotland
(at September)

	<i>Scotland</i>	<i>England</i>
	<i>000's</i>	<i>000's</i>
1976	255.9	1,956.3
1977	245.5	1,934.7
1978	251.5	1,947.5

Local Government Staffing Levels: England and Scotland

(at September)

	<i>Scotland</i>	<i>England</i>
	<i>000's</i>	<i>000's</i>
1979	258.9	1,963.8
1980	261.0	1,933.5
1981	258.5	1,891.6
1982	254.0	1,548.6

(*Joint Manpower Survey, September 1982*)

2. LOCAL GOVERNMENT FINANCE

Under the **Local Government (Miscellaneous Provisions) Scotland Act 1981**, the Secretary of State has the power to reduce the Rate Support Grant to Councils whose expenditure is excessive. From 11th June 1981 he has been able to intervene when budgetary plans are announced and before actual expenditure takes place. Local authorities can readjust their rate poundage downwards to have lost grant reinstated. On 10th July 1981, Mr Younger announced selective action against Lothian Regional Council, Dundee District Council and Stirling District Council.

The Labour-controlled Lothian Region refused to restrain expenditure which was 11 per cent above its guidelines in 1980–1, and 25 per cent above in 1981–2. It also had the highest rates increase for a region in 1981–2—49 per cent.

In the case of Dundee, expenditure in 1980–81 exceeded guidelines by £950,000 (11 per cent) and in 1981–2 planned expenditure exceeded guidelines by £3.52 million (45 per cent). This entailed a rate increase of 150 per cent in Dundee District in 1981–2.

In 1980–1 Stirling District spent £290,000 (7.6 per cent) above guidelines and in 1981–2 planned to spend £1.46 million (42 per cent) above guidelines in 1982–3.

On 21st July 1981 Mr Younger secured Parliamentary approval to reduce grant payable to Lothian, Dundee and Stirling by up to £47 million, £2 million and £1 million respectively. By October 1981 savings by the Councils had been made, and Mr Younger undertook to restore £17 million of grant to Lothian, £1 million to Dundee and £300,000 to Stirling. In May 1982 the new Conservative minority administration in Lothian made further reductions of £30.7 million in expenditure and a 16p cut in rate poundage.

However, Mr Younger was forced to make a further reduction of £1.2 million in grant to Stirling District in July 1982 following continued excessive expenditure.

The **Local Government and Planning (Scotland) Act 1982** extends the power of the Secretary of State to act in the interest of the ratepayer. Local authorities will no longer be able to choose to lose rate support grant rather than cut rate poundage. The Secretary of State will be able to require Councils incurring excessive and unreasonable expenditure to reduce rate poundage and reimburse ratepayers.

In Part II, the Act also gives effect to the recommendations of the Stodart Committee which reported on local authority functions since reorganisation. District Councils have now been given responsibility for leisure, recreation, tourism and the countryside, while regional authorities can now assist with finance—and are responsible for—industrial promotion.

Rate Support Grant 1982–3. Grants for 1982–3 were assessed on the assumption that authorities' total expenditure on services relevant to the rate support grant would be £2,897.6 million in cash terms. The rate of grant was 64.2 per cent of total relevant expenditure, 2.5 per cent less than the figure for 1981–2. £15 million was not payable in 1982–83, due to the excessive level of local authority expenditure. The aggregate amount of grant was £1,845.3 million, of which £167 million was for specific grants.

The Labour party criticised the Government for what they regarded as intolerable restrictions on local authorities. And yet in 1976, when Labour were in government, the Scottish Office issued circular 27 which stated:

‘Local authorities have been advised ... that it was the intention of the Secretary of State to reinforce the Government's public expenditure policy by reducing, in real terms, the financial resources which local authorities receive from Government in 1977–8.’

Mr Younger said:

‘I hope all local authorities will proceed in 1982–3 to make the adjustment commended by the Government in the national economic interest. It would be an act of great irresponsibility for anyone to encourage authorities to adopt a contrary approach by continuing to plan for growth or to maintain unaccountable levels of expenditure to the damage of the national economy on the one hand, and the extreme distress of many of their ratepayers on the other hand’ (*Hansard*, 10th February 1982, Column 978).

Rate Support Grant 1983–4: In the 1983–4 settlement relevant expenditure was taken as £3,118 million including loan charges. Of this £21 million was set aside for specific programmes, the bulk of which was for increased expenditure on law and order. £100 million would be treated as an unallocated addition to the total expenditure figure. This was to allow local authorities more time to reduce their spending levels in line with Government plans, but they would have to justify any overspending to gain the benefit of this portion, thus enabling pressure for financial responsibility to be maintained. The aggregate level of grant was £1,924 million, a 4.3 per cent increase in cash terms over the previous year. The rate of grant was 61.7 per cent of total relevant expenditure. This represented a further 2.5 per cent fall from the 1982–3 figure. In 1977–8 alone, the Labour Government cut the proportion of rate support grant by 4 per cent.

The increase in grant per head over 1982–3 is estimated to have been £10.98. It was also announced that domestic rate relief would continue at 3p in the pound. Provision was also made for redetermining the 1982–3 settlement since planned budgets of local authorities were £204 million in excess of guidelines. The 1982–3 grant was to be cut by £27 million. This abatement was not unreasonably harsh as it only accounted for 16 per cent of total overspend. Twelve authorities achieved figures on or within the guidelines, while three were only marginally in excess. Protection was given to those authorities within the guidelines. The bulk of this went to Borders Region (£559,000) and Dumfries and Galloway (£728,000). £369,000 was also made available for those authorities whose share of abatement was greater than the expenditure excess. Mr Younger, speaking in the debate on the 1983–4 settlement, said:

‘This has been a difficult period, but the vast majority of people in local government have been doing their best to change habits which have gone on for a long time and have at last begun to bring spending under control’ (*Hansard*, 17th January 1983, Col. 89).

The **Civic Government (Scotland) Act 1982** deals with licensing laws. It reduces the statutory requirements to license, unless it is considered necessary for the public interest or safety, and discretion over certain services is left to the local authority. Taxis and scrap metal dealers are required to be licensed. The Act consolidates the provisions on soliciting and importuning by prostitutes, and brings the law on obscene material and sex shops into line with the English legislation. Finally a number of provisions deal with public order and are concerned with such matters as processions and dog wardens.

Effect on Rates. The Opposition have argued that cuts in government grants have forced up domestic rates. In the 1982–3 debate, Mr Bruce Millan, Chief Opposition spokesman on Scotland, argued that: ‘I should be astonished if the overall increase in rates in 1982–3 is not over 20 per cent or 25 per cent. I stand by that figure’ (*Hansard*, 10th February 1982, Col. 992).

The actual increase was 12 per cent. A three year study of rates show that increases in the average rate bill have varied widely. In Conservative controlled Grampian Region there has been a 60 per cent increase since 1979, whereas in high spending Lothian Region the increase was 118 per cent.

(D) HOUSING

Building. The Labour Government's 1977 Green Paper stated that the absolute shortage of housing had been in most cases eliminated and that housing conditions generally had improved. That Green Paper also envisaged that local authority investment in housing would decline at constant prices from the 1975–6 total of £228 million to the 1980–1 total of £188 million.

Housebuilding Starts

			1st Qtr		2nd Qtr	
	1976	1979	1980	1981	1982	1982
Public	14,605	7,871	6,702	3,908	1,448	1,912
Private	16,304	15,317	9,764	11,058	2,846	3,303
Total	30,909	23,188	16,466	14,966	4,294	5,215

(Scottish Housing Statistics No. 18)

Under the last Labour government housing starts were already in sharp decline. The latest figures for 1982 show that the number of housing starts is beginning to rise. In the fourth quarter of 1981 starts were at 3,176; the number had risen to 5,215 by the second quarter of 1982. This upturn is mainly reflected in the private sector. Mr Allan Stewart, Parliamentary Under-Secretary of State for Scotland, said:

‘New registrations, representing houses nearing completion with the National Housebuilding Council were 9,418 during 1981, an increase of more than 20 per cent on 1980. That shows confidence in the market six months ahead. For the first five months of 1982 the figure is 5,131, an increase of more than 30 per cent on the corresponding period of 1981. The upsurge in demand for housing, the decline in interest rates and the increasing interest in the clearing banks

in providing mortgage finance are grounds for confidence in the private sector' (Scottish Grand Committee report, 8th July 1982, Col. 53).

The Government's 1983 Public Expenditure White Paper (Cmnd. 8789) shows that gross capital expenditure in 1983–4 will be about £1,340 million, the bulk of which will be devoted to construction.

Home Improvements. The Government has concentrated resources on rehabilitating and improving the existing housing stock rather than on new housebuilding. The percentage level of maximum grant has been raised to 90 per cent and its availability extended to 31st March 1984. The total value of grants to private owners has increased from £7.7 million in 1978 to £23.6 million in 1981, and in the first half of 1982 grants paid had already reached £14.5 million. Under the Tenants' Rights (Scotland) Act 1980, public sector tenants are also eligible for grants. In 1981, projects worth £114 million and covering 30,600 dwellings were approved.

Home Ownership. Under the Tenants' Rights (Scotland) Act 1980 local authority tenants have been given the right to buy their own houses. Government figures indicate that around 70,000 tenants have showed an active interest in buying their own homes since 1979. Up to 30th September 1982, the total number of completed sales under the Act was 28,535, with 17,000 applications outstanding. This is over 2 per cent of the public housing stock.

Sales of Public Sector Dwellings

	Total	L/A	New Towns	SSHA
1978	745	105	636	4
1979	1,670	642	1,008	20
1980	6,484	2,938	2,129	1,417
1981	11,139	7,305	1,845	1,989
1982 (1st half)	6,938	5,356	523	1,104

(*Scottish Housing Statistics* No. 18).

The Labour Party has been consistently hostile to these developments. In July 1974, the last Labour Government rescinded a previous Conservative measure that gave permission to local authorities to sell council housing.

On 7th January 1983 Mr Stewart was forced to write to 19 councils, pointing out their failure to 'give sufficient priority to meeting the wishes of tenants to buy their council houses'.

In December 1982, Labour controlled Glasgow District Council was discovered to be asking tenants whose houses were to be modernised, to sign away their right to buy for ten years. If they did buy they would be forced to refund a proportion of the cost of the modernisation work.

The Tenants' Charter. Under the Tenants' Rights (Scotland) Act 1980, new rights were given to those in rented accommodation. Tenants now have security of tenure, and have a right by law to remain in their homes. They can only be forced to leave by a court order, if reasonable grounds can be shown. Tenants also now have a right to a written lease which has helped to redress the balance between the tenant and landlord. Another new right enables the tenant to challenge the landlord on grounds of unreasonable tenancy conditions. This provides scope for a tenant to be involved in any alterations to his house, and gives him the opportunity to take the

initiative if he feels the changes are unreasonable. Most importantly tenants now have the right to carry out works on their house without the consent of the landlord.

Housing Support Grant. Under Section I of the Housing (Financial Provisions) (Scotland) Act 1978 the Secretary of State has the power to fix the amount of housing expenditure that is borne by central government grant. Under the Local Government (Miscellaneous Provisions) (Scotland) Act 1981 those authorities who have an excess of revenue over expenditure no longer qualify for a share of grant.

The Government's aim has been to reduce the proportion of housing expenditure borne by housing support grant, and to shift the emphasis to revenue derived from local contributions, namely income from rent. A second objective is to keep rate fund contributions down. In 1982–3, rent income accounted for 59.4 per cent, housing support grant 19.3 per cent and rate fund contribution 17.5 per cent.

The level of housing support grant for 1982–3 was £104 million after Variation Order. The Grant in 1983–4 was at a level of £72 million. Money potentially available for capital spending in 1983–4 was estimated at £355.6 million. Allocations on the Housing Revenue Account block have risen steadily from £230 million in 1979–80 to £247 million in 1981–2.

Mr Younger has said:

‘The settlement tries to give an incentive to housing authorities to achieve as much capital spending as possible, to be fair to their tenants by allowing them to buy their houses if they wish to do so and have rent that is thoroughly reasonable in relation to peoples incomes and way of life, while keeping the rent rebate scheme to cope with all those who have difficulty in paying their rent through lack of income’ (*Hansard*, 17th January 1983, Col. 125).

Rents. For the purpose of the Housing Support Grant 1983–4, the Secretary of State considered an average rent increase of about £1.00 per week would be reasonable. In Scotland, rent accounts for only 6.6 per cent of an average man's weekly earnings, compared with 10.2 per cent in England and Wales.

For those on low incomes, supplementary benefit and rent rebates are available. 26 per cent of tenants in Scotland pay no rent at all, while a further 26 per cent pay only a proportion of rent. Normally tenants receiving rent rebates pay only 40p of a £1.00 increase.

Housing Associations. The funds available for 1982–3 for housing associations through the Housing Corporation and Local Authority lending programme will be approximately £105 million. This is the largest provision in cash or real terms ever made in Scotland. At the end of 1974 there were less than 40 housing associations. In 1982 there were 193. The SSHA administers approximately 93,000 houses.

Mr Stewart said in a Scottish Grand Committee Estimates Debate in July 1982:

‘The SSHA continues to make a notable contribution to public sector house building and rehabilitation in Scotland. Currently a large part of the effort has been made in Glasgow. I commend the vigour with which the SSHA has pursued the Government's policies. Its efforts show what can be done in Scotland in selling homes to sitting tenants.’

(E) EDUCATION

Since 1979 the Government has maintained the level of resources devoted to education as the following table shows

Year	Education Expenditure		
	Total Amount per primary pupil £m	Amount per secondary pupil £	Amount per secondary pupil £
1978-9	901	427	675
1979-80	1,004	488	811
1980-1	1,267	636	1,116
1981-2	1,329	750	1,170
1982-3	1,417		
1983-4	1,466		

(Source: Scottish Office 1983)

The increases provided in 1982-3 represented rises in expenditure per head of 10.5 per cent in primary schools and 11.8 per cent in secondary schools at a time when inflation was in single figures.

Teacher Supply. School rolls are expected to decline up to 1988-9 in both primary and secondary schools. In 1981-2 there were an estimated 492,600 pupils in primary schools and 404,600 in secondary schools. These numbers are expected to fall to 459,800 and 311,700 respectively by 1988-9. There has been a gradual improvement in the pupil/teacher ratios in both primary and secondary schools over the life of this Government. In 1975-6 the pupil/teacher ratios were 22.4:1 and 15.1:1 respectively for primary and secondary schools, while in January 1983 the corresponding ratios were 20.3:1 and 14.3:1.

For some years there have not been enough qualified teachers in technical education, physics and maths, but in 1981 the shortage was reduced, as the following table shows.

Subject	Teacher Supply in Certain Subjects				
	Worst Deficits/Excesses		Difference	Number of students entering teacher training colleges	
	1980	1981		1978-9	1981-2
Technical Education	-57	-65	+8	91	126
Physics	-67	-56	-11	31	81
Maths	-85	-53	-32	128	230
English	+66	+28	-38	168	114
History	+64	+58	-6	71	17

(Scottish Educational Bulletin)

These figures also show that teacher training colleges are now paying much closer attention to the real needs of schools.

In 1982, 316,212 children took school meals, representing 38.4 per cent of those attending schools. Total expenditure on school meals in 1981–2 was £33 million, while £2 million was spent on the provision of milk.

In 1981–2, the number of secondary schools increased by three. Commenting on the overall position, Mr Alex Fletcher, Parliamentary Under-Secretary of State for Scotland, said:

‘Education must take its share of financial restraint, but the Government has tried to ensure that whatever else might have to give way, the classroom and the work is protected. Some Local Authorities may not endorse the view and therefore some damage may be done. But the Government have provided the means and thereafter it is up to the school managers, and the Local Authorities to use the means in a proper and responsible manner’ (Scottish Grand Committee report, 1st July 1982).

Parental Choice. Under the Education (Scotland) Act 1980, amended by the Education (Scotland) Act 1981, parents have the right to nominate the school that they wish their children to attend. Furthermore, education authorities have to provide detailed information for parents to help them make that choice. Since the regulations were introduced, more than 10,000 successful applications have been made by parents to choose a school other than the local one.

Assisted Places. The Secretary of State has a duty under the Education (Scotland) Act 1981 to operate this scheme which makes it possible for children of families of limited means to attend fee-paying schools (see also Chapter 12, p. 200). In the school year 1982–3, pupils will receive fee remission in 42 participating schools in Scotland, of whom 59 per cent come from families with an income of below £6,000 per annum. The overall total fee remission grant in 1982–3 will be £1.7 million.

Special Needs. In 1981–2 there were 11,100 pupils in special schools. Following the recommendations of the Warnock Committee on the Education of Handicapped Children and Young People in 1978 the Government issued a White Paper on 6th August 1980 on Special Educational Needs in Scotland (Cmnd. 7991). This formed the basis of new arrangements to deal with those with special needs, laid down in the Education (Scotland) Act 1981. The changes in the Act include the bringing together of ‘special’ and ‘remedial’ education in the single category of ‘special educational needs’, the abolition of the statutory categorisation of handicapped children and the introduction of arrangements to deal with individual children who have been identified by multidisciplinary assessments as having pronounced special educational needs.

The Curriculum. The Government has introduced a development programme for the curriculum, following the Munn and Dunning Reports. Under the new system pupils of all abilities between the ages of 14–16 will have a syllabus and a goal that is appropriate to them and for the first time, those of lower ability will be brought within the ambit of recognised national syllabus and assessment arrangements.

Education and Training. The Government has developed an Action Plan for 16–18 year-olds in which there will be a more effective bridge between compulsory education and employment for those not continuing in further education. Existing courses and awards will be rationalised, so that a single Scottish Vocational Training Certificate will be on offer. A more flexible programme that employs core studies and optional studies designed to cover particular skills and to stimulate the interest of individuals has been developed.

The Arts. Mr Younger announced on 14th March 1983 that the level of grants being made available in 1983–4 to the Scottish museums and galleries and the National Library of Scotland were to be increased.

	1982–3	1983–4
National Library of Scotland	2,682,000	2,781,000
National Galleries of Scotland	2,626,000	2,709,000
National Museum of Antiquities	771,000	799,000
Royal Scottish Museum	2,238,000	2,298,000
Local Museums Purchase fund	167,000	175,000
Council for Museums & Galleries in Scotland	246,000	260,000

(Press Statement, 14th March 1983)

(F) LAW AND ORDER

Expenditure on law and order programmes in 1981–2 was 75 per cent above the levels for 1978–9 and is planned to rise by 33 per cent in cash terms by 1984–5, compared with the level achieved in 1982–3. In particular, expenditure on the police service has risen steadily since 1979.

Expenditure on Police		
	<i>£m cash prices</i>	<i>% increase</i>
1978–9	122	12
1979–80	155	27
1980–1	186	20
1981–2	214	15

(*Hansard*, 29th April 1982, Col. 341)

These figures provide for a real expansion in the services provided. In 1982 total police establishments were 13,272, while actual strength was 13,221. All police forces were up to strength except for Labour-controlled Strathclyde Region, which was 150 below.

Mr Younger has said:

‘Events both home and abroad amply demonstrate that the Government are right to accord ... a high priority to law and order. People want an orderly society in which they themselves, their homes and their possessions can be free from violence. We look primarily to the police service to ensure this. With the resources and the powers we have given them, and the high morale that they have developed, they are well placed to tackle their difficult task, and to do it efficiently and sensitively’ (Scottish Grand Committee, 24th May 1982, Col. 6)

The Criminal Justice (Scotland) Act 1980 gives the police the power to detain any person for up to 6 hours if there are reasonable grounds for suspicion. In the first ten months of operation, some 17,500 were detained, and in 45 per cent of cases detention was followed by an immediate charge. The average detention time was only 2½ hours. The police also have the power to stop and search for offensive weapons. 33 per cent of those stopped to date were found to be carrying offensive weapons. Mr Younger pointed out:

‘As we forecast when this legislation was passing through the House, the police are clearly carrying out the new law most sensibly, which puts paid to any fear of increased friction between police and public as a result’ (Scottish Grand Committee, 24th May 1982, Col. 5).

The Act also introduced a statutory offence of vandalism and gave power to the police to ban alcohol at football matches.

(G) HEALTH SERVICE

Between 1978–79 and 1981–2, expenditure on health care in Scotland rose in real terms by about 5 per cent, and by a further 1·6 per cent in the calendar year 1982. By then net public expenditure on the NHS was standing at £289 per head of the Scottish population. In the financial year 1982–3 plans provided for a total rise to £318 per head, an increase of 10 per cent.

Expenditure on Health in Scotland

£m (Cash Prices)

1978–9 1979–80 1980–1 1981–2 1982–3

Resources to health boards	646	754	981	1,094	1,168
Total resources on health & social work	1,026	1,233	1,546	1,771	1,943

In 1982 there were 39 major hospital building schemes costing over £2 million each, and the total value of all projects under way was £342 million (*Hansard* 23rd March 1982, Col. 333).

Health Manpower per 10,000 Population

September 1977 September 1981

General Practitioners	5·9	6·5
Hospital doctors	9·1	9·7
Dentists	2·3	2·6
Nurses and Midwives	102·2	118·7

(*Hansard*, 26th October 1982, Col. 381).

Since May 1979 250 more doctors and 5,000 more nurses have joined the NHS. Waiting lists declined steadily from a level of 76,000 on 31st March 1979 to 67,000 at the beginning of 1981. This progress was unfortunately interrupted by the NHS pay dispute in 1982.

Plans for the NHS in the future were set out in the report, *Scottish Health Authorities—Priorities for the Eighties (SHAPE)*, published in December 1980. Top priorities include preventive services, services for the multiply deprived, services for the elderly and for the mentally and physically handicapped.

Private medicine is on a very small scale in Scotland. There are 105 pay beds in NHS hospitals in Scotland out of a total of some 60,000 beds. In addition, there are about 2,700 beds in 70 private hospitals.

(H) TRANSPORT

Total expenditure on transport under the Scottish programme rose by 54 per cent between 1978–9 and 1982–3, compared with a 58 per cent rise between 1976–7 and 1979–80, a period in which inflation was much higher.

Transport Expenditure in Scotland

	<i>£m Cash</i>				
	<i>1978–9</i>	<i>1979–80</i>	<i>1980–1</i>	<i>1981–2</i>	<i>1982–3</i>
Motorways and trunk roads	73	84	91	118	116
Local transport	198	222	234	293	295
Central Government subsidies to transport industries	5	6	8	12	14
Ports	1	1	1	1	–1
Civil Aviation Authority	3	4	3	4	4
Total	321	373	432	493	502

(Hansard 29th March 1982, Cols. 45–6)

At the end of 1982 work started on the Stonehaven bypass on the A94, and on the first phase of the Musselburgh-Tranent bypass on the A1. A start is to be made on the Scotstoun to Candy improvement scheme on the A94 during 1982–3 and the Laurencekirk bypass is also starting in 1983. The A94 schemes will go some way to fulfilling the Conservative commitment in the 1979 Manifesto to rebuild the Perth-Aberdeen road to the standard of dual carriageway. A southward extension of the M74 bypassing Lesmahagow is also planned for 1983.

In 1982–3, assistance to Scottish ferry operators was increased by around £1.5 million to over £10.6 million, an increase of 16.5 per cent in one year.

In response to the Scottish Select Committee Report on Rural Transport, Ministers have agreed to take social as well as economic objectives into account in determining the new financial target for the Scottish Bus Group during 1983, and have renewed their commitment to a continuing programme of investment in new ships.

Mr Stewart, commenting on the Report, said:

‘We have been able to accept in whole or in part a considerable number of the Select Committee's recommendations. We remain committed to the provision and maintenance of an adequate system of public transport for our inland and rural areas. As an indication of this commitment we have already this year agreed the provision by Caledonian MacBrayne of a new ship for the Arran service at a cost of £6.7m and further new ships are planned’ (Scottish Office, 13th October 1982).

Road Equipment Tariffs. In its response to the Scottish Select Committee, the Government stated that it was ‘now well advanced with their consideration of the possible mechanics of a revised subsidy system designed to accommodate further moves towards road equivalent tariffs. ... The need for local direction is greatest in the period of transition to road equivalent tariffs. Once full RET is reached there should be no requirement for this local discretion’ (Scottish Office Report, 13th October, 1982).

(I) DEVOLUTION

1. GOVERNMENT ACTION AND POLICY

After the repeal of the Scotland Act, the Conservative Government fulfilled its commitment to hold all-party talks, which took place in April–May 1980. These talks were boycotted by the SNP. Various recommendations were adopted. A minimum of six debates on the Scottish estimates in the Scottish Grand Committee must now be held. In June 1981, the House of Commons voted for sessions of the Scottish Grand Committee to be held in Scotland. Several sittings have taken place in the old Royal High School building so far. History was made on 29th November 1982 when a second reading debate was held for the first time in Scotland, on the Divorce Jurisdiction, Court Fees and Legal Aid (Scotland) Bill. In addition, the new House of Commons Committee system provides for a Scottish Select Committee to scrutinise Scottish legislation and Scottish affairs.

Mr Younger set out the Government's position on Devolution in Scotland in a speech to the Royal Institute of Public Administration in Edinburgh on 29th October 1982:

‘I referred at the beginning to my statement that most of us have a strong desire to see many more decisions on Scottish matters made by Scotsmen in Scotland. This is a view that is probably shared by Englishmen too. I asked how we could achieve this without cutting ourselves off from the rest of Britain. That question was asked in the context of a debate about establishing a Scottish Assembly, an issue which has occupied a large amount of time in politics and in the media over the last 12 years. In spite of strenuous efforts by interested parties to re-start this debate I do not believe most people in Scotland are any longer interested in this subject as a practical proposition. ... First, the present system gives Scotland a very strong and effective role in United Kingdom affairs; second, the debates of recent years have highlighted the long-standing fact that Scotland gets a larger expenditure of public money per head of population than either England or Wales; and thirdly, that the financing of any Scottish Assembly with executive powers would create more problems for Scotland than it would solve.’ ‘Nobody has yet come up with a system of such financing which will not either create an area of perpetual friction between Edinburgh and Westminster, or an unacceptable and additional burden on the taxpayers of Scotland. Experience has shown that block grants reduce the accountability of those that spend them and create an inevitable and continuing process of haggling and recrimination between the funders and the funded. An additional layer of taxation would undermine the relative economic position of the Scots and would be widely and understandably resented.’

2. OPPOSITION POLICIES

The Liberal Party seems determined on constitutional change at any price. Its policy document, *The Government of Scotland* (1982), states;

‘If Liberals cannot get the full Federal system they want for the UK as a whole, they are prepared to support any proposals for an effective Scottish Assembly.’

The Labour Party has now renewed its commitment to devolution, which it failed to implement when it was last in government. It published a ‘major statement’ of policy entitled *Scotland and Devolution* in March 1983; the main points in this document are repeated in *The New Hope for Britain* which states that Labour will:

- i. Establish a directly elected Scottish Assembly with an executive responsible to it.

- ii. Give the Assembly legislative and executive powers over a wide range of local matters, including health, education and social welfare which it would finance through its own tax-raising powers.
- iii. Secure, through this Assembly, the implementation of an economic Plan for Scotland 'within the context of our overall national plan'.

Already, however, signs of opposition to this policy have appeared among English Labour MPs. Mr Ted Leadbitter has said: 'Devolution will produce a backlash in English opinion. ... I will not be bought off to support devolution which I believe constitutionally damaging' (*Glasgow Herald*, 10th March 1983).

SDP Policy is reflected in its Green Paper *Decentralizing Government* (July 1982). It is of interest chiefly because it conflicts with Liberal policy, and shows that there is no clear and coherent Alliance package on devolution. Whereas the Liberals believe in a federal solution, the SDP states:

'... the "federal" method is unlikely to be acceptable to public opinion in this country, and is, in any event, inappropriate to British conditions'.

The Liberals state in their pamphlet, *Scottish Self Government*:

'In view of the special problems of the Scottish economy and our dissatisfaction with the efforts of central Government to resolve them ... it is inevitable that the economic role of the central Government be greatly reduced'.

On the other hand, the SDP states:

'... economic management comes outside the scope of any decentralization exercise'.

The **Scottish National Party** states categorically in its 1977 policy document (revised in 1982) that 'The right of the people of Scotland to self-determination and to sovereignty over the territory and national resources of Scotland is full and unqualified'. Such an unequivocal stance on independence was out of tune with the feelings of the Scottish people at the referendum of 1979, and is still so today. Since the referendum, the SNP has reviewed its own position. Internal dissension has occurred with the emergence of the '79 Group' under the leadership of Mr Jim Sillars, Mrs Margot Macdonald and Mr Stephen Maxwell who believe that the SNP's support for independence should be combined with a more radical Left-wing, approach. The SNP establishment, represented by the Chairman, Mr Gordon Wilson, MP, and Mrs Winifred Ewing, MEP, held out against this move and leading members of the 79 Group have been expelled from the party.

22. WALES

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(A) THE WELSH ECONOMY

1. THE GENERAL POSITION

For too long Wales, like some other parts of the country, remained over-dependent on declining industries, which required substantial support from the taxpayer. The Principality has suffered from high unemployment for many years: in March 1983 it stood at 17 per cent. A policy for Wales, designed to restore enduring economic prosperity, must seek to cut down the heavy losses that have been sustained by the Welsh coal and steel industries so that resources can be released on an increasing scale for productive use elsewhere, particularly in the new industries (such as electronics), which Wales has been successful in attracting (partly because of its traditionally good labour relations and greatly improved communications).

Contrast Between Labour and Conservative Policies. Nevertheless, there is a future for the Principality's traditional industries if commercial judgements about their long-term prospects are carefully and realistically applied. Such judgements were largely ignored by the last Labour government. Too often decisions (when they were made at all) were taken on non-economic grounds, which simply made matters worse. Under this Government, the underlying problems of the Welsh economy have been resolutely tackled. Furthermore, stimulus has been given to those, like small businessmen, who have helped to create large numbers of jobs over the years. (In 1977, 84 per cent of manufacturing enterprises in Wales employed less than 200 people.) The obstacles which the last government created for them have been removed; and along with small businessmen elsewhere, they have benefited from special measures designed to encourage their initiative, which this Government has introduced. Furthermore, the Government has been notably successful in attracting fresh investment to Wales from outside.

Mr Nicholas Edwards, Secretary of State for Wales, has summed up the Government's approach as follows:

'Faced by the decline of the old basic industries, and especially by the massive cut-back in employment in the steel industry, it was clearly necessary to undertake urgent measures to attract new industry and create a far more diversified economy' (*Hansard*, 10th February 1983, Col. 1172).

The success of these measures (see p. 357) has meant that Wales has been able to weather the recession better than the United Kingdom as a whole. Despite the contraction of the steel industry, where a dramatic but once-for-all reduction in employment has occurred, the decline in the numbers employed has in comparative terms been less than in the rest of the country.

2. THE STEEL INDUSTRY

Reconstruction. Wales is the second largest steel producing area in the country, contributing 35 per cent of total output. Since 1979, the industry's central problem of over-manning has been squarely faced, and substantially alleviated. Manning levels have fallen by more than a half, reducing the total labour force in BSC's Welsh steel plants to 21,000. Steel-making at Shotton, one of the BSC's three main plants, ceased in 1980 in accordance with the recommendations in a report of 1977 which the Labour Government refused to implement. Manning levels at the two other large plants, Llanwern and Port Talbot, were cut by 4,400 and 6,300 respectively between 1979 and 1981 (there was a further overall reduction of 3,000 spread over the Welsh plants as a whole in 1982). Their productivity has improved dramatically. At Port Talbot it took more than nine man hours, and at Llanwern seven man hours, to produce a tonne of liquid steel in 1979: by March 1983, the time required had fallen to 3.3 man hours at Llanwern and 4.5 at Port Talbot. Administrative reorganisation has played its part in this transformation. Since September 1980, a great deal of decision-making has been delegated to individual plants, providing management and employees with a greater sense of motivation.

The Future. The Government is wholly committed to the maintenance in Wales of a successful steel industry. Mr Edwards has said:

‘The achievement of “slimline” has given Llanwern and Port Talbot the chance to live. In a year, they have put themselves among the most competitive steel-making plants in Europe ... The success of the “slimline” operation so far and the support of the BSC's corporate plan by the majority of its employees points the way forward to our industrial recovery’ (*Hansard*, 22nd January 1981, Col.443).

Speaking in Wales on 12th January 1983, the Secretary of State made it clear that the Government was very conscious of the need for additional investment to modernise the steel plants in Wales so that it can improve their competitive position even further.

Special Aid. In November 1979, the Government announced a number of special measures to help mitigate the effects of the reductions in manning levels in the areas most seriously affected by them. Shotton was given special development area status. The budget of the Welsh Development Agency was increased by £27 million to enable it to press ahead with the development of the Deeside Industrial Park, where over 136 new factories have now been built. In February 1980, a further initiative was announced to help areas in South Wales affected by steel closures. Under this scheme, £59 million was allocated to the Development Agency and the Cwmbran Development Corporation to help them attract new industry to the area. In August 1980, Port Talbot was given special development area status, while development area status was conferred on Newport. In June 1981, the Development Agency set in hand a special programme of factory building in the Llanelli area with a total budget of £7.5 million.

3. COAL

Pit Closures. Because of its age, the South Wales coalfield contains a number of collieries at which coal can no longer be mined profitably. In order to prevent ever-rising losses, pits have been closed, both under this Government and its predecessors. Labour governments have reduced employment in the South Wales coalfield by 55,000 since the war (the last government's share of that total being just over 5,000, following the closure of 12 collieries). The Labour Party therefore cruelly misleads the people of Wales when it seeks to suggest that mining could continue indefinitely at collieries like that at Lewis-Merthyr, the scene of a well-publicised strike in March 1983, where all the seams that could be profitably exploited have now been exhausted. Since 1979, production has either ceased altogether, or been cut back, at 6 collieries, and total employment has fallen by 4,500 (leaving 22,800 jobs in the South Wales coal mining industry). The vast majority of miners who have been displaced have been found alternative jobs elsewhere by the National Coal Board. However, losses have by no means been eliminated. In 1981–2 they amounted to £72.7 million.

Coal Liquefaction. The Government has agreed to provide up to £3 million towards the cost of the coal liquefaction plant at the Point of Ayr in North Wales (see p. 147).

The Future. Through the closure of exhausted pits and the provision of fresh investment, the future of coal mining in Wales can be secured.

Mr Edwards has said:

‘We have had to face the fact, as the previous Government had to face it on a large scale that ... we may see further closures of loss-making pits. However, I believe that the NCB will find the opportunity for additional investment to strengthen the position of many pits in Wales and to increase job opportunities within them. The Government have of course made a massive commitment of tax payers' money to the coal industry’ (*Hansard*, 22nd January 1981, Col. 448).

4. AGRICULTURE

Agriculture in Wales provides employment for 6.4 per cent of the working population, and occupies about 72 per cent of the land area, the main activities being sheep and cattle rearing in the hill regions and dairy farming in the lowlands. Wales produces 10 per cent of the country's milk, and provides 13 per cent of its beef herd, along with 25 per cent of its sheep breeding flock. 57 per cent of agricultural land has now been designated as a ‘less favoured area’, while a further 23 per cent consisting of uplands has problems not very different from those of the less favoured areas.

Improvement Since 1979. Welsh agriculture, like that in the rest of the country (see p. 171), has made a dramatic recovery from the poor seasons of 1979 and 1980. In 1981–2, net farm incomes rose by 41 per cent from the very depressed levels of previous years. Among dairy farmers, who form the largest single element in the Welsh farming community, the improvement has been even more dramatic: in 1981–2 their average net incomes increased by 61 per cent. Meanwhile, sheep farmers in the Principality have benefited substantially from the new EEC sheepmeat régime introduced in 1980 (see p. 174). So far they have received a total of £58 million under the two sheep premium schemes. Furthermore, £34 million has been paid to those living in the less favoured areas in the form of hill livestock compensatory allowances. Finally, the size of the beef herd in Wales (which stands at 185,000) has been maintained with the help of the beef suckler premium, which has brought Welsh farmers £5.6 million in total since 1980.

5. TOURISM

Tourism has been one of the Principality's most notable success stories. No other sector of the economy has grown so rapidly in recent years. The employment which it generates has increased by almost 30 per cent over the last decade, and there is no sign of any serious decline in the pace of expansion. More than 90,000 people are now involved in tourism (more than in steel and coal put together). Moreover, tourism stimulates new jobs in other service industries. Research done recently at University College, Bangor has shown that for every 100 new jobs in tourism created with the aid of government grants, 32 more jobs came into being elsewhere. The total revenue produced by tourism in 1981 was £475 million.

In recognition of the value of tourism, the Government has steadily increased its financial contribution to the Welsh Tourist Board, raising it from £1.6 million in 1978–9 to £3.9 million in 1983–4. Major developments of vital importance to tourism are being carried out through the Urban Programme, and through the Government's ambitious roads programme. On this latter point, Mr Edwards has said:

‘Some of these roads will be vital for tourism as well as for manufacturing industry. Tourism ... has not been neglected during this major period of infrastructure improvement’ (*Hansard*, 25th February 1982, Col. 999).

6. DEVELOPMENT BOARDS

The Welsh Development Agency (WDA), established in 1976, has made a major contribution to the Welsh economy under this Government. So far, it has been responsible for the construction of some 8 million square feet of factory space, of which 5 million have been completed since 1979.

The Development Board for Rural Wales (which has recently changed its name to Mid Wales Development) has, since 1976 provided factories, housing for certain key workers and advice for small businesses. Under this Government it has built some 550,000 square feet of factory space. Roughly the same amount has been provided by the Cwmbran Development Corporation which has been extremely successful in attracting fresh investment to its area. The factories built by the DBRW are providing nearly 5,000 jobs in mid-Wales.

Factory Allocation. In spite of the recession, the development boards have been remarkably successful in filling the factories that they have built. In 1981, they allocated almost 300 factories, amounting to 1.6 million square feet of space. In 1982, they did even better, allocating 388 factories. Commenting on these achievements, Mr Edwards has said:

‘The figures for factory allocations in the past two years ... are an all-time record. The present vacancy rate of about 15 per cent is remarkably low considering the scale of construction that has been taking place’ (*Hansard*, 10th February 1983, Col. 1173).

These figures do not include the projects that have been undertaken for companies such as Mitel and Inmos, for which the WDA has provided special purpose-built factory accommodation. Altogether, more than 1,000 factories have been completed since 1979. The total number of jobs provided by them should be in the region of 20,200.

The Development Corporation for Wales, established in 1958, has also had its share of success. Due in part to its efforts, Wales now possesses per head of the population one of the highest concentrations of Japanese industry in Northern Europe. (Altogether there are around 177 foreign owned companies in Wales providing 55,000 jobs.) Since 1979, the corporation has been receiving an annual grant of half a million pounds: from 1983 onwards, the amount provided for this development work is being doubled.

Reorganisation. In January 1983, the Secretary of State announced the establishment of a new organisation, to be known as 'Winvest', to replace the Development Corporation and to assume responsibility for some of the work which had previously been done by the WDA and the Industry Department of the Welsh Office. Through the various bodies responsible for industrial development, this Government has helped to make Wales one of the leading centres of the electronics industry in this country.

7. WALES AND THE EUROPEAN ECONOMIC COMMUNITY

Amongst Welsh businessmen and farmers, fervent supporters of the EEC greatly outnumber the advocates of withdrawal. According to a questionnaire carried out by the CBI in 1982, half of all Welsh companies believe that membership of the EEC has been of direct benefit to them. The facts bear out this belief. Exports from Wales to EEC countries have increased by 61 per cent since 1973. Furthermore, Wales has received aid worth more than £1 billion from the Community. Welsh MPs have been left in no doubt about the strength of feeling among both rural and urban communities. A representative of the CBI told the Select Committee on Welsh Affairs in 1982.

'I think we have to carefully remember that industry, which is actually in the business of manufacturing, is really telling your committee that we consider it to be an act of irresponsible madness to leave the EEC' (Welsh Select Committee, Minutes of Evidence, 25th November 1982).

(B) HEALTH AND SOCIAL SERVICES

Increased Expenditure. Wales has received its share of the increased resources that have been made available to the Health Service by this Government. Expenditure in the financial year 1982-3 was 10 per cent higher in real terms than in the last year of Labour government. In 1978-9, total spending on the Health Service amounted to £460 million; in 1983-4 it will be £915 million, representing a further increase in real terms of 2.1 per cent. Commenting on the latest increase, Mr Edwards has said:

'This will provide for significant development in the health care provided to the people of Wales. It will enable us to go ahead with the first year of our 3-year programme to end inequalities in health authority funding ... I believe that the allocation of £13.5 million of additional resources, which will go next year to the under-funded authorities, will be greatly welcomed. In addition, it has been possible to find the funds—£4.4 million—to meet in full the revenue consequences of major capital projects; to meet other centrally funded commitments and to provide no less than £2.3 million for health authorities' discretionary use on new developments.' (*Hansard*, 10th February 1983, Col. 1170).

Doctors and Nurses. Since 1979, the number of doctors has increased by 7 per cent, while the number of nurses has risen by 10 per cent. Hospital waiting lists fell by 15 per cent between 1979 and 1981, but the prolonged NHS pay dispute in 1982 damaged that encouraging trend.

Hospital Building. The Government has carried out a major new hospital building programme, which will provide the Principality with 12 additional district general hospitals and modernise a number of existing small institutions. More than £81 million has been set aside for these projects.

Mentally Handicapped People. As a result of an initiative launched in 1983, community services for the mentally handicapped will be transformed. The new system will be in advance of the existing arrangements in the rest of the country. Wales is, as Mr Edwards has said, 'giving a lead in this important area of social concern' (*Hansard*, 10th February 1983, Col. 1170).

Health Authorities. In Wales, these authorities operate at one level only, and not through a series of tiers. Since 1979, a considerable amount of responsibility has been passed to 'health units' (normally an individual hospital or in the case of small hospitals, a group) within the unitary authorities, to the benefit of patients and administrators alike.

(C) HOUSING

The pattern of housing in Wales has its own distinct features. First, more Welsh households are owner-occupied (60 per cent as compared with 56 per cent in the rest of Britain). Second, there are in Wales proportionately more houses built before the first World War (when the Welsh coalfield was thriving), and proportionately fewer dating from the inter-war period. Consequently, 41 per cent of the Welsh housing stock is over 60 years old, compared with 29 per cent in Great Britain as a whole.

Renovation. The Welsh Housing Condition Survey of 1976 established that there were 100,000 unfit dwellings in the Principality (9.8 per cent of the total). The chief aim of Conservative housing policy in Wales has therefore been to promote the rehabilitation of existing (but decayed) housing rather than to encourage the construction of new housing. Some progress has been made towards the achievement of that aim. The latest Housing Condition Survey published in 1981 showed that the number of unfit houses had fallen to 91,000. The Government's expenditure plans for Wales in 1983–4 provide for £143 million to be spent on housing. That allocation, supplemented by receipts from the sale of council houses and the repayment of council mortgages, will be sufficient to enable local authorities to devote a total of £161 million to their housing programmes (an increase of 23 per cent on 1982–3). If they wish, local authorities can exceed even these higher limits; for Mr Edwards has made it clear that extra resources will be forthcoming to cover any over-spending. He has said:

'This demonstrates both the scale of the need, and the Government's determination in tackling it. I hope that local authorities will show an equal determination in tackling and dealing with the applications as quickly as possible' (*Hansard*, 10th February 1983, Col. 1171).

In 1982–3, local authorities failed to make the rapid progress that the Government sought, under-spending on housing by £35 million.

The Right to Buy has been widely exercised. By March 1983, over 25,000 tenants had become home-owners out of a total of more than 50,000 from whom applications have been received.

(D) EDUCATION AND TRAINING

Pupils and Teachers. The following table shows the number of teachers and pupils in the Principality's 2,166 maintained schools. It illustrates the extent of falling school rolls, and the consequent decline in the number of teachers required.

Academic year	Numbers of Pupils and Teachers			
	Full-time equivalents (thousands)			
	1980-1	1981-2	1983-4	1984-5
	actual		projected	
Pupils				
Nursery Schools	2.9	2.8	3.0	3.1
Primary Schools				
<i>Under 5s</i>	33.8	33.1	36.3	37.0
<i>5s and over</i>	243.9	233.8	214.0	210.9
Secondary Schools				
<i>Under school leaving age</i>	218.0	213.8	209.0	203.7
<i>Over school leaving age</i>	21.6	23.4	23.1	22.8
Total	520.2	506.9	485.4	477.5
Teachers	28.9	28.2	26.8	26.4
Pupil/Teacher ratio overall	18.0	18.0	18.1	18.1

(Source: Cmnd. 8789-II)

Pupil/Teacher Ratio. Throughout Great Britain, the best ever pupil/teacher ratio has been attained under this Government. In Wales, the position is even more favourable than in the country as a whole where the ratio is 18.6:1 as compared with 18.1:1 in Wales. Future spending plans provide for the maintenance of the pupil/teacher ratio at its existing level.

Spending per Pupil is also running at a record level. In 1982-3, £685 was spent per pupil (in primary schools) and £927 (in secondary schools), compared with £381 and £531 respectively in 1978-9.

Parental Choice has been exercised in the greatly enhanced form made possible by the Government's 1980 Education Act. In the majority of cases where dissatisfied parents have used the new appeals machinery established under the Act, their complaints have been conceded by the local authorities. Consequently there has been a fall in the number of grievances reaching the Welsh Office.

Standards have been widely regarded as unsatisfactory for some years, and considerable concern has been expressed by both employers and educationalists. In response to that concern, some improvement has been made under this Government. In 1977-8, 27.6 per cent of school leavers in Wales had no formal qualifications; by 1980-1 the percentage had fallen to 21.5. Furthermore, a lengthy series of discussions has been held among all interested parties to consider three papers published by the Welsh Office, entitled *Planning for Progress*, which contain a number of proposals designed to improve teaching methods and standards.

Local Authority Higher Education has since May 1982 been under the general supervision of a new advisory body, whose work complements that being done by the equivalent body in England.

Training. Since 1979, some 14,500 places have been provided for unemployed young people in Wales under the Youth Opportunities Programme (around 54 per cent have subsequently found jobs). There will be a sharp rise in the extent of the help given to this section of the community when the new Youth Training Scheme comes into effect in 1983. The Manpower Services Commission intends to provide 25,000 places for unemployed school leavers in the first year alone.

(E) THE WELSH LANGUAGE

Increased Government Support. The maintenance of the Welsh language has for long been one of the main objectives of Conservative policy in Wales. It was the last Conservative Government which gave financial assistance for the first time to the Welsh Language Nursery Schools, *Mudiad Ysgolion Meithrin*. Under this Government there has been a steady rise in the size of the grant to this body, from £80,000 in 1978–9 to £292,000 in 1983–4. Furthermore, the grant made to the Royal National Eisteddfod has more than doubled. The total sum provided (mainly to voluntary organisations and local authorities) for the support of the language under the established grant procedures has increased from £681,000 in 1978–9 to £1.54 million in 1983–4. In addition, new grants for the teaching of Welsh in schools have been introduced under the 1980 Education Act in fulfilment of an election commitment. In the first year, £500,000 was provided; in 1983–4 the total will be just over £1 million.

The Conservative Party's conviction that the Welsh language must be maintained has been underlined by Mr Edwards, who has said:

‘The political record of the Conservative Party in support of the Welsh language is impressive ... the political commitment of the present Government to the Welsh language is absolutely clear cut ... we cannot afford to be divided in Wales. We have to work to save the language and the culture that is the heritage of the whole nation’ (Llanrwst, 14th April 1980).

(F) ARTS AND BROADCASTING

1. ARTS AND LIBRARIES

Total expenditure on arts and libraries in Wales has risen under this Government from £19 million in 1979–80 to £25 million in 1982–3. The National Museum of Wales is one of the principal beneficiaries: in 1982–3 it received £5.7 million. The grant to the Welsh Arts Council has risen from £4.3 million in 1979–80 to £6.4 million in 1983–4.

2. BROADCASTING

Fourth TV Channel in Wales. The Government has implemented the commitment given in the 1979 Manifesto to provide Welsh language broadcasting on the new TV channel. The service, *Sianel Pedwar Cymru*, transmits 22 hours of Welsh language programmes each week, and has so

far attracted an audience proportionately greater than that drawn by the Fourth Channel in the rest of Britain.

(G) TRANSPORT

The Road Network in Wales has been extended and improved in the most dramatic fashion under successive governments. The ambitious trunk road programme that has been in progress for a number of years has been continued since 1979, despite public expenditure constraints. 52 miles of trunk road improvement and other improvements have now been completed. Work begun by the last government on the construction of the M4 motorway is now virtually finished (23 miles have been completed). Current schemes, due to be completed in the next three years, will produce another 40 miles of new trunk road at a cost of £275 million. Total spending on roads and transport has risen from £165 million in 1978–9 to £299 million in 1983–4.

Wales already possesses a network of first-class roads which contributes directly to economic growth and industrial regeneration. As a result of the latest phase of road building begun by this Government, the attractions of the Principality to investors will be further enhanced.

Railways. Wales now possesses a fast, efficient route linking the main cities in South Wales with England. Other parts of the rail network have been a source of considerable concern. In the South Wales valleys, passenger traffic has fallen by 25 per cent over the last two years and some lines have experienced losses of more than 50 per cent. Nevertheless, the Government has made it clear that a substantial reduction in the existing system would not be in the best interests of Wales.

(H) POLITICAL MATTERS

Welsh Office. The powers of the Welsh Office have been increased in fulfilment of a manifesto commitment. Since April 1981, the Secretary of State for Wales has had direct responsibility for the Rate Support Grant settlement in Wales. This was the only major area of Welsh policy still remaining in the hands of government departments in London. All purely regional questions can therefore now be settled within Wales itself, as a result of this important increase in the system of devolved administration in the Principality.

The Select Committee on Welsh Affairs, promised in the Manifesto at the last election, was established in 1979 as part of the new select committee system of the House of Commons. It has produced important reports on broadcasting, employment, and other matters.

Welsh Day Debates have been held annually under this Government on the floor of the House of Commons, thus reviving a practice often discarded by the last Labour Government. There have also been 14 other major Welsh Debates on the floor of the House, as well as 15 meetings of the Welsh Grand Committee.

Local Government. In 1981–2 Welsh local authorities played their part responsibly, and came close to achieving their targets for expenditure. In view of this satisfactory performance, the original RSG settlement for 1982–3 did not impose serious penalties on local authorities, and the original plans were implemented virtually unchanged. In the event, however, local authorities budgeted to spend £33 million more than the relevant expenditure provision. As a result, the

RSG is to be reduced by £5 million for 1982–3. The importance of the new system has been stressed by Mr Edwards who has said:

‘The introduction of a separate Welsh rate support grant system represents a change of fundamental importance for Welsh local government. It has enabled me, in consultation with local authority associations, to respond to the particular needs of Welsh authorities and to insulate Welsh authorities from events taking place in England and decisions of English authorities. It has enabled the Government properly to reward them for their moderation and good sense with what has been acknowledged to be a generous rate support settlement’ (*Hansard*, 25th February 1982, Col. 1001).

In 1983–4 the average rate increase in Wales will be no more than 0.7 per cent. In the years 1979–83 rates increased by 44 per cent, while the Retail Price Index rose by 55 per cent.

(I) THE OTHER PARTIES

1. LABOUR PARTY

No reference to Wales appears in either *Labour's Programme 1982* or *The New Hope for Britain*. However, the Welsh Labour Party published its own Draft Programme in 1981. This document:

- i. Lays stress on withdrawal from the EEC (despite the fact that Mr Ivor Richard, formerly a leading member of the Labour Party and now an EEC commissioner, has estimated that as many as 100,000 jobs could be lost in Wales as a result of withdrawal).
- ii. Proposes additional powers for the Welsh Development Agency to enable it to take shares in private enterprises, or acquire the ownership of firms outright.
- iii. Proposes new state-run institutions for the marketing and distribution of coal.

2. SOCIAL DEMOCRATIC PARTY

The SDP published in 1982 a consultative document entitled *Towards a Policy for Wales*, which calls for:

- i. An elected Welsh Assembly, along with an array of new quangos to perform functions which existing institutions have carried out perfectly well.
- ii. The eventual abolition of the office of Secretary of State for Wales.
- iii. A Commission on Welsh agriculture which might impose limits on the amount of land which an individual or organisation could acquire.

An elected Assembly for Wales was proposed by the last Labour Government. In the 1979 referendum, only 12 per cent of the electorate voted in favour of devolution.

3. LIBERAL PARTY

General approval has been given for a plan to establish an elected Assembly to which the powers now in the hands of the Welsh Office would pass. However, some leading Welsh Liberals have openly questioned the wisdom of devolution. Mr Alex Carlile, the prospective Liberal candidate for Montgomery (a seat lost by his party in 1979), has said:

‘The devolution campaign led very directly to the loss of the seat’ (*Western Mail*, 14th March 1983).

4. PLAID CYMRU

Plaid Cymru has published no formal policy document since the last election. However, at its conference in 1982 it accepted the following resolutions:

- (i) That ‘an independent democratic socialist Wales’ should be established.
- (ii) That there should be discrimination against English speaking Welshmen in predominantly Welsh-speaking areas.
- (iii) That public finance should be made available to local authorities to enable them to buy up property that might otherwise be used as second homes.
- (iv) That unilateral disarmament should be adopted.

23. NORTHERN IRELAND

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(A) INTRODUCTION

The Northern Ireland problem today has three sides to it. The best known is terrorism, since the death and destruction it causes are to be seen frequently on our television screens (though not nearly so frequently today as in the early 1970s). However, the terrorist campaign and the security measures employed to combat it directly affect (and are themselves affected by) the political situation in the Province on the one hand, and its economic position on the other. Progress in one field can lead to improvements in the other two, and by the same token a setback or reverse can have serious repercussions beyond the particular area in which it occurs. The Secretary of State, Mr James Prior, has used the analogy of a tripod to describe the bonds which unite the three main strands of the Ulster crisis. Lasting peace will be restored only when success has been obtained on all three fronts, bringing to an end the attitudes and circumstances that have permitted terrorism to continue.

For deep-seated historical reasons that will never change, the Irish Republic takes a considerable interest in everything that happens in Northern Ireland. The affairs of the Province are settled entirely by the Parliament at Westminster and the people of Northern Ireland themselves. However, they can both benefit from a close relationship with the Irish Republic.

In responding to the many-sided problem of Northern Ireland, the Government has:

- Ensured that the security forces have all the resources and backing they need to sustain the offensive against terrorism.
- Refused to be blackmailed by hunger strikers into conferring totally undeserved privileges on convicted terrorists.
- Established in 1982 a new elected Assembly to which power can be transferred when cross-community agreement has been reached by local politicians themselves.
- Introduced special economic measures in recognition of the particularly difficult circumstances in the Province.
- Placed Anglo-Irish relations on an entirely new basis, in recognition of the unique relationship between the two countries.

These policies show the Government's total commitment to Northern Ireland and all its people, reiterated by Mr Prior:

‘Much blood has been spilled by our soldiers, the security forces and police in Northern Ireland in their gallant fight against terrorists and murderers. We do not tire of our responsibilities, and we have not shirked them’ (*Hansard*, 28th April 1982, Col. 852).

(B) POLITICAL ISSUES

1. BACKGROUND

The Constitutional Position. The Conservative Party has always believed that the Union of Great Britain and Northern Ireland should be maintained as long as the majority of the people of the Province wish to be part of the United Kingdom. This view—the only responsible one that can be taken—was enshrined in law by the last Conservative Government, whose Northern Ireland Constitution Act 1973 states that ‘in no event will Northern Ireland or any part of it cease to be part of Her Majesty's dominions and of the United Kingdom without the consent of the majority of the people of Northern Ireland voting in a poll’.

Every general election that has been held in Northern Ireland since the partition of Ireland in 1920 has reaffirmed the support of the majority for the Union. This was underlined still further by the results of the referendum (known as the Border Poll) held in 1973, in which 99 per cent of those who voted (representing 58 per cent of the total electorate) declared themselves in favour of the Union. Provision exists for the holding of further such polls at intervals of not less than ten years. As the **Prime Minister** said in the first Airey Neave Memorial lecture delivered on 3rd March 1980:

‘It is recognised in the Irish Republic and elsewhere that there has always been a clear majority of the population of Northern Ireland which continues to want to remain part of the United Kingdom... No democratic country can voluntarily abandon its responsibilities in a part of its territory against the will of the majority of the population there. We do not intend to create any precedent of that kind.’

Defects of Direct Rule. Eleven years have now elapsed since the final prorogation of the Parliament of Northern Ireland, known universally as the Stormont Parliament, through which the Province was governed on the basis of majority rule for fifty-one years (1921–72). Since then, with the exception of five months in 1974 when the power-sharing executive held office, Northern Ireland has been governed by politicians drawn exclusively from Great Britain and responsible to the Parliament at Westminster, although they now have regular access to local opinion through the new Assembly. Because the local parties in the Province have their own separate organisations quite distinct from the main British parties, it is not possible for Northern Ireland politicians to hold office, like their counterparts in Scotland and Wales.

The only administrative functions which locally elected representatives are able to discharge fully are of a very minor order. They are exercised through the 26 district councils in the Province which, in a much-quoted phrase, can do little except ‘sweep the streets and bury the dead’. Under a scheme of reform agreed by the Stormont Parliament before its prorogation, all the main local government powers were transferred to the devolved institutions, which thereby became in effect the top tier of local government while retaining all their other powers. Some of those local government functions were then delegated to statutory bodies. For example, responsibility for all public authority housing in the Province passed to the Northern Ireland Housing Executive. Under direct rule, local politicians, both unionist and non-unionist, have

come to regard such 'quangos' with considerable suspicion, principally because they are unable to call them to account in the way that was intended when these bodies were set up.

Throughout almost all the last decade, therefore, Northern Ireland has had an extensive system of devolved administration—much more extensive than in Scotland or Wales—which was created and expanded to serve a devolved parliament that, in addition, also planned to absorb all the principal local government powers. As long as direct rule lasts, responsibility for this devolved administration rests with Parliament at Westminster; but Parliament cannot possibly provide the kind of detailed democratic control that is required. The increase in the number of Northern Ireland MPs from twelve to seventeen which will occur after the next general election will not remove this problem. It is for that reason that the Government will continue to encourage the main political parties in the Province to reach a firm understanding so that real power can be transferred to the new Assembly.

Direct rule does, therefore, have grave administrative and democratic shortcomings. On the other hand, it has in some ways worked well. It has provided fair, impartial and generally efficient administration. It gives serious offence to very few in the Province: on both sides of the community it has won acceptance. But it has not won enthusiastic approval. Everywhere it is seen as a second best. Such a system, which has failed to inspire positive support, can hardly serve as the basis for a long-term settlement. Much legislation for Northern Ireland is dealt with cursorily at Westminster, and local politicians naturally resent that fact: but the problem is inevitable as long as direct rule lasts in its present form, since pressure on the parliamentary timetable makes it necessary to legislate for Northern Ireland by Order in Council. No British Government over the last ten years has regarded direct rule as anything more than an interim or temporary answer to Ulster's political problems.

The Northern Ireland Parties. The long constitutional crisis has had a profound effect on the political power structure in the Province. Most significantly, the Ulster Unionist Party (referred to frequently as the Official Unionist Party) has lost the decisive command over political life in the Province that it enjoyed for so long, although under its present leader, Mr James Molyneaux, it remains the largest single party in the Province. Since 1974 it has had no official links with the Conservative Party in Parliament, though it continues to be affiliated to the National Union. Some of the moderate elements which were once within its ranks are now to be found in the Alliance Party (formed in 1970 to promote partnership between the two communities within the Union). At the other end of the spectrum, the more extreme unionists (or loyalists as they are often confusingly called) have helped to swell the ranks of the Democratic Unionist Party (DUP), led by the Rev Ian Paisley, whose policies on social and economic questions are acquiring an increasingly Left-wing slant. Opinion is now finely balanced between the DUP and the Ulster Unionists (see table below). The intense and bitter rivalry between these two parties is the dominating feature of politics in the majority community.

As regards the non-unionist minority, the most striking development has been the progress made by Provisional Sinn Fein at the expense of the Social Democratic and Labour Party (SDLP), which since 1971 has been the chief spokesman of those who believe in Irish unity by consent. Nevertheless, the SDLP still remains well entrenched in many rural areas.

The following table shows how the local parties have fared at elections since 1979.

Northern Ireland Elections: Percentage of Votes

Parties	Westminster	Europe	Local Government	Assembly
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	1979	1979	1981	1982
Ulster Unionist	36.6	21.9	26.56	29.8
Democratic Unionist	10.2	29.8	26.57	23.0
Other Unionist	5.3	6.7	5.0	5.4
Alliance	11.9	6.8	8.9	9.3
SDLP	19.7	24.6	17.6	18.8
Sinn Fein	—	—	—	10.1
Other Republican	1.7	0.8	9.5	3.0
Others	14.6	9.4	5.87	0.6

2. PREPARING FOR POLITICAL PROGRESS

Need for Devolved Government. All tests of opinion show that a new system of devolved government is the clear desire of the four main parties in Northern Ireland (Ulster Unionist, Democratic Unionist, SDLP and Alliance) which together command the support of eighty to eighty-five per cent of the electorate in the Province. All four called for a return to devolved government in their manifestos at the 1979 election, and have frequently reiterated their manifesto commitments since then. If the SDLP has tended more recently to give greater prominence to the issue of Irish unity, this is chiefly because it has failed to secure the type of devolved government that it favours.

The Government has consistently recognised that a new system of devolution must not be handicapped (as the Stormont Parliament was) by a failure to attract the full-hearted support of the non-unionist minority. To overcome this problem (which unsolved would render any new system highly unstable), it is essential that a responsible role should be found for those leaders of the minority who are ready to exercise it. In the special circumstances of Northern Ireland, stable government for the long-term cannot be created in any other way. Since the Province is divided sharply into two communities, a new system of majority rule which placed power almost entirely in the hands of the unionists could not provide stable government or destroy the attraction of violence to some members of the minority.

The Province's special circumstances, and the survival of overwhelming popular attachment to devolution during the decade of direct rule, mean that a very firm distinction can be made between Northern Ireland on the one hand, and Scotland and Wales on the other. As the referendums of 1979 made clear, the level of public support for devolution in Scotland and Wales is considerably lower than in Northern Ireland.

The Stormont Conference. In October 1979 Mr Humphrey Atkins, then Secretary of State, invited the four main parties to attend a conference in order to identify the highest level of agreement on how powers might be restored to locally elected representatives. The Ulster Unionists refused to attend the conference; but the three other parties met for 34 half-day sessions at Stormont between January and March 1980, under the chairmanship of Mr Atkins, to put forward their views on the future government of Northern Ireland, and to discuss an agenda based largely on the Working Paper for the conference published by the Government in November 1979 (Cmnd. 7763). The Working Paper set out a number of principles, which were accepted by all the parties at the conference. One of those principles laid down that any future administration for Northern Ireland must include 'reasonable and appropriate arrangements to take account of the interests of the minority'. Furthermore, on all sides strong support was again

expressed for devolution, while the alternatives to it were firmly rejected. (From the absent Ulster Unionists there also came a loud demand for devolution.)

The conclusions reached by the participants were incorporated, along with further proposals by the Government, in a discussion document, *Proposals for Further Discussion* (Cmnd. 7590), published in July 1980. It stated:

‘The desire for a transfer of powers comparable in scope (though not identical in detailed arrangement) with the 1920 and 1973 constitutions is widely expressed. There was general opposition among the parties who took part in the Conference to a transfer of powers and functions on the lines of local government in Great Britain. The creation of more than one sub-provincial assembly would entail expense, disruption and confusion. Northern Ireland can and should be regarded for governmental purposes above the level of the District Councils as a single entity’ (para. 25).

On the other hand, there was no meeting of minds on the crucial issue of how devolved power should be exercised. The discussion document proposed two possible devolution schemes, but neither found favour. Anticipating this negative response from the local parties, the Government also put forward an alternative to these two schemes. The discussion document concluded by stating that in the absence of agreement ‘a progressive approach to the transfer of a range of powers’ could be adopted.

3. A FRAMEWORK FOR DEVOLUTION

In 1981 the acute sense of crisis caused by the hunger strike at the Maze prison (see p. 373) made it impossible to carry forward the discussion of devolution. As soon as the hunger strike ended, however, ‘the progressive approach’ to political improvement outlined in 1980 was explored in detail. After a full study of all the options, the Government in April 1982 published its conclusions in a White Paper, *Northern Ireland: A Framework for Devolution* (Cmnd. 8541). The fresh initiative which this document signalled differed markedly from those which had preceded it. Flexibility was its keynote. The chief feature of the framework it proposed was a new elected Assembly which could evolve in accordance with local wishes, and at a pace set by local representatives. Elections would be held under the same system of proportional representation—the single transferable vote—that has been used at all elections in the Province since 1973 with the exception of general elections to the House of Commons. From the outset the Assembly would be given important work to do through a powerful system of select committees. Yet at any time it would be open to local politicians to seek a general inter-party agreement on the transfer of all (or, if they preferred, just some) of the legislative and executive powers available for devolution under the 1973 Constitution covering all local affairs (except, in the first instance, security). In addition, this initiative introduced the concept of rolling devolution. Thus, provision was made for the transfer of power back to the Westminster Government from the Assembly, to which it could be returned again if the difficulties which necessitated the transfer should disappear.

Mr Prior endorsed the description of his plan as a ‘do-it-yourself’ devolution kit. He said of his proposals:

‘They are designed to offer an opportunity for the people of Northern Ireland to come to terms with the realities of the situation and the necessary adjustments to it on which economic, political and security advance all depend’ (*Hansard*, 28th April 1982, Col. 860).

Northern Ireland Act 1982. This short, seven-clause measure gave effect to the novel and flexible arrangements proposed in the White Paper. It laid a clear obligation on the new Assembly to establish committees related to each of the six Departments of the Northern Ireland Government, and specified the procedures that should be followed in choosing the (salaried) chairmen and vice-chairmen of these committees in order to ensure that they reflect the balance of parties in the Assembly. The Act also laid down the criteria that would have to be met before devolved power could pass either fully or partially to the Assembly. Proposals for the transfer of power can only be submitted to the Government when seventy per cent of the members of the Assembly have reached agreement on them, or when the Secretary of State is satisfied that the transfer, although supported by a smaller majority, is likely to command widespread acceptance throughout the community. In such circumstances an Order in Council, restoring devolution in whole or in part, would be laid before Parliament; before passing it, each House would be required to declare explicitly that it was of the opinion that the new arrangements were likely to be widely accepted. Until this position is reached and the Assembly remains without power, it is entitled to supplement the work done through its committee system by discussing and reporting to the Secretary of State on any matter that has been earmarked for devolution eventually. It can also express a view about legislation for the Province, both as regards the underlying principles and the detailed content.

The Assembly in Session. In the elections to the 78-member Assembly held on the 20th October 1982, the Ulster Unionists gained 26 seats, while their arch-rivals, the DUP emerged with 21. The 10 successful Alliance candidates (6 Catholic, 4 Protestant) and two independent Unionists completed the Assembly's active membership, the two main anti-unionist parties having campaigned on an unambiguously abstentionist platform (just as anti-partition candidates had done in the early years of the Northern Ireland Parliament in the 1920s). These parties won 19 seats between them, of which 14 went to the SDLP and the other 5 to Sinn Fein, whose success (although given great publicity) was only slightly greater than that of the H-block candidates in 1981.

The first meeting of the Assembly took place on 11th November 1982. Since then it has held debates on a number of issues (including security), and established committees which have set to work on the detailed examination of the policies being followed by the Stormont departments, run by some 32,000 civil servants. Commenting on the performance of the Assembly so far, Mr Prior has said:

‘As envisaged, a good deal of business is being handled by the six statutory committees corresponding to the Northern Ireland Departments. I welcome the fact that all the parties attending the Assembly are participating in the work of these committees. It remains a matter of regret that the SDLP has not taken its seats. I believe that Northern Ireland's interests would be best served if the elected representatives of all the constitutional parties were to seek agreement on devolution in the Assembly’ (*Hansard*, 10th February 1983, Col. 1132).

(C) ANGLO-IRISH RELATIONS

1. THE UNIQUE RELATIONSHIP

The rules which normally govern the relations between independent sovereign states have never applied to those between the United Kingdom and the Irish Republic. By any standard the relationship is unique. This country has closer ties with the Irish Republic than with many

members of the Commonwealth, to which the Irish Republic does not belong. Irish citizens living in this country enjoy all the rights and privileges of British citizens, since British law makes no distinction between them. This special position was created under the Ireland Act 1949, brought forward by the Attlee Government (with the support of the Conservative Party) when the former Irish Free State severed its final links with the Crown. The Ireland Act declared that 'the Republic of Ireland is not a foreign country for the purposes of law in force in any part of the United Kingdom', in recognition of the fact that the two countries would continue in the future to be inextricably linked in a multitude of different ways.

Anglo-Irish Summits. In 1980 the Government made clear its firm desire for a closer rapport with the government in Dublin, then led by Mr Charles Haughey. As Mr Prior has explained:

'In doing so, they had in mind not only the mutual interests of the two states, but a belief ... that close Anglo-Irish relations between London and Dublin were an important element in reducing intercommunal tensions in Northern Ireland' (*Hansard*, 10th December 1982, Col. 1115).

A meeting took place between Mrs Thatcher and Mr Haughey on 21st May 1980, at which the unique relationship between the two countries was firmly underlined. Since then two further Anglo-Irish summits have been held, involving on the Irish side both Mr Haughey and his Fine Gael successor, Dr Fitzgerald. At the first of these summits on 8th December 1980, it was agreed that senior officials of the two governments should carry out joint studies of five matters of mutual concern (namely, citizenship rights, security, economic co-operation, possible new institutional structures and the encouragement of mutual understanding). This exercise prepared the ground for the establishment of an Anglo-Irish Intergovernmental Council, which was formally constituted at the second summit on 6th November 1981, in order to provide a framework for regular meetings at ministerial and official levels. At the sessions of the Council which have taken place so far, the possibilities of fuller co-operation on economic matters, and particularly energy, have loomed large.

Great strain was placed on Anglo-Irish relations as a result of the attitudes adopted by Mr Haughey's government during the Falklands crisis. His replacement by Dr Fitzgerald has now created a more encouraging climate for the further development of this unique relationship, which in no way threatens Northern Ireland's constitutional position as part of the United Kingdom.

Irish Voting Rights. As a direct result of the special status they have been accorded, Irish citizens resident in this country are eligible to vote in all our elections. At present there are around half a million Irish citizens on the electoral register, who are often thought to be (though recent surveys have not borne this out) overwhelmingly pro-Labour in their outlook. Some opposition has been expressed recently to the continuance of Irish voting rights, not out of hostility to the Irish, but on the grounds that a fundamental constitutional principle is breached when citizens from a country outside the Commonwealth are allowed to participate in our elections. That view has now been brought to the attention of the House of Commons Select Committee on Home Affairs, which in 1982 began a review of this question along with a large number of other issues relating to electoral law. In answer to a parliamentary question, Mr David Waddington, Minister of State, Home Office, made clear that the Government had 'no plans' to alter the existing arrangements, but that it would 'carefully consider any proposals' made by the Select Committee (*Hansard*, 3rd February 1983, WA, Col. 158).

2. CO-OPERATION ON SECURITY

The closer understanding between the governments in London and Dublin has helped to create the conditions for more effective co-operation on security. At the last Anglo-Irish summit the two Prime Ministers re-emphasised 'their resolute opposition to violence', and reviewed the operation of the special legislation which came into effect in 1976, allowing terrorists to be tried in one country for offences committed in the other. The joint communiqué issued after the summit stated that:

'They noted with approval the efforts now being made under the criminal law jurisdiction legislation to ensure that those who committed crimes in one country should not be able to escape prosecution and conviction by seeking refuge in the other' (6th November 1981).

Since then, the law officers of both countries have discussed the possibility of strengthening this legislation. So far only six cases have been tried under it, leading to the conviction of sixteen people. Legal proceedings could be instituted more readily if the Irish Republic would make it easier to extradite suspected terrorists wanted by the police in Northern Ireland. As Mr Prior has said:

'We shall put extradition at the top of any agenda for discussions with the Republic, because we believe that it is vital' (*Hansard*, 23rd December 1982, Col. 1058).

Considerable progress has been made since 1979 in improving co-operation between the Royal Ulster Constabulary and the Irish police, to whom increased resources have been made available. A highly successful working relationship has been created, making it much more difficult for terrorists to operate along the border.

(D) SECURITY

1. TERRORISM

The IRA and INLA. No irreconcilable differences of policy or strategy divide these two terrorist organizations which bear the main, though not the exclusive, responsibility for the continuing violence in the Province. The Irish National Liberation Army, formed in 1975, is the smaller of the two; its atrocities tend to be more horrific and unpredictable; and it has consciously espoused the cause of Marxist revolution to a much greater extent than the IRA. However, as far as immediate objectives are concerned, there is nothing to choose between them. Both groups are trying to destroy lawfully constituted democratic government throughout Ireland, not just in Northern Ireland. This fundamental point has been emphasised by Mr Gerry Adams, Vice-President of Provisional Sinn Fein (the political wing of the IRA), who has said: 'the term united Ireland means that the Government that has been set up in Eire must come down' (*Time* magazine, 12th November 1979). The terrorists therefore present as great a threat to the Irish Republic as they do to the United Kingdom.

The men of violence must never be allowed to believe that they can attain their goal, as Mrs Thatcher has stressed:

'Terrorism can only be beaten if terrorists know they can never win. If the bomber is seen to succeed, then he has beaten the ballot box... It is the Government's first duty to protect its people from attack. To that duty this Government is wholly committed' (London, 20th May 1981).

The Hunger Strikes. In October 1980 the two terrorist groups resorted to another tactic that has always had a firm place in Irish republican violence, the hunger strike. Seven convicted prisoners serving sentences for serious terrorist offences at the Maze prison went without food for nearly two months in an unsuccessful attempt to obtain (in their own words) ‘the status of political prisoners’. On that occasion the hunger strike was called off before anyone died. But in March 1981 Bobby Sands began his highly publicised hunger strike in a second attempt to secure privileged treatment for IRA and INLA prisoners, and to humiliate the Government. On 9th April, Sands was elected MP for Fermanagh and South Tyrone. He died on 5th May, and nine other suicides occurred before the hunger strike was finally abandoned on 3rd October 1981 with its object unattained. Explaining her resolute stand, Mrs Thatcher said:

‘What they (the terrorists) want is not prison reforms, but a special different status for some prisoners. This the Government cannot concede since it would encourage further blackmail and support for terrorism’ (Letter to Cardinal O’Fiaich, 15th May 1981).

Loyalist Paramilitaries. By far the largest loyalist paramilitary group is the Ulster Defence Association, which in its heyday had the support of some 40,000 Protestants (it has now dwindled to around 13,500). Some of its members are believed to have close connections with three much smaller loyalist groups which make no secret of their violent activities. These groups are the Ulster Freedom Fighters, the Red Hand Commandos and the Ulster Volunteer Force. All three are proscribed organisations.

2. SECURITY POLICY

The Government’s policy rests firmly on principles to which all the main parties in the House of Commons have pledged full support over recent years. The most important of these principles lays down that the rule of law must be enforced with absolute impartiality in both communities, from whom constant help is essential if terrorism is to be eradicated. As Mr Prior has said:

‘To be successful, security policy must have the support of the community as a whole, because the first weapon against terrorism lies in the co-operation of the public and in the provision of evidence which can secure convictions before the courts’ (*Hansard*, 9th December 1982, Col. 1066).

The Security Forces. The chief responsibility for upholding the law lies with the Royal Ulster Constabulary, which calls on the regular army and the part-time Ulster Defence Regiment as and when it requires assistance. To combat the terrorist campaign, the RUC has been substantially increased. At the start of the present crisis, it had 3,000 men. Today its strength stands at 7,718, having risen by over 1,000 since 1979. There have been repeated allegations that the RUC draws all its recruits from the majority community. In fact, according to reliable estimates, around eleven per cent of the force is (and indeed always has been) Roman Catholic, a far from insignificant proportion in the Northern Ireland context.

Recently, there has been a steadily growing disposition to accept the police in areas where formerly they were treated with hostility. Normal policing has therefore been greatly extended. However, as the Government has repeatedly emphasised, regular soldiers (who at present number around 10,000) will continue to help the civil power until the stage is reached when they are no longer needed, and they can return to the garrison duties which preoccupied them before 1969. Even now, the RUC’s main source of support is the Ulster Defence Regiment, the 7,150 strong unit recruited locally and liable for service only within Northern Ireland. It performs vital,

if unspectacular, functions such as manning vehicle check points and guarding essential installations.

Security Statistics. In the period 1969–82, 172 policemen, 126 members of the UDR and 366 regular soldiers died defending the democratic way of life in Northern Ireland. 1,602 civilians have also lost their lives.

The following table shows the pattern of violence in the Province during the last four years, and illustrates the overall improvement that has occurred since 1972, the worst year of terrorist violence in the Province.

Violence in Northern Ireland					
	1972	1979	1980	1981	1982
<i>Deaths</i>					
Army/UDR	129	48	16	23	28
Police	17	14	9	21	12
Civilians	321	51	50	57	57
Total	467	113	75	101	97
<i>Injuries</i>					
Army/UDR	578	153	77	140	98
Police	466	165	194	332	99
Civilians	3,813	557	530	878	328
Total	4,857	875	784	1,350	515
Persons charged with terrorist offences (from 1.8.72)	531	670	550	918	686

(Source: Northern Ireland Office)

(E) THE ECONOMY

1. THE SCALE OF THE PROBLEM

All statistics comparing the various parts of the United Kingdom make gloomy reading for people in Northern Ireland. From almost every test that can be applied, Northern Ireland emerges as the poorest and most depressed region of the country (and one of the poorest in the EEC comparable with parts of Italy like Naples). According to official figures published in 1981 in *Regional Trends*, average weekly pay was £8 less than in Great Britain and more than twenty per cent of average family income came from social security benefits, while spending on child and supplementary benefits was higher than anywhere else.

Violence has certainly contributed to this deeply disturbing state of affairs: a Cambridge economist, Mr Robert Rowthorn, has estimated that around 24,000 jobs were lost in the decade 1970–80 as a direct result of terrorist activities ('Northern Ireland: An Economy in Crisis', *Cambridge Journal of Economics*, Vol. 5, 1981, pp. 1–31). However, the principal cause of Northern Ireland's economic plight has been the steady and unrelenting decline in its four traditional mainstays: agriculture, shipbuilding, textiles and clothing. Employment in these four industries declined by half between 1950 and 1979: with the expansion of the working population, their share of total employment fell from 40 to 18 per cent. The high rate of

population increase, which has been so marked a feature of economic life in the Province, has now slackened, but it still remains much higher than in Great Britain. The rate of unemployment has for some time been over 20 per cent, which means that more than 110,000 in the working population are without jobs. Quite clearly, the solution of these problems can only be found by the creation of new jobs on a very substantial scale in enterprises which can withstand competition. The fresh investment essential for this process was not forthcoming on a sufficient scale in the early 1970s; and, although a marked improvement took place after 1977, more recent experience has been extremely disappointing.

The upshot is that the Northern Ireland economy has become dangerously dependent on public finance, a substantial part of which is now provided by taxpayers in Great Britain. In economic terms, the importance of Northern Ireland's relationship with Great Britain has increased dramatically. The latter's subvention to the Province stood at £52 million in 1966–7; by 1980–1 it had risen to £1,090 million. It has been authoritatively estimated that as a proportion of GDP, the subvention rose from 2–5 per cent in the 1950s and 1960s to 20–30 per cent in the 1970s. This very substantial financial assistance has helped to sustain a large public sector which employs around 40 per cent of the working population, compared with 30 per cent in Great Britain. Furthermore, it has political, as well as economic, dangers; for it lends encouragement to the irresponsible Left-wing elements in Britain who favour withdrawal from Northern Ireland.

2. THE GOVERNMENT'S APPROACH

The 1979 Conservative Election Manifesto acknowledged that Northern Ireland would continue to require government support. That support has been given. Industrial incentives in the Province are more generous than in the special development areas of Great Britain. In the latter, grants for factory buildings and machinery are 22 per cent of the total cost, whereas in Northern Ireland they range between 30 and 50 per cent; and there are also further grants for new firms in respect of each job created in an investment project (for which there is no direct equivalent in Great Britain). The distribution of these grants is in the hands of the Government's new Industrial Development Board which was set up in 1982 with an annual budget of £100 million.

The Government has also given a major stimulus to small businesses which have traditionally been even more important in Northern Ireland than in Great Britain. The Local Enterprise Development Unit, which exists to promote small business, has been given a target of 12,000 new jobs to be created over the next five years, which will involve not only the establishment of new firms but also the expansion of existing ones.

The task of attracting fresh investment should be greatly eased as a result of the Government's decision in 1981 to bring electricity tariffs, which have been 20 per cent higher in the Province, permanently into line with those in Britain. As Mrs Thatcher said, this measure provides 'confirmation of the Government's economic commitment to the Province' (Belfast, 5th March 1981). That commitment continues to be demonstrated in the Government's attitude to public expenditure in Northern Ireland. In 1983–4, £3.8 billion will be spent following an increase in the original plans. As Mr Prior has pointed out:

'Over the last two years, very considerable additional public finance has been obtained for Northern Ireland in excess of what had been allocated in the original plans. In 1982–3 the additional figure was £90 million, and in the forthcoming financial year it was to be £30 million, despite the decline in the public expenditure total for the UK as a whole' (Belfast, 7th February 1983).

Further special help will be provided under the terms of the Government's latest economic initiative, announced on 23rd March 1983. It introduced 80 per cent relief on Corporation Tax for new and expanding industries; exempted industrial premises from paying rates; and established 30 per cent grants for energy conservation.

(F) OPPOSITION POLICIES

1. LABOUR PARTY

The Labour Party has allowed Mr Ken Livingstone, Leader of the Greater London Council, to become its best-known commentator on Irish affairs. Wide coverage has been given to his statements calling for the withdrawal of British troops from Northern Ireland and negotiations with Provisional Sinn Fein, which Mr Foot has described as 'a terrorist organisation' (*Daily Telegraph*, 28th February 1983). Much less has been heard about the official party policy prepared with great care by a special study group under Mr Alex Kitson (Deputy General Secretary of the TGWU, who was then also Chairman of the Labour Party), and endorsed by the party conference in 1981. Officially, Labour has firmly repudiated the idea of 'an immediate or early withdrawal of troops' as advocated by Mr Livingstone. According to Mr Kitson (who is not exactly a Right-winger) a British withdrawal 'would lead to a bloodbath' (*Socialist Youth*, February 1983). Furthermore, the official party line decrees that Irish unity should not occur as a result of a deal with Sinn Fein but 'by peaceful means and on the basis of consent' (*The New Hope for Britain*, March 1983), an approach which leaves Labour leaders free to support Ulster's existing constitutional position (since the consent of the majority in the Province cannot be obtained). There is no sign that any efforts are being made to resolve this clear conflict between Mr Livingstone and the 'troops out' lobby on the one hand, and official party policy on the other.

2. LIBERAL PARTY

The Liberals continue to observe the 'bipartisan understanding' on Northern Ireland. They gave firm support to the Government's Northern Ireland Act, their one complaint being that no Bill of Rights had been included in it. The cause of Irish unity has made no serious headway in the party. Mr Stephen Ross, the party's spokesman on Northern Ireland, has said: 'any manifesto commitment to a United Ireland, however vague or long term in application, is neither feasible nor sensible and only aggravates the situation' (*Liberal News*, 15th December 1981). Some doubt, however, has arisen over the party's attitude to terrorism. In March 1981, five Liberal MPs, including Mr Steel, voted against the renewal of the Prevention of Terrorism Act.

3. SOCIAL DEMOCRATIC PARTY

Dr Owen professes to believe that 'Northern Ireland cannot be allowed to simmer in the background of British politics' (*Face the Future*, p. 338). Nevertheless, neither he nor any other member of the SDP has attempted to stimulate any serious policy work within the party. During a visit to the province in 1981, Dr Owen told journalists that the SDP 'was not itself producing any blue print on what should be done' (*Belfast Telegraph*, 2nd October 1981).

24. DEFENCE

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(A) LABOUR'S LEGACY

During its five years in office, the last Labour government inflicted serious damage on Britain's defences. It cut defence spending on five separate occasions and, according to Labour's 1979 election manifesto, intended to reduce it still further. As the former Secretary of State for Defence, Mr (now Sir) John Nott, said:

‘When we came into office in 1979 we inherited from the Labour Government a defence budget which had been declining steadily and which was then at its lowest in real terms since before the Korean War’ (Hillhead, Glasgow, 15th March 1982).

Labour had also damaged the morale of our forces by failing to maintain forces' pay at a level comparable with civilian rates. The loss of trained manpower was reaching alarming proportions. In the words of Mr Nott:

‘The Army was overstretched, undermanned, underpaid and badly equipped, and confidence in the future was undoubtedly at a low ebb’ (Harrogate, 13th February 1982).

The Labour government consistently underestimated the Soviet threat to those unwilling or unable to defend themselves—a threat whose reality was again exposed a few months after the last General Election, when the Russians invaded Afghanistan (see Chapter 26, p. 414).

(B) DEFENCE SPENDING

1. A STEADY INCREASE IN EXPENDITURE

The foundation of an effective defence policy must be the willingness of the Government to provide adequate funds to enable the armed forces to meet the many and difficult challenges which may face them. At a time when vital weapons programmes often take many years to come to fruition, it is now particularly important for defence planners to have a consistent defence expenditure programme ahead of them.

Since coming into office, the Conservative Government has adhered to the NATO aim of a 3 per cent annual increase in defence spending in real terms; and in 1981, in order to provide a firm base for future planning, it pledged itself to continue to do so at least until 1986.

In 1982, the United Kingdom spent 5.1 per cent of its Gross Domestic Product (GDP) on defence, compared to 6.6 per cent by the United States, 4.1 per cent by France, 3.4 per cent by West Germany and 2.6 per cent by Italy.

Defence expenditure amounted to £14.4 billion in 1982–3 and is planned to be £15.98 billion in 1983–4.

Mr Nott, in his introduction to the 1981 Defence White Paper (Cmnd. 8212), summed up Britain's contribution to NATO, underpinned by this expenditure:

‘By any measure our forces make an outstanding contribution to the NATO Alliance. Their part in meeting the Alliance's collective needs is unique. Alone among European members we make not only an independent contribution to the strategic nuclear forces of NATO, but also major contributions to the land and air forces of the Alliance in the Central Region, to its naval and maritime air forces in the Channel and Eastern Atlantic and to the protection of our home base.’

2. PRESSURE ON DEFENCE BUDGET

Despite the continuing increase in defence spending, the Government has faced considerable budgetary problems. Mr Nott explained:

‘The relentless application of resources and technology to military use by the Soviet Union over the last ten years has greatly increased the problems facing our own equipment designers. The complexity and cost of most equipment has risen, and continues to rise, alarmingly. Changing technology has also posed new challenges for our Armed Forces. ...New ways must be found of coping with resource pressures, and we must reshape our forces to meet the developing threat’ (ibid).

It was for this reason that the Government decided in 1981 to undertake a Review of the whole defence programme and see whether changes of emphasis were desirable, and how best the increasing defence budget could be spent (see Section C).

3. DEFENCE EXPENDITURE AND THE FALKLANDS CONFLICT

The cost of replacing equipment lost in the Falklands conflict, together with the cost of the campaign and of the garrison, will be met by the Government out of expenditure which will be additional to existing plans for defence spending. The Government estimates that the extra cost to the defence budget was about £700 million in 1982–3. £624 million has been allocated for Falklands defence purposes in the present financial year, and £684 million in 1984–5.

(C) THE 1981 DEFENCE REVIEW

The conclusions of the 1981 Defence Review were published in a supplementary Defence White Paper, *The Defence Programme* (Cmnd. 8288), on 25th June 1981.

It was decided to give increased emphasis to home defence with a progressive expansion of the Territorial Army (see p. 381) and air defence (see p. 381). Suggestions that our land contribution in West Germany should be reduced were rejected. Britain would continue to commit 55,000 men to the British Army of the Rhine (BAOR) in accordance with our treaty obligations. However, one divisional headquarters would be withdrawn. There would also be a small reduction in the overall size of the regular army, which would release funds for a wide range of army equipment programmes.

So far as the Royal Navy was concerned, the Government decided that, while it was essential for Britain to maintain a substantial maritime contribution, the enormous cost of building and refitting surface warships made a certain contraction of the surface fleet inevitable. Accordingly, it was proposed to reduce the destroyer and frigate force, which we contribute to NATO, from about 59 to 50. On the other hand, the force of nuclear-powered attack submarines would be increased from 12 to 17 and there would be more Nimrod maritime patrol aircraft. It was decided only to keep two of the three Invincible class aircraft carriers (but see below). The dockyards at Chatham and Gibraltar would close and there would be a reduction in the volume of work at Portsmouth. Overall civilian numbers in the Ministry of Defence would fall by between 15,000 and 20,000.

Note: The decision to keep only two carriers was cancelled in the light of the Falklands conflict and the size of the destroyer and frigate force will be maintained at 55 at least until 1985. See next section for details.

(D) DEFENCE POLICY AFTER THE FALKLANDS CONFLICT

The military operations to liberate the Falkland Islands from Argentine occupation in the summer of 1982 (see p. 433) meant that for the first time for many years the capability of our armed forces and their weapons and equipment were tested in action and under the most rigorous conditions.

On 14th December 1982, the Government published a White Paper (Cmnd. 8758). This announced a whole series of additions to our defence capability in the light of the conflict, of which the principal ones are as follows.

- a. The RAF tanker fleet will be strengthened by the purchase of six British Airways Tristar aircraft. As Mr Nott said:

‘... this will enormously increase our existing tanker capacity. For example, a single Tristar tanker will be able to do the work of eight Victor refuelling aircraft in the South Atlantic. It could also carry up to 120 troops, even while refuelling’ (*Hansard*, 14th December 1982, Col. 128).
- b. At least 12 Phantom aircraft will be bought from the United States to replace those committed to the South Atlantic.

- c. Four frigates and destroyers which would have been placed in the standby squadron in 1984 and 1985 will now be kept fully operational. This means that there will be 55 frigates and destroyers at least up to 1985. The figures for the years subsequent to 1985 will be for the Government of the day to decide.
- d. A modern point defence weapon system is to be provided for all the carriers, the two assault ships, HMS Bristol and the Type 42 destroyers, but the choice of system has not yet been settled.
- e. Each of the aircraft carriers will be provided with an organic airborne early warning capability, based on the Searchwater radar.
- f. The airborne and other capabilities of 5 Infantry Brigade will be further improved for operations outside the NATO area. RAF Hercules aircraft are already earmarked for deployment of the brigade and it will have a parachute assault capability by 1985.

Replacements. The White Paper announced that the four major surface ships lost by enemy action would be replaced by four Type 22 frigates. All lost Harrier aircraft and Sea King, Lynx and Chinook helicopters would be replaced. In addition, seven extra Sea Harriers, six extra Sea King helicopters and five more Chinook helicopters would be bought.

The Falklands Garrison. The White Paper makes it clear that it will be necessary to maintain a sizeable garrison on the Falkland Islands for the foreseeable future. This will include:

‘... air defence radars, RAF Phantoms, Harrier and Hercules aircraft, Chinook and Sea King helicopters, Rapier air defence systems, an infantry battalion and supporting arms. Nuclear powered submarines, destroyers, frigates, Sea King helicopters and patrol craft, with afloat support, will be deployed in the South Atlantic; and the ice patrol ship, HMS Endurance, will be retained for service there.’

Other Naval Aspects. The White Paper confirmed the decision announced in July 1982 that HMS Invincible would not be sold to Australia. With three carriers—Invincible, Illustrious and Hermes (the latter to be replaced by Ark Royal in 1984–5)—it will be possible for the Navy to guarantee that at least two carriers are always operational.

The plan to close Chatham dockyard in 1984 stands. However, Portsmouth naval base will become larger than was envisaged in the 1981 White Paper. About 1,500 jobs will probably be saved in Portsmouth. The future manpower requirements of the Royal Navy in the light of the Falklands conflict have not been finally settled.

(E) STRENGTHENING OUR DEFENCES

Apart from the particular improvements in our defence capability decided as a result of the Falklands conflict, the period of Conservative government has seen a steady improvement in the quality and strength of the forces. Notable examples of this are given below.

1. THE ARMY

The number of manned tanks on the NATO Central Front has increased by more than a quarter. Two additional armoured regiments are to be formed in the mid-1980s, after the new Challenger tank is introduced and it will be possible to provide for a full complement of Chieftain tanks as a war maintenance reserve.

A wide range of new weapons and equipment are being deployed with the British Army of the Rhine, for example Milan and TOW anti-tank weapons, Blindfire Rapier missile systems and new communications systems. In the words of the 1982 Defence White Paper (Cmnd. 8529):

‘This far-reaching programme will put the British Army among the leaders in the quality of its equipment and we shall devote similar attention to its powers of endurance by building up war stocks at every opportunity’.

2. THE ROYAL NAVY

A major modernization programme for the fleet is in hand. In 1981–2, the Conservative Government spent more in real terms on ships and their weapon systems than for the past 19 years and almost 50 per cent more than in 1978–9. Among the major naval programmes authorized for development or production since May 1979 are the Heavyweight Torpedo, the Sting Ray Torpedo, the improved Sea Wolf missile system and the new Patrol Submarine.

The Government has placed a number of new orders to build up the existing force of Type 22 frigate and SSN nuclear-powered submarines.

The primary element of the surface fleet in the 1990s will be the Type 23 frigate, cheaper and with a smaller crew than the Type 22. The Government is pressing ahead with development work on this ship, and it is hoped that the first will be operational by 1988. It is intended that a new Anglo-Italian helicopter should be developed to operate from this frigate.

3. THE ROYAL AIR FORCE

The Royal Air Force is phasing in a new generation of aircraft, weapons, ground support radar and communications systems. So far as UK air defence is concerned, a number of transportable air defence radars are being ordered. The Nimrod Mk 3 early warning aircraft will enter service in 1983. The air defence version of the Tornado (70 aircraft) will be operational by the middle of the decade. Two squadrons of Phantoms will continue in service instead of being phased out later in the decade. 72 Hawk training aircraft are being armed with missiles and guns for local air defence. The Sky Flash air-to-air missile has been introduced.

The offensive power of the RAF is being strengthened by the entry into service of the first Tornado GRI squadrons for operation by day and night and in all weathers. In due course, there will be 220 of these aircraft in service. The Government has also decided to buy 60 of the improved Anglo-American Harrier (AV8B).

Of particular significance in the light of the Falklands conflict is the decision to acquire the Sea Eagle anti-ship missile, which will have both a longer range and a greater ability than Exocet to counter decoy systems.

4. RESERVE FORCES

The Government has given particular attention to strengthening the Reserves. The Territorial Army, which provides almost 30 per cent of the Army's mobilized strength, is to be expanded from 70,000 to 86,000. The structure of the TA is being reorganized. In particular a new, predominantly Territorial, division is being formed. It will be based in York in peacetime and is

designed in time of war or tension to reinforce rapidly the British Army of the Rhine. The TA is being equipped with the most modern equipment (Blowpipe missiles, Clansman radios and Milan anti-tank weapons). The average number of training days is being increased from 38 to 42 a year.

A new Home Service Force is being established to help in the guarding of certain important civilian and military installations in times of tension or war, thus releasing Regular Army units for other tasks. The strength of the force could reach 4,500.

The Government is ordering a new class of minesweeper for the Royal Navy Reserve. New ground defence squadrons of the Royal Auxilliary Air Force have been set up.

5. PERSONNEL AND PAY

A vital aspect of the task of strengthening the armed forces has been the need to restore morale in the Services, which was very low in the late 1970s as a result of the failure of the Labour Government to keep Armed Forces pay at a comparable level with equivalent civilian rates.

In April 1979, just before the Conservative Government came into office, the services were having great difficulty in recruiting and keeping the necessary manpower. The Navy was 5 per cent below its then required training strength, while the Army was nearly 10 per cent below its requirement. This unhappy situation was very largely a result of the failure of the Labour Government to provide our servicemen with adequate pay.

As Mr Nott said: ‘...the pay of the Armed Forces was something between 16 per cent and 26 per cent behind their comparators in civilian life’ (Harrogate, 13th February 1982).

Within a week of the General Election, the Conservative Government acted to deal with the situation by giving the Armed Forces a supplementary pay rise.

In the words of the 1982 Defence White Paper:

‘...the (manpower) situation has been transformed for the most part by the restoration of Armed Forces pay to its proper level and the Government's commitment to keep it there. With a few minor exceptions in specialist categories, we no longer have difficulty in recruiting all the men and women we need....Fewer trained personnel are leaving than at any time since the ending of conscription.’

(F) THE MILITARY BALANCE

1. STRATEGIC NUCLEAR FORCES

There is broad parity between East and West in strategic nuclear systems (intercontinental and submarine-launched nuclear missiles and heavy bombers), although the Soviet Union has an advantage in the number of delivery vehicles and in total destructive power. The Soviet Union has 2,713, whereas NATO—excluding France—has 2,047. (See p. 384 for details of Strategic Arms Reduction Talks.)

2. INTERMEDIATE NUCLEAR WEAPONS

The Soviet Union has a clear and worrying superiority in European land-based intermediate nuclear systems of 3,940 to NATO's 980. This imbalance in Europe has been growing steadily since 1977 as the Soviet Union has deployed about 220 SS20 missiles, each with three warheads, aimed at Western Europe. There are over 100 more SS 20s in the Far East. It was in response to this threat that NATO decided in December 1979 to deploy 572 Cruise and Pershing II missiles in certain Western European countries from 1983 in default of a satisfactory arms control agreement.

So far as the United Kingdom is concerned, a total of 160 Cruise missiles are due to be deployed, the first batch at Greenham Common in Berkshire from the end of 1983 and the rest at Molesworth in Cambridgeshire in 1988 (see also p. 384).

3. CONVENTIONAL FORCES

On the Central European front, the Warsaw Pact has substantial superiority over NATO. The current balance is as follows:

	<i>NATO/Warsaw Pact Ratio</i>
Total soldiers	1:1.2
Main battle tanks	1:2.5
Artillery	1:3.0
Fixed wing tactical aircraft	1:2.1

In the Eastern Atlantic, the maritime balance is as follows:

	<i>NATO/Warsaw Pact Ratio</i>
Surface ships	1:0.7
Submarines	1:2.5
Maritime aircraft	1:1.7
Mines	1:3.1

The Soviet Union's superiority in both conventional and many categories of nuclear forces is a reflection of its massive defence spending. It spends about 13 per cent of its GDP on defence, whereas the United Kingdom spends 5.1 per cent and the United States 6.6 per cent.

4. CHEMICAL WEAPONS

The Soviet Union also has a vast offensive chemical warfare capability. Mr Geoffrey Pattie, Minister of State for Defence Procurement, said in Oxford on 3rd April 1982:

‘The Soviet Union has a stockpile of between 300,000 to 700,000 tonnes of chemical agents. NATO has no comparable capability and its chemical warfare effort is totally directed at the protection of its forces against such attacks.’

The United States has a stock of ageing chemical weapons, but these are not declared to NATO. In view of the continuing Soviet build-up, the United States has recently announced a modernisation programme, which it is hoped will encourage the Soviet Union to negotiate seriously for a complete ban on the production and stockpiling of these weapons. Britain destroyed her chemical weapons in 1957. The **Prime Minister** said in Bournemouth on 12th February 1983 that:

‘Britain has taken a lead with proposals for an international ban on the possession of chemical weapons. We destroyed our own stocks many years ago. Unilateralism did not work. The Soviets continued to build up their stocks.’

(G) TRIDENT

Britain has possessed her own nuclear weapons since the 1950s. Their purpose has been to contribute to NATO's strategy of deterrence and to provide an ultimate guarantee of our national security. Eight successive British governments, Conservative and Labour, have all considered the maintenance of Britain's independent strategic nuclear deterrent to be an essential element in our defence effort.

Polaris. Four Polaris submarines have served as Britain's independent deterrent since the late 1960s. Thanks to the Chevaline modernisation programme, carried forward by the last Labour Government in extreme secrecy and now completed under the Conservative Government, Polaris will now be effective until the mid 1990s. But thereafter a replacement will be necessary if Britain is to maintain an effective deterrent.

The Choice of Trident. Accordingly the Government, having considered all the alternatives, has decided to acquire the Trident II submarine-launched missile system from the United States to replace Polaris. The four submarines and their nuclear warheads will be designed and built in Britain. The missiles will, however, be serviced in the United States, rather than Coulport in Scotland as originally proposed.

The Government estimates that the Trident programme will cost about £7,500 million at 1981 prices, spread over a period of about 15 years. This will amount to an average of only 3 per cent of the total defence budget and 6 per cent of the equipment budget over that period. British industry will receive over £4,000 million worth of work from the projects. Mr Nott stated:

‘The Trident programme is expected to involve directly some 20,000 jobs annually in the peak years of the programme and some 15,000 indirectly’ (*Hansard*, 22nd March 1982, WA. Col. 275).

It has been suggested that Britain should choose a cheaper replacement than Trident. But, as Mr Heseltine, Defence Secretary, has said:

‘A cheap system that does not deter is simply a waste of money. One that can be pre-empted invites the very attack which it is supposed to protect us from’ (London, 10th February 1983).

It is sometimes suggested that the money to be spent on Trident would be better spent on further strengthening our conventional forces. Mr Nott, referring to Trident's capacity to deter, emphasized:

‘With its ability to destroy targets throughout a large area of the Soviet Union, there can be no comparison between Trident and more tanks, more ships or more aircraft when it comes to the overriding objective of the deterrent—the maintenance of peace’ (*News of the World*, 14th March 1982).

There has been peace in Europe for half a lifetime. In the East-West setting, deterrence has plainly worked and Britain has a distinctive role to play—one that our NATO allies welcome. It would be dangerous folly, in the world as it is now, to abandon that role. As Mr Nott said:

‘The best long-term way to sustain it at the strategic level is to build a new force around the Trident missile. That is, in absolute terms, not a cheap course, but the consequences of shirking it might one day prove unimaginably expensive’ (*Hansard*, 29th March 1982, Col. 29).

(H) DISARMAMENT NEGOTIATIONS

There are a number of different negotiations in train:

1. START (Strategic Arms Reduction Talks)
2. INF (Intermediate Nuclear Forces)
3. MBFR (Mutual and Balanced Force Reductions)
4. Committee on Disarmament (Chemical Weapons in particular)

1. START

Following the non-ratification of the SALT II Treaty signed by President Carter and President Brezhnev in 1978, the United States and the Soviet Union opened new negotiations on reductions in Strategic Arms in Geneva in June 1982.

On 11th May 1982, Mr Alexander Haig, then US Secretary of State, said:

‘In Geneva, the US will propose that, at the end of the first stage of START reductions, ballistic missile warheads be reduced to equal levels at least one-third below current numbers. The US will propose that, to further enhance stability, no more than half these warheads be deployed on land-based missiles’ (Washington).

This would mean that the number of ballistic warheads would be reduced to 5,000 on each side with further reductions later. President Reagan said on 22nd November 1982 that: ‘...our proposals would eliminate some 4,700 warheads and 2,250 missiles. I think that would be quite a service to mankind.’

The British Government fully supports the intention of the United States to seek significant reductions in strategic forces.

2. INF

In November 1981, two years after the NATO decision to deploy Cruise and Pershing II missiles from 1983 in default of an arms control agreement with the Russians, negotiations between the United States and the Soviet Union opened in Geneva (see p. 382).

The United States, with support from NATO, proposed the 'zero option', whereby NATO would abandon its plan to deploy its new missiles, if the Soviet Union agreed to dismantle its equivalent missiles (SS4s, SS5s and SS20s).

The Soviet Union first proposed a freeze on Intermediate Nuclear Force (INF) deployments, which would have left the East with a monopoly of this type of missile. Then in December 1982, the Soviet leader, Mr Andropov, said that the Soviet Union would reduce its intermediate missiles to the number of French and British missiles, if American Cruise missiles were not deployed. However, Britain and France have always regarded their nuclear deterrents as independent, *strategic*, forces, separate from the United States/Soviet military balance.

Speaking in the House of Commons on 18th January 1983, the **Prime Minister** said:

'The best balance between the Soviet Union and NATO is zero. In the absence of that, one must have a balance between the SS20s and the Cruise and Pershing missiles, which are in the same range of intermediate nuclear weapons... One hopes to achieve the zero option, but in the absence of that we must achieve balanced numbers. In calculating the balance, one must not go in for bogus counting' (*Hansard*, Col. 168).

The 'Dual Key' Issue. There has been considerable debate about the arrangements for the control of Cruise missiles, if they have to be based in this country. Mrs Thatcher has stated:

'The use of United States bases in the United Kingdom in an emergency would be a matter for *joint decision* by Her Majesty's Government and the United States Government in the light of circumstances prevailing at the time' (*Hansard*, *ibid.*).

Mr Peter Blaker, Minister of State for the Armed Forces, has pointed out:

'That arrangement has been held to be satisfactory by governments of both parties for the past 30 years and more.... It has been examined and found satisfactory by no fewer than eight Prime Ministers of both main parties. It covers the use of bases for all American forces in the United Kingdom, including the nuclear capable F111 aircraft that have been based here for more than 10 years' (*Hansard*, 25th January 1983, Col. 884).

Latest Developments. The victory of the Centre-Right coalition in the West German General Election on 6th March 1983 was an encouraging endorsement of NATO policy on the Cruise missile issue, which had played a major part in the election campaign. However, the Russians continued to rule out any idea of accepting the zero option. So on 30th March 1983, President Reagan, with the full support of other NATO countries, put forward a new compromise proposal. The key passage in his statement was as follows:

'When it comes to intermediate nuclear missiles in Europe, it would be better to have none than to have some. But, if there must be some, it is better to have few than to have many. If the Soviets will not now agree to the total elimination of these weapons, I hope that they will at least join us in an interim agreement that would substantially reduce these forces to equal levels on both sides. To this end ... we are prepared to negotiate an interim agreement in which the United States would substantially reduce its planned deployment of Pershing 2 and ground-launched Cruise missiles provided the Soviet Union reduces the number of its warheads on longer-range INF missiles to an equal level on a global basis.'

3. MBFR

The negotiations in Vienna involving conventional forces in Central Europe began in 1973. They directly involve seven NATO members and four Warsaw Pact members. For years they have been in deadlock; but on 8th July 1982 a new set of Western proposals was presented.

These called for a single agreement in which NATO and the Warsaw Pact would each reduce their force strength to 900,000 men. A prerequisite to this would be a satisfactory system of verification. For example, each side would have the right to conduct an annual quota of ground and/or aerial inspections of the territory of the other side.

A large obstacle to any agreement lies in the fact that NATO and the Warsaw Pact are unable to agree on the current strength of Warsaw Pact forces.

On 17th February 1983, the Soviet Union proposed that 20,000 Soviet and 13,000 American troops should be withdrawn and that this should be followed by a freeze in numbers. However, no attempt was made in the proposal to resolve the disagreement over the Warsaw Pact troop figures, nor was there any mention of how to verify the freeze.

4. COMMITTEE ON DISARMAMENT

The 40-nation Committee on Disarmament is working in Geneva on a number of subjects, of which perhaps the most important is chemical weapons.

Chemical Weapons. The committee is working on a treaty which would prohibit the development and possession of chemical weapons. In February 1982, Britain tabled an important paper on the verification procedure needed to ensure that stocks of these weapons are not secretly held or developed (see p. 383).

On 10th March 1983 in Geneva, Mr Douglas Hurd, Minister of State at the Foreign Office, proposed an inspectorate, which would supervise the destruction of all existing stocks of nerve agents and gases. There would be a three stage programme spread over ten years: (1) declaration of stocks and their inspection; (2) destruction of stocks; and (3) destruction of factories and laboratories.

(I) MULTILATERALISM VERSUS UNILATERALISM

The decision of the Conservative Government to support the stationing of United States' Cruise missiles in Britain and to buy the Trident missile system has led to a revival of the Campaign for Nuclear Disarmament (CND) after many years of obscurity.

1. CND AND OTHER SO-CALLED PEACE MOVEMENTS

The CND has approximately 50,000 national members and claims to have a quarter of a million more in local groups. Its Chairman is Mrs Joan Ruddock, a former Labour parliamentary

candidate, and its General Secretary is a Roman Catholic priest, Monsignor Bruce Kent. Its principal aim is ‘the unilateral abandonment by Britain of nuclear weapons, nuclear bases and nuclear alliances’.

CND is supported by people of varying beliefs—pacifists, ecologists and churchmen—and embraces a wide range of political opinion, but it is heavily biased towards the extreme Left. The national council includes five present and former members of the Communist Party. However, CND's influence has been most significant in the Labour Party, since the latter is now committed to complete unilateral nuclear disarmament.

On 27th and 28th November 1982, the CND held its annual conference at Sheffield. The conference voted by an overwhelming majority to adopt tactics of civil disobedience and non-violent direct action as part of the CND's campaign against the stationing of Cruise missiles in Britain and the purchase of Trident missiles.

The conference also decided by a narrow majority in favour of campaigning for Britain to leave NATO, under the slogan ‘NATO out of Britain, Britain out of NATO’, in a move which demonstrated the predominance of the extreme Left in the CND. The proposer of the successful motion, Dr Kim McTavish, said: ‘NATO is part and parcel of the cold war politics. We have won the argument on unilateralism. We have to combine unilateralism with neutralism’ (*Morning Star*, 29th November 1982).

Mr Vikenti Matveev, Vice-Chairman of the official Soviet Peace Committee, attended the conference as an observer. In this connection, it is worth noting that the fledgling independent peace movement in Moscow has been harassed and its members frequently arrested, with one member being briefly sent to a mental hospital. The Soviet news agency Tass has described its members as ‘anti-Sovieteers, renegades and criminals ... who borrow all their ideas from the instructions of foreign secret services’ (*Financial Times*, 29th November 1982).

The Chairman of the CND, Mrs Ruddock, has said: ‘We must work with organisations like the Soviet Peace Committee’ (*Daily Telegraph*, 29th November 1982). The Soviet Peace Committee is the Soviet branch of the World Peace Council (see below).

The World Disarmament Campaign (WDC) was founded in 1979 by two Labour peers, Lord Brockway and the late Lord Noel-Baker. Its General Secretary is Brigadier Michael Harbottle. It claims to support multilateral disarmament. However, there is a considerable overlap between the WDC supporters and those of CND, and distinctions between the two organisations are often blurred.

END. In 1980, CND helped to found European Nuclear Disarmament (END) to campaign for a nuclear-free zone from Poland to Portugal. Its most prominent supporter is the Marxist historian, Mr E.P. Thompson. Mr Stuart Holland, Labour MP for Lambeth, Vauxhall, a close associate of Mr Benn, is one of the editors of the END bulletin.

The World Peace Council (WPC) was established by the Soviet Union in 1949 and, in practice, gives full support to Soviet foreign policy. The United States Government has estimated that in 1979 the Soviet Union spent \$63 million on International Communist front organizations, and as much as \$200 million on special propaganda campaigns, including opposition to NATO's decision to deploy Cruise and Pershing II missiles in Western Europe (Evidence to Select Committee on Intelligence, House of Representatives, 6th February 1980). Of the \$63 million, over \$49 million went to the WPC, according to a US Embassy statement (5th January 1982).

Mr Heseltine has pointed out that:

‘the CND is now planning to attend the Soviet front organisation, the World Peace Council, in Prague this summer. Peace their way means that we disarm, while they don't’ (Letter to Conservative candidates, 23rd April 1983).

In 1980, the British Peace Assembly was founded. It is pledged to promote and support initiatives from the World Peace Council. The President of the British Peace Assembly is a Labour MP, Mr James Lamond, who is also a Vice-President of the World Peace Council.

The Folly of Unilateralism. The CND's call for unilateral or one-sided disarmament is based on the illusion that other powers possessing nuclear weapons would follow Britain's example, if we abandoned all nuclear weapons. But in fact there is no possibility of any such country abandoning or even substantially lessening its nuclear defence, except as part of a multilateral agreement. In particular, the Soviet leader, Mr Yuri Andropov, has said:

‘Let no one expect a unilateral disarmament from us. We are not a naive people’ (*Financial Times*, 23rd November 1982).

France, despite having a Socialist government, is actually increasing expenditure on nuclear weapons at the expense of spending on conventional weapons.

As the **Prime Minister** has said:

‘If CND's proposals were followed in any way, peace, security, freedom and justice would be put at risk in our country and war would become more likely’ (*Hansard*, 7th December 1982, Col. 720).

Mr Heseltine has emphasised:

‘This Government's ultimate responsibility is the defence of our way of life and our institutions. It is not to bend to fickle movements in popular opinion or to risk the short cut because you fear to tell the truth. This Government will not gamble with this nation's freedom’ (London, 10th February 1983).

The CND held a number of demonstrations over the Easter holiday at Greenham Common and other sites connected with nuclear weapons. Commenting on this, the **Prime Minister** said that:

‘it would make far more sense for those women to link hands around the Berlin wall. If by doing so, they managed to persuade the Soviets to take it down, to remove the guns, the dogs and the mines that are there to kill those who attempt to escape to freedom, they would be achieving something’ (*Hansard*, 31st March 1983, Col. 463).

2. THE MULTILATERALIST RESPONSE

A number of organisations have taken up the challenge of responding to the misleading and dangerous arguments of the CND and the other peace movements, and putting over the case for multilateral disarmament. These include the British Atlantic Committee, the Coalition for Peace through Security, the Council for Arms Control and the Campaign for Defence and Multilateral Disarmament (CDMD). Mr Winston Churchill, MP for Stretford, was appointed by the

Chairman of the Conservative Party on 2nd April 1982 to form and lead the CDMD as the Conservative contribution to the national debate on disarmament. Mr Churchill stated at the time of his appointment:

‘The challenge confronting the Conservative Party today, in the run-up to the next General Election, is to convince the British people that, in the dangerous world in which we live, by far the best prospects for peace are to be found in the maintenance of Britain's independent nuclear deterrent and our close partnership with the United States and our other allies in NATO, rather than in any one-sided disarmament by Britain which would make our cities and civilian population vulnerable to nuclear attack ... ‘The objective to strive for is not unilateral but multilateral disarmament, in which all the principal military powers in the world reduce their armaments—conventional as well as nuclear—by agreed stages with effective arrangements for verification.’

(J) OPPOSITION POLICIES

1. LABOUR PARTY

The policy of the Labour Party has swung relentlessly to the Left, since Mr Michael Foot's election as leader. This process culminated in the passage by a two-thirds majority of a resolution at the 1982 Labour Party Conference, which reaffirmed Labour's commitment to unilateral nuclear disarmament and massive cuts in defence spending by:

‘Opposing unconditionally the replacement of Polaris by Trident or any other system and the deployment of cruise missiles, the neutron bomb and all other nuclear weapons, in or by Britain; ‘Closing down all nuclear bases, British or American, on British soil or in British waters; ‘Bringing Britain's military expenditure as a percentage of the gross national product into line with the average of our major European allies. ...’

The Labour Party Conference voted against leaving NATO, but it is hard to see how Britain could remain an effective member if it rejected the policy of nuclear deterrence, which is the basis of NATO defence. The proposed eviction of American nuclear bases would also inevitably cause the gravest problems for Anglo-American relations.

Nuclear Weapons. Labour now have in Mr Foot a leader who, unlike Mr Callaghan, enthusiastically espouses unilateralism. For example, he has said that:

‘as an old CNDer, I have not changed my approach and attitude. I do not believe that nuclear weapons protect the nation. In certain circumstances, their existence on our soil could invite our destruction’ (*Times*, 4th June 1981).

Mr Foot also tends to equate the United States and the Soviet Union in this field. When asked whether he regarded the Soviet Union as the greatest danger to security in the world, he replied:

‘I think they do in some respects, although I believe it's a two way business. The threat comes from the arms race itself ... I do believe that the United States contributes to the arms race just as the Soviets do. And ... over the past two or three years the American attitude has contributed more fiercely to the arms race than the Soviet Union’ (*Guardian*, 6th December 1982).

When the Prime Minister said that she had never heard Mr Foot criticise the colossal deployment of Soviet SS20 missiles, he retorted that he and his colleagues had frequently done so. However, all Mr Foot could do to substantiate this assertion was to produce a Labour Party statement, issued in May 1980—six months before he became Leader of the Opposition (*Times*, 26th November 1982).

In November 1981, Mr Brynmor John, who had tried to stand up for the principles of nuclear deterrence that the previous Labour governments had supported, was replaced as party defence spokesman by Mr John Silkin, an enthusiastic unilateralist. Whereas in the past, Labour's parliamentary spokesmen often ignored the more extreme proposals of Labour Party Conferences on defence matters, Mr Silkin has unreservedly endorsed them. In a party political broadcast on 1st December 1982, Mr Silkin stated categorically:

‘Labour will cancel Trident and reject Cruise. All nuclear weapons and nuclear bases will be removed from Britain. Their possession, so far from making our country safe, makes it a thousand times more vulnerable.’

This broadcast, while strongly critical of American policy, contained no criticism whatever of the Soviet Union.

Mr Callaghan continues to support the principles of nuclear deterrence and multilateral disarmament, saying that:

‘... unilateral disarmament by Britain is opposed to our country's best interests, could begin the unravelling of NATO and therefore jeopardise the stability of Europe’ (*Guardian*, 19th November 1982).

However, such sentiments are little more than cries in the wilderness in today's Labour Party.

Labour's Campaign Document. This document, *The New Hope for Britain*, shows that Labour is sticking to its policy of unilateral disarmament, including all the main points in the 1982 Labour Party Conference resolution (see above). But at the same time, Labour are trying to combine this with vague support for multilateral disarmament. This is summed up in the laughable sentence:

‘Unilateralism and multilateralism must go hand in hand if either is to succeed.’

Labour propose in the document that Polaris should be included in nuclear disarmament negotiations. But they then go on to say that a Labour government will carry through its non-nuclear defence policy (i.e., get rid of Polaris) by the end of the next Parliament. As Mr. Heseltine said in Darlington on 14th March:

‘What possible incentive is there for the Russians to agree to anything, if you go into negotiations saying that you are going to get rid of your nuclear weapons whatever happens?’

The same crazy logic has been applied to the question of Cruise missiles. Labour say that they want the INF talks in Geneva on banning US Cruise missiles and Soviet SS20s to succeed, and that Labour have always opposed the Soviet deployment of SS20s. But then they go on to say that Cruise missiles will not be based in this country whatever happens, thus again removing any incentive for the Russians to come to an arms control agreement.

The defence section of the document shows quite clearly that the so-called 'moderate' wing of the Labour Party has capitulated to the unilateralists. For example, as recently as 19th December 1982, Mr. Healey said on Channel Four that it would be 'crazy' to throw away our Polaris deterrent (*Times*, 20th December 1982).

Cruise Missiles. The present Labour leadership likes to give the impression that the Labour Party never supported the Cruise missile programme (see p. 382) either in government or in opposition. This, however, is quite incorrect. In a debate on nuclear weapons on 24th January 1980, Mr William Rodgers, then Labour's Shadow Defence Secretary, said in relation to the NATO decision in December 1979 to deploy Cruise and Pershing missiles:

'... we accepted the need to move ahead on the proposed timetable. It was the view of the previous Government that theatre nuclear modernization was essential, and that is our view today' (*Hansard*, Col. 691).

Furthermore, there is evidence that members of the last Labour Government were closely involved in the preliminary discussions which lead to the decision to deploy the missiles. For example, a meeting of the NATO Nuclear Planning Group, attended by Mr Fred Mulley, then Labour Defence Secretary, discussed the issue on 24th and 25th April 1979. The communiqué, published after the meeting, stated:

'In their consideration of NATO's requirements ... to modernize theatre nuclear forces, Ministers reaffirmed that NATO could not rely on conventional forces alone for credible deterrence in Europe: and that without increasing dependence on nuclear weapons or prejudicing long-term defence improvements in conventional forces, it would be necessary to maintain and modernize theatre nuclear forces.'

Conventional Forces. Mr Silkin and Labour's other defence spokesmen in the House of Commons try to disguise the true shift to the Left in the Party's thinking on defence by emphasising the need for conventional defence and even criticising the Government for not spending enough on the Royal Navy.

This ignores the fact that Labour's policy of reducing the proportion of GNP spent on defence to that of other major European NATO countries would mean a cut of nearly a third in spending. Over the planned procurement period of Trident, the reduction implied in such a commitment would be equal to about 11 Trident programmes. In other words, in order to reach their defence expenditure targets, the Labour Party would have to make vast cuts in our conventional defences as well as cancel the Trident programme.

Labour's Programme 1982, which was approved by the Labour Party Conference, contains the sentence:

'... we shall discuss with the TUC the introduction of full trade union and negotiating rights for all servicemen and women.'

2. LIBERAL/SDP ALLIANCE

The Liberal Party Assembly passed the following motion on 17th September 1981:

‘This assembly believes that the escalation and spread of nuclear weapons is the major threat to world peace ... It believes that Britain should take the initiative in calling for a European nuclear free zone and opposing the deployment of cruise missiles in Europe, and it commits the Liberal Party, as a first step, to reject and campaign against the siting of cruise missiles in Britain.’

This motion was passed against the wishes of Mr Steel and the majority of Liberal MPs. Until then, the Liberal Party had supported the deployment of Cruise missiles in the absence of an arms control agreement.

The 1982 Liberal Party Assembly did not debate defence, but *The Liberal Programme*, published in August 1982, declared, *inter alia*:

‘The Liberal Party opposes the deployment of cruise missiles in this country. We are opposed to the purchase of Trident and would phase out the Polaris force as soon as possible.’

Although the Liberals and Social Democrats are united in opposing the Trident programme, they differ on Polaris. The Social Democrats wish to keep Polaris for as long as it is effective, unless it is included ‘as part of an overall “deep cuts” East/West nuclear disarmament agreement’ (SDP policy document, 7th January 1983).

Liberals and Social Democrats have openly contradicted each other on this subject. For example, when Mr Steel was quoted as saying that an Alliance government would phase out Polaris ‘as soon as possible’ (*Times*, 12th March 1982), Dr David Owen retorted:

‘He is in no position to say what an Alliance government would do. That is not the policy of the Social Democrats’ (*ibid.*).

Liberals and Social Democrats are also split on the subject of Cruise missiles. While the Liberals now oppose their deployment, the Social Democrats have given conditional support to NATO policy on the subject. Both Liberals and Social Democrats favour the removal of short-range battlefield nuclear weapons from the front line in Central Europe.

25. EUROPEAN COMMUNITY

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(A) HISTORICAL BACKGROUND

1. ORIGINS OF THE EUROPEAN COMMUNITY

The European Community derives from three Communities: the European Coal and Steel Community (ECSC) established by the Treaty of Paris in 1951; the European Atomic Energy Community (Euratom); and the European Economic Community, which were both established by the Treaties of Rome in March 1957. By the EEC Treaty the six signatory countries—Belgium, France, the Federal Republic of Germany, Italy, Luxembourg and the Netherlands—declared themselves to be ‘determined to lay the foundations of an ever closer union among the peoples of Europe’. With the objective of improving ‘the living and working conditions of their peoples’, the signatories based their Community on the principles of free and open trade, fair competition, and the reduction of regional economic disparities.

In establishing the Communities, the objectives of the Six were: to prevent another European war; to reintegrate West Germany into the European family; to construct a vehicle for the promotion of European interests in a world dominated by the superpowers; and, through the liberalisation of intra-Community trade, to promote growth and prosperity.

2. UK MEMBERSHIP

Britain played a leading part in establishing the early institutions for European co-operation, including the Western European Union and the Council of Europe, but was initially reluctant to embark upon a course as ambitious and integrationist as that implied by the Treaties establishing the Communities. However, as the decolonisation process gathered momentum it became apparent that in the post-Imperial age Britain needed both a new political focus for her international relations and free access to a large and stable market for her goods. Thus, in July 1961 the Conservative Government of Mr Harold Macmillan applied for admission to the Community. This was met by a veto from General de Gaulle which caused the termination of negotiations in January 1963.

The Labour Party opposed membership in the early 1960s but Mr Harold Wilson announced his Government's intention to apply for membership in May 1967. This, too, met with French resistance and negotiations were suspended in December of that year. In the aftermath of General de Gaulle's resignation from the French Presidency the atmosphere improved and the Six decided at the Hague Summit in December 1969 to strengthen and enlarge the Community. This allowed the incoming Conservative Government of Mr Edward Heath to reopen negotiations which were brought to a successful conclusion in June 1971.

The terms of membership were set out in the White Paper *The United Kingdom and the European Community* (Cmnd. 4715, July 1971) and they were approved by the House of Commons on 28th October 1971 by a majority of 112 (356 votes to 244). 69 Labour MPs voted in favour of the terms on offer. The Treaty of Accession was signed on 22nd January 1972 by Mr Heath, and during that year the European Communities Act was enacted by Parliament to give effect to the changes necessary in British law consequent upon entry. On 1st January 1973 the United Kingdom, Denmark and the Irish Republic joined the Community.

‘Renegotiation’ and the Referendum. The Labour Party was returned to power in March 1974 committed to a policy of ‘renegotiation’ of the terms of membership, backed by a threat that if more satisfactory terms were not forthcoming the Government would not recommend them to the British people in a ‘General Election or consultative Referendum’.

The results of the ‘renegotiation’ were not particularly dramatic, producing nothing which, in Mr Whitelaw's words, could not ‘have been obtained in the course of the Community's normal development and without the whole business of renegotiation under threat of withdrawal’ (*Hansard*, 7th April, 1975, Col. 840). Nonetheless, the Labour Cabinet divided 16 votes to 7 in favour of recommending continued membership, a decision endorsed in the House of Commons by a majority of 226.

In a Referendum on 5th June 1975 the British people voted in favour of Community membership by 17,378,581 (67.2 per cent) votes to 8,470,073 (32.8 per cent) in a turnout of 64.5 per cent of the electorate. Every part of the United Kingdom, except for the Shetlands and the Western Isles, produced a ‘Yes’ vote, vindicating the consistent policy of the Conservative Party in advocating membership of the European Community over the previous fifteen years.

3. THE LABOUR GOVERNMENTS RECORD 1975–9

The aggressive attitude adopted by the Labour Government over the ‘renegotiation’ consumed a great deal of the goodwill which existed towards Britain amongst our partners for little tangible gain. For example, the Financial Mechanism negotiated with such a fanfare in 1975, which was supposed to prevent Britain's net budget contribution from running out of control, had not resulted in the United Kingdom receiving any compensation up to the time the Labour Party left office.

Because of the divisions over membership which continued in the Labour Party even after the Referendum, the Wilson and Callaghan Administrations played a rather ambivalent role in the Community. They eschewed any leading part in bringing about sensible reforms, while letting the anti-Market Ministers have their heads. A classic example of the lack of interest shown by Labour Ministers in developing new Community policies of benefit to Britain was provided by Mr Tony Benn, who gloatingly told a Labour Party rally in December 1975:

‘Through me the energy policy of the whole Common Market is held up. Without opening old wounds, it pleases me no end’ (*The Times*, 14th December 1975).

(B) INSTITUTIONAL MATTERS

1. THE INSTITUTIONS

The Rome Treaty specifies five Community Institutions: the Council of Ministers; the Commission; the Assembly (now generally known as the European Parliament); the Court of Justice; and the Economic and Social Committee. In more recent years these have been augmented by the Court of Auditors, and the thrice yearly meetings of the European Council which bring together the Ten Heads of Government. The European Council has no formal status but is intended to provide general direction to the Community.

The Council of Ministers. The Council is the main decision-making body of the Community. Although general questions are discussed by the Foreign Ministers of the Member States, regular meetings also take place of specialist Councils which are attended by appropriate national ministers. The Presidency of the Council, which additionally involves the co-ordination of the political co-operation machinery, rotates alphabetically every six months between Member States. The United Kingdom last held the Presidency in the latter half of 1981. In practice, the Council takes decisions on all matters of major importance on the basis of unanimity (see Luxembourg Compromise, p. 395), and is the chief legislative body of the Community.

European Commission. The Commission is a collegiate body of 14 members appointed by agreement of the Member governments for a four-year period. Its main tasks are: to act as a guardian of the Treaties; to administer agreed Community policies; and to formulate policy proposals for submission to the Council. Its autonomous powers of decision are limited largely to implementation of policies where the framework has been set by the Council. Britain, in common with France, Italy and Germany, appoints two Commissioners. Mr Christopher Tugendhat, the Conservative Vice-President, and Mr Ivor Richard are the present British members.

The European Parliament. The first direct elections to the Parliament were held in June 1979. It has 434 members. 81 are from the United Kingdom, of whom 60 are Conservatives. Since the ‘Isoglucose Case’ in October 1980, it has been established that the Council may not adopt a piece of legislation without waiting a reasonable period for the Parliament's opinion (which gives it a considerable power of delay). The Parliament is also, with the Council, the joint budgetary authority of the Community, having the final say—within an overall limit—over most non-agricultural spending, and the right to reject a whole Budget by a two-thirds majority, a power which it exercised in December 1979 and December 1982.

Since its inception, the European Parliament has had the power to dismiss the Commission en bloc by a two-thirds majority. This power has not been used to date but the directly elected Parliament has been strongly critical of the Commission's performance and has been particularly tightening its scrutiny of budgetary control questions.

European Court of Justice. The Court, which sits in Luxembourg, consists of 10 judges, assisted by 4 Advocates-General. It is the supreme arbiter in all legal questions arising out of the Treaties. Three principles govern the relationship between European Community law and the law

of Member States: (i) *direct applicability*, which means that provisions contained in Regulations automatically have legal force throughout the Community without enactment by national Parliaments; (ii) *direct effect*, which means that, where appropriate the Community's provisions penetrate to the level of the individual conferring rights and imposing obligations which national courts are required both to enforce and to recognise; and (iii) the *primacy of Community Law*, which means that, in the event of a conflict between a national provision and a Community provision the latter prevails.

The Court of Justice should not be confused with the European Court of Human Rights in Strasbourg, which as the arbiter of the Human Rights Convention of the Council of Europe has handed down judgements on issues such as corporal punishment.

2. THE LUXEMBOURG COMPROMISE

The Luxembourg Accords emerged after a prolonged crisis in 1965 which arose over proposals from the Commission on the financing of the Common Agricultural Policy; the provision of independent revenue for the Community; and the granting of greater budgetary powers to the European Parliament. The French, having failed to unravel these three components of the package, withdrew their representatives from the Council of Ministers, effectively paralysing decision-making in several sectors. However, in January 1966 the so-called Luxembourg Compromise was produced. The French Government, realising that a Treaty amendment would be unacceptable to the five other Member States, proposed a political understanding under which the Council would abstain from resolving an issue by majority vote if any country should so request because of the need to protect a vital interest. This was the practice which emerged, but in their actual wording the Accords represent an agreement to disagree.

Although Britain's first application for Community membership was made before the Luxembourg Accords, the right of veto over matters of vital national interest was of significance during the debate about British accession. During the accession negotiations, the then French President, M. Georges Pompidou, explained the working of the Luxembourg Compromise as follows:

‘I ask everybody to consider how coalition governments work. When everybody is of the same opinion all goes well. If that is not the case, there is a majority and a minority. At that point either the minority considers the question is not vital and yields, or thinks the contrary and breaks the coalition. It is plain that, in our construction of Europe, one cannot break without everything collapsing. I therefore conclude that important decisions can only be taken on the basis of unanimous agreement and that what is at issue here is a political reality rather than a juridical rule’ (Paris, 21st January 1971).

The Luxembourg Compromise became a matter of controversy in May 1982 when, for the first time since 1966, the ‘veto’ of a national government invoking its protection was overridden when the Council of Agriculture Ministers adopted the Annual Farm Price Review in the face of British objections. Denmark and Greece declined to participate in the vote. Mr Peter Walker, Minister of Agriculture, reported to the House of Commons in the following terms:

‘The Council violated an accepted convention under which all previous price fixings have been adopted. I stated that the Government considered that, as important national interests were involved, in accordance with the established practice of the Community, discussions should have continued until a unanimous agreement had been reached. I pointed out that the decisions that

were being taken would place a further financial burden on the United Kingdom, that there was clearly a direct and organic link between the price-fixing decision and the budget negotiations (over the British contribution)...’ (*Hansard*, 19th May 1982, Col. 352).

The legal status of the Luxembourg Compromise is weak, resting as it does upon convention. However, its operation is only relevant to those Articles of the Treaty which provide for majority voting. It should be noted that decisions made under 26 key Articles require unanimity. These Articles cover, among a wide range of issues, the establishment of new policies and changes in the powers of the Institutions. In the aftermath of the majority vote on the 1982 Farm Price Review, the Foreign Secretary, Mr Francis Pym, expressed the Government's grave disquiet:

‘I left our partners in no doubt about the British Government's position that where a Member State considers that very important interests are at stake discussions must be continued until unanimous agreement is reached, and that Community business should continue to be governed by this principle, in accordance with the Luxembourg Compromise. This position was supported unreservedly by two Member States and by two others with minor qualifications. ‘The position is therefore that five Member States support the principle that decisions must be deferred where a Member State considers that its major national interests are at stake. It was not to be expected that the five Members which declined to endorse this principle in 1966 would do so now, but they made it clear that they were not seeking to reopen the Luxembourg Compromise. The Community's practice since 1966 was based on an agreement to disagree, and this remains the position’ (*Hansard*, 22nd June 1982, Col. 155).

The use of the Luxembourg Compromise was one of the issues considered by the Committee of Three (M. Robert Marjolin, Mr Edmund Dell and Mr Barend Biesheuvel) in their Report on the European Institutions in 1979. They found that its protection was being invoked on too wide a range of issues and often at comparatively junior level, and accordingly recommended that Member States should be obliged to justify any recourse to the Luxembourg Compromise while ‘each State must remain the judge of where its very important interests lie’.

3. THE GENSCHER-COLOMBO INITIATIVE

In the autumn of 1981 the German and Italian Foreign Ministers, Herr Hans-Dietrich Genscher and Sig. Emilio Colombo, launched an initiative to give new impetus to the development of greater European unity. The motivation behind the proposals was explained by Herr Genscher thus:

‘The Europe of the democracies, the European Community, needs a fresh political impetus if stagnation and the ensuing disintegration are not to become a real danger.... As the European Community, we suffer from the contradiction that the countries outside expect more of us than we are able to perform—and that is meant more in political than financial terms—and from the fact that we in Europe underestimate its potential. We must make our citizens aware that Europe has an important international function to fulfil’ (August 1981).

The proposals were presented to the European Council meeting in London in December 1981, and were then referred to the Foreign Ministers for consideration. The main purposes of the proposals were:

- i. To give the European Council a better defined strategic role in relation to the Community Institutions; and to bring the operation of political co-operation within the framework of the Community.
- ii. To establish Ministerial Councils to oversee European co-operation on cultural and legal matters.
- iii. To increase the consultative role of the European Parliament, especially in matters of external relations, in the appointment of the Commission and the consideration of its programme, and in the completion of agreements between third countries and the Committee.
- iv. To make greater use of majority voting within the Council of Ministers where it is provided for in the Treaty except where questions of 'vital national interest' are concerned.
- v. To involve the Community in discussion of security policy.

Mr Douglas Hurd, Minister of State at the Foreign Office, explained the scope of the proposals as follows:

'The aim of the proposals is to achieve closer co-operation by a number of practical improvements in the way in which the Institutions work, and in the arrangements for co-operation outside the Treaty. Neither the original nor the revised proposals will involve Treaty amendments or changes in the powers of the Institutions as laid down in the Treaties... I do not believe that there is anything in this document which justifies the argument that this is a step in the direction of federalism or supranationalism' (*Hansard*, 17th June 1982, Cols. 1103–4).

(C) THE COMMUNITY BUDGET

1. BACKGROUND TO THE PROBLEM

The European Community Budget amounts to about 0.9 per cent of the Community's Gross Domestic Product, or 2.6 per cent of total public expenditure in the EEC. Its revenues are derived from the 'own resources' system whereby certain revenues, although collected by national authorities, belong to the Community. The main components of 'own resources', and their approximate contribution to total revenue, are: customs duties (31%), levies on agricultural imports and sugar levies (10%) and the product of a notional rate of VAT, calculated on a harmonised base up to a ceiling of 1 per cent (59%). The Budget is determined each year through a lengthy process of negotiations between the Council of Ministers (who have the final word on 'obligatory' expenditure—chiefly agriculture) and the European Parliament (which, within an overall ceiling, has the final say on most non-agricultural spending).

It was anticipated, at the time of Britain's accession to the Community, that if the balance of expenditure remained unchanged a problem could arise over the size of Britain's net contribution to the Community Budget. Thus during the entry negotiations it was resolved that:

'should an unacceptable situation arise within the present Community or an enlarged Community, the very survival of the Community would demand that the Institutions find equitable solutions' (*The United Kingdom and the European Community* (Cmnd. 4715, July 1971).

At that time it was expected that these problems would largely be averted through the development of new policies to balance the preponderance in the Budget of the Common Agricultural Policy. However, owing to the straitened economic circumstances prevailing after the 1973 oil crisis and the negative attitude of the Labour Government during the transitional period of British membership, the development of new policies proved difficult while expenditure on agriculture continued to grow. Thus Britain remained a large net contributor to the Budget, second only to the Federal Republic of Germany, despite being only the seventh richest Member State judged in terms of GDP per capita.

Britain's Net Payments to the EC Budget
(£m)

1973	102
1974	31
1975	-56 (surplus)
1976	167
1977	369
1978	804
1979	947
1980	187
1981	6
1982	580 (est.)

(Source: *Hansard*, 19th October 1981, Cols. 93–4, updated by European Commission figures)

As can be seen, the problem grew critical during the period of the Labour Government despite Mr Callaghan's claim, as Foreign Secretary:

‘In the matter of the Budget we made a flat request that Britain's share should be reduced in certain circumstances.... Long and arduous negotiations produced a satisfactory result. Britain will now pay less’ (Islington, 26th April 1975).

Britain's budgetary problems arise from two main factors, of which the more important is the United Kingdom's low level of receipts from the Community Budget. This occurs because Britain only receives about a tenth of expenditure under the Common Agricultural Policy (which accounts for over 60 per cent of total Community spending) while funding about 20 per cent of the gross expenditure. Secondly, Britain's contribution to the ‘own resources’ system is higher than our share of Community GDP because our level of trade with non-Community countries is proportionately higher than that for other Member States, making Britain liable to pay more in customs duties. This is exacerbated by our food consumption patterns and the fact that we are not self-sufficient in agricultural products. Thus Britain pays 27 per cent of the total levies collected on agricultural imports into the Community.

In October 1979, the **Prime Minister** gave notice of her determination to achieve a substantial reduction in Britain's net contribution. Delivering the Winston Churchill Memorial Lecture she declared:

‘Britain cannot accept the present situation. It is demonstrably unjust. It is politically indefensible ... the imbalance is not compatible with the spirit of the Community. Its

continuation would undermine the sense of solidarity and common obligation which lies at the base of Community endeavour' (Luxembourg, 18th October 1979).

2. THE 30TH MAY AGREEMENT

There followed seven months of concentrated negotiations which culminated in the 30th May 1980 Agreement under which our partners agreed to pay compensation for Britain's excessive contribution in respect of 1980 and 1981, with a possible extension for a third year should a long term solution not have been devised by then. The 'refunds' paid for the first two years amounted to £1.8 billion and were used to help finance infrastructure projects, primarily in the United Kingdom's Assisted Areas. The second element of the 30th May Agreement was to give the Commission a 'Mandate' to produce proposals on the restructuring of the Community's expenditure priorities. The Mandate expressly excluded any questioning of the basic principles of the 'own resources' system or the Common Agricultural Policy, and had the objective of preventing the recurrence of an 'unacceptable situation' in the Budgetary field for any Member State.

The main proposals in the Commission's report, which was presented in June 1981, are outlined below.

In the Agricultural Sector the recommendations were: (i) An acceptance of the need to reduce structural surpluses, to put an end to open-ended financial guarantees, and to align Community prices more closely to those of our major competitors; (ii) a more active export policy designed to stabilise world prices through co-operation with other major food exporters; (iii) stricter control of national aids which distort competition within the Community, but fuller consideration of the needs of marginal farmers operating in difficult conditions, including, where necessary, the use of direct income aids partly financed by the Community; and (iv) the setting of production targets for each sector, with the Community declining to accept full financial responsibility for production above the agreed 'quantums' or 'standard quantities'.

Development of New Policies. (i) The Commission considered that, even with savings in the agricultural sector, there were insufficient resources available to develop new policies in the industrial, energy, regional and social spheres within the current limit on the Community's resources. Accordingly they suggested raising the 1 per cent VAT ceiling; (ii) better policing of state aids to industry; (iii) concentration of regional spending in the areas of greatest need, coupled with a rapid expansion of the Social Fund; and (iv) faster progress towards economic and monetary union through closer economic co-ordination between Member States, the development of the European Monetary System and a further liberalisation of the internal market.

Net contributions. The Commission conceded that its recommendations would take some time to bring coherence to the distributive effect of the Budget. It also recognised that the root of the 'British problem' lay with the operation of the European Agricultural Guarantee and Guidance Fund (EAGGF), and therefore suggested the initiation of a mechanism to compare the United Kingdom's share of Community GNP with its share of receipts from the EAGGF. This mechanism would have been funded by contributions from other Member States according to their share of 'own resources', or through a system of abatements to Member States' receipts from the Agricultural Fund.

3. THE BRITISH POSITION ON BUDGET REFORM

The United Kingdom's position on the restructuring exercise was set out by the Chancellor of the Exchequer, Sir Geoffrey Howe, in a speech at The Hague:

‘Within nation states, it is an established and overriding principle that resources should tend to flow from more to less prosperous regions, and not vice versa. But there is no comparable principle governing resource flows between Member States. The net effect on individual Member States is largely fortuitous. It emerges accidentally from a multitude of separate, uncoordinated decisions by the Commission and the Community's specialist Councils.... The conclusion which seems to me to emerge, is that the Community will need in future to take conscious decisions on how the Budget should affect individual Member States. We cannot allow the Budget to go on producing redistributive effects which are entirely perverse....’ (3rd June 1981).

The Chancellor also stated that:

- The 1 per cent ceiling on VAT contributions to the Community Budget should not be lifted before the completion of the restructuring exercise. He also expressed scepticism about whether, even then, it would be right to release proportionately larger funds to the Community at a time of domestic financial stringency.
- Some regard should be had to the non-budgetary costs and benefits of Community membership.
- Expenditure on agriculture should rise annually by less than the rate of growth in ‘own resources’, and should be reduced as a proportion of the Budget.
- Although there should be increases in expenditure on regional and social projects, these would not rise sufficiently to combat the perverse budgetary transfers of the CAP, thus making the need for a corrective mechanism imperative.
- The problem of imbalances, arising through an excessive net contribution in relation to relative prosperity, is not peculiar to Britain, but also applies to a degree to Germany, and after enlargement could adversely affect Portugal.
- The cost of the CAP should be reduced through the elimination of structural surpluses and giving greater play to market forces in the agricultural sector.

4. THE NEGOTIATIONS 1981–3

A breakthrough was made in the Mandate negotiations during the European Council meeting in London in December 1981 when disagreement was narrowed to four areas: controlling production in the milk sector; support for Mediterranean agriculture; the target for future agricultural expenditure within the total resources available to the Community; and the creation of a mechanism to prevent any Member State from making an inequitably large net contribution to the Budget. Unfortunately, however, the momentum of the negotiations was lost during the early part of the Belgian Presidency in 1982.

Various schemes for short-term measures were unsuccessfully put forward, but as the negotiations dragged on they became further complicated by the pressing need for an agreement on the 1982 Farm Price Review. Discussions were continuing on the possibility of activating the optional third year of refunds provided for in the 30th May Agreement when the Community was thrown into turmoil after the British veto on the farm price package was overridden in the Agricultural Council. This happened in direct contradiction to the fundamental link between agricultural spending and the Budget problem, which had been unanimously recognised at the European Council meeting in London.

The immediate crisis was defused on 25th May by an agreement on 'refunds' for the United Kingdom of £490 million in respect of 1982 and a stated intention to continue negotiations on a long-term settlement. This deal was exceptional, however, in releasing West Germany, as a fellow net contributor, from the obligation of financing her full share of the British refunds. This resulted in agreement on the practicalities of paying the compensation being delayed until late October.

In order to implement this decision, a Supplementary Budget was produced. This was rejected, however, by the European Parliament in December 1982, primarily on the grounds that, in common with the British Government, the Parliament had grown exasperated by the Council's failure to agree on a long-term mechanism to sort out the Budget problem. The British Government's reaction to the Parliament's decision was restrained. It insisted, however, that other Member States should honour their commitments and gave a deadline of the end of the British financial year for the 1982 deal to be implemented.

However, in February 1983 the European Parliament released the funds in a manner which linked the British rebate more closely into the structure of Community policies. The 'refunds' were divided between the normal 'supplementary measures' (£400 million) and energy-related expenditure (£230 million). In approving this Supplementary Budget the Parliament made clear its profound hostility to further *ad hoc* arrangements for dealing with the British problem, and they called for a permanent solution to be implemented.

5. THE FUTURE FINANCING OF THE COMMUNITY

An important factor in persuading the European Parliament to release the British 'refunds' was the production in February 1983 of a 'Green Paper' by the Commission setting out options for the future financing of the Community. This document complements a number of proposals already put forward by the Commission for the development of new expenditure policies, by considering how a better balance could be achieved through changes to the revenue side of the Budget. Apart from a simple increase in the VAT ceiling the Green Paper includes the following suggestions:

- The introduction of 'progressivity' into the VAT system through adjusting rates (for the purpose of calculating the contribution to 'own resources') between Member States according to their relative wealth.
- Greater use of specific levies to fund individual policies on the model of the European Coal and Steel Community, which is funded by levies on the coal and steel industries.
- The institution of a 'financial equalisation' measure. This operates in most federal states whereby finance is made available to poorer regions to ensure that certain basic services are provided to a uniform standard in all parts of a country.

– The introduction of a tax on agricultural production, or the production of surpluses, by each Member State.

The Government has not made a detailed response to these proposals, but on the day of the Green Paper's publication, Sir Geoffrey Howe floated two further ideas on reform. He suggested that the VAT liabilities of Member States now bearing excessive budgetary burdens might be reduced by placing a ceiling on them, such a limit being calculated by reference to the relative prosperity of each Member State. Alternatively, he put forward the idea that the VAT liabilities of net contributor countries might be reduced to take account of the differences between their

shares of total CAP expenditure and their contribution to financing agricultural spending. Any such relief would be progressively phased out for more prosperous net contributor countries.

The Financial Secretary to the Treasury, Mr Nicholas Ridley, commented on the Green Paper:

‘It would be wrong to rule out the idea of changes in the structure of own resources as opposed to the total of their yield. Our budget problem arises because we pay into the Community Budget much more than the Community pays out to us. One obvious contribution towards solving the problem would be to restructure own resources so that we pay less. ... We want an arrangement that will solve the problem of unfair budgetary imbalances once and for all and which will ... take the entire subject off the Community's regular agenda’ (*Hansard*, 21st February 1983, Col. 672).

(D) THE COMMON AGRICULTURAL POLICY

(See also Chapter 10)

Conservative and Labour Governments Compared. As Minister of Agriculture in the Labour Government, Mr John Silkin boasted to the 1978 Labour Party Conference:

‘Talking of the veto, I used it five times in one morning and I'm really rather proud of that’ (1st October 1978).

He had little else of which to be proud. Under Labour, the proportion of total Community expenditure absorbed by agriculture rose to over 80 per cent; by 1982 under the Conservatives it had fallen to 65 per cent. Under Labour, the average annual price increase agreed by the Council of Ministers was 7.6 per cent; under the Conservatives it has been only 6.4 per cent.

The cost of the Common Agricultural Policy (CAP) grew by 210 per cent in the five years of Labour Government, but from 1979 to 1983 under the Conservatives the increase has been only 20 per cent. Even more strikingly, the proportion of CAP spending coming to Britain has doubled in the period through measures such as the sheepmeat régime and increased help for hill farmers.

The Government has stressed both the benefits which accrue to British agriculture from the operation of the CAP and its acceptance of the principles of the Policy as set out in the Rome Treaty. However, Lord Carrington, then Foreign Secretary, outlined the broad objectives which Conservatives would like to achieve in improving the policy:

‘First, we should aim to preserve a healthy European agricultural industry. Second, we must reduce agricultural expenditure as a proportion of the total Community budget. Third, we must eliminate structural surpluses, especially in the milk sector. And fourth, we must move towards prices for agricultural products which result in the production of the food we need—to eat, to export without subsidies, to give away to prevent famine in developing countries and to provide a good store to guard against bad harvests—and not more’ (Hamburg, 17th November 1980).

It should be noted that as a result of the increased productivity of the agricultural sector the level of UK self-sufficiency has risen from 50 per cent in 1973 to 62 per cent in 1982 for all food consumed, and from 63 per cent to 76 per cent for all temperate food products in the same period.

The Plumb Report. The European Parliament became the first of the Community Institutions to formulate a comprehensive view of the long-term future of the CAP in June 1981. This was embodied in a Report by Sir Henry Plumb (MEP, Cotswolds), at that time Chairman of its Agriculture Committee.

The Report affirmed the need for a common policy for agriculture based on the principles of free trade within the Community and common financing. It also called for a progressive realignment of agricultural prices so that they better reflect the needs of modern and efficient farms.

The Plumb Report opposed any solution to the budgetary problems facing the CAP based on a return to national financing, and condemned the increasing number of illegal and unregulated national agricultural aids, which it said lead to 'distortions in production and to intolerable conditions of unfair competition'.

A key proposal contained in the Report was that surpluses should be tackled through the introduction of 'standard quantities' (i.e., the fixing of a total level of output above which the Community would decline financial responsibility). The Parliament also suggested that co-responsibility levies (see Chapter 10, p. 175) are ineffective as an instrument for curbing production, and recommended their abolition.

On the question of the Community's agricultural trade, the Plumb Report proposed a freer régime for the import of agricultural products, particularly for commodities not produced by the Community in adequate quantity. A further important element was the suggestion that exports should not, in the long term, involve subsidies by the taxpayer. Instead, the Report suggested that public financing should be confined to providing assistance to exporters in the search for economically viable export markets, preferably on long-term contracts.

(E) THE EUROPEAN MONETARY SYSTEM

In the face of growing exchange rate fluctuations and the impediment which these represented for the operation of the common market, Mr Roy Jenkins, as President of the Commission, sought to revive discussions on European Economic and Monetary Union, notably in a speech in Florence in 1977. The issue of monetary instability was subsequently discussed at the Bremen meeting of the European Council in July 1978 when a proposal was tabled by Chancellor Schmidt and President Giscard d'Estaing setting out the case for a European Monetary System. Following technical studies the EMS was launched in March 1979. Britain declined to participate in the Exchange Rate Mechanism (ERM) and Italy did so only on the basis of the lira moving within a fluctuation band of 6 per cent on either side of the central point of the System. The standard fluctuation band allowed within the ERM is 2.25 per cent on either side of the central rate.

The United Kingdom is a participant in the European Monetary System, 20 per cent of her gold and dollar reserves being placed with the European Monetary Co-operation Fund. Sterling is also

a component of the European Currency Unit. Britain has, in addition, played an important role as honest broker on the occasions when realignments have had to be agreed within the Exchange Rate Mechanism (which Britain remains outside).

Despite the wide divergences between the economic performances of those Member States participating in the ERM, the System has, by and large, been successful in limiting the fluctuations of exchange rates.

There have been seven realignments in the past four years, all but one of which were accomplished smoothly.

The two most recent realignments have arisen from the damage done to the French economy by the inflationary policies pursued by their Socialist Government. In June 1982, France was forced to cut public spending by £1.8 billion while devaluing in the System by an effective 10 per cent against the Deutschmark. On that occasion the French Franc was devalued overall by 5.5 per cent and the Italian Lira by 2.75 per cent while the Dutch and German currencies were revalued by 4.25 per cent each. The biggest test for the EMS, and the political commitment to it of its participant States, came in March 1983. After a two-day crisis a general realignment took place, chiefly to accommodate French difficulties, in which the following currencies were revalued: the German mark (+5.5%); the Dutch guilder (+3.5%); the Danish krone (+2.5%); and the Belgian franc (+1.5%). The French franc was devalued by 2.5%, as were the Italian lira and the Irish punt (-3.5%). The French devaluation was accompanied by a further austerity programme.

In principle, Conservatives have recognised the political importance of the System and the potential economic benefits to be obtained from membership of the Exchange Rate Mechanism. However, the Government has had three practical reservations about joining the ERM: (1) the System has not been wholly successful in achieving convergence between the economic policies of Member States; (2) sterling as a petro-currency tends to be subject to different forces from the currencies of European oil consumers; and (3) the pound, as one of the major international currencies, is sensitive to a variety of external factors not experienced by most of the EMS currencies. The Government is keeping the possibility of membership of the ERM under regular review.

(F) ENLARGEMENT

1. GREECE

The Community welcomed Greece as its tenth Member State on 1st January 1981. Greece was one of the first countries to sign an Association Agreement with the Community, in 1961, and applied for membership in 1975, the year after the restoration of her democracy.

The victory of Mr Andreas Papandreou's Panhellenic Socialist Party (PASOK) in the General Election of October 1981 initially caused difficulties within the Community, particularly over political co-operation questions involving East/West relations and the Middle East. However, the friction has been partially eased by negotiations between the Greek Government and the Commission over ways in which Greece's particular problems of industrial underdevelopment, regional imbalances, and uncompetitive agriculture can be assisted within the provisions of the Treaty. Greece is a net beneficiary from the Community Budget, but PASOK's protectionist

instincts have been sharpened by the large deficit on trade in agricultural produce which has developed between Greece and other members of the Community.

2. SPAIN AND PORTUGAL

Conservatives remain firmly committed to the further enlargement of the Community to include Spain and Portugal. Lord Carrington, as Foreign Secretary, explained the rationale behind this position in a speech to the European Parliament:

‘A further enlargement of Europe is bound to bring problems in its wake. The institutional and economic complications of a Community of 12 will need to be tackled with imagination and goodwill. But a successful enlargement will strengthen Europe. There is no reason why the European idea should be diluted or weakened. The accession of Portugal and Spain will increase the confidence with which Europe can act domestically and in the world outside’ (8th July 1981).

The French Government has been concerned about the impact of Spanish entry on French farmers, particularly in the wine and vegetable sectors. British Conservatives have consistently maintained that the long-term political advantages of Spanish and Portuguese membership would outweigh the economic problems it may raise. British Ministers have been active in lessening the present tariff imbalance on industrial goods between Spain and the Community. The Government has also made it clear that Britain could not acquiesce in Spanish accession if problems were to continue over the border with Gibraltar. As Lord Belstead, Minister of State at the Foreign Office, has said:

‘It is inconceivable that Spain should join the Community while restrictions remain on ordinary traffic between Spain and Gibraltar’ (*Hansard*, House of Lords, 31st January 1983, Col. 516).

As at 1st March 1983, negotiations had been concluded between the Community and both applicant nations over: regional policy; rights of establishment; capital movements; economic and financial questions; and transport policy. In addition, Portugal has reached agreements with the Community over coal and steel; external relations; Euratom and the customs union.

In response to a request from the European Council, the Commission undertook a review of the economic consequences of the admission of Spain and Portugal. Based on a notional Budget for 1981, the enlargement would result in an increase in the size of the Community's expenditure of 15–20 per cent, with the two new members receiving transfers equivalent to between 4 per cent and 6 per cent of the Budget. The Iberian enlargement will increase the agricultural area of the Community by 35 per cent, and the farm workforce by 38 per cent.

(G) FOREIGN POLICY CO-OPERATION

Foreign policy co-operation is not mentioned in the Treaty of Rome. Since the Luxembourg Report of 1970, however, the Member States of the European Community have increasingly sought to co-ordinate aspects of their foreign policy efforts through a procedure known as Political Co-operation. Under this procedure the Ten seek to concert their foreign policies, wherever possible, under the auspices of the Member State holding the Presidency of the Council of Ministers. Although its operation is outside the immediate scope of the Treaties, Conservatives have consistently accorded its development a high priority. Lord Carrington described the rationale of political co-operation in these terms:

‘While it will, no doubt, be a long time before we see a common European foreign policy, the logic of international affairs drives us towards ever-closer co-operation. Our interests, in global terms, are fundamentally the same and ... effective political co-operation gives Europeans the chance to exercise a continuing historic role in the world, both to enhance and further European interests and to promote the cause of world peace and human dignity’ (*Entente Cordiale*, September 1981).

During the 1970s, the Community's Member States built up a considerable level of foreign policy collaboration in the international institutions—achieving, for example, a record of voting together on 75–80 per cent of occasions in the United Nations. However, their slow and disparate reaction to the Soviet invasion of Afghanistan showed that weaknesses still existed in the co-ordinating machinery. Thus, in a speech in Hamburg in November 1980, Lord Carrington put forward a series of proposals for underpinning the operation of political co-operation. These received considerable support from the European Parliament in the form of a report by Baroness Elles (MEP, Thames Valley), and the majority of them were ultimately included in the London Report, adopted in October 1981 during the British Presidency. The Report made the following innovations:

- a. The establishment of a small secretariat to assist each Presidency on political co-operation matters, staffed by officials from the preceding and succeeding Presidencies, and stationed in the capital of the Member State holding the Presidency.
- b. The initiation of a new crisis mechanism whereby a meeting between Ministers or representatives from the Member States is obligatory within 48 hours at the request of any three Member States.
- c. Increased association of the European Commission with political co-operation matters and greater consultation with, and information for, the European Parliament in this sphere.

The London Report also affirmed the political commitment of all Member States to co-operation in the foreign policy field, and particularly to consult before making public their reactions to international crises. In addition, it recognised that the Ten had a legitimate interest in discussion of security questions within the framework of political co-operation.

The speed of the Community's reaction to the Argentine invasion of the Falklands owed much to the mechanisms established by the London Report. On the day of the invasion the Ten condemned the Argentine action and called for the immediate withdrawal of its forces. A week later, following the Argentine failure to fulfil the requirements of UN Resolution 502, the Community imposed a ban for thirty days on imports into the Community of goods of Argentine origin, excluding those goods delivered in accordance with existing contracts. In the interim, each Member State had imposed a total embargo on the export to Argentina of arms and military equipment, and each also agreed to withhold export credit guarantees. These sanctions were considered to be harsher than those subsequently imposed by the United States. Mr Francis Pym, Foreign Secretary, commented:

‘Just recently we were the beneficiaries of a quite unique example of multilateral support.... The impact of that action was sharp. It brought home to Argentina, and to countries in Latin America who might otherwise have been more ready to come to her support, that the members of the Community had no doubts about the rights and wrongs of the issue, and were prepared to incur the costs of standing up for the rule of law’ (London, 30th June 1982).

Although this solid front was weakened by the lifting of sanctions by Ireland (who gave her neutrality as justification) and Italy (because of her close ethnic ties with Argentina, 40 per cent of the Argentine population being of Italian descent) in the wake of the sinking of the General Belgrano, both countries undertook not to weaken the rest of the Community's sanctions and gave general support to the British diplomatic position. Sanctions were renewed initially for seven days by the Eight on 17th May and indefinitely subsequent to that. Following the *de facto* cessation of hostilities, the import ban was lifted on 21st June 1982, by all Member States other than the United Kingdom.

A further aim of the London Report was to equip the Ten not only to react more coherently to events, but also to take initiatives. The first evidence of this development appeared in June 1980 with the Venice Declaration on the Middle East (see p. 418).

The Ten, acting in political co-operation, have maintained close contact with developments in the Middle East, their involvement being welcomed by the late President Sadat among others. They have taken joint action on the refugee problem of South-East Asia and on pressing for the withdrawal of Soviet troops from Afghanistan through internationally guaranteed neutrality for that country. The Community Heads of Government have also adopted a united approach over the past three years to the Iran-Iraq war and the North-South dialogue, events in the Lebanon and Cyprus.

(H) THE CONSERVATIVE APPROACH

The Prime Minister summed up the Conservative Government's approach to the Community in a message on the Tenth Anniversary of Britain's membership:

“The world around us is far too dangerous and uncertain for us to allow our internal differences to undermine the unity we have already achieved. Conservatives are not blind to the Community's shortcomings and much remains to be done to ensure that the Community lives up to its full potential both at home and in the outside world. The unity of Europe as a force for peace, freedom and democracy is a goal for which I pledge my Government to work” (January 1983).

In a series of speeches made in autumn 1982, British Ministers made clear that Britain's interest in the Community's development goes a long way beyond a concern about reforming the operation of the EC Budget. Thus among the spheres where Conservatives would like to see Community action are:

- Increased Community support for the development of coal; continued Community action to reduce dependence on imported oil; and more consistency and fairness in energy pricing policies between Member States.
- An expansion of the European Regional Development Fund, a concentration of Community aid on unemployment blackspots and provision of aid from the ERDF to inner city areas.
- Liberalisation of the Community market in services, particularly air transport, road transport and insurance; coupled with a speeding of customs procedures for the transit of goods.
- Increased collaboration between Member States over those foreign policy questions where the interests of the Ten converge.

- Improvements to the Common Agricultural Policy to end open-ended financial guarantees; to reduce and ultimately eliminate structural surpluses; and immediate action to achieve a better balance between livestock and cereal prices.
- In the field of new technologies, a liberalisation of the market (particularly in relation to public procurement) especially for telecommunications equipment, in order to secure the full advantages available from having a Community 'home' market of 270 million consumers.
- An expansion of the resources available to the Social Fund; greater concentration on combatting unemployment amongst the young; and measures to facilitate the free movement of workers between Community countries.

(I) LABOUR'S POLICY OF WITHDRAWAL

Following Party Conference decisions in 1980 and 1981, *Labour's Programme 1982* contained a commitment to withdrawal from the Community. Labour's 1983 campaign document, *The New Hope for Britain*, reaffirms this commitment, 'to be completed well within the lifetime of the parliament'.

Even if all negotiations were to proceed smoothly, Labour concede that the basic act of withdrawal would take fifteen to eighteen months, with considerable amounts of legislation being necessary even after this date to replace existing Community law. They envisage the negotiations being in two stages: preliminary negotiations to establish a timetable for withdrawal which would lead to the publication of a White Paper and a repeal of parts of the 1972 European Communities Act to block the application of Community law. This might be deemed to be illegal in international law as this would be prior to final agreement with our partners (the second stage) on the terms of our withdrawal from the Community. Withdrawal is advocated on the following grounds:

- i. The Treaty of Rome would prevent an incoming Labour Government from implementing its manifesto commitments, particularly with regard to the subsidisation of industry and a retreat into protectionism.
- ii. The supposed impossibility of achieving reforms in the Community.
- iii. The alleged damage done to the British economy by Community membership.

These points are worthy of some examination.

(i) *The Community's Incompatibility with Socialism*. The Treaty of Rome is based upon fair competition and a liberal economic philosophy. However, most political tendencies have been accommodated within its framework and the Community's political priorities have varied in parallel with changes in Member States' governments. There have at one time or another in the past decade been Socialists in the governments of all Member States and none of them have found Community membership to be incompatible with carrying out their basic programmes. The Mitterrand Government was elected in France on a radical Socialist programme, yet it has expressed its firm commitment to the Community, even though the Commission has had to intervene on occasion to curb the French Government's protectionist instincts vis-à-vis European goods. The Italian Communists are supporters of the Community, and the Socialist parties in Spain and Portugal both favour Community membership. The implication is clearly that the

Labour Party intends to introduce a much more extreme form of Socialism than has previously been countenanced elsewhere in Western Europe.

The French Foreign Minister, M. Claude Cheysson, made clear the lack of sympathy felt for the Labour Party by European Socialists and Social Democrats when he commented:

‘You can't have Europe without Britain.... You can't build a modern industry, a modern economy (in Britain) with a market of 50 to 55 million. And if I take the other commitments of the Labour Party, I don't understand them any better. Where would Britain be? Nowhere. Somewhere in the moon? With no defence? With no market? With no chance of progress? Really!’ (*Face the Press*, ITV, 23rd August 1981).

Furthermore, many of those aspects of Labour policy which would conflict with the Rome Treaty—particularly their plans to, in effect, build a siege economy—would also preclude them from an association with EFTA and breach the General Agreement on Tariffs and Trade (GATT). For a country which exports 30 per cent of what it produces to place itself outside the GATT framework would be to risk retaliation against British goods on a massive scale.

(ii) *The ‘Unreformability’ of the Community*. Because of the need to achieve a consensus between the ten Member States, making improvements to Community policies takes time and requires painstaking negotiation. Through its policy of constructive criticism the Conservative Government has shown that it is possible to improve Britain's position within the Community particularly in relation to the Budget, fisheries and the Common Agricultural Policy.

In contrast, the last Labour Government never showed any real interest in improving the Community. Their ‘renegotiation’ was a sham which failed to produce any rebates on Britain's net Budget contribution and their Ministers demonstrated little interest in, or active hostility towards, developing new Community policies. Indeed, their lack of interest in making a success of British membership was clearly demonstrated when in the aftermath of the 30th May Agreement 1980 on refunds for Britain they attacked the Government's handling of the problem. In reply to a question from Mr Douglas Jay, a former Labour Minister, Sir Geoffrey Howe was moved to comment:

‘His Party launched into these matters in 1975 and emerged with a busted flush. This Government achieved success in 12 months. We did so in the first place because we made it unmistakably clear to our partners that we were firmly committed to the Community.... Against a background of the last Labour Government's increasingly reluctant co-operation in so many areas, it is hardly surprising that the Council showed little willingness thereafter to address the problem seriously. This was yet another example of the way in which the divisions within the Labour Party so often inhibit it from pursuing, with vigour, policies that might benefit the peoples of this country’ (*Hansard*, 2nd July 1980, Col. 1545–7).

(iii) *Community Membership and the British Economy*. The changed international economic climate following the 1973 rise in oil prices makes it difficult to calculate the economic effects of membership. However, Mr Christopher Johnson, Economic Adviser to Lloyds Bank, calculates that Britain's GDP was probably higher in 1982 by £3.5 billion than if we had remained outside the Community (Source: Lloyds *Economic Bulletin*, January 1983). The Labour Party bases its economic case against the Community on three points: the deterioration in our balance of trade in manufactures with the Community; our net Budget contribution; and the higher food prices which British consumers have had to pay through the CAP.

42 per cent of British exports now go to the other Member States, compared with 29 per cent in 1972. Our exports to the Community, both overall and in the manufacturing sector, have increased much faster than our exports to the rest of the world. This level of trade, together with the investment attracted to Britain through our Community membership, involves a large number of jobs. Indeed, the CBI have estimated that up to 2½ million jobs could be put at risk if Labour were to seek to pull Britain out of Europe.

Concern about the impact on employment of withdrawal from the Community has also made itself felt on Labour's front-bench. The Shadow Home Secretary, Mr Roy Hattersley, commented in Strasbourg on 6th July 1982:

‘The consequences of abandoning membership are not being exposed adequately in London.... I think that Britain's interests are best served by being in the Community. I want to see more debate in the Party. If you ask what form of agricultural support we would use if we left, or what would be the loss in jobs, you do not get a clear answer.’

The Labour Party concentrates on the trade deficit which has opened up between Britain and the Community in the manufactures sector. This, however, is a function of the lack of competitiveness which developed under the last Labour Government rather than of Community membership. Indeed, our export-import ratios for manufactures have held up better in the Community market than with either Japan or North America—the only comparable large industrialised markets.

Although our trade balance with the Community is assisted by our exports of oil it is hardly instructive to exclude these when one considers the impact which our possession of North Sea oil has on our pattern of taxation and industrial investment, and on the exchange rate at which we have to sell our manufactured goods.

In a Policy Statement, issued in February 1983 by Labour's front-bench spokesmen on Europe, it was conceded categorically for the first time that: ‘The EEC is very unlikely to accept a bilateral free trade agreement’ and that membership of EFTA would be incompatible with Labour's policies. Thus, what they are advocating is Britain's complete isolation from the main international trading powers.

On the Community Budget, the Labour Party did not seem particularly concerned about the level of our Budget contribution when they were in office (see p. 398). Important though it is to reduce our net contribution it should be seen in perspective, as representing rather less than half a penny in the pound of total UK expenditure.

Labour's Programme 1982 alleges that the Common Agricultural Policy denies Britain ‘access to cheaper supplies of essential agricultural products’ and imposes ‘unnecessarily high consumer prices for food’. In fact, food prices have risen over the past 10 years by less than the general rate of inflation, and only 8–10 per cent of the increase is attributable to the operation of the CAP. In addition, although the Labour Party seeks to compare CAP prices with ‘world prices’ for agricultural products, this ignores the comparatively small size of the world market for most agricultural commodities. The following table demonstrates the point:

	<i>Butter Cheese Beef Pigmeat</i>			
	(%)	(%)	(%)	(%)
World trade as a proportion of world production	11.3	5.9	5.2	1.0

Butter Cheese Beef Pigmeat

	(%)	(%)	(%)	(%)
UK consumption as proportion of world trade	48.5	53.4	53.2	136.3
EC exports as proportion of world trade	59.5	40.6	9.5	19.1

(Source: *Hansard*, 18th November 1981, Col. 165)

It has also been calculated by a number of academics that changing back to a system of deficiency payments for UK agriculture, at present rates of production and return, would cost the British taxpayer in excess of £2 billion a year.

Labour's Programme 1982 also ignores the damage which withdrawal would do to the level of industrial investment in Britain from America and Japan. This has been especially important in the high technology industries and particularly significant in areas of Scotland, South Wales and the Thames Valley. In the years 1969–72, the United Kingdom received on average 22 per cent of the American investment coming to the Nine. In the period 1978–80 this had doubled to about 45 per cent (excluding oil), as US companies took advantage of Britain's free access to the Community market of 260 million consumers.

In addition, the Community's position as the most powerful economic grouping in the world, accounting for nearly a fifth of total world trade (excluding intra-Community trade) has proved helpful in combatting unfair trading practices by other countries and in gaining breathing spaces for those of our industries which are suffering from structural decline. Recent examples of the Community's successes have been in preventing British Steel's products from being excluded from the American market, and in the negotiation of the third Multi-Fibre Arrangement. A confidential paper prepared for the TUC Economic Committee by the TUC staff noted the dangers which a withdrawal from the Community would pose on the trade front to British industry:

‘A complicating factor in examining trade issues is the multilateral nature of many trade agreements.... Very few countries apart from economic super-powers, such as the USA and Japan, can afford to take an independent view’ (February 1982).

No Referendum. The Labour Party claims that if it were to win a General Election this would give it a mandate for withdrawal from the Community. Among the most vociferous opponents of a second referendum is Mr Benn. This is in sharp contrast to his campaign to secure a referendum on the membership issue—which he first advocated when a supporter of accession and continued to support when he became an opponent of membership. Mr Benn wrote a letter to his constituents in November 1970 in which he said:

‘Would an election fought on the Common Market help very much? ... It would be quite wrong to expect a life-long supporter of one party who deeply believed in its philosophy to vote for the other party just because he or she agreed with them on the Common Market. The case for a referendum is, in my opinion, immensely powerful, if not overwhelming.’

In a further letter to his constituents, four years later, he had the following to say:

‘The whole nation and all political parties are divided on the Common Market question. We must respect the sincerity of those who take a different view from our own. We should all accept the verdict of the British people whatever it is, and I shall certainly do so’ (29th December 1974).

In response to the 1975 Referendum result Mr Benn said:

‘I have just been in receipt of a very big message from the British people. I received it loud and clear. I have always said that the Referendum would be binding.... There can be no going back’ (*The Times*, 7th June 1975).

(J) THE ALLIANCE PARTIES' POLICIES

The joint policy statement of the Liberal/SDP Alliance issued on 16th June 1981 stated: ‘we are committed to continued membership of the European Community, which should be reformed from within’.

On most questions of principle, the Alliance has supported the Government's European policy. It has, however, been critical of the Government's failure to take Britain into membership of the Exchange Rate Mechanism of the EMS, and more recently has suggested that the Government has been pursuing too hard a line in negotiations over the Community Budget and agricultural policy. This hardly sits easily with Dr Owen's view expressed in his book *Face the Future* (see also p. 000):

‘The Community as a whole is weakened if any Member State feels a deep sense of injustice. It is vital to fight for a fair financial contribution.... It would be foolish to deny that a critical stance carries with it considerable dangers.... Those who genuinely want British membership of the Community to succeed must stick to a firm negotiating strategy’ (p. 515).

However, Dr Owen's negotiating record as Foreign Secretary left a lot to be desired. Following an explosion in the cost of the Common Agricultural Policy during the 1970s, he had the gall to declare: ‘reform of the Common Agricultural Policy is one of the successes of the Labour Government’ (Taunton, 17th March 1979).

On the fundamental objectives of restructuring the *Community Budget*, reducing spending on agriculture as a proportion of the Budget, increasing regional and social spending, and initiating new Community policies in the fields of energy, transport and research, there is a similarity between the Alliance's policies and those of the Government. However, on the question of the Community's ‘own resources’ the Alliance favours increasing them, while the Government has made it clear that this could only be considered after agreement on a fundamental restructuring of the Budget.

In the context of the *CAP* both Alliance Parties support increased direct income support for farmers operating in marginal areas, while reducing the guarantee price, in real terms, for products in structural surplus. Both Parties favour the enlargement of the Community to include Spain and Portugal.

The Alliance's commitment to the principles of free trade which underpin the operation of the Community seems to be a little shaky. As Mr David Steel has said: ‘we may need to ask our Community partners for temporary respite from the full rigours of international competition in one or two of our most weakened industrial sectors’ (‘A Europe fit for Britain to live in’, 1981 Federalist Lecture). Similarly, Dr Owen has written:

‘It was perhaps unwise for us to make an issue of principle out of the French lamb restrictions, for Britain may need to take similar restrictions against other Member States' imports covering

some sensitive products for our own economy, probably in the industrial sector.... Britain has a strong interest in developing the concept of what the French Government call “orderly marketing arrangements” ’ (ibid., p. 517).

There is a divergence within the Alliance over the principle of *federalism*. The Manifesto of the Federation of Liberal and Democratic Parties of the EC, to which the British Liberal Party subscribed, makes clear their commitment to federalism, and Mr Steel has said:

‘The Liberal Party has never shared the preoccupation with sovereignty.... We are, and always have been, the federalist Party’ (ibid.).

On the other hand, Dr Owen has written:

‘on the sensitive issue of political union there is unanimity between the French and the British in resisting federalism’ (*Face the Future*, p. 511).

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A. INTRODUCTION

1. LABOUR'S LEGACY

The Conservative Party took office in May 1979 determined to restore Britain's reputation in the world and to give our foreign policy a renewed sense of purpose and resolve.

Five years of Labour Government had left a dismal legacy of weakness, equivocation and, above all, failure. The achievement of the previous Conservative administration in bringing Britain into an enlarged European Community had been undermined by the pointless and divisive process of 'renegotiation', which strained relations with our EEC partners considerably. Even after the British people had inflicted a decisive rebuff on the anti-Marketeters in the Referendum in June 1975, the substantial Left-wing minority in the Cabinet prevented the Government from any real commitment to making a success of our membership of the Community. In these circumstances, it was hardly likely that our partners would show much interest in justifiable British grievances—for example our excessive contributions to the EEC Budget (see Chapter 25).

Secondly, the massive cuts in defence spending, announced in 1975, had undermined our contribution to Western defence. The Labour Government's stated commitment to the Atlantic Alliance was damaged by the knowledge that many Labour MPs were in fact opposed to the broad thrust of Western foreign and defence policy. Labour ministers were constantly under pressure from the neutralist and pacifist elements in their party. Consequently, the Labour Government often adopted a naïve attitude towards East/West détente, which took little account of the continuing repressive actions and aggressive aims of the Soviet Union.

Thirdly, there was the seemingly endless and insoluble problem of Rhodesia. Labour foreign policy slid from one bout of futile posturing to another, without making the slightest impact on events. The unfortunate people of Rhodesia merely sank deeper into savage civil war.

2. CONSERVATIVE ACTION

In a speech not long before the last General Election, Mr Francis Pym, then Shadow Foreign Secretary and now Foreign Secretary, declared:

‘The underlying theme of Conservative foreign policy is the safeguarding not only of our own freedom, but also that of the whole free world. Every free country has a shared interest in the freedom of every other country and we in Britain ought to look forward from this island in that spirit and with that faith’ (London, 8th March 1979).

After four years of Conservative rule, the world sees a British government speaking and acting clearly and forthrightly in favour of both British and wider Western interests. A peaceful and democratic settlement in Zimbabwe has been achieved after 15 years of deadlock and abortive negotiations. Argentine aggression in the South Atlantic has been rebuffed and the Falkland Islands liberated, thus setting an example of British resolution to the whole world.

British influence within and through the European Community and NATO has increased. The Government has been in the forefront of international efforts to highlight the Soviet threat to freedom, and the sufferings of the Afghan and Polish people. While strengthening our defences, both nuclear and conventional, the Government has given very high priority to achieving success in the various arms control negotiations, provided that the result is an equitable and multilateral agreement and not a one-sided agreement, which would pose a threat to peace and freedom.

This is a consistent and impressive record. When compared with the declared aim of the Labour Party to desert our friends in the European Community and to isolate Britain from the fundamentals of Western defence by a policy of unilateral disarmament and the eviction of American bases from this country, the choice is stark indeed. When compared with the useless platitudes of the Social Democrats and Liberals, our record of solid achievement is just as impressive. Conservative foreign policy is an essential guarantee of a strong and decisive projection of Britain abroad.

B. EAST-WEST RELATIONS

1. AFGHANISTAN

In December 1979, over 60,000 Soviet troops invaded Afghanistan in order to instal a more pliant government in Kabul and to buttress Communist power, which has been steadily crumbling since the original pro-Communist *coup d'état* in April 1978.

The Soviet invasion was strongly condemned by nearly every country in the world outside the Communist bloc. The United Nations General Assembly voted on 14th January 1980 by 104 votes to 18 for the immediate and unconditional withdrawal of all foreign troops from Afghanistan.

The British Government took a number of retaliatory measures to bring home to the Russians the enormity of their action. In particular, it was decided not to renew the Anglo-Soviet cheap credit agreement, which had been entered into by the Labour Government in 1975. British ministers also pressed for tighter application of the COCOM rules for the transfer of sensitive technology from the West to the Soviet Union. The Government also avoided high-level ministerial contacts with the Soviet Union and Soviet cultural events, and authorized an increase in the broadcasts of the external services of the BBC to the Soviet Union and Afghanistan.

In addition, the Government supported a boycott of the Olympic Games in Moscow that summer. Unfortunately, the British Olympic Association decided to ignore the Government's advice.

In the face of fierce and persistent guerilla resistance, the Soviet military presence increased to about 100,000 men. Speaking to the Conservative Party Conference in Brighton on 10th October 1980, Lord Carrington, then Foreign Secretary, made the following points:

‘The invasion of Afghanistan, the rape of a small defenceless neighbour, was ruthlessly carried out, is being pitilessly pursued.... We have to face reality. It is no good pretending that Afghanistan has not happened or that everything will be all right, that business can go on as usual. Unless it is brought home to the Soviet Union that the world is not prepared to accept as irreversible their occupation of Afghanistan who knows what misunderstanding may arise in the future over the will of the West to defend itself and its interests? ... We have put forward a plan which has now attracted wide support, for a neutral, non-aligned, independent Afghanistan, not antagonistic to the Soviet Union—why should it be, if it is left alone?—but neutral in the sense that neither West nor East has troops there or bases or props up an unpopular regime.’

Unfortunately, Lord Carrington's plan for a neutral Afghanistan evoked no response in Moscow and Russian troops have continued to prop up the puppet Karmal regime in the face of overwhelming popular hostility. After three and half years of fighting, there is still no sign that the Russians are succeeding in establishing effective control over the countryside of Afghanistan. The privations of the Afghan people continue to increase. There are now about 3 million refugees in Pakistan and hundreds of thousands in Iran. About a fifth of the Afghan population have left their country since 1978.

The **Prime Minister** said on 30th November 1982:

‘We feel deeply the terrible suffering inflicted on the people of Afghanistan as a result of the Soviet military intervention.... Since January 1980, the United Kingdom has given or pledged more than £10 million of cash and food aid to Afghan refugees in Pakistan’ (*Hansard*, WA, Col. 112).

She added that the Foreign Office has recently ‘announced a further £1 million of aid for relief work among the refugees. In addition, the BBC has agreed to double its Pashto broadcasts to half an hour daily’ (*ibid.*).

2. POLAND

Formation of Free Trade Unions. In August 1980, a wave of strikes, originating in the port of Gdansk, led to the resignation of the Communist Party Leader, Mr Edward Gierek, and many other senior officials and ministers. On 31st August the new Government signed an agreement with the strikers, permitting the establishment of free trade unions with the right to strike and quite separate from the party apparatus.

Millions of Polish workers flocked to join the new unions, and particularly the Solidarity union, led by Mr Lech Walesa, the former leader of the Gdansk strike committee.

The creation of a legal and independent trade union movement was an unparalleled development in a Communist country, and there was considerable speculation about the extent to which the

other members of the Warsaw Pact would continue to tolerate the dramatic changes in Poland. Lord Carrington, then Foreign Secretary, said on 26th November 1980:

‘Our policy on this matter is very simple; it is that the Polish Government and people should themselves resolve the great questions that face them. Britain has no other thought than this, and hopes that that is true of every government. I need not say how grave would be the consequences if the contrary should prove to be the case’ (*Hansard*, Col. 100).

1981 was marked by constant political and social instability, a worsening economic situation and constant rumours of Soviet military intervention.

The Military Clampdown. On 13th December 1981, the Polish leader, General Jaruzelski, suddenly announced the establishment of a military government. Acting with ruthless efficiency, the military authorities severed all communications, imposed draconian security measures and interned thousands of Solidarity activists including Mr Walesa.

General Jaruzelski said that the state of martial law was intended to be of short duration and would be rescinded when calm and order were restored. He asserted that the measures were intended to preserve the fundamentals of the Polish ‘renewal’ and that reforms would be continued.

However, the harsh measures used to crush protest strikes, demonstrations and sit-ins made this seem increasingly unlikely. On 17th December, the Polish authorities admitted that 7 miners had been killed and 39 injured in Katowice, and that there had been over 300 injuries in clashes in Gdansk. Gradually, the remorseless military and police action wore down the passive resistance, and soon after Christmas all open opposition appeared to have ended amid an atmosphere of popular resignation and despair.

The **Prime Minister** said:

‘We vigorously denounce what is happening there and condemn it with all the strength and power that we can ... we all bitterly and deeply regret that action is being taken to extinguish the flame of freedom that had started in Poland.... If the authorities believe that they can snuff out that flame they are making an error of historic proportions’ (*Hansard*, 22nd December 1981, Cols. 865–7).

British and Other Western Action. On 29th December, the United States imposed a number of economic sanctions and subsequently American spokesmen urged other Western countries to follow suit.

On 11th January 1982, the Foreign Ministers of NATO agreed that each member state would consider individual diplomatic and economic action against the Soviet and Polish governments in accordance with its situation and legislation. In this context, Mr Humphrey Atkins, then Lord Privy Seal, announced on 5th February 1982 a number of measures taken by the British Government. These included:

1. Placing travel restrictions on Polish and Soviet diplomats in Britain.
2. Putting into abeyance officially guaranteed credits to Poland.
3. Reducing activity under Anglo-Soviet technical co-operation agreements.
4. Introducing a licensing system for Soviet factory ships trans-shipping fish caught in British waters.

5. Increasing BBC broadcasts to Poland.

In addition, Mr Atkins said that Britain, with other Western creditors, had decided to hold in suspense the question of rescheduling Polish debts. Britain was also giving financial and other assistance to voluntary and church agencies providing humanitarian aid to the Polish people.

The European Community agreed that there should be no further sales of cut-price EEC food to Poland and that instead the funds would be used for humanitarian aid. On 15th March 1982, EEC finance ministers agreed to cut Soviet imports to the Community by a little over 1 per cent, affecting about £66 million worth of trade.

Throughout 1982, the Polish martial law authorities under General Jaruzelski worked to eliminate all traces of opposition, while trying gradually to lessen the weight of repression. However, there were frequent strikes and demonstrations, sometimes developing into riots. In October, the Polish Parliament passed a law formally banning Solidarity.

Although Mr Walesa was released and martial law suspended in December 1982, the dissolution of Solidarity means that the Polish Government has in effect abandoned any attempt to break political deadlock and broaden its present minimal level of popular support. The latter would be essential for General Jaruzelski to have any chance of succeeding with his stated policies of national reconciliation and economic reform. Meanwhile, Poland's economic difficulties and social hardships seem likely to increase.

Differing perceptions in the Western Alliance on how best to put pressure on the Soviet Union in respect of Poland caused a brief, but awkward, problem in relations between the United States and certain Western European countries. During the summer of 1982, the United States imposed sanctions on companies in Italy, France, West Germany and the United Kingdom, which were supplying parts for the planned Siberian Gas pipeline to Western Europe. The United States Government felt that Western companies should not co-operate in building the pipeline, unless there was an end to repression in Poland. The Western European governments felt strongly that, in Mrs Thatcher's words, existing contracts:

‘should be honoured and not suddenly severed. If a country is to keep a good reputation it must keep its contracts’ (*Daily Telegraph*, 7th July 1982).

Fortunately, the problem was solved in November 1982, when the United States was persuaded to lift the sanctions.

3. THE MADRID CONFERENCE

In November 1980, the Madrid Review of the Conference on Security and Co-operation in Europe opened. This is the second review conference intended to assess the implementation of the Helsinki Final Act of 1975 and to consider proposals for future action to further détente. All European countries (except Albania), together with the United States, Canada and the Soviet Union are represented.

Right from the start, the sessions have been marked by strong Western criticism of the continuing gross infringements of human rights in the Eastern bloc. The Soviet Union and its allies have pressed for a new disarmament conference of a vague and general nature, while

France, with Western support, proposed a conference which would negotiate militarily significant, verifiable and binding confidence-building measures.

The Soviet-inspired repression in Poland in December 1981 created a very sour atmosphere for the pursuit of détente and in March 1982 the Conference adjourned for 8 months. There was a resumption of talks in November 1982, but no agreement appears close.

(C) THE MIDDLE EAST

1. THE ARAB/ISRAELI DISPUTE

For many, years, the Conservative Party has supported a balanced and even-handed policy towards the Arab/Israeli problem, and since coming into office, it has continued and developed this tradition. The Conservative Government has played a major role in the diplomatic efforts to secure a settlement, particularly through the medium of the European Community.

The Venice Declaration was issued by the Prime Minister and the other EEC Heads of Government on 13th June 1980. It was a response to the deadlock which had developed in the talks on Palestinian autonomy within the Camp David peace process. The declaration emphasized:

‘the two principles universally accepted by the international community: the right to existence and to security of all the states in the region, including Israel, and justice for all the peoples, which implies the recognition of the legitimate rights of the Palestinian people.’

The first principle means that ‘all of the countries in the area are entitled to live in peace within secure, recognized and guaranteed borders’, while the second means that ‘the Palestinian people ... must be placed in a position ... to exercise fully its right to self-determination’. A later paragraph emphasized that:

‘these principles must be respected by all the parties concerned, and thus by the Palestinian people, and by the PLO, which will have to be associated with negotiations’.

The Venice Declaration has been much criticized and much misunderstood. It has, for example, been asserted that it runs contrary to the Camp David peace process, which was set in motion by President Carter, the Israeli Prime Minister, Mr Begin, and the former Egyptian President Sadat. This is not correct. As Mr Douglas Hurd, Minister of State, Foreign Office, has said:

‘... our aim has been not to contradict but to complement Camp David. Camp David was a historic achievement, for it brought peace between Egypt and Israel. It is crucial that this peace should not be undermined. But the process needs to move on if it is to be secure’ (Strasbourg, 12th March 1981).

Secondly it has been suggested that the Venice declaration is biased against Israel. In fact, as the quotations given above from the declaration demonstrate, it is rigorously balanced and makes clear the absolute commitment of the United Kingdom and the other members of the EEC to the existence and security of the State of Israel. As Lord Carrington said in his speech to the Conservative Party Conference on 10th October 1980:

‘... could anything be more even-handed, more sensible or more just than that each party should recognize and agree to live with each other?’

Thirdly, the Venice declaration has been attacked for its reference to the Palestine Liberation Organization. The British Government abhors the violence and terrorism with which PLO groups continue to be involved and deplores statements of PLO leaders which often deny the right of Israel to exist. Until such time as the PLO agree to alter these policies, one cannot expect Israel to agree to negotiate with its representatives. Nevertheless, it is an undoubted fact that the PLO enjoys wide support among the Palestinian population and there is indeed no other organization which claims to represent the Palestinians. Accordingly, if the Palestinians are ever to be brought into negotiations, it is inevitable that the PLO will have to be involved in some way. It is a prime aim of the Conservative Government to persuade the PLO and its backers in the Arab world that destructive and negative policies will never achieve anything but endless confrontation and suffering.

The Golan Heights. On 14th December 1981, Israel unexpectedly annexed the Golan Heights. Speaking to the Board of Deputies of British Jews on 15th December, the **Prime Minister** said that ‘such an extension is contrary to international law and therefore invalid in our eyes ...this latest move is harmful to the search for peace’. She added:

‘The fundamental principle of Israel policy is the security of the state of Israel. We—and not just Britain but all the Members of the European Community—are equally committed to that principle. Our resolve that Israel should live in security and peace will not weaken. But if we demand these rights for one country and people, we must be prepared to accord them to others. For justice and truth know no boundaries.’ ‘... Real security can come only from a lasting peace recognised to be just and defended because it is just to Israel, just to her neighbours and just to the Palestinians.’

Withdrawal from Sinai. On 27th April 1982, Israel withdrew from the last sector of occupied Egyptian territory in the Sinai desert and the Egyptian part of the Camp David agreement was successfully completed. A 2,500-strong Multinational Force (MFO), including a small British component, has been stationed there and is maintaining peace on the Egyptian/Israeli border.

Israeli Invasion of the Lebanon. On 3rd June 1982, the Israeli Ambassador to Britain was shot and seriously wounded by gunmen in London. The following day Israeli aircraft bombed Palestinian positions in the Lebanon and on 6th June, Israeli forces invaded Southern Lebanon.

Since the last ceasefire on the Lebanese front in July 1981, there had always been the possibility that hostilities would break out again while Israeli settlements remained within artillery range of Palestinian positions. The Israelis advanced right up to Beirut. There was heavy fighting against both PLO and Syrian forces.

A ceasefire came into effect with the Syrians, who had suffered heavy air losses, on 12th June and with the Palestinians the following day. But the ceasefire with the PLO broke down very quickly and the Israelis advanced into parts of Beirut, cutting off the PLO strongholds in the west of the city. Throughout the summer, sporadic fighting continued in Beirut between Israeli and PLO forces. Eventually, the American negotiator, Mr Habib, secured agreement to a plan whereby the PLO forces in Beirut would be evacuated from the Lebanon by 3rd September 1982.

This evacuation took place according to plan, under the auspices of a 2,100-strong force of French, Italian and United States soldiers. 8,475 members of the PLO left for various Arab countries. The multi-national force left soon after the evacuation was completed.

One side-effect of the Israeli occupation of Southern Lebanon and the military defeat suffered by the PLO was to enable the Lebanese Government to begin to re-establish its political authority, which had been almost non-existent since 1975.

M. Bashir Gemayel, who had built up a reputation as the tough and ruthless leader of the Phalangist militia, and therefore the dominant spokesman of the Christian Maronite community, was elected on 23rd August and was due to have taken office on 23rd September.

Despite his sectarian past, M. Gemayel showed every sign of wishing to rebuild a strong Lebanon on the basis of reconciliation between Christians and Muslims. However, on 14th September, he was assassinated. A few days later, his brother M. Amin Gemayel, who had a less hard-line image, was elected to replace him.

In the aftermath of the death of Bashir Gemayel, Israeli forces for the first time occupied West Beirut. On 17th September, Israel allowed Christian militia forces into the Palestinian refugee camp of Sabra and Chatilla, apparently to deal with any remaining PLO guerillas. In fact, certain of the Christian forces carried out a wholesale massacre of many hundreds of Palestinian refugees, including women and children. These atrocious events led to the rapid redeployment of the US/French/Italian Multinational Force and the withdrawal of the Israelis from West Beirut.

The Lebanese and US governments are now seeking agreement on a mutual withdrawal from the Lebanon of all Syrian and Israeli forces. In December, it was announced that Britain was contributing an armoured reconnaissance unit of 80 men to the Multinational Force for three months.

Latest Peace Proposals. On 1st September 1982, President Reagan put forward new American proposals. While emphasizing that the Camp David agreement remained the foundation of United States policy, he called for Jordanian participation in the peace process. He said that in line with the Camp David agreement there should be free elections for a self-governing Palestinian authority followed by a five-year transitional period.

The President said that peace could not be achieved on the basis of an ultimately independent Palestinian state and that the best arrangement would be Palestinian self-government in association with Jordan. He called for an immediate halt to new Israeli settlements in the occupied territories, and emphasized the continuing validity of UN Security Council Resolution 242 of 1967 so far as withdrawal from occupied territories was concerned. 'When the border is negotiated between Jordan and Israel, our view on the extent which Israel should be asked to give up territory will be heavily affected by the extent of true peace and normalization and the security arrangements offered.'

The Arab League, meeting in Fez, Morocco, on 9th September 1982, adopted a number of principles, of which the most significant was the implied, although not explicit, acceptance of the need to recognise Israel.

The EEC Foreign Ministers, meeting on 20th September, welcomed the new American initiative. 'In the view of the Ten, it offers an important opportunity for peaceful progress on the Palestinian question and a step towards the reconciliation of the parties' conflicting aspirations.'

They also emphasized the importance of the Fez declaration 'as an expression of the unanimous will of the participants including the PLO, to work for the achievement of a just peace in the Middle East, encompassing all states in the area, including Israel'.

Israel has so far rejected the latest American proposals and stated that it will not enter negotiations about them, and will only negotiate on Palestinian autonomy in total conformity with the Camp David accords. In April 1983, it appeared that President Reagan's proposals were doomed to failure because Jordan and the PLO were unable to agree a common policy.

Conservative and Labour Policies. Speaking in the House of Commons on 20th October 1982, Mr Pym said:

'We have given great emphasis to the principle of (Palestinian) self-determination. We have done so in our own right and in concert with our European allies in the Venice Declaration of 1980.... The Reagan plan does not include that word, but as an initiative it is infinitely closer to our position than anything that the American Administration have done before.... We have always taken the view that the PLO must recognise the rights of Israel and abandon terrorism before we can change our attitude towards it. However ... we have said that the PLO must be associated with the negotiations.... A Palestinian state is one possible way of fulfilling the rights of the Palestinians to self-determination, but there are other ways of doing so' (*Hansard*, Col. 353).

Official Labour Policy on the Arab/Israeli conflict is not substantively different from Government policy, except that Labour's Campaign document explicitly supports the right of the Palestinians to an independent State. However, a resolution passed at the Labour Party Conference took a far more pro-Palestinian line. This resolution, moved by Mr Ted Knight, the Left-wing leader of Lambeth Council, recognised the PLO as the *sole* legitimate representative of the Palestinian people and called for an investigation into 'Israeli war crimes in Lebanon.'

3. IRAN AND IRAQ

The American Hostages. The fall of the Shah and the establishment of an Islamic Republic in Iran in 1979 created an atmosphere of acute instability in the Gulf. This instability was accentuated from November 1979 when the American Embassy in Teheran was stormed and 49 diplomats taken hostage, in an attempt to obtain the return of the Shah, then in the United States.

The United States Government tried every possible means of securing the freedom of the hostages, including the abortive rescue attempt in April 1980. Considerable international economic pressure was exerted on Iran, and in that context the British Government imposed economic sanctions on Iran in May 1980 following the passage of the Iran (Temporary Powers) Act. Throughout the crisis, the British Government gave strong diplomatic support to the United States.

The Iran/Iraq War. In September 1980, war broke out between Iran and Iraq, nominally over rival claims to the Shatt al Arab waterway, but in practice as the culmination of months of border clashes and bitter verbal recriminations, flowing from mutual fear and suspicion between the Sunni Muslim dominated government of Iraq and the Shia Muslim government in Iran. At first the Iraqis made swift progress and occupied a substantial strip of Iranian territory. But later they became bogged down in a war of attrition. The Iranians have now recaptured most of what they

had lost and entered Iraqi territory at certain points. But there is no sign that either side is capable of securing a decisive advantage.

Since the outbreak of the war, Britain has maintained a naval presence in the Gulf to protect shipping.

(D) AFRICA

1. GENERAL

The two overriding concerns in Africa remain the lack of development and the threat of Communism. They have both led to unstable governments and continuing wars and insurgency throughout the continent. The Soviet Union has played an active rôle in the provision of military hardware and advisers; the training and education of guerillas; and the use of 'proxies' in the form of Cuban troops.

They have continued to obtain support by stating that the ending of neo-colonialism can only be achieved through Communism and/or 'armed liberation'. By doing this, they are exploiting the events of the last 25 years where violence has played a significant part.

The difficulty that faces many of the developing countries has been over-rapid economic development which has led to a breakdown in the social structure. Frequently governments have pumped money into the urban areas which has resulted in a migration from the rural agricultural regions, the creation of slums in the cities, and the breakdown of the traditional family structure. This in turn has helped to destabilize non-Communist régimes.

2. RELATIONS WITH BLACK AFRICA

The Government has continued to lay great stress on Britain's relationship with the countries of Black Africa. In particular we have traditionally close ties with those who are members of the Commonwealth (see p. 430). During the Falkland crisis these countries gave Britain invaluable support in the United Nations and other international organisations. The Government has aimed at fostering good relations through trade, aid, diplomacy and cultural links.

There have been a number of significant political developments in Black Africa in recent years. In Zimbabwe and Nigeria there were successful transitions of power, and in Kenya an attempted coup was put down. However in Ghana a period of civil government came to an end after allegations of corruption, and Flt. Lt Gerry Rawlings seized power. In Uganda Idi Amin was eventually overthrown in April 1979 following an invasion by Tanzanian and exiled Ugandan forces. Following two interim governments, there was an election which was won by the former President Milton Obote. Reports from the country indicate that disturbing violations of human rights continue to occur.

Following elections in Nigeria in October 1979, Shehu Shagari became the first democratically elected President in 13 years. In the Horn of Africa, the fighting between Somalia and Marxist Ethiopia continues. In Angola the non-Marxist forces of Unita have continued to fight the Soviet-backed and Cuban-supported MPLA Government.

Trade. In 1982, Britain's total exports to Africa were £4,337 million. This was 8 per cent of the UK's total visible exports. Nigeria was the largest importer of British goods, closely followed by South Africa.

3. ZIMBABWE

The present British Government took office at a time when a major development was taking place in the slow and painful process towards majority rule in Rhodesia. A black political party—the United African National Council—had won a majority for the first time in the so-called ‘internal’ General Election of April 1979. On 29th May 1979, Bishop Muzorewa became the first black Prime Minister of Rhodesia. This was a major step forward, but the fact that the Patriotic Front was not involved in this Election meant that there was no prospect of an end to the worsening guerilla war.

At the Commonwealth Conference in Lusaka in August 1979, British and other Commonwealth leaders agreed to call a Constitutional Conference with the Muzorewa Government and the Patriotic Front of Mr Robert Mugabe and Mr Joshua Nkomo.

Mrs Thatcher described this agreement as ‘good news for all Rhodesians, good news for all who want a solution by the ballot and not the bullet, good news for the Commonwealth and good news for us at home’ (*Guardian*, 6th August 1979).

On 10th September 1979, a Constitutional Conference opened at Lancaster House under Lord Carrington's chairmanship. The first subject agreed was the formulation of an independence constitution. It was agreed that a constitutional President, elected by the Parliament, would act on the advice of the Prime Minister and Government. Parliament itself would consist of a Senate and a House of Assembly, the latter would have 80 members elected by universal franchise, and 20 members by a white voters' roll. The Senate would have 40 seats, of which 14 would be elected by the 80 black members of the House of Assembly, 10 by the 20 white members, 10 by the Council of Chiefs and 6 would be nominated by the President.

Commissions would be created to ‘make regulations for the administration and conditions of service’ for the Police, Civil Service and Military, as well as dealing with grievances and disciplinary questions, and in the case of the Civil Service, making appointments. A Declaration of Rights would exist for anybody who felt that his rights had been infringed. For 7 years it would only be possible to amend the constitution with the support of 70 per cent of the House of Assembly and two-thirds of the members of the Senate. However the provisions relating to white representation would only be amendable with the unanimous support of the House of Assembly.

Next, it was agreed that a British governor would take over all legislative and executive responsibilities during a transitional period which would last for two months from the date of the ceasefire, culminating in a General Election. All armed forces in Rhodesia would be under the jurisdiction and protection of the Governor.

In mid-November, Parliament passed the Southern Rhodesia Act 1979, which, *inter alia*, enabled the Government to proceed with the independence constitution and provided for the appointment of the Governor. At the same time, the Government did not seek the renewal of the annual Rhodesia Sanctions order.

There were protracted negotiations on the arrangements for a ceasefire between the Rhodesian Security Forces and the guerillas, and the rôle of the 1,200 strong Commonwealth monitoring force. But, thanks to the tireless diplomacy of Lord Carrington, the problems were eventually solved.

On 7th December, it was announced that Lord Soames, then Lord President of the Council, would be the Governor, with Sir Anthony Duff of the Foreign Office as his Deputy and Major General John Acland the Chairman of the Ceasefire Commission and Military Adviser.

On 12th December, Lord Soames arrived in Salisbury to take up his post. The ceasefire came into operation on 28th December and in the following week thousands of guerillas made their way to 16 assembly points.

The General Election took place from 27th to 29th February 1980, Mr Robert Mugabe's ZANU-PF party won 57 seats, Mr Joshua Nkomo's Patriotic Front won 20 seats and Bishop Muzorewa's UANC won 3 seats. All 20 seats reserved for the white population were won by Mr Ian Smith's Rhodesia Front.

On 17th April 1980, Rhodesia formally attained independence as the Republic of Zimbabwe. Speaking at Perth on 9th May 1980, the **Prime Minister** said that:

‘We are once more a nation capable of action rather than reaction. The Rhodesian problem had defied solution for fifteen years. Last May a peaceful outcome seemed more remote than ever. But in the space of 10 months an answer was found and Zimbabwe has now embarked on nationhood in circumstances more favourable than many had dreamed possible. Of course, all those directly concerned had wanted peace. But someone had to find the path. We did so.’

Since the birth of Zimbabwe, Britain has played her part in helping her economic development. In March 1981, a conference (ZIMCORD) was held in Salisbury (now Harare) to seek increased aid. Lord Soames, representing Britain, announced that British aid commitments would amount to £123 million. Including military assistance and debt relief, British aid amounted to £140 million. A British military training team has played an important rôle in the integration of the various armed forces into a single Zimbabwean army.

For the first 18 months after independence the efforts of political reconciliation seemed to be succeeding. However, in recent months the situation has deteriorated. Mr Nkomo and three of his colleagues were expelled from the Government after arms were found on one of his party's farms. Since then there has been increasing terrorism in Matebeleland as well as allegations that government troops have committed atrocities. In March 1983, Mr Nkomo, in fear for his life, fled first to Botswana and then to Britain. He has claimed that the North Korean-trained Fifth Brigade have massacred hundreds of his fellow Ndebele. At the beginning of April 1983, guerrillas, so far unidentified, raided a farm in Matebeleland, killing its owner, a Senator of Zimbabwe's white opposition Republican Front Party, and two others.

4. NAMIBIA

Namibia, formerly South West Africa, has been administered by South Africa under a League of Nations mandate since the end of the First World War. However, the United Nations has withdrawn the mandate and has been pressing for a rapid transition to majority rule. In 1978, Britain and four other major Western countries presented proposals to the South African

Government and SWAPO, whose guerillas were operating in northern Namibia, for elections under United Nations supervision leading to internationally recognised independence. These were accepted in principle, but for the last five years the various parties to the dispute have been arguing about its implementation and various connected issues. The continued presence of some 20,000 Cuban troops in Angola is a particularly difficult problem.

Speaking to the United Nations General Assembly on 29th September 1982, the **Foreign Secretary** said:

‘Although it is premature to assume that the many obstacles in the path of Namibian independence will all be overcome, it is not ... too much to hope that the people of Namibia may soon have the opportunity to determine their own future ... in elections held under United Nations supervision. If a solution can be achieved in this way in Namibia, it will indeed be a success to chalk up for persistent and patient diplomacy backed by the United Nations.’

In April 1981, Britain, France and the United States vetoed a resolution in the United Nations Security Council, which would have imposed economic sanctions on South Africa. The Conservative Government is firmly opposed to sanctions as a weapon to bring pressure on the South African Government either to compromise on Namibia or to modify its domestic policies within South Africa (see below).

5. SOUTH AFRICA

The South African domestic scene has been marked by a welcome determination to reform and liberalize the repugnant system of apartheid since Mr P. K. Botha replaced Mr Vorster as Prime Minister in 1978.

Speaking to the UK/South Africa Trade Association on 4th December 1979, Mr Peter Blaker, then Minister of State, Foreign Office, said:

‘We note with admiration and sympathy Prime Minister Botha's determination to promote change as part of his ‘total strategy’ for the future of the Republic... But there is a long way to go before the changes really affect the basic structure of South Africa's society so as to make it acceptable to the world at large.’

Mr Botha's reformist policies have been under pressure from extreme Right-wing elements within the ruling National Party. In March 1982, these elements, led by Dr Andries Treurnicht, formed a new Conservative Party of South Africa.

On 29th September 1982, Mr Pym said in New York that there was no need for further lives to be lost in Southern Africa and that Britain hoped for:

‘peaceful evolution within South Africa itself and the emergence of there of a form of government based on the consent of the South African people as a whole’.

Labour Policy. The Labour Party's campaign document, *The New Hope for Britain*, states that ‘we will carry through a systematic programme of economic disengagement from South Africa by supporting comprehensive mandatory sanctions at the UN’, and will give ‘financial and material assistance to the liberation movements in South Africa and SWAPO of Namibia’.

(E) WESTERN EUROPE

1. POLITICAL DEVELOPMENTS

The world economic recession has affected the political balance in a large number of European countries, making it more difficult over the last few years for governing parties to be re-elected. During the past year, with the exception of Sweden, which returned a Socialist party to power, the trend has been to the Right in Northern Europe and to the Left in Southern Europe.

At present there are Right or Centre-Right governments in Britain, West Germany, Norway, Denmark, Belgium and Holland, and Left of Centre or Socialist governments in France, Spain, Greece, Austria, Finland and Sweden. Although Italy continues to have frequent changes of government, they are always dominated by the Christian Democrats.

2. WEST GERMANY

The coalition of Social Democrats (SPD) and liberal Free Democrats (FDP) broke apart in September 1982. In October, a new coalition of the Christian Democratic Union (CDU), the Christian Social Union of Bavaria (CSU) and the Free Democrats took office.

On 6th March 1983 a General Election took place and resulted in a decisive victory for the new Centre-Right coalition, led by Dr Helmut Kohl. The CDU/CSU won 244 seats, the SPD won 193 seats, the Free Democrats won 35 seats and the anti-nuclear Green Party won 26 seats. The question of deploying cruise missiles had played an important part in the campaign, and the result was regarded as a significant endorsement of NATO policy on this subject.

3. FRANCE

The swing to the Left in both the Presidential and General Elections in 1981 was a swing specifically to the Socialist Party at the expense of the Communists as well as the Gaullists and the Giscardian Republicans. The Socialists and their allies massively increased their representation in the 491-seat National Assembly from 116 to 285 seats: in contrast, the Communists lost almost half their 86 seats, to be left with only 44.

President François Mitterrand chose a long-time supporter, M. Pierre Mauroy, Mayor of Lille, as Prime Minister. The Government includes four Communist ministers, the most senior being M. Charles Fiterman who is Minister of Transport. M. Claude Cheysson is the Minister for External Relations: until his appointment he was EEC Commissioner for Overseas Development.

When his reflationary policies began to fail, M. Mitterrand was forced to introduce a four month price and wage freeze which ended on 31st October 1982. The worsening trade deficit was tackled by the usual Socialist measures of increasing trade restrictions and the introduction of a series of non-tariff barriers, some of which run counter to the spirit of GATT and the European Community. The Government, in an attempt to bring public expenditure under control, resorted to a range of measures including charging for paramedical hospital services such as food and bed linen.

In March 1983, M. Mitterrand took two more steps to bring the economy to order. He reshuffled his government in order to reduce the influence of the economic expansionists, and introduced an austerity package which included higher taxes, higher energy prices, a curb on public spending and strict limits on how much money Frenchmen can take abroad on holiday.

Although the economic policy of the Socialist Government mirrors that of the British Labour Party, there is no resemblance between them on defence. Expenditure on improving the 'Force de Frappe', France's nuclear deterrent, continues with plans for a seventh nuclear missile submarine. This compares with the British Trident programme which involves four submarines. M. Cheysson, Foreign Minister, said in reference to the Labour Party's defence policy: 'What does it mean, that every nuclear armament will be dismantled? Where would Britain be? Nowhere. Somewhere in the moon with no defence' (*Face the Press*, 23rd August 1981).

4. SPAIN

For the first time since the Civil War, the country is being ruled by a Socialist government. In a general election on 28th October 1982, the Socialist Party led by Sr Felipe Gonzalez was given a large majority. In what was basically a two-party fight the Socialists won 201 seats (out of 350) in the congress or lower house, and 135 (out of 205) in the senate. Sr Fraga Iribarne's Right-wing Popular Alliance won 105 and 53 seats respectively in the two chambers.

5. SWEDEN

In September 1982, after six years of opposition, Mr Olaf Palme's Social Democrats were returned to power. Mr Palme was elected on a reflationary package which will be financed in part by higher value added tax and a new tax on industrial production. Despite the result, Mr Ulf Adelsohn's Conservatives increased their share of the vote and now have 86 seats compared with 73 in 1979.

6. DENMARK

For the first time in 81 years, the country has a Conservative Prime Minister, Mr Poul Schluter. The new Government has promised to pursue a more restrained fiscal programme with an emphasis on reducing public expenditure and bureaucracy and increasing Denmark's competitiveness in its export markets.

7. NETHERLANDS

At the end of October 1982, 48 days after the General Election, the Christian Democrat and Liberal parties finally agreed to form a coalition. The new Government, led by the Prime Minister, Mr Ruud Lubbers, aims to cut public spending (66 per cent of GNP) by £7 billion over the next four years.

A particularly sensitive issue in the Netherlands is the siting of Cruise missiles on Dutch soil. The movement against nuclear armaments, which is spearheaded by the Interchurch Peace Council (IKV), has twice, with the aid of intra-parliamentary divisions, obliged governments to postpone any final decision.

8. EASTERN MEDITERRANEAN

Malta. In December 1981, the Maltese Labour Party, under the leadership of Mr Dom Mintoff, won its third successive election in a campaign marked by frequent outbursts of violence. The right-of-centre Nationalist Party led by Dr Eddie Fenech-Adami won 51 per cent of the vote but, despite the system of proportional representation, secured only 31 seats in the 65-member House of Representatives. The Nationalist Party is boycotting Parliament in an attempt to persuade Mr Mintoff to amend the electoral law and hold fresh elections. Mr Mintoff has responded by introducing legislation designed to isolate the Nationalist Party domestically and internationally.

Cyprus. The division between the Turkish North and the Greek South, following the Turkish invasion in 1974, continues. The General Election in February 1983 resulted in a win for the Democratic Party leader, the incumbent President Kyprianou, who received nearly 57 per cent of the vote. His chief rival, the conservative Mr Glafcos Clerides, polled 34 per cent of the vote.

The British Government, which is one of the guarantors of the independence of Cyprus under the 1960 Treaty, is seeking through diplomatic measures to achieve a settlement which is acceptable to both sides. At present, inter-communal talks are being held in Nicosia under the auspices of the UN Secretary-General, with the aim of securing the withdrawal of all foreign troops from Cyprus. The Government welcomed the establishment in April 1981 of the Inter-communal Committee on Missing Persons in Cyprus and continues to be ready to assist the UN Secretary-General in any appropriate way.

(F) THE AMERICAS

1. ATLANTIC RELATIONS

The Conservative Government has attached the greatest importance to the maintenance of a close relationship both between the United Kingdom and the United States, and between the European Community and the United States. In a speech in London on 29th January 1981, the **Prime Minister** said:

‘We in Britain ... claim a very special concern for democracy and liberty. We have stood together with the United States in the defence of both. Ours is a partnership whose reliability has been tried and tested and will endure.... ‘Britain's membership of the European Community cannot, and will not, lessen the friendship forged then, (during the Second World War). To assert that there is any conflict between the two is to misunderstand America's links with Europe.... In linking herself with the European Community, Britain has joined a group of nations which themselves have close family ties across the Atlantic. ‘Nor does closer co-operation within the European Community itself threaten those links. A stronger, more self-confident, Europe pursuing more coherent policies will produce a greater area of stability for democracy... ‘For Europe, the Atlantic Alliance is the rock on which our present security and prosperity is founded. Thanks to it we have enjoyed over thirty years of peace.’

2. CENTRAL AMERICA

The last five years have seen considerable changes in the Central American isthmus. In 1979 the Americans handed control over the Panama Canal to an independent commission until 31st

December 1999, when it will become Panamanian property. Elections in Costa Rica in February 1982 brought about a peaceful transition of power from a centrist party to the Social Democratic party, and the new President demonstrated his moderation by refusing to endorse the Socialist International's criticism of US policy in El Salvador. In Honduras, the first freely elected civilian government in ten years took office in January 1982 and proceeded to follow centrist policies. However, social conditions combined with the world recession are causing economic and political havoc in the region. European governments have tended to support the more moderate elements within the opposition forces, while the US has generally encouraged the forces of moderate change within existing governments.

El Salvador. It is estimated that approximately 25,000 civilians have been killed in the three year-old civil war, including in 1980 the Archbishop of San Salvador and three American nuns. On 25th February 1981, Lord Carrington said: 'Her Majesty's Government note with concern the continuing violence in El Salvador and the suffering and hardship this causes to the people of that country. We condemn such violence from whatever quarter.'

In an attempt to restore democratic government, the Christian Democrat President Duarte called elections in March 1982. His party failed to win an absolute majority and a coalition of Right-wing parties dominated the new government, led by the centrist President Magana. The British Government was one of the few countries to accept President Duarte's invitation to send observers to the election, despite the Labour Party's opposition, on the ground that he was seeking to produce a legitimate government through the democratic process, and as a democratic country we were not prepared to prejudge the outcome of another country's election.

Recently, there have been signs that the Right is losing influence to a majority of the Centre, which has been gradually built up by the Christian Democratic floor leader, Mr. Rey Prendes.

Guatemala. Since 1977, when President Lucas rejected American aid rather than improve his appalling human rights record, there has been a massive increase in violence between the Right-wing army and the Left-wing National Revolutionary Union of guerilla groups. In March 1982 President Lucas's nominee, General Guevara, won a general election, but the accusations of fraud were too much for the moderate elements in the army who staged a bloodless coup two weeks later. The leader of the new junta, General Rios Montt, at first promised to end repression and hold elections, but in July he proclaimed himself President, announced the postponement of elections for at least 2½ years and presided over a new strategy of ruthless repression of the Indian population. For the first time in four years the guerillas have been forced on to the defensive, but this is reportedly at the cost of up to 5,000 Indians murdered in the second half of 1982.

In January 1983 President Reagan decided to resume arm sales to Guatemala. The British Government has expressed its concern about these sales to the Americans on a number of occasions, particularly in view of General Rios Montt's declaration last July that his regime would not recognise the independence of Belize (see p. 436).

Nicaragua. Following the overthrow of President Somoza in July 1979, the Nicaraguan Government enjoyed a very large measure of international goodwill. The ruling junta initially contained representatives from all sectors of the population and they pledged themselves to establish a pluralist society.

Moderate members have now, however, left the junta and refused to take part in the Council of State which is dominated by the leftist Sandinista Front organisations. Policy is dictated by the

nine-man Sandinista Directorate which is neither representative nor ready to submit to elections until 1985.

Although professing to be non-aligned, Nicaragua takes a strong, pro-Soviet line on all foreign policy issues. It has also developed extremely close links with Cuba, from which it has received considerable economic and military assistance, and organisations such as the PLO. The armed forces are being increased to 40,000 regulars with an integrated militia of 200,000, and Soviet tanks, artillery and small arms are being provided. This will make Nicaragua by far the strongest military power in Central America. Yet the country is bordered to the south by Costa Rica, which is unique in having no armed forces at all, and to the north by an under-populated Honduras.

The economy is being forced into a socialist mould and business confidence has evaporated. A member of the junta has admitted that the Sandinists have abused human rights and practised torture, and harsh measures have been pursued against the Miskito Indians in the isolated western half of the country, many of whom have fled to Honduras to join exiled Nicaraguans opposed to the Sandinistas. In April 1983, there was an increase in Right-wing guerilla activity operating out of Honduras.

(G) THE COMMONWEALTH AND BRITISH DEPENDENCIES

1. COMMONWEALTH DEVELOPMENTS

The Commonwealth is made up of 47 independent member countries comprising a quarter of the world's nations and peoples—the United Kingdom, Canada (1876), Australia (1901), New Zealand (1907), India (1947), Sri Lanka (1948), Ghana (1957), Malaysia (1957), Nigeria (1960), Cyprus (1961), Sierra Leone (1961), Tanzania (1961), Jamaica (1962), Trinidad and Tobago (1962), Uganda (1962), Kenya (1963), Malawi (1964), Malta (1964), The Gambia (1965), Singapore (1965), Zambia (1966), Guyana (1966), Botswana (1966), Lesotho (1966), Barbados (1966), Mauritius (1968), Swaziland (1968), Nauru (1968), Tonga (1970), Fiji (1970), Western Samoa (1970), Bangladesh (1972), The Bahamas (1973), Grenada (1974), Papua New Guinea (1975), Seychelles (1976), Solomon Islands (1978), Tuvalu (1978), Dominica (1978), St. Lucia (1979), Kiribati (1979), St. Vincent and the Grenadines (1979), Zimbabwe (1980), Vanuatu (1980), Belize (1981), Antigua and Barbuda (1981), Maldives (1982). (Pakistan withdrew from the Commonwealth in 1972 following the Pakistan-India war.) Through its central secretariat in London and specialised agencies the Commonwealth promotes widespread economic, political, technical and educational co-operation. There are 14 British dependencies left, ranging from uninhabited islands to Gibraltar and Hong Kong.

Speaking in London on 13th July 1982, the **Foreign Secretary** said:

‘I believe the Commonwealth is an important political force in the world and that its rôle can be further developed. ... It is an international organisation with a distinct personality and special attributes, and it makes as such a unique contribution to international affairs.’

The strength of Commonwealth influence has been well demonstrated throughout this Parliament. (a) The Commonwealth Heads of Government meeting in Lusaka in 1979 took initiatives which led to the Lancaster House Conference and subsequent legal independence for

Zimbabwe. (b) The Commonwealth Committee on Belize (see below 4.) set up in 1977 and consisting of the Foreign Ministers of eight member countries contributed, through its effective lobbying within the United Nations, to the eventual independence agreement for Belize. (c) A 36-man training team drawn from eight members of the Commonwealth is currently assisting in training the Ugandan Army.

Canada. On 29th March 1982, the Queen's assent was signified to the Canada Act, under which the Canadian constitution was patriated to Canada. This was 115 years to the day after Queen Victoria gave her assent to the British North America Act which created the Canadian federation and which had until then contained the Canadian constitution. This historic event was marked by a proclamation signed by the Queen in Ottawa on 17th April 1982.

Jamaica. The recent history of Jamaica has been one of severe economic decline and considerable political change. Mr Michael Manley's People's National Party, originally modelled on the British Labour Party, came under increasing Cuban influence in the 1970s. His programme of domestic reform led to spiralling inflation and unemployment, and a high level of tension. Elections were held a year early, in October 1980, preceded by a period of political violence when over 500 lives were lost. They resulted in a massive victory for the Right of Centre Jamaican Labour Party led by Mr Edward Seaga, which won 51 of the 60 seats in the Jamaican Parliament. Since the election, Mr Seaga has severed diplomatic relations with Cuba and emphasised his policy of close political and economic co-operation with the West. In 1981, Jamaican GDP grew by 1.5 per cent following a 5.4 per cent fall in 1980, its first increase in 9 years.

2. DIEGO GARCIA

The British Indian Ocean Territory (BIOT) was established in 1965 by the Labour Government of the day, when the islands of the Chagos Archipelago were detached from Mauritius, with the agreement of the Mauritius Government. On the largest island—Diego Garcia—a United States Naval Support Facility has been established. The British Government, which paid Mauritius £3 million compensation for the islands, has undertaken to cede them to Mauritius, if they are no longer required for defence purposes.

At the time of the establishment of the BIOT, about a thousand contract workers (the Ilois) were employed on declining copra plantations. The latter were progressively closed and the Ilois resettled in Mauritius between 1965 and 1973. In 1972, the British Government provided £650,000 to assist in this resettlement and in 1982 the present Government provided another £4 million in full and final settlement of all Ilois claims.

In the last year, the future of Diego Garcia has become a matter of some controversy, partly because of the advent to power of a Left-wing government in Mauritius, which has demanded the return of Diego Garcia, and partly because of Left-wing Labour criticism in Britain of the establishment of the American naval facility and the resettlement of the former contract workers. In this context, it should be emphasized that these actions flowed from decisions of the then Labour Government in 1965 and 1966. This was confirmed ten years later by Mr David Ennals, Minister of State at the Foreign Office in the last Labour Government, who said:

‘The British Indian Ocean Territory was formed in 1965 to meet the joint defence needs of the Government of the United Kingdom and the United States. Subsequently, the copra plantations

on the Chagos Archipelago were closed down, the contract workers transferred and compensation paid' (*Hansard*, WA, 21st October 1975, Col. 130).

3. FALKLAND ISLANDS

The invasion of the Falkland Islands by Argentine armed forces on 2nd April 1982, followed by the military occupation of South Georgia, was an act of unprovoked aggression—a clear violation of international law and of the fundamental principles of settlement of disputes by peaceful means and of self-determination of peoples, both of which are enshrined in the UN Charter. On 3rd April the Security Council adopted a mandatory resolution calling for the immediate withdrawal of Argentine forces from the Islands. On 14th June, following British military action, the Commander British Land Forces accepted the surrender of all Argentine armed forces in the Falkland Islands. The Argentine Government has not yet committed itself to a cessation of hostilities.

Historical Background. Britain discovered the Falkland Islands in 1592, some 220 years before Argentina gained independence from Spain. The earliest settlement on the Islands appears to have been in the name of France in 1764. In 1765 Great Britain took formal possession. In 1767 the French rights were transferred to Spain who left them in British possession in 1771 without any reservation by the Spaniards to the right of sovereignty, A British post was established in 1770, but British forces were later withdrawn. The Spaniards reoccupied the Islands until 1810, followed by the Government of Buenos Aires until 1832 when the British came back. The British remained in undisputed possession until the 1960s, when the Argentine Government revived its claim to the Islands. From 1965 to 1982 negotiations between the British and Argentinian Governments on the future of the Islands took place sporadically.

Sovereignty. In *The Observer* of 2nd May 1982, the Professor of International Law at the LSE, Professor Rosalyn Higgins, showed that 'discovery of a territory does not by itself give title. Nor does the fact of being the nearest State geographically to the claimed island. But title can be obtained through effective occupation of territory.... This means making good one's title through occupation over a very considerable period, with occupation supported by the exercise of State sovereignty'. There can be no historical claim to ownership of the Falkland Islands by Argentina. The *Financial Times* of 5th April 1982 concluded that 'rarely in modern times have the rights under international law been so clearly defined in favour of one nation against another; hence the unequivocal nature of the UN resolution'.

The Dispute since 1965. A history of the dispute since 1965 is given in the *Falkland Islands Review* (Franks Committee Report, Cmnd. 8787) published in January 1983 (see also p. 431). The following events were particularly significant:

March 1967. The first formal statement of willingness to cede sovereignty over the Islands to Argentina under certain conditions was made by a Labour government three years after the representative of a Conservative government had made clear that the question of sovereignty was not negotiable. The Labour Government thus opened the way for increasing demands from Argentina for movement towards recognition of her claim to sovereignty.

December 1976. An Argentine military presence on Southern Thule was discovered. The Labour Government protested formally to the Argentine Government, but failed to tell Parliament until May 1978, 16 months later. No further action was taken, and Argentina was still in occupation at the time of the invasion of the Falkland Islands in 1982. Intelligence reports indicated that the

Argentines expected a stronger British reaction and the Franks Committee concluded that 'Argentina no doubt always had in mind that what it saw as the weakness of Britain's response to the establishment of an Argentine presence on Southern Thule in 1976 was an indication that it might be able to mount similar operations, at least in the uninhabited islands, without provoking serious retaliatory action' (para. 279).

December 1977. On 30th March 1982, Mr James Callaghan told the House of Commons that in 1977 Britain had assembled ships about 400 miles off the Falklands, 'and that when this fact became known, without fuss or publicity, a diplomatic solution followed' (*Hansard*, Col. 168). In fact, one nuclear submarine was stationed covertly near the Islands supported by two frigates about a thousand miles away. The Franks Committee concluded that there was no evidence that the Argentine Government ever came to know of its existence. It cannot therefore be claimed that the Labour Government had deterred a possible Argentine attack, or that the presence of the ships had any effect on the negotiations which were about to take place.

The Franks Report concluded:

'In this connection parallels have been drawn with the action taken by the previous Government in 1977....It was believed that the round of talks in December 1977 could lead to a breakdown of negotiations. The circumstances leading up to the February 1982 talks were different, and we consider that they did not warrant a similar naval deployment' (paras 327–8).

September 1981. A Ministry of Defence assessment of the implications of responding to possible Argentine actions concluded that there was a danger that deployment of a force large enough to deter a full-scale invasion could precipitate the action it was intended to deter.

February 1982. The joint communiqué, issued following talks in New York between Britain and Argentina, stressed their cordial and positive spirit. However, the Argentine Ministry of Foreign Affairs pre-empted this with a unilateral communiqué which, contrary to what had been agreed in New York, referred specifically to 'the negotiations in train to achieve recognition of Argentine sovereignty'. This tendency of the Argentine leadership to disclaim or contradict the statements of its own representatives undermined all attempts to find a diplomatic solution.

March 1982. Despite the agreement in New York to continue negotiations, the Argentinians landed a party, including members of their armed forces, on South Georgia on 19th March. The British Government endeavoured to no avail to persuade Argentina to remove the party or to legalise their presence on South Georgia, and the situation deteriorated rapidly culminating in the invasion of the Falkland Islands on 2nd April.

The Campaign. On the day of the Argentine invasion, the Government authorized the dispatch of a naval task force to the South Atlantic. The main elements of the fleet put to sea within four days, a fact which reflected great credit on the state of readiness of the Royal Navy. South Georgia was liberated on 26th April. At the beginning of May, air and sea operations began against Argentine positions on the Falkland Islands. Three weeks later, British forces landed at San Carlos Bay and on 14th June, Argentine forces surrendered.

The **Prime Minister** said:

'The battle of the Falklands was a remarkable military operation, boldly planned, bravely executed, and brilliantly accomplished. We owe an enormous debt to the British forces and to the merchant marine' (*Hansard*, 15th June 1982, Col. 731).

The Opposition Parties. In the immediate aftermath of the invasion the opposition parties were united with the Government in its determination to restore British administration to the Islands. The Liberal and Social Democratic parties remained consistent, but the Labour Party soon succumbed to pessimism. Mr Tony Benn suggested that the task force would ‘cost this country a far greater humiliation than we have already suffered’ (*Hansard*, 7th April 1982, Col. 995). On 2nd May Mr Michael Foot turned down the Prime Minister's offer of confidential all-party talks, although this was taken up by the Liberals and the SDP. Instead, he persistently demanded a parliamentary discussion of the military options. When on 15th June the Prime Minister announced the Argentine surrender to the House, Mr Benn called it a ‘tragic and unnecessary war’, inviting Mrs Thatcher to retort: ‘Tragic it may have been, but may I point out to him that he would not enjoy the freedom of speech that he put to such excellent use unless people had been prepared to fight for it’ (*Hansard*, Col. 734).

Present Labour Policy. *The New Hope for Britain*, states that ‘Labour believe that Britain must restore normal links between the Falklands and the Latin American mainland, and that the United Nations must be involved in finding a permanent settlement of the problem’.

International Reaction. The day after the invasion the Government obtained the adoption of United Nations Security Council resolution No. 502 condemning the invasion and calling for a diplomatic solution.

The 10 member countries of the European Community issued a statement on 2nd April 1982 condemning the Argentine invasion, and subsequently agreed to ban all imports from, and the export of arms to, Argentina. The French Foreign Minister said that France's support for Britain was ‘unconditional’. The **Prime Minister** warmly thanked ‘our European partners for rallying to our support. It was an effective demonstration of Community solidarity’ (*Hansard*, 14th April 1982, Col. 1148).

On 6th April the Commonwealth Secretary-General called on Commonwealth nations to stand by Britain ‘on grounds of honour, principle and worldwide security’. On 27th April he said that ‘in making a firm and unambiguous response to Argentine aggression, Britain is rendering a service to the international community as a whole... the British Government deserves your positive support, not only as patriots but as internationalists’. Australia, Canada and New Zealand banned all imports from Argentina and stopped sales of military equipment and export credit. New Zealand broke off diplomatic relations and lent the British Government a frigate for use in the Indian Ocean, thus releasing a British warship for the Falklands campaign.

The United States' then Secretary of State, Mr Alexander Haig, worked tirelessly to achieve a diplomatic solution to the conflict. When this proved impossible the House of Representatives called for ‘full diplomatic support’ for Britain. Addressing members of both Houses of Parliament on 8th June 1982, during his visit to Britain, President Reagan referred to the British troops in the South Atlantic:

‘They fight for a cause, for the belief that armed aggression must not be allowed to succeed, and that people must participate in the decisions of government under the rule of law.’

Many other countries gave Britain strong backing, notably Norway.

Support for Argentina came only from the Soviet bloc, apart from a number of Latin American countries. As the **Prime Minister** remarked: ‘We can only guess at the cynical calculations which lie behind this move’ (*Hansard*, 14th April 1982, Col. 1148).

The Franks Report. The Falkland Islands Review Committee was set up on 6th July 1982 under the chairmanship of Lord Franks. All parties were agreed that it should include two Privy Councillor representatives of the Conservative and Labour Parties, and one independent member. The terms of references were: ‘To review the way in which the responsibilities of Government in relation to the Falkland Islands and their dependencies were discharged in the period leading up to the Argentine invasion of the Falkland Islands on 2nd April 1982, taking account of all such factors in previous years as are relevant; and to report’.

The Committee's report (Cmnd 8787) was published on 18th January 1983, and was signed unanimously by all members of the Committee without qualification. On the same day, the **Prime Minister** summed up the key chapter of the Report which, she said, ‘defines and addresses itself to two crucial questions:’

1. Could the Government have foreseen the invasion of 2nd April 1982?
2. Could the Government have prevented the invasion?

On the first question, the Committee concluded:

‘In the light of this evidence, we are satisfied that the Government did not have warning of the decision to invade. The evidence of the timing of the decision taken by the Junta shows that the Government not only did not, but could not, have had earlier warning. The invasion of the Falkland Islands on 2nd April could not have been foreseen’ (para. 266).

On the second question, the Committee's conclusion was as follows:

‘Against this background we have pointed out in this chapter where different decisions might have been taken, where fuller consideration of alternative courses of action might, in our opinion, have been advantageous, and where the machinery of Government could have been better used. But, if the British Government had acted differently in the ways we have indicated, it is impossible to judge what the impact on the Argentine Government or the implications for the course of events might have been. There is no reasonable basis for any suggestion—which would be purely hypothetical—that the invasion would have been prevented if the Government had acted in the ways indicated in our Report. Taking account of these considerations, and of all the evidence we have received, we conclude that we would not be justified in attaching any criticism or blame to the present Government for the Argentine Junta's decision to commit its act of unprovoked aggression in the invasion of the Falkland Islands on 2nd April 1982’ (para. 339).

The Shackleton Report and the Future. As Mrs Thatcher said on 3rd November 1982:

‘Everything possible will be done to create a secure and bright future for the islanders who have suffered so much and who have earned our admiration for their courage and their resilience’ (*Hansard*, Col. 26).

The first stage was the publication in September 1982 of Lord Shackleton's updated version of his 1976 report on the economy of the Islands. Mr Cranley Onslow, Minister of State, Foreign Office, visited the Islands in October and discussed it with the Islanders.

The Foreign Secretary told the House of Commons on 8th December 1982 that the Government agreed with the broad conclusions of the Report and would support action by the Falkland Islands Government on the following of its recommendations:

- a. the establishment of a Falkland Islands Development Agency, which would be funded for the purpose of buying land and dividing it into smaller holdings.
- b. The expansion of the Islands' agricultural research centre.
- c. A feasibility study on an improved harbour complex.
- d. Completion of the Port Stanley to Darwin road and improvement of the network of tracks.
- e. The establishment of a pilot scheme for salmon ranching, development of cottage industry skills, and upgrading of hotel and guest house facilities.

Mr Pym said that a development officer had been appointed. Port Stanley's water supply and sewerage would be improved, and a study made of future electricity and telephone needs, both matters not covered by Lord Shackleton. The possibilities for offshore fishing and the establishment of a 200-mile fisheries limit would be studied. Lord Shackleton had found that the prospects for extracting alginates from kelp or drilling for oil were not good.

The Government had commissioned a feasibility study to decide how best to improve the air services (on which the expansion of tourism would depend), and in the meantime the runway at Port Stanley airfield had been lengthened and existing facilities improved.

The estimated cost of this programme was about £31 million over six years. A further £5m was made available for civilian rehabilitation on top of the £10 million announced in July. Apart from £3 million taken from the existing aid budget, all these sums came from additional funds.

Speaking in the House of Commons on 25th January 1983, the **Prime Minister** said:

‘The Government are determined, as are the British people, that everything necessary shall be done to secure for the islanders what they themselves want and deserve—a life of freedom and peace under a Government of their choice. That prospect was shattered last spring. It is now restored, and we shall do everything within our power to ensure that it is never again imperilled’ (*Hansard*, Col. 807).

4. BELIZE

Belize became independent on 21st September 1981, and was promptly welcomed into the Commonwealth as its 45th member state and into the UN as the 156th member. By this action, the United Nations implicitly rejected Guatemala's claim to Belize, which continues to cast a shadow over the latter's future.

Guatemala recognised the boundaries of Belize (formerly known as British Honduras) in 1859 when it signed and ratified the UK—Guatemala Treaty. In 1939 Guatemala denounced the 1859 Treaty, and in 1945 the socialist government of Guatemala included in its new constitution an article declaring Belize to be part of Guatemalan territory. In 1964 Belize became internally self-governing, but Guatemala's continued claims prevented Britain from setting in train the constitutional processes leading to full independence. When Guatemala tried to enlist the support of the UN in 1975, the latter endorsed Belize's right to self-determination, independence and territorial integrity.

Eventually on 11th March 1981 the Foreign Secretaries of Guatemala and the United Kingdom signed Heads of Agreement, under which Guatemala renounced its territorial claim to Belize. However, two rounds of Treaty talks in May and July were unsuccessfully concluded when the

Guatemalans pressed demands relating to the 'use and enjoyment' of some cays (islets) off the coast of Belize.

Notwithstanding this, Belize was granted its independence in September, but in view of the threat from Guatemala Britain has agreed to keep a 1,600 strong defence force supported by RAF Harriers and Rapier missiles in Belize for an appropriate period. A Royal Navy warship is permanently on station in the Caribbean.

A further round of tripartite talks in January 1983 broke down when Britain and Belize refused to consider Guatemala's offer to end its claim to the whole of Belize if it was ceded the southern fifth of the country.

Belize is a politically stable democracy with regular, free elections. The Prime Minister is Mr George Price, leader of the People's United Party which at the last election in 1979 won 13 of the 18 seats in the National Assembly.

5. HONG KONG

The territory of Hong Kong consists of Hong Kong Island and the Kowloon peninsula which were ceded to Britain in perpetuity by the Chinese by the Treaty of Nanking (1842) and the Convention of Peking (1860), and the New Territories which were leased for 99 years from 1st July 1898, i.e., until 30th June 1997.

The Chinese Government considers both the treaties and the lease to be invalid because they were signed under duress, and that 'when the time is ripe' sovereignty over the entire colony, and not just the New Territories, should revert to them.

In September 1982, the Prime Minister visited Peking and Hong Kong. Afterwards Mr Pym told the House of Commons:

'During her recent visit to China, the Prime Minister and Chinese leaders agreed that talks on the future of Hong Kong should be entered through diplomatic channels, following the visit, with the common aim of maintaining the stability and prosperity of Hong Kong. Meetings in Peking to follow up the Prime Minister's visit have begun, but their content must remain confidential' (*Hansard*, 24th November 1982, Col. 513).

In November 1982, the Chinese Government's main spokesman on overseas Chinese affairs told a visiting delegation of Hong Kong factory owners that China would maintain Hong Kong's present system, its inhabitants' way of life and its status as a free port and a financial centre. Commenting on this, a Hong Kong communist newspaper said that 'rule by the people of Hong Kong meant that Britain would not administer Hong Kong nor would China's Communist Party central committee have any say in appointing officers for the Hong Kong Government, not even the Governor' (*Financial Times*, 24th November 1982).

Refugees. The refugee problem continues to place a severe strain on Hong Kong's resources. The territory's population rose by more than a million in the 1970s, mostly through immigration. An agreement has been reached with the authorities of neighbouring Guang Dong province to control Chinese immigration.

The number of Vietnamese boat-people in Hong Kong has slowly declined from over 56,000 in early 1980 to 12,789 on 25th January 1983. Following a suggestion by the Prime Minister shortly after she took office, the Secretary-General of the United Nations called a special conference on 20th–21st July 1979 at which Vietnam was obliged to stop evicting unwanted Chinese by boat, and adopt a UN sponsored programme of orderly departure by air. Britain agreed to accept 10,000 boat-people from Hong Kong, who are all now here, and a further 6,500 of the direct dependents have also been taken in. This compares with the Labour Government's commitment in January 1979 to accept 1,000 refugees from Hong Kong.

6. GIBRALTAR

Over 13 years ago General Franco, the former Spanish leader, closed the border between Gibraltar and Spain. On 15th December 1982, after a delay due to the Falklands crisis, the border was finally opened to pedestrians. Initially, people will only be allowed to cross once a day. Discussions will continue and it is hoped that the border will eventually be open 24 hours a day for cars as well as people on foot. There have been some misgivings in Gibraltar, mostly based on the inhabitants' fear over Spain's claims on its sovereignty.

Lord Belstead, Minister of State, Foreign and Commonwealth Office, sought to allay their fears by saying:

‘The Government stand by the commitment contained in the preamble to the Gibraltar Constitution, and referred to in the Lisbon Agreement, to honour the freely and democratically expressed wishes of the people of Gibraltar’ (*Hansard*, House of Lords, 31st January 1983, Col. 514).

Concern has also been voiced on the future of Gibraltar when the closure of the Royal Navy dockyard takes place. Lord Belstead in the same speech said that officials were now engaged in detailed discussions on the conversion of the dockyard into a commercial enterprise.

(H) THE UNITED NATIONS

1. THE UNITED NATIONS ORGANISATION

Conservatives fully support common efforts to see that the United Nations works as the drafters of the Charter intended. This necessitates a condemnation of double standards at the United Nations and realism on the part of all members.

For 1980, 1981 and 1982, Britain's financial contribution was 4.64 per cent of the United Nations' regular Budget. For 1983, 1984 and 1985, this will rise to 4.67 per cent. In 1982 we gave \$33 million.

On 15th December 1981, Dr Perez de Cuellar of Peru became the 5th Secretary General of the United Nations. He succeeded Dr Kurt Waldheim of Austria who was appointed in 1971 and reappointed in 1976.

United Nations Peace Keeping Forces. At present, these comprise:

UNTSO—UN Truce Supervision Organization (in Middle East)

UNDOF—UN Disengagement Observers Force (in Syria)

UNIFIL—UN Interim Force in Lebanon

UNMOGIP—UN Military Observer Group in India and Pakistan

UNFICYP—UN Force in Cyprus

Britain provides manpower for UNFICYP and logistical help for UNIFIL.

2. LAW OF THE SEA

The protracted discussions on the Law of the Sea Convention started in 1974 in Caracas, Venezuela. Whereas the 1958 Conventions were based almost entirely on existing customs and activities, the latest Conference aimed at producing wider ranging proposals.

At the United Nations in April 1982, the Conference (UNCLOS III) approved a series of draft proposals. On that occasion 130 nations supported the proposals, 17 abstained (including most of Eastern and Western Europe) and 4 rejected them (including the USA). In September 1982, delegates from 150 countries met at the United Nations and put the finishing touches to the document, which contains five main provisions:

- Territorial waters would be set at 12 miles with rights accruing to coastal states on pollution, but a responsibility to ensure the free access of ‘innocent passage’.
- The world's ships should have unrestricted right of passage through straits.
- Maritime nations should have an exclusive 200-mile limit to exploit economic and fishing rights.
- Coastal nations should have a right to extract hydrocarbon deposits and hard mineral deposits on the seabed of the continental shelf up to 350 miles.
- On the basis of the ‘Common Heritage of Mankind’ (common ownership with no exclusive rights), mineral nodules (which are rich in nickel, cobalt and manganese) would not be allocated to any single country.

On 2nd December 1982, Mr Malcolm Rifkind, Parliamentary Under-Secretary of State for Foreign and Commonwealth Affairs, giving the reasons why Britain would not sign the Convention, said:

‘Parts of the Convention, for example those relating to navigation, the Continental Shelf and pollution, are helpful, but the provisions relating to deep seabed mining including the transfer of technology are not acceptable.’

He went on to explain:

‘As the Convention is open for signature for two years, there is ample time for revision before taking a final decision. ‘I should emphasise to the House that we could not participate in a seabed regime on the present terms, and for that reason we could not ratify the Convention unless the provisions for the deep sea mining regime become satisfactory’ (*Hansard*, Col. 410) The Labour Party's campaign document states that ‘Labour will endorse the Law of the Sea, which we see as a crucial element in the North/South dialogue’.

(I) OVERSEAS DEVELOPMENT

1. NORTH/SOUTH DIALOGUE

The economic interdependence between the poor nations of the 'South' and the nations of the rich 'North' continues to grow and change. Of particular significance for the economics of the developing countries have been the radical changes in the price of oil over the last ten years. Soon after each oil price rise of the 1970s the countries hardest hit were the net oil importers, while at the same time the oil exporters started on a path to accelerated economic growth built on loans from the Western banks. However, from 1981 onwards the world demand for oil declined, with the result that the price fell from as high as \$45 a barrel to as little as \$29. The oil surplus 'debtor' countries since then have found themselves in difficulties with their repayments, the most notable being Mexico.

Brandt Report. The two most recent events of significance to the North/South inter-relationship were the publication of the Report of the Brandt Commission in 1980, and the Cancun Summit in October 1981. The Brandt Report was aimed at examining the 'threat to human survival posed by the threatened chaos in the world economy'. It laid great stress on 'global negotiations' as the instrument to instil a greater degree of economic co-operation. Four main proposals were made:

1. A large scale transfer of resources to developing countries, including more support from developed communist countries.
2. An international energy strategy.
3. A global food programme to increase production and agricultural development.
4. A start on some major reforms in the international monetary system.

The Government agreed with many aspects of the Brandt Report. The former Lord Privy Seal, Sir Ian Gilmour, underlined this when he said:

'If the countries of the world can co-operate effectively in the spirit of the Brandt Report, the massive problems of which the Report has done so much to make us aware may become less daunting. Morality and our interests are involved. By taking the right action together we may yet counter despair with hope, parochialism with global vision and apathy with a real sense of purpose' (*Hansard*, 24th July 1981, Cols. 733–34).

Cancun Summit. The leaders from 22 rich and poor countries met at Cancun in Mexico in order to discuss four main subjects—food, trade, energy and finance. Their importance is reflected in the fact that they represented two-thirds of the world's population. The participants attached great importance to global negotiations. All agreed that a renewed effort should be made at the United Nations. A number of those present, including the Prime Minister, stressed that in this context nothing should be done to disturb the competence of the specialised bodies, such as the IMF, World Bank and GATT. The developing countries would suffer if the financial institutions lost the confidence of their major depositors or of the capital markets.

The Government hopes that the momentum generated by the Cancun Summit will lead to a more constructive approach to international co-operation.

Second Brandt Report. In February 1983, the Brandt Commission produced a follow up to its original Report. It referred to the developments of the past three years including the meeting at

Cancun. The new Report covered five main headings: finance, trade, food, energy and the negotiating process. Unless there was an improvement in these areas, the world would fall, said the Report, into 'economic anarchy'.

This was echoed by Mr Rifkind, when he said: 'We share the Commission's concern... We accept the report's principal message that we live in an interdependent world' (*Hansard*, 16th February 1983, WA, Col. 168).

2. BRITISH AID PROGRAMME

Developing countries are increasingly adopting the philosophy of self-help. The **Prime Minister** underlined this when she said:

'... the main priority must be for developing countries to grow more food for their own people' (*Hansard*, 26th October 1981, Col. 557).

Britain has reason to be proud of the size and scale of its aid programme. In 1981, total aid (government and private) from this country amounted to £5 billion, or about 2 per cent of GNP. This compares with the United Nations' target of 1 per cent.

The net UK official development assistance (i.e., 'aid' under the OECD definition) was £1.082 billion or 0.44 per cent of GNP. While below the UN designated target of 0.7 per cent, this figure is significantly above the OECD countries' average of 0.35 per cent and the figure of 0.14 per cent for the Eastern Bloc countries. Moreover, 'Eastern' aid is heavily concentrated on a handful of countries, notably Cuba, North Korea, Cambodia and Afghanistan.

Aid to the Poorest Nations. The most effective form of assistance to Least Developed Countries (LLDCs) is bilateral aid (direct to the developing country), which is both quick and specific. As Mr (now Sir) Neil Marten, then Minister for Overseas Development, said:

'Britain gives a much higher proportion of its aid programme to the poorest countries than does any other major donor' (*Hansard*, 11th February 1982, Col. 1136).

In 1981, 68 per cent of the UK's aid budget was in this form and consisted entirely of grants. Great strides have been made, particularly through the Commonwealth Development Corporation, to alleviate the suffering caused by poor water supplies, overgrazing and poor animal husbandry and disease. With a view to the longer term, aid officials have helped to introduce modern management techniques and new cottage industries.

In the financial year 1980–1 the UK spent £17 million on over 500 research and development projects. Much of the scientific work carried out in establishments in Britain is directed at finding new varieties of crops which would be successful in adverse conditions. Of particular note are the improved strains of maize to be found in Kenya and Zimbabwe which are more resistant to disease and have a higher yield.

The UK also co-operates with organisations such as the FAO (for example, in combating sleeping sickness) and the UN Development Programme/World Health Organisation special programme for research and training in tropical diseases. The Overseas Development Administration (ODA) itself, initiates and supports research into leprosy and the treatment of spinal tuberculosis.

Aid and Trade. A large proportion of UK bilateral aid is tied to the purchase of British goods and services. This policy, which has been pursued by successive governments, has proved to be successful and beneficial to both Britain and the recipients of aid. By providing valuable opportunities for UK firms, thousands of jobs have been created. However, in addition, a certain amount of aid is not tied but instead exists to cover the local costs of projects. Funding for the latter rose from £48 million in 1980 to £79 million in 1981.

Although multilateral aid from the UK to the main agencies such as UNCTAD is untied, firms in this country are often successful in tendering for contracts. Overall, the returns to Britain roughly equal the amounts given to aid organisations.

The biggest opportunity that the poor countries have to achieve the goal of self-sufficiency is through trade. Despite the world recession, the Government has through its policy of open trade enabled producers in the Third World to develop businesses which earn foreign exchange and capital which is then invested in further development programmes.

3. STATISTICS OF AID

TABLE I

Percentages of GNP devoted to Aid
(1981)

United Kingdom	0.44
Canada	0.43
France	0.73
West Germany	0.46
Italy	0.19
Japan	0.28
United States	0.20

(Source: *British Aid in Figures*, ODA, 1982)

TABLE II

Net Bilateral Aid to Low Income Countries (1980)
(As a percentage of GNP)

United Kingdom	0.11
Canada	0.11
France	0.09
West Germany	0.09
Italy	0.01
Japan	0.11
United States	0.03

(Source: *World Development Report 1982*, World Bank)

TABLE III

UK Official and Private Aid (net)

	<i>1970</i>	<i>1979</i>	<i>1980</i>	<i>1981</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Official development assistance	201	1,016	796	1,082
Other official flows	4	67	-70	174
Total official flows	205	1,083	726	1,256
Total private flows	331	5,085	4,428	3,731
Total flows	536	6,168	5,154	4,987
Percentage share of gross national product:				
Net ODA	0.39	0.52	0.35	0.44
Total flows (official and private)	1.05	3.17	2.28	2.00

(Source: *British Aid in Figures*, ODA, 1982)

4. LABOUR POLICY ON AID

Labour's Programme 1982 stated that by the end of the first full parliament, a Labour government would achieve the 0.7 per cent GNP target for official aid set by the United Nations. This figure is the same as the present Government's aid, when economic circumstances permit. Labour's campaign document, *The New Hope for Britain*, merely states that a Labour Government would reach the target, but without saying how quickly.

According to the Programme, Labour does not believe that 'stability is of prime importance'. This shows a failure to understand two vital facts: first, that wars, and heavy loss of life, are likely to occur when there is instability; and second, that instability would lead to debtor countries having great difficulty in raising capital in the international market.

The policies on imports proposed in *Labour's Programme 1982* would introduce restrictions on Third World imports which would effectively close markets and halt development. The programme states:

'We will therefore set import penetration ceilings on an industry-by-industry basis across a broad range of imports'.

This type of thinking flies in the face of logic by suggesting on the one hand that there should be an increase in assistance to the Third World, yet on the other hand increasing the restrictions on trade between Britain and the developing countries.

27. LABOUR PARTY

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(This chapter does not deal with Labour Party policies. These are covered in the appropriate subject chapters.)

(A) LABOUR'S ELECTION DEFEAT

1. THE 1979 GENERAL ELECTION

After the General Election of 10th October 1974, Labour held 319 seats in the House of Commons and the Conservatives held 276. Labour was able to form a government with a majority of four seats over all the other parties. By the time of dissolution in 1979, by-election losses and defections had transformed this into a minority of 19. For its last two years, the Labour Government was only able to survive through a series of disreputable deals with the minority parties.

The election on 3rd May 1979 finally came about as a result of Labour's defeat in Parliament. On 28th March 1979, the House of Commons carried, by a majority of one, a motion of no confidence in Mr Callaghan's Government.

This was the first time since 1924 that a government had been forced to call a general election after being defeated on an issue of confidence in the Commons. The Government's defeat arose as an indirect result of the disillusion of the various minority parties at the collapse of the Government's devolution programme following the results of the referendums in Scotland and Wales on 1st March 1979.

The end came for Mr Callaghan in 1979 after Labour had held office for what was generally regarded as the five most disastrous and divisive years in modern British history.

Throughout the last Parliament, the Conservatives had prepared themselves for what was widely recognised as the 'watershed' election to determine the future of Britain in the remainder of the twentieth century. As Mrs Thatcher said in her foreword to the Conservative Election Manifesto:

'This election may be the last chance we have to ... restore the balance of power in favour of the people, and it is therefore the most crucial election since the war.'

The result of the General Election was an endorsement of the Conservatives and an overwhelming rejection of Socialism. The election gave a swing to the Conservatives of 5.2 per cent and resulted in an overall majority of 44. The Labour share of the vote (36.9 per cent) was

the Party's lowest since 1931. The full magnitude of Labour's *déba*cle was described by Mr Peter Kellner, in the Left-wing *New Statesman* on 18th May 1979:

‘Labour suffered not merely a defeat but a disaster on 3 May. As the smoke disperses from the battlefield it is possible to survey the wreckage with greater clarity. Labour has suffered a serious, and possibly fatal, haemorrhage of support among the very people on whom it most depends if it is ever to regain a working majority in Parliament ... Defined by either geography or class, Labour has been forced back into its heartlands—the North, and the semi and unskilled working class—and out of the rich pastures of the Midlands and the South, of skilled workers and their families.’

The Labour Manifesto for the 1979 General Election was an obvious attempt to disguise the true nature of the Labour Party and its real programme. The Manifesto contained at least 57 specific proposals to increase government spending, including certain outright bribes. Alongside this, Labour promised to ‘continue’ to cut income tax which, contrary to the impression given, had increased by 3p in the £. The 1979 Manifesto contained some traces of Labour's real intentions. There were clear proposals for back-door nationalisation by the NEB; compulsory planning agreements; import controls; a bigger role for state banks; direction of investment; a wealth tax; nationalisation of the ports and parts of the road haulage industry; removal of the power of the House of Lords; and a continued vendetta against private education and medicine. It also set a target for inflation, which would be reduced to 5 per cent by 1982 but, as always, no evidence was provided for regarding this figure as feasible. Much store was set by Labour's concordat with the TUC but following so closely on the winter of discontent, this had little credibility.

2. LABOUR'S POST-MORTEM

In its customary manner after a defeat in a General Election, Labour began a divisive and bitter debate over the causes of its defeat. The Labour Left, as usual, blamed the failure of the Labour Government to carry out proper Socialist policies and claimed that had Labour put forward a Left-wing manifesto, they would have won the day.

Only days after the election defeat, Mr Tony Benn wrote in *Tribune*:

‘We must defend, explain and advocate in Parliament those policies which have been decided at our annual party conference starting now with all those which were included in Labour's Programme For Britain’ (11th May 1979).

Mr Eric Heffer, a long-time associate of Mr Benn, argued that Labour must bring the 1976 programme up to date, ‘strengthening its Socialist content’, while the party should not be afraid of advocating more nationalisation (*Morning Star*, 18th June 1979). In August 1979, a series of essays was published by a number of Left-wingers, most of whom were closely associated with Mr Benn, entitled *What Went Wrong* (Spokesman Books). The authors included three Labour MPs, Mr Michael Meacher, Mr Stuart Holland and Mr Frank Field; two former advisers to Mr Benn, Mr Francis Cripps and Mrs Frances Morrell; and the Labour Party's head of research, Mr Geoff Bish. The essays were edited by Mr Ken Coates, of the pro-Trotskyist Institute for Workers' Control. The themes running throughout the book are those of ideological betrayal and ‘Establishment’ conspiracy. The Labour Government is attacked for having added nearly a million to the dole queues and for having betrayed the poor. As Mr Holland starkly states:

‘The plain fact remains that the edge of Mrs Thatcher's axe (i.e. spending cuts) was not only ground in the Treasury under a Labour administration, but fell and fell again in successive Labour Budgets. Monetarism, blue in tooth and claw was adopted against Party opinion by Labour ministers...’ (p.208).

Mr Meacher describes at length the various devices adopted by civil servants to ‘lose’ the more extreme 1974 Labour Manifesto commitments and outmanoeuvre ideologically ‘sound’ ministers like himself and Mr Benn. The book is particularly revealing about the Labour Manifesto for the 1979 General Election, which the Left consider was watered down and a cause of their defeat. Mr Bish, after reciting years of hard work contributed by the National Executive, Transport House and numerous researchers towards preparing a manifesto based on the extreme Left *Labour's Programme 1976* and various extreme Conference resolutions, describes how this was ‘overturned’ by Mr Callaghan and his office in No. 10, which informed Transport House 24 hours after the Government fell that it had prepared its own draft manifesto. On inspection, Mr Bish found this to be ‘appalling’. He wrote:

‘Not only did it ignore entire chapters of party policy; it overturned and ignored many of the agreements which had been laboriously hammered out within the NEC-Cabinet working groups’.

However, the No. 10 draft became the basis for discussion, and despite the vigorous attempts by the National Executive, the eventual Manifesto bore little direct relation to *Labour's Programme 1976* and related policy statements, although there was agreement on a paragraph on the construction industry,

‘which though extremely unclear, could have been exploited had we won the election, by a Minister keen to implement party policy’

i.e., nationalisation.

The recriminations over the May result reached a climax at the Labour Party Conference in Brighton at the beginning of October 1979. Mr Frank Allaun, the party chairman, was quite clear as to why Labour had lost the election:

‘The feeling was growing up at the grass roots about the Parliamentary leaders: “Whatever we say they take no notice at all”. That is a very serious feeling. A year ago the TUC Conference almost unanimously rejected the rigid and inflexible 5 per cent wage ceiling. The Labour Party Conference a month later voted equally solidly. But the Cabinet majority took no notice ... And that is why Mrs Thatcher is in No. 10 Downing Street at the moment’ (Brighton, 1st October 1979).

Mr Ron Hayward, then the party's general secretary, also claimed that the election defeat was as a result of disregarding the Party Conference's opposition to wages control. He said:

‘Why was there a winter of discontent? The reason was that, for good or ill, the Cabinet, supported by MP's, ignored Congress and Conference decisions. It is as simple as that. The Tories do it much better than we do. I wish our Ministers or our Prime Minister would sometimes act in our interests like a Tory Prime Minister acts in their interests’ (Brighton, 1st October 1979).

According to *The Sun*, the remarks of Mr Hayward, a paid official of the party:

‘surprised even left-wingers on the platform, who like everyone else assumed he should be impartial’ (2nd October 1979).

The most bitter attack came from the defeated Labour MP for Birmingham, Selly Oak, Mr Tom Litterick, who, speaking of the drawing up of the Manifesto, said:

‘...The end result was that fatuous, vacuous, empty document called the Labour Party Election Manifesto of 1979... “Jim'll fix it” they said. Ay, he fixed it, he fixed all of us. He fixed me in particular’ (Brighton, 1st October 1979).

Having identified the cause of their defeat, almost as soon as the election was over, the Left moved to try to ensure it could not happen again. Realising that they did not command a majority in the Parliamentary Labour Party, they sought to shift the power from there to the forum where they were in the majority: the Labour Party Conference. This they attempted to do by changing the constitution of the party, and thus precipitated the most divisive internal battle in the Labour Party's history, which resulted in the eventual breakaway of a section of the Parliamentary Party to form the Social Democratic Party. In July 1979, at a rowdy National Executive meeting, Mr Dennis Skinner, the Left-wing Labour MP for Bolsover, claimed that there was a struggle for the ‘soul’ of the Party. In a revealing comment, he was corrected by Mr Alan Hadden, the NEC representative from the boilermakers' union, who said:

‘The battle is not about the soul of the Party, Dennis... this is about who has power within the Labour Party’ (*Observer*, 29th July 1979)

(B) THE CONSTITUTIONAL CHANGES

1. PRE-ELECTION

The Left's agitation for constitutional reform was not a new development. The major pressure group for reform, the Campaign for Labour Party Democracy, was founded by Mr Ron Heisler in 1973, and in 1977 organised what the *Yorkshire Post* described as a ‘well-orchestrated’ campaign to make sitting MPs go through the process of reselection before every general election (1st September 1979).

At the Labour Party Conference in Brighton in 1977, the Campaign pressed its case, but a motion calling for reselection was, in the event, remitted to the NEC by 4,858,000 votes to 1,565,000. This meant that the issue would automatically be resurrected at future Party Conferences. A further proposal that future leaders of the Labour Party should be elected directly by the Party Conference, and not by the PLP, was also sent to the NEC for consideration.

At the 1978 Labour Party Conference in Blackpool, the issues were raised again. The much heralded attempt by the Left to impose a compulsory reselection process on sitting MPs was narrowly defeated. The NEC proposals, which provided that constituency labour parties who so wished should have a full reselection conference, while parties which were satisfied with their serving MP would not be so compelled, were carried by 4,081,000 votes to 2,519,000. An amendment to the NEC scheme proposed that once during the lifetime of each Parliament every constituency party would have to hold a selection conference, where the sitting MP would automatically be included in the nominations to be considered unless he indicated a wish to retire. This was narrowly rejected by 3,066,000 votes to 2,672,000. It later transpired that Mr

Hugh Scanlon had not used the AUEW block vote, which was mandated in support of compulsory reselection. It is clear that if he had not made what he called a 'genuine mistake', the amendment would have been carried. Mr Scanlon tried to get the vote taken again but was not successful. The Conference also voted to reject various proposals for the party leader to be elected either by the Party Conference as a whole, or by an electoral college. Thus, the drive to transfer power to the Left through the Party Conference had begun even before the General Election of 1979.

2. POST-ELECTION

The Left's proposals for reform were outlined in the July 1979 issue of *Labour Activist*, the paper of the Labour Co-ordinating Committee. This organisation was chaired by Mr Michael Meacher, a former junior trade minister, and included several associates of Mr Benn: Mr Francis Cripps and Mrs Frances Morrell, his political advisers in Government; Mr Brian Sedgemore, former MP for Luton West, who was dismissed by Mr Callaghan as Mr Benn's Parliamentary Private Secretary; and Mr Stuart Holland, MP for Lambeth Vauxhall and a member of the Council of the pro-Trotskyist Institute for Workers' Control. The Committee proposed that constituency parties should submit various resolutions to the Party Conference in Brighton in October. These included a motion of censure on the former Cabinet for failing to include abolition of the House of Lords in Labour's election Manifesto; a demand for Labour Cabinet members to be elected or re-elected each year, either by MPs or the Party Conference; the handing over of control of newspapers to independent trusts; reselection of all Labour MPs during each Parliament; and responsibility for framing future election manifestos to be given to the NEC.

On 4th July, the NEC, which was dominated by the Left-wing, took what the *Morning Star* described as

'three momentous decisions designed to cut the ground from under the feet of those who defy and betray (the Party's) policies' (5th July 1979).

These were:

1. No member of the Labour Party should ever again be made a peer (carried by 14 votes to 10).
2. The Party's Annual Conference should again debate the proposal to make all Labour MPs go through the process of compulsory reselection 'based on their adherence to the Party's policies and performance' (carried by 14 votes to 11).
3. The Conference should also debate whether the election of the next leader of the Party should be by sections of the Party outside the Parliamentary Labour Party, for example the Annual Conference (carried by 17 votes to 9).

Comments from the different wings of the Labour Party indicated the likely intensity of the struggle. Mr Eric Deakin, MP for Walthamstow, said that MPs were not 'the poodles of Conference',

Mr Willie Hamilton, MP for Central Fife, claimed that:

'there is no more undemocratic body than the Annual Conference' (*Morning Star*, 12th July 1979).

On 16th July, the Home Policy Committee of the NEC, chaired by Mr Benn, resolved by 18 votes to 2 that in future the NEC should draw up the Manifesto after consulting the party leader and Labour MPs. A meeting of the NEC's Organisation Committee unanimously approved the abolition of the 'three-year rule' which prohibited the Party Conference from reconsidering policy decisions within that time. This would have prevented the Conference from reconsidering mandatory reselection of MPs which had been debated at the 1978 Conference. A few days later the agenda for the Party Conference was published. It showed that out of 387 resolutions, 15 called for compulsory reselection of MPs, 12 for new ways of electing the leader, 19 pressing for more 'socialist' policies, 7 for binding Conference decisions, and 13 for a fresh system for composing the manifesto: a total of 66.

On 26th July, the NEC met again. As Miss Julia Langdon wrote in *The Guardian*:

'A series of left-wing decisions at a very long National Executive Committee meeting brought the NEC into direct confrontation with the Parliamentary leadership, a third of the Party's MPs and the country's major trade unions'.

First, the NEC voted to support Mr Benn's proposals to change the manner of drawing up the Labour Party Manifesto, but the Shadow Cabinet later voted unanimously to reject such a change.

Second, the NEC rejected plans proposed by nine major trade union leaders for a wide-ranging enquiry into the party's finances, organisation, structure and democracy. Mr David Basnett, general secretary of the GMWU (now the GMBATU) and Chairman of the Trade Unions for a Labour Victory, denounced the rejection as

'an affront to the foremost supporters of the Labour Party'.

Third, the NEC voted by 12 to 11 (on the casting vote of the Left-wing party chairman, Mr Frank Allaun) that the £165,000 of annual state aid to the Labour Party in opposition should be controlled by the National Executive and not the Parliamentary Labour Party. (In fact, Mr Callaghan was able to maintain control over this money, since he was responsible, as Leader of the Opposition, for accounting for it to Parliament.)

Mr Callaghan denounced these decisions, and warned a joint meeting of the NEC and the Shadow Cabinet the following day that Labour was heading for a situation:

'as crippling to the Party's prospects as anything in the past'.

He continued:

'We are being diverted from the real tasks and sidetracked into internal disputes that the ordinary Labour supporter doesn't care tuppence about...'

He referred to a letter to himself signed by over 100 moderate Labour MPs who claimed that the changes proposed by the NEC in the Party's constitution would reduce the Parliamentary Party to:

'the role of poodle of the Party Conference.'

Mr Healey added that the NEC had been ‘profoundly uncomradely’ over the previous few months, and argued that if the NEC's changes were implemented, Labour would be doomed to opposition for many years.

On 10th September, the NEC's Organisation Committee supported the call by the nine influential trade union leaders for a detailed inquiry into the party's organisation and activities—which the NEC had previously rejected on 26th July. At the same time it voted for a decision to be taken at the Party Conference in October on the reselection of MPs, the system for electing the Party leader, and the method of drawing up the election Manifesto. The vote was taken:

‘despite pleas from Mr Basnett and others for at least the final two of these matters to be left in abeyance until a recalled conference in the Spring’ (*Daily Telegraph*, 11th September 1979).

3. THE LABOUR PARTY CONFERENCE 1979

The battle for power reached its first climax in Brighton at the Labour Party Conference. The three crucial issues in the Left's struggle to control the Party were all on the agenda:

1. The election of the Labour leader not only by Labour MPs but by representatives of the whole ‘movement’.
2. The compulsory reselection of MPs during each Parliament.
3. The drafting of the Manifesto by the NEC, thus abolishing the leader's power of veto.

On the first issue, the Right was successful. A motion proposing that the election of the Party leader be taken out of the hands of Labour MPs and placed in the charge of an ‘electoral college’ representing unions and constituency parties as well as MPs was defeated by 4,010,000 votes to 3,039,000 votes. But the second proposal, to force Labour MPs to submit themselves for reselection between general elections, was carried by 4,008,000 votes to 3,039,000. This result was a serious defeat for Mr Callaghan, who had given warning that mandatory reselection could result in the fragmentation of the Party. After the vote, Mrs Shirley Williams urged her ‘erstwhile colleagues’:

‘For God's sake, stand up and start fighting for yourselves.’

She claimed:

‘that there was a real danger that the Labour Party would collapse in on itself’ (*Guardian*, 3rd October 1979).

The Left scored another success on the proposal to give Conference and the Left-wing dominated NEC, rather than the party leader, the final say on the drawing up of the party's Manifesto. This was carried by 3,936,000 votes to 3,008,000, a majority of 848,000. The resolution stated that the Conference was:

‘deeply disturbed at the continued failure of successive Labour Governments to advance the realisation of the party's long-term objectives’.

Mr Eric Heffer said of the 1979 Manifesto that it was

‘watered down to such an extent that, so far as public ownership was concerned, it was almost unrecognisable’.

In fact, the whole question of constitutional change was thrown back into the melting pot, as the Commission of Inquiry, finally agreed to by the NEC on 28th September 1979, was empowered to examine all matters relating to the party's policies, organisation, structure and finances, and then to report back to the Party Conference in 1980.

4. THE COMMISSION OF INQUIRY

Three weeks after the Conference, open warfare broke out between Labour MPs and the NEC. The NEC used its power to achieve a built-in Left-wing majority on the Commission of Inquiry, thus inflicting a humiliating defeat on Mr Callaghan and the moderate members of the Parliamentary Party. The NEC accepted by 13 votes to 8 a proposal put by Mr Benn, and supported by Mr Heffer, that in addition to the five trade union members there should be five members of the NEC on the inquiry, plus the leader, deputy leader, and the party treasurer. The inquiry team thus comprised Mr Callaghan, Mr Foot, Mr Norman Atkinson (party treasurer), Mr David Basnett, Mr Terry Duffy, Mr Moss Evans, Mr Clive Jenkins, Mr Bill Keys (trade union representatives), Mr Eric Heffer, Mr Frank Allaun, Mr Tony Benn, Miss Joan Lestor and Miss Jo Richardson (NEC representatives).

The Shadow Cabinet condemned what they saw as an unacceptable result, and decided to table a motion at a special meeting of the PLP expressing their ‘deep displeasure’ at the failure of the NEC to listen to the demands for strong parliamentary representation on the Commission. Mr Frank Chapple, general secretary of the electricians' union, wrote:

‘Instead of co-operating and trying to make the enquiry a success, the Left launched a series of flanking movements, to discredit, pre-empt, disrupt, and take (it) over and bend its purpose to their own end’ (*Now!* magazine, 29th February 1980).

After more than six months' work, the Inquiry reported, but failed to make any recommendations on the key issues. After taking conflicting evidence from the trade unions, constituency parties, the Parliamentary Party and numerous pressure groups and Socialist Societies in the party, the Commission's thirteen members were themselves divided on the three main topics, namely, the reselection of MPs, the method of electing the party leader, and who should have the responsibility for drawing up election manifestos.

At a weekend-long meeting at the ASTMS training college at Bishops Stortford, in mid-June, mandatory reselection was endorsed by seven votes to six, against the wishes of Mr Callaghan. A compromise arrangement was reached on a new method for electing the leader. Mr Moss Evans, general secretary of the TGWU, put forward the idea of an electoral college to choose the leader. The college would be divided between MPs, with 50 per cent of the votes, trade unions (25 per cent), constituency parties (20 per cent) and other affiliated bodies such as Co-operative Societies (5 per cent). The college was also to have the final say in the drafting of the Manifesto. But although narrowly approved at Bishops Stortford, the plan was attacked by Left and Right. The six Left-wing members of the Commission, led by Mr Benn and Mr Heffer, voted against the scheme. Later the sixty strong Manifesto Group of moderate MPs opposed it also. When a three-man drafting committee consisting of Mr Michael Foot, Mr Clive Jenkins of ASTMS and Mr Bill Keys of SOGAT, came to work out details of how the college would work they could not

agree. They decided instead to make no recommendations and leave all three issues to the Party Conference at the end of September.

A persistent problem for the Left had always been the divisions between their various factions which had normally resulted in split-voting. In order to get around this problem, in May 1980 the Rank and File Mobilising Committee (RFMC) was set up as an umbrella organisation to co-ordinate the activities of the various factions in pressing for constitutional reform. The Committee was supported by one trade union, NUPE, and nine pressure groups in the party. These were the Trotskyist Socialist Campaign for Labour Victory and the Militant Tendency, the Campaign for Labour Party Democracy, the Institute for Workers' Control, the Labour Co-ordinating Committee, Labour Action for Peace, the Clause IV Group, and the National Organisation of Labour Students and Labour Party Young Socialists. (See below for description of some of these groups.) The success of the RFMC in co-ordinating the actions of the Left-wing is almost unprecedented in Labour Party history and goes a long way to explain the gains made by the Left.

5. THE LABOUR PARTY CONFERENCE 1980

Just before the Labour Conference, Mr Ron Hayward, general secretary of the Labour Party, said in a speech in Cornwall:

‘Britain will get a surprise when Labour's annual conference opens in Blackpool in nine days time. For the nation will actually have the chance to see democracy at work’ (20th September 1980).

The reverse was the case; once again the decisions were determined by the block votes of the unions, and the Conference was a triumph for the Left-wing.

Of the three major changes demanded by the Left, only one, which would have given the NEC control over the Election Manifesto, was defeated outright, but only by 3,625,000 votes to 3,508,000, a margin of just 117,000. The debate on this issue on 1st October was notable for a lengthy and impassioned speech by Mr Benn, who came nearer than on any previous occasion to making a public onslaught on Mr Callaghan. To extensive applause, he attacked the veto exercised over the 1979 Election Manifesto by Mr Callaghan:

‘If you have a veto, those who oppose policies don't bother to argue with Conference because they wait until the Clause 5 meeting (i.e., between the NEC and the Cabinet or Shadow Cabinet) and they kill it secretly, privately, without debate.’

Mandatory Reselection. The Left gained a decisive victory on the question of the reselection of MPs. There were cheers for Mr Russell Profitt, a black delegate, who said that mandatory reselection would help to end the existing ‘clique’ of Labour MPs who were ‘mainly middle-class and totally white’.

Mr Denis Howell, MP for Birmingham Small Heath and former Minister for Sport, spoke against reselection, as did Mr Joe Ashton, MP for Bassetlaw, who said:

‘The media cannot wait for mandatory reselection because they will have Prentice sagas right through the country right up to the next election.’

He cited the cases of Labour MPs who had been 'sacked', who stood again, and were successful—Mr Eddie Milne, Mr Dick Taverne, and Mr S. O. Davies—and continued:

'Don't forget this, that will happen—not at the next election, it will happen before then. If Roy Jenkins wanted to form a party of 25 sacked MPs now, in this Parliament, they could be in business in six months.'

Replying on behalf of the NEC, however, Mr Sam McCluskie of the seamen's union asked Mr Ashton:

'Why don't you go and join them?'

On 1st October the Conference approved mandatory reselection by 3,798,000 votes to 3,341,000, a majority of 457,000. This meant that in future, Labour MPs will have to submit themselves to the General Committees of their constituency parties, who will decide whether they wish the MP to stand again as the Labour candidate in that constituency. The process is to be set in motion not later than three years after an election, and in the case of a new MP not before 18 months after an election.

Election of Party Leader. The issue that caused the greatest controversy and led to perhaps the most significant decision concerned the method to be adopted for the election of the party leader. As the Commission of Inquiry had failed to make a definite recommendation, the NEC came forward with its own approach. It first asked the Conference on 1st October to approve the principle of a wider franchise, and this was carried by 3,609,000 votes to 3,511,000, a majority of only 98,000. The NEC then invited the delegates to consider two ways of implementing the principle they had just supported. The first contained a proposal that MPs, trade unions and constituency parties should have equal shares in the voting for a new leader, and the second that the votes of an electoral college should be weighted to give 50 per cent of the vote to trade unions, 25 per cent to the Parliamentary Party and 25 per cent to the constituencies. Both schemes, however, were defeated amid scenes of great confusion, in which scuffles broke out among members of the Engineering Union delegation (as a result of Mr Terry Duffy, the AUEW's general secretary, deciding to oppose the various NEC-proposed methods). The first method was turned down by 3,737,000 votes to 3,322,000 and the second was rejected by 3,557,000 votes to 3,495,000. As Left-wing members of the AUEW protested that their delegation should have voted to support the introduction of an electoral college, the Conference chairman, Baroness Jeger, appealed for order, saying:

'Remember this is not a football match' (*Daily Telegraph*, 2nd October 1980).

The following day (2nd October) the NEC produced another hastily drafted formula under which 40 per cent of the votes in an electoral college would have been cast by the trade unions and 30 per cent each by the Parliamentary Party and the constituencies. But the Conference voted to reject this plan as well. Mr David Basnett, general secretary of the GMWU (now GMBATU), then proposed an emergency resolution calling for a special conference to revise the party rules in three months' time, and this was carried overwhelmingly.

The 1980 Party Conference was a triumph for the Left and may be regarded as a turning point for the Labour Party. It began the process of disillusionment within the Right that led to the formation of the Social Democratic Party. Mrs Shirley Williams said the NEC's proposal for an electoral college was:

‘a travesty of democracy, going even beyond all the travesties of democracy we have seen this week’.

When asked at what point she would leave the party, she said:

‘All of us have got nearer the end of the road because of the nature of this conference, but we are not yet at the end...we will stay and fight in the hope that the Parliamentary Labour Party and rank and file members of the party...will stand and fight with us and show guts to counteract the kind of hissing, slow hand-clapping and abuse that David Owen and Bill Rodgers have run into this week’ (*Guardian*, 3rd October 1980).

6. THE WEMBLEY SPECIAL CONFERENCE 1981

The special conference to decide the method of election of the leader and deputy leader of the Party was held at Wembley on 24th January 1981; in fact, Mr Michael Foot was by now leader of the Party after Mr Callaghan's resignation soon after the Party Conference the previous October (see next section). Such was the complexity and intensity of the debate inside the Labour Party on this issue, that the agenda for the special conference contained no less than 207 proposed amendments to the party constitution.

There were several varieties of electoral college proposed, some advocating retention of overall control by MPs and extending to the extreme Left who were determined that the Parliamentarians should be reduced to a minor role. One section of the Party, represented by the supporters of the Campaign for a Labour Victory (including Dr David Owen, Mrs Shirley Williams and Mr Frank Chapple) resolutely opposed an electoral college of any construction. Initially, there were four basic proposals for consideration: (a) to introduce an electoral college to be held at the annual conference; (b) to convene an electoral college on a separate occasion; (c) to hold an electoral college that cast its votes by a postal ballot; and (d) to elect the leader by a postal ballot of all party members.

Dr David Owen spoke out strongly against the use of block votes in an electoral college and in favour of ‘one man, one vote’. His views were echoed by Mr Sidney Weighell, then general secretary of the National Union of Railwaymen. Supporting the concept of a postal election, he declared:

‘I know the block vote is suspect. I know because I have got one in my hand’ (*Daily Telegraph*, 26th January 1981).

Mr Frank Chapple, backing Dr Owen's proposals for a ballot of all members, said that trade union block votes exercised at Labour Party conferences did not represent real people. He said:

‘they represent the amount of money a trade union is prepared to pay to buy votes’ (ibid.).

The Conference, however, ignored their criticisms. 6,283,000 votes were cast for the scheme of an electoral college at the annual Conference, 434,000 for a postal college, only 11,000 for a separate college and 431,000 for an individual ballot. The latter figure was significant as, apart from Mr Chapple's electricians' union, only the National Graphical Association supported a ballot of all Party members, together with some 70 constituency parties. The total number of votes exercised at the Conference was 7,202,000 made up of 6,446,000 (90 per cent) by the trade

unions, 689,000 (9 per cent) by the constituencies and 67,000 (1 per cent) by socialist and co-operative societies.

Out of the 134 amendments on the agenda that concerned proposals for the structure of an electoral college at the annual Conference, nine schemes were selected for consideration. The most important were: (i) a scheme proposed by the Amalgamated Union of Engineering Workers to give MPs 75 per cent of the vote, constituency parties 10 per cent, trade unions 10 per cent and socialist societies 5 per cent; (ii) the formula backed by Mr Foot, the Parliamentary Party and the General and Municipal Workers' Union, for 50 per cent for MPs, 25 per cent for constituencies and 25 per cent for trade unions; (iii) the plan favoured by the NEC and the Transport and General Workers' Union, with a block vote of 1,250,000, dividing the share of the vote equally between MPs, constituencies and unions; and (iv) the USDAW amendment, backed by the Left through the Rank and File Mobilising Committee, giving 30 per cent to MPs, 30 per cent to constituencies and 40 per cent to the trade unions.

The final choice had been expected to be made between Mr Foot's preferred scheme, and that of the NEC. But because of disarray on the Right of the Party and some clever tactical voting by the Left, the formula that was adopted after three elimination ballots was the one proposed by USDAW and backed by the Left. The executive of USDAW, the shop workers' union, had decided before Christmas to put down a resolution supporting the 30-30-40 formula. At the Blackpool Conference, it had voted against any change in the way the party leader was chosen, but the fact of the special conference obliged it to take some standpoint. When USDAW's leaders realised that they had now backed the extreme Left-wing plan, they decided that, as soon as their motion was eliminated, they would switch their vote to the plan supported by Mr Foot. Left-wingers realised that USDAW's 428,000 block vote, the fifth largest of all unions, could be decisive in the final result and so they campaigned to keep its motion on the agenda for as long as possible. NUPE, the public employees union, decided to switch its 650,000 vote from the NEC-backed formula, which it had previously said it would support, in favour of the USDAW motion. Mr Clive Jenkins, General Secretary of ASTMS, then withdrew one of the nine resolutions which stood in his union's name, and said he would back USDAW instead. Sufficient votes were therefore behind the 30-30-40 formula to keep it in the ballot and prevent Mr Foot's plan from winning.

On the first ballot, the voting on the leading resolutions was as follows:

50-25-25: 2,386,000 votes 33-33-33 : 1,763,000 30-30-40 : 1,763,000 75-10-10 : 992,000

This eliminated the latter scheme, backed by the AUEW. Moderates hoped that the AUEW would now transfer their 928,000 votes to the 50-25-25 formula, but the AUEW delegation was under strict instructions from its National Committee to vote only for schemes which gave more than half the votes to MPs. Thus, the AUEW were forced to abstain and on the second ballot, the NEC plan of 33-33-33 was eliminated. On the final ballot, the USDAW resolution, still cast against the real wishes of its leaders, received 3,375,000 votes against only 2,865,000 votes for the 50-25-25 formula.

Under the arrangements finally agreed by the Conference, the leader and deputy leader will face an automatic election procedure when the Party is in opposition, but an election will only take place when the Party is in government if a majority of the annual Conference wants one. This could mean that if the leaders of the large trade unions found themselves at odds with any future Labour Prime Minister they could vote to ensure his removal as Party leader. Speaking at the

conclusion of the Conference, Mr Foot made clear that he did not agree with the particular plan that had been adopted. He said that:

‘often the rights and duties and performance of the Parliamentary Party are quite improperly derided in our movement’ (*Times*, 26th January 1981).

Birth of the SDP. A consequence of the special conference was that the so-called Gang of Three (Dr David Owen, Mrs Shirley Williams and Mr William Rodgers) announced, in conjunction with Mr Roy Jenkins the formation of a Council of Social Democracy. In a declaration from Dr Owen's home in Limehouse, London, the next day they referred to the ‘calamitous outcome’ of Wembley and of a ‘disaster’ that was

‘the culmination of a long process by which the Labour Party has moved steadily away from its roots in the people of this country and its commitment to parliamentary government’ (*Times*, 26th January 1981).

7. SUBSEQUENT DEVELOPMENTS

At the 1981 Labour Party Conference at Brighton, the Right-wing of the Party achieved certain changes on the NEC, transforming a 19-10 Left-wing majority into a narrow 15-14 Right-wing majority. Once again, the Conference debated a motion that would have given the NEC the final say in the writing of the Party's General Election Manifesto and this was at first approved. In typically confused fashion, the Conference then rejected the amendment to the Party's constitution that would have given effect to the change. Since the Conference also decided to reinstate the rule which permits constitutional changes to be discussed only once every three years, the issue has been shelved at least until after the General Election.

At the 1982 Labour Party Conference in Blackpool, the Right consolidated their hold on the NEC and began the ‘purge’ of the Militant Tendency, but it seems that the Right have accepted the two major gains of the Left: mandatory reselection and the wider franchise for the election of the leader. Recently, the Right seems to have revived the idea that Dr Owen and others, who have since left for the SDP, campaigned for at the Wembley special conference: ‘One man, one vote’. In an interview on Channel Four TV, Mr John Golding, MP, Chairman of the NEC's Home Policy Committee and a leading Right-winger, suggested that the Right wished to tackle the stranglehold of the Left on the constituency parties and that the way to do that was

‘to introduce into our party, into the constituency parties, one man, one vote’ (*A Week in Politics*, 13th November 1982).

On 15th November 1982, the NEC Organisation Committee considered a confidential paper from Mr David Hughes, the Party's national agent, offering local parties advice on ways of involving the whole membership in casting the constituency's vote but after a short discussion, the paper was deferred (*Times*, 16th November 1982). On 23rd November, a new group, chaired by Mr Frank Field, MP for Birkenhead, was set up, called Labour Franchise. The object of the group was to campaign for the NEC to lay down guidelines on how to involve party members in future leadership elections. The group do not wish proposals to be mandatory, but wish local parties to adopt wider consultation voluntarily. On 10th February 1983, the Labour Solidarity Campaign, chaired by Mr Peter Shore and Mr Roy Hattersley, launched a campaign to call for an annual ballot in constituency parties to elect their representatives to the college which elects the party's leader and deputy leader, and to give all party members the right to vote on the selection

of Parliamentary candidates. The Campaign is to circulate two model resolutions, which it is proposed should be submitted to the 1983 annual Conference. The campaign claims that the issue should not prove controversial between the Party's Left and Right. Mr Shore said:

'I don't see anything divisive or hostile in this at all' (*Guardian*, 11th February 1983).

(C) THE LABOUR LEADERSHIP

1. THE 1980 LEADERSHIP ELECTION

Inevitably, from the moment of Labour's election defeat, speculation was rife about Mr Callaghan's intentions. It was assumed that Mr Callaghan, who was 67, would wish to retire before the next election. As Labour's Left became more powerful and the attacks on Mr Callaghan became more bitter (see previous section), speculation grew, but Mr Callaghan refused to state his intentions. Matters reached a head at the 1980 Party Conference, and on 2nd October, after the decision to change the method of electing the leader of the Party (which Mr Callaghan had consistently opposed), Mrs Shirley Williams appealed to him to make clear his intentions 'in the next few days'. Mrs Williams told a meeting of the Campaign for Labour Victory that uncertainty over the leadership was responsible for the 'desperate mess' in which the party found itself. On the same day, Mr Callaghan addressed the Party Conference and denied 'teasing' the party about his intentions. Later, when told of Mrs Williams's appeal, he said he 'would take note of it', but added that he did not think it would be proper to make a statement immediately. The next day Mr Foot, then the party's deputy leader, said in a radio interview that there was everything to be said for Mr Callaghan staying on. He said:

'I hope he will be able to ... that I believe would be the best way to settle the whole thing' (*Financial Times*, 4th October 1980).

The Right-wing were anxious that Mr Denis Healey should succeed Mr Callaghan, and believing that this would never happen once the system of election was changed, urged Mr Callaghan to stand down in order that the election would be confined to within the Parliamentary Labour Party. In a bid to prevent this, on 13th October Mr Tony Benn and Mr Eric Heffer, backed by six other Left-wing members of the NEC, circulated all Labour MPs with a proposal that the Parliamentary Labour Party should suspend its rules so as to allow the officers who were elected the previous year to continue in office until they were succeeded by officers chosen under the new system. The effect of this proposal would have been that, in the event of Mr Callaghan's resignation, Mr Foot would automatically take over as caretaker leader until an election could be held under the new system.

Mr Callaghan's **Resignation**. On 15th October 1980, Mr Callaghan announced his intention to resign as leader of the Labour Party after four and a half years in the position. At once, the dispute intensified as to whether an election should be held immediately by the PLP or postponed until after the special conference. Mr David Basnett, chairman of the Trade Unions for a Labour Victory, urged Mr Foot to take over until an election could be held under the extended franchise. He said:

'The Parliamentary Labour Party should now respond to what happened at conference and respect the decisions of conference that there should be a wider franchise' (*Times*, 16th October 1980).

But Mr Terry Duffy, president of the Amalgamated Union of Engineering Workers, said:

‘I say to MPs, “Don't mess about, get on with the job of electing a successor” ’ (ibid.).

The National Executive Committee called on MPs to defer the election, but Mrs Shirley Williams, one of five NEC members to oppose this recommendation, said it was

‘pushing confrontation with the parliamentary party beyond the limit. It is very foolish and very damaging’ (*Daily Telegraph*, 23rd October 1980).

Further extra-parliamentary pressure on MPs came from the Left-wing Labour Co-ordinating Committee. After a meeting under its chairman, Mr Michael Meacher MP, the Committee circulated a letter to its 700 members, which included 40 constituency parties, in which it said:

‘Now that Callaghan has resigned it is clear that the Right want to mount a pre-emptive strike against the January special conference. It is important, therefore, that constituency parties exert their maximum influence to ensure that the coming leadership election is seen as totally illegitimate, if we can't put it off until after the party has agreed to a wider franchise’ (*Times*, 21st October 1980).

Mr Healey accused the organisation of making ‘a naked attempt to blackmail and fear’ in order to influence the result of the election. He described the letter as ‘absolutely disgraceful’ and suggested that it should be withdrawn in the interests of parliamentary democracy (*Guardian*, 22nd October 1980).

The efforts of the LCC appeared to contribute to Mr Benn's decision not to stand in the PLP election. Mr Meacher said:

‘In the discussions he (Mr Benn) accepted...that it would not be in the best interests to validate the PLP elections’ (*Times*, 24th October 1980).

The **Campaign for Labour Party Democracy** said that constituency parties would regard it as a declaration of war if ‘the PLP insist on holding a final election in defiance of the recent conference decision’. It warned that it could:

‘strike back at MPs with a weapon of mandatory reselection’ (*Morning Star*, 16th October 1980).

Initially, it was thought that there would only be three candidates for the leadership: Mr Denis Healey, Mr Peter Shore and Mr John Silkin, and that Mr Michael Foot would back Mr Shore. When it appeared that Mr Healey was favourite to win any such contest, Mr Foot came under heavy pressure, especially from the trade unions, and on 20th October announced that he would stand. Mr Foot made it clear that he was not standing as a caretaker leader and

‘would certainly be glad to be leader of the party when the present Government is removed at the next election’ (*Times*, 21st October 1980).

Mr Foot's Victory. After a full meeting of the Parliamentary Labour Party on 28th October, it was decided to reject proposals to postpone the election. In spite of a substantial number of absentees, Labour MPs voted by 119 to 66 to stick to their existing procedure for electing a leader. A motion to have an open ballot was defeated by 139 votes to 52. The first ballot was held on 4th November 1980 and both Mr Silkin and Mr Shore were eliminated. Mr Healey

obtained 112 votes, Mr Foot got 83 votes, Mr Silkin got 38 votes and Mr Shore 32 votes. Both Mr Silkin and Mr Shore announced that they would back Mr Foot in the second ballot. This took place on 11th November 1980 and Mr Foot received 139 votes against Mr Healey's 129, giving Mr Foot a majority of 10.

2. THE 1981 DEPUTY LEADERSHIP ELECTION

Having been defeated by Mr Foot for the leadership of the party, Mr Healey was elected unopposed as deputy leader. On 4th December 1980, Mr Tony Benn stood for election to the Shadow Cabinet. He had not stood the previous year as he had wanted more freedom to speak from the backbenches. In the election for the twelve places, which is purely confined to the PLP, Mr Benn received 88 votes and was beaten for twelfth place by a fellow Left-winger, Mr Neil Kinnock. However, Mr William Rodgers, who came eighth, refused to accept the portfolios offered to him by Mr Foot, who had rejected him as Defence spokesman, and on 27th January 1981, resigned from the Shadow Cabinet. As a result, the runner-up in the elections, Mr Benn, automatically became a member of the Shadow Cabinet; this occurred only hours after Mr Foot had attacked Mr Benn in a meeting of the Parliamentary Labour Party for 'spreading myths' about the way in which the party's business was conducted (*Guardian*, 28th January 1981).

Mr Benn's **Challenge**. On 2nd April 1981, at 3.30 a.m., Mr Benn announced that he would challenge Mr Healey for the deputy leadership of the party. This was despite attempts by Mr Foot throughout the previous week to persuade Mr Benn not to stand. Mr Benn issued a statement saying:

'Following the decisions taken at the Wembley Conference to establish an Electoral College, nominations are to be invited from Constituency Labour Parties, Trade Unions and other affiliated organisations for the Leadership and Deputy Leadership of the Labour Party to be elected at the 1981 Conference. 'At the Annual General Meeting of the Bristol South East Constituency Labour Party held on February 13th, a resolution was passed advising me to accept nomination for the Deputy Leadership. 'Nominations to be valid require the support of at least 5 per cent of the Parliamentary Labour Party and the following Labour Members of Parliament have now signified their support for my candidature: Norman Atkinson, Ron Brown, Martin Flannery, Stuart Holland, Robert Hughes, Robert Litherland, Joan Maynard, Michael Meacher, Ian Mikardo, William McElvey, Reg Race, Jo Richardson, Allan Roberts, Ernie Roberts, Ernie Ross, Dennis Skinner.'

Following Mr Benn's declaration, Mr Foot issued a statement declaring his belief that the best interests of the party would be served if there were no contest that year, and calling on Mr Benn to withdraw his challenge. A number of Left-wingers also urged Mr Benn to change his mind, including Dame Judith Hart and Mr Alex Kitson, then chairman of the Labour Party. Mr Benn resisted this pressure, and in replying to Mr Kitson, wrote:

'In my judgement it would gravely damage the reputation of the trade union movement if a private agreement were reached among presidents, general secretaries or other senior officials that this new democratic machinery should be set aside by putting public or private pressure on candidates not to stand' (*Guardian*, 6th April 1981).

Mr Benn's supporters saw the election as an opportunity to make sure that the party leadership was firmly tied to the policies of the Party Conference—in a way which they suspected was not so at present, particularly in the case of Mr Healey. As the election was not until the end of

September, Mr Benn's supporters had six months in which to campaign for him. The umbrella grouping of the Left, the Rank and File Mobilising Committee, which had been so successful in obtaining constitutional change, used its influence to put pressure on MPs and the trade union leadership through the active members of the constituency Labour parties and trade unions. Mr Benn's challenge succeeded in reopening all the old wounds in the party.

Mr Healey Joins the Fray. On 12th April, Mr Healey launched a counter-attack at a meeting of the Labour Solidarity Campaign. He condemned a 'minority of authoritarian extremists' in the party. Although he did not mention Mr Benn by name, he denounced the party reforms Mr Benn championed and attacked some in the party who were determined to pursue their argument:

'even to the point of wrecking the party altogether, rather than accept defeat ... This authoritarian minority argues that parliamentary democracy is incapable of producing real progress ... they do not care whether the Labour Party wins the next election or not ... they do not care how many of our supporters turn to other parties, how many of our active members give up at their sour and intolerant sectarianism' (*Times*, 13th April 1981).

On 21st April, Sir Harold Wilson criticised the 'tomfool issues' and 'barmy ideas' espoused by Mr Benn and called him a 'kind of ageing, perennial youth' who 'immatures with age' (*Financial Times*, 22nd April 1981).

The battlefield now shifted to the union conferences which took place throughout the summer. Mr Benn and his supporters toured these conferences attempting to win over the big block votes of the unions, who were entitled to a 40 per cent share of the vote under the new system. Originally it was thought that Mr Eric Heffer would also stand for the deputy leadership but on 18th May, he announced that he would not be running as to do so would mean 'confusion would arise among those in the party and unions who support left-wing policies'. A few days later, Mr John Silkin announced that he would be standing as a compromise candidate.

Mr Benn's Defiance. Throughout this period, Mr Benn had remained a member of the Shadow Cabinet but ignored any suggestion of collective Cabinet responsibility. On 29th April, he suggested to the Shadow Cabinet that Mr Robert Sands, the IRA hunger striker, be freed and allowed to take his seat as MP for Fermanagh and South Tyrone. On 12th May he called for British withdrawal from Ulster and for United Nations troops to be stationed there in contradiction to official Labour Conference policy. On 20th May he defied a Shadow Cabinet recommendation to abstain in a defence debate, and with 73 other Labour MPs voted against the Government. On 22nd May he went beyond Shadow Cabinet policy and vowed that a Labour Government would close all nuclear bases in Britain. On 31st May, he challenged the whole idea of collective responsibility, saying:

'My view is that we are all collectively responsible for implementing the policy agreed by the party and that limited, collective responsibilities within that are just a cover for reversing the party's policy against nuclear weapons or against the Common Market' (*Times*, 4th June 1981).

On 3rd June, following another speech by Mr Benn in which he attacked the leadership, Mr Foot intervened. At a meeting of the Shadow Cabinet attended by Mr Benn, Mr Foot read out a 24-page written statement in which he invited Mr Benn to stand openly against him in a fight for the leadership of the Labour Party. Mr Foot later said that if Mr Benn failed to accept the challenge to stand for the leadership, he ought to stop his attacks on the Shadow Cabinet, and he described some of Mr Benn's arguments as 'the politics of the Kindergarten' (*Times*, 4th June 1981). Mr Benn did not take up Mr Foot's challenge and the next day was taken to hospital suffering from a

neurological disorder. Whilst Mr Benn was recuperating, his supporters continued to tour the union conferences on his behalf.

Mr Healey's Victory. Throughout the summer the battle continued with increasingly heated exchanges between the camps. In one of the most extraordinary episodes, the massive Transport and General Workers' Union carried out a regional consultation exercise that produced a paper majority for Mr Healey but the union's executive decided, by 22 to 12, to 'advise' its delegation to cast its 1.25 million block vote for Mr Benn. In the event, the TGWU delegation voted for Mr Silkin on the first ballot, although on the second ballot it switched to Mr Benn. The vote itself took place at a special Sunday evening session at the opening of conference on 27th September 1981. On the first ballot, Mr Healey won 45.37 per cent of the votes, Mr Benn 36.63 per cent and Mr Silkin 18 per cent. With Mr Silkin eliminated, Mr Healey went on to win in the second ballot by the narrowest of margins, a mere 0.852 per cent. He collected 50.426 per cent of the votes and Mr Benn won 49.574 per cent. The largest share of Mr Healey's vote came from the unions—just under half his total—while a similar proportion of Mr Benn's came from the constituency parties. Altogether 462 constituency parties voted for him in the second ballot, against 115 for Mr Healey.

Mr Benn's victory was denied by the abstention of some 37 MPs in the second ballot. On the first ballot, out of 254 who were eligible to vote, 125 MPs voted for Mr Healey, 65 for Mr Silkin, and 55 for Mr Benn. The remainder, including Mr Foot, took no part in the voting. In the final vote, 137 MPs voted in favour of Mr Healey and 71 for Mr Benn. Among the 37 who abstained were some noted Left-wingers, such as Mr Neil Kinnock, Miss Joan Lestor, Mr Stanley Orme, Mr Douglas Hoyle, Mr Jeff Rooker and Mr Joe Ashton. It was little surprise that Mr Benn and his supporters should have spent so much of the rest of the week attacking the Parliamentary party for their alleged betrayal. In the NEC elections, Mr Kinnock and Miss Lestor were re-elected to the constituency section but their votes dropped considerably owing to the operation of a Bennite 'hit-list' in reprisal for their abstention in the deputy leadership contest along with about twenty other Tribune Group MPs, known as 'Healey's Fifth Column'.

Further Advance by the Left. The size of Mr Benn's vote and the narrowness of Mr Healey's victory represented a remarkable achievement for the Left. At the beginning of the contest Mr Peter Jenkins, political correspondent of *The Guardian*, had said Mr Benn would win a psychological victory if he 'scores, say, 40 per cent of the votes in the Wembley-model electoral college' (*Guardian*, 22nd April 1981). Mr Ken Livingstone, Labour leader of the Greater London Council, told a Trotskyist weekly newspaper, *Socialist Organiser*, that the vote for Mr Benn marked a Left-wing advance. He said that the vote was:

'a major achievement for the Left. Three years ago Healey was the next Labour Prime Minister—now he's clearly a spent force. The transformation of the Labour Party into a socialist party is clearly irreversible now that process has begun' (1st October 1981).

On 10th November 1981, Mr Benn, still a member of the Shadow Cabinet, spoke in a debate in the House of Commons in terms other than those he had twice agreed with his colleagues. He stated that North Sea oil and gas assets which the Government sold off would be renationalised by a Labour government without compensation. Although this had been party policy, it had been recently rejected by both the Shadow Cabinet and the NEC. Following this incident, Mr Foot told Mr Benn that he would ask Labour MPs not to vote for Mr Benn in the Shadow Cabinet elections unless he gave a firm undertaking within two days that he would abide by the normal rules of collective responsibility. Although Mr Foot extended the deadline, Mr Benn refused to comply and Mr Foot interpreted his silence to mean 'No'. Despite this, in the Shadow Cabinet

elections on 19th November, 66 Labour MPs defied Mr Foot and voted for Mr Benn, although this was not sufficient to get Mr Benn elected.

As a postscript, on 16th December 1981, Mr Benn claimed that he was the rightful deputy leader of the party. Emerging from a NEC meeting, he said:

‘Speaking as deputy leader, because of course Denis Healey's entire majority has now defected to the SDP, I would like to say to Labour Party people at home not to be discouraged but to go on campaigning for peace and justice’ (*Times*, 17th December 1981).

Technically, Mr Benn was correct: Mr Healey's majority of 0.85 per cent was equivalent to the votes of 5 MPs. In the two months following the Party Conference, 11 MPs joined the Social Democrats, of whom 9 had voted for Mr Healey in both ballots.

(D) INTERNAL PROBLEMS

1. LABOUR CANDIDATES

Following the decision to make all Labour MPs undergo mandatory reselection, it was expected that a number of sitting MPs would be replaced by other candidates further to the Left. The mere threat of this was sufficient to make a number of MPs leave the party and join the Social Democrats. So far, 8 Labour MPs have been deselected by their constituency parties. These are as follows:

Sitting MP	Constituency	New Candidate
John Sever	Birmingham, Ladywood	Albert Bore (Bennite)
Eric Ogden*	Liverpool, West Derby	Bob Wareing (Bennite)
Ben Ford	Bradford North	Pat Wall (Militant)
Frank Hooley	Sheffield, Heeley	Bill Michie (Bennite)
Fred Mulley	Sheffield, Park	Richard Caborn (Bennite, Euro-MP)
Stan Cohen	Leeds, South East	Derek Fatchett (Bennite)
Raymond Fletcher	Ilkeston	David Bookbinder (Bennite)
Arthur Lewis	Newham North West	Tony Banks (Bennite, GLC Councillor).

* After being deselected, Mr Ogden joined the SDP.

In addition to these, in a contest as yet unresolved, Mr. Reg Freeson is being threatened by Mr Ken Livingstone, the leader of the Labour GLC.

Although only eight (or possibly nine) MPs have actually been deselected, the retirement of at least 20 Labour MPs and the defection of 26 more to the Social Democrats has opened the way to a substantial turnover even if Labour makes no electoral gains. The Left-wing Labour newspaper *Tribune* carried out a survey of Labour candidates and concluded:

‘The Parliamentary Labour Party is set to move radically to the left after the next election. A *Tribune* survey of selected Labour parliamentary candidates shows that should Labour win the 326 seats necessary to form a majority government, nearly half of its elected members would be prospective members of the Tribune Group or a similar grouping to its Left ... even if Labour

failed to gain a single seat from the Tories but merely held the seats it won in 1979, the Tribune Group or a similar left grouping would still have a potential 120 members. At present, it has only about 55 members with a further 20-plus members of the Campaign Group to its Left' (11th February 1983).

Another survey was carried out by the Labour CND Group among those prospective Labour candidates whom they thought likely to be in the next Parliament. The survey showed that in addition to the 118 members of the Parliamentary Labour Party CND Group, there would probably be up to 37 new Members sharing its views, replacing 37 Members who have not (these 37 candidates are all in seats held by Labour at the last election). In addition, out of 42 replies from candidates in constituencies with a present Conservative majority of less than 5,000, 41 fully supported the policies of unilateral disarmament represented by CND.

Selection for New Constituencies. The situation is complicated by the changes in parliamentary boundaries. Both surveys were conducted among candidates for constituencies with the old boundaries. Due to Labour's abortive attempt to prevent the boundary changes being implemented, they have delayed selecting candidates for the new constituencies. Thus, they are now having to go through the selection process all over again. In an attempt to prevent a fresh wave of bloodletting, Labour have decreed that only an endorsed candidate for an old constituency has the right to go on the short list for any new constituency which takes in any part of his present Parliamentary area. Nevertheless, in about 70 to 100 new seats taking in only minority parts of old seats, completely open selections will take place if the constituency parties wish it. *The Times* estimated that as many as 20 Labour MPs are faced with a reselection process because of this (24th February 1983). In many urban Labour strongholds, the number of seats is being reduced and this is bound to lead to a number of bitter clashes between sitting MPs.

2. THE MILITANT TENDENCY

The most important entryist Trotskyist group within the Party is the Militant Tendency, which takes its name from the weekly newspaper, *Militant*.

Its origins go back to the mid 1950s when a small body called the Revolutionary Socialist League entered the Labour Party. In 1964 the leaders of the RSL began publishing *Militant*, and the name of the old organisation disappeared. Initially, it concentrated on the reconstituted Labour Party Young Socialists, and by 1970 it had gained control of the LPYS National Committee which it has retained against other Left-wing opposition ever since. Militant Tendency domination of the LPYS has had one major consequence: a change of party rules in 1972 provided for the creation of one place on the party's National Executive Committee for a representative of the Young Socialists, and this has ensured that the Militant Tendency now has a voice at the highest levels of the Labour Party.

In the last decade, Militant supporters have become increasingly active in constituency Labour parties. They were involved in the campaign against Mr Reg Prentice in Newham North East in 1975. The Militant Tendency currently has virtual control of between 60 and 70 constituency organisations, with supporters in a further 80 to a hundred local parties.

Militant Tendency influence also extends into the trade unions. It is particularly conspicuous in the CPSA, and one of its supporters is the General Secretary of the Bakers' Union. Elsewhere it has also been concerned with campaigns on youth unemployment, Northern Ireland and the Anti-Nazi League.

The economic policies of the Militant Tendency include the nationalisation of the 'top 250 monopolies' under workers' control; a massive increase in public spending and the restoration of cuts in social services; and a reduction in the working week without loss of pay. Recently, it has called for a one-day general strike as part of its programme to remove the Government from office.

The Militant Tendency advances these policies openly, as any ginger group might. It also avoids having a formal membership—it describes its followers as 'supporters' or holds 'readers' meetings', ostensibly linked only to a newspaper. But it has a full-time staff of some 60 workers among its 2,000 or so 'supporters', and considerable funds at its disposal. Like most ultra-Left groups it runs a permanently open appeal fund.

But the Militant Tendency appears to have additional sources. In the period 1973–9, the Cambridge Heath Press, which prints *Militant*, received from an organisation called WIR publications loans and donations totalling £321,218. Militant's explanation is that it is funded exclusively by contributions from supporters in the Labour movement, but it refuses to elucidate further.

NEC Inquiry. In 1977, a five man sub-committee of the NEC, which included Mr Foot, decided that no disciplinary measures were required against Militant, and the party ignored the mass of evidence of its activities gathered by Mr Reg (now Lord) Underhill, the party's National Agent until 1980. In December 1981, concerned at the growth of influence of the Militant Tendency, the National Executive Committee set up an inquiry into its activities.

The inquiry carried out by the party's general secretary, Mr Ron Hayward, and its National Agent, Mr David Hughes, found that the Militant Tendency was in effect a party within a party, and was in breach of the Labour Party's constitution. The report's conclusions stated that it was clear that

'the Militant Tendency is a well-organised caucus centrally controlled operating in the Labour party',

and that it was not a group

'formed solely to support a newspaper. It has a hard core of supporters (including its full-time employees) who form an organisation with its own programme and policy for distinctive and separate propaganda which is determined outside the structure of the Labour Party ...' (Militant Tendency Report, published by the Labour Party National Executive Committee, 19th June 1982).

This activity puts the group outside Clause II of the party's constitution which renders ineligible for affiliation organisations which have their own programme and propaganda.

Register of Non-Affiliated Organisations Mr Hayward and Mr Hughes recommended that the NEC should establish a register for pressure groups in the party and that there must be no secret organisations in the party. In its present form they concluded that the Militant Tendency would not qualify for registration.

At the NEC's meeting on 23rd June 1982, Mr Foot's resolution that the report should be 'implemented forthwith' was passed by 16 votes to 10, with Mr Benn leading the opposition to any moves to disqualify the Militant Tendency or its supporters. After the meeting he said:

'We expelled Stafford Cripps and he came back; we expelled Nye Bevan and he came back ... All these are really an attack on the policy of the party ... What this is really about is an attempt to reverse some very important policies in the party by getting at the people who support them. For example, Mr Denis Healey is in favour of having cruise missiles here and having nuclear weapons, and so by disciplinary methods I suppose that people think that we should get rid of the people who support party policy. Now of course it won't work because it has never worked in the party before' (*Times*, 24th June 1982).

The Centre and Right of the party welcomed the findings of the inquiry. Speaking at a Labour Solidarity Campaign rally, Mr Shore said:

'the party is sick',

and that the time had come

'to act decisively against the conspiracy'

of the Militant Tendency.

The report's recommendation to set up a register of non-affiliated organisations within the Labour Party then went to the Party Conference at Blackpool on 27th September 1982.

Opening the debate, Mr James Mortimer, the newly-appointed party general secretary, said that in deciding to recommend to Conference the establishment of the register, the NEC was not initiating a 'witch-hunt' or 'purge', but merely upholding the rules and constitution of the Party. The resolution was carried by 5,173,000 to 1,565,000.

Another resolution, proposed by the union APEX, calling for immediate action against the Militant Tendency under the Party's constitution, was also carried, on this occasion by 5,087,000 to 1,851,000.

Mr Pat Wall, prospective Labour candidate for Bradford North and a supporter of the Militant Tendency, claimed:

'You cannot witch-hunt ideas, and you cannot separate the ideas of Marx and this movement ... They are the most humane and democratic ideas and they will live on and develop in this movement' (*Daily Mail*, 28th September 1982).

Mr Tony Benn cited the case of Mr Peter Tatchell, who had earlier been denounced as a parliamentary candidate by Mr Foot, but remained the official prospective candidate in Bermondsey. This, Mr Benn argued, should encourage constituency Labour parties to defy the register. He continued:

'We shall have to occupy some of our time with a very clear objective: no expulsions from the Labour Party. The battle must now be to prevent expulsions ... Nobody, but nobody, should be expelled' (*Daily Telegraph*, 29th September 1982).

The size of the majority in the vote at the Party Conference is highly deceptive as the register was pushed through by the union block votes; the register was overwhelmingly opposed by the Constituency Labour Party section.

Pressure for Expulsion of Militant. Despite the denials of Mr Foot and Mr Mortimer, the Left-wing of the Labour Party believe that the expulsion of Militant supporters will be merely the first step in a campaign by the Right to purge the Labour Party of the Left. As a consequence, a campaign to defeat the 'witch-hunt' is drawing support from all sections of the Left. The suspicions of the Left do have some foundation. Mr John Golding, MP, the new Right-wing chairman of the NEC's Home Policy Committee, has recently admitted that there are other groups within the party whom he would like to get rid of:

'I think many of the other extreme left groups are a threat without being in actual breach of the constitution. I believe that we've got to deal with them in a separate way' (*A Week in Politics*, Channel 4, 13th November 1982).

Mr Roy Hattersley said at the Conference:

'The problem is not Militant about whom we always talk, because Militant is so easily identifiable and so unpleasant that most people are prepared to squash it ... The problem is those organisations which talk in the language of democratic socialism' (*Guardian*, 27th September 1982).

As there is no formal membership of the Militant Tendency, the NEC has been faced with the difficulty of knowing precisely whom to expel. The obvious candidates are the five members of Militant's editorial board, but in addition to them there are eight Labour parliamentary candidates who support Militant and over 60 paid staff. The eight parliamentary candidates are as follows:

Mr Terry Fields—Liverpool, Kirkdale Mr Terry Harrison—Liverpool, Edge Hill Mr Derek Hatton—Liverpool, Wavertree Mr Tony Mulhearn—Liverpool, Toxteth Mr Dave Nellist—Coventry, South East Mr Pat Wall—Bradford North Mr Rod Fitch—Brighton Kemptown Miss Cathy Wilson—Isle of Wight.

The situation is complicated by the boundary changes and the majority of these candidates will have to go through a new selection process. Three of the candidates whose present constituencies disappear, Mr Terry Harrison, Mr Tony Mulhearn and Mr Derek Hatton have stood down, but Mr Terry Fields has been selected for the new seat of Liverpool Broadgreen and Miss Wilson reselected for the Isle of Wight.

Mr Mortimer attempted to confine the expulsions to the five members of the editorial board and urged that this should be done forthwith. But after the NEC had received legal advice suggesting it was leaving itself open to court action, he was instructed not to take any action. The Militant Tendency have announced that they will fight any expulsion through the courts. In December, Militant unsuccessfully sought a court injunction to prevent the Labour Party from proceeding with any expulsions, and the NEC passed a motion declaring that the Tendency was ineligible for affiliation to the Labour Party. However, at the same meeting they postponed any attempt to decide upon a legally-sustainable definition of a member of the Militant Tendency.

At a meeting of the NEC's Organisation Committee on 10th January 1983, Mr Mortimer presented a paper setting out the options of expulsions or the dissolution of Militant as an organisation within the party. He pointed out that any attempt at expulsion might well fail in the courts, as a number of other groups had been declared ineligible for registration, such as the Labour Friends of Israel, but only the Militant Tendency was under threat of expulsion.

Expulsion of Editorial Board. On 26th January, the NEC decided by 18 votes to eight to proceed with the expulsion of the five members of the editorial board. On 14th February, the five issued a High Court writ challenging the validity of the decision to declare Militant ineligible for affiliation to the party. On 23rd February, the NEC finally decided to expel all five. Having listened to a series of individual statements by each of the five, the NEC voted by 19 votes to nine to expel them. Expulsion was opposed by: Mr Frank Allaun, Mr Tony Benn, Mr Laurence Coates, Dame Judith Hart, Mr Eric Heffer, Miss Jo Richardson, Mr Tom Sawyer, Mr Dennis Skinner and Mrs Audrey Wise. The five members of the editorial board who were expelled were: Mr Peter Taafe, editor of *Militant*, Mr Lynn Walsh, assistant editor, Mr Ted Grant, political editor, Mrs Clare Doyle, business manager, and Mr Keith Dickinson.

Unfortunately for Labour, the local constituency parties of three of the five (Islington Central for Mr Taafe and Mr Grant, and Hammersmith North for Mr. Dickinson) have refused to recognise the expulsions. Mrs. Doyle and Mr Walsh's constituency, Lambeth Norwood, passed a motion noting their expulsion, although it is campaigning for their reinstatement. Infuriated by what they saw as capitulation, the Left voted the chairman of Norwood constituency party, Mr Ted Knight, off the regional executive of the Greater London Labour Party. Although the Right on the NEC wish to move further against supporters of the Militant Tendency, it has been decided to postpone any further action, pending the result of Militant's legal action.

Following the decision at the Party Conference on 30th October 1982 to establish a register, an organisation called Labour Against the Witch-hunt was set up to campaign against the expulsion of Militant. The chairman of this organisation is Mr Ernie Roberts, Labour MP for Hackney North and Stoke Newington; the vice chairmen are Miss Joan Maynard, Labour MP for Sheffield Brightside, and Mr Reg Race, Labour MP for Wood Green. The organisation is also campaigning against other moves by the Right on the NEC, such as proposals to cut the budget of the Young Socialists and to disband Hornsey constituency party following its decision to admit Mr Tariq Ali as a member despite the NEC declaring him ineligible for membership. In a show of strength, Labour Against the Witch-hunt organised an advertisement in *Tribune* on 4th March 1983, which stated that the signatories would not recognise any disciplinary actions or expulsions imposed by the NEC. The advertisement was signed by 44 constituency Labour parties as well as 150 individuals, including 5 MPs and 12 candidates.

A separate campaign against the expulsion of Militant was launched by Militant itself. This is called the Labour Steering Committee Against Witch-hunts and was formed out of a conference organised by Militant in October 1982. This more hard-line body is chaired by Tony Saunois, a former Young Socialists NEC representative. In March 1983, the two campaigns agreed to join forces to appeal for further signatories to the *Tribune* advertisement and discuss common activities.

3. THE TATCHELL AFFAIR

Following a long period of acrimony, Mr Robert Mellish, Labour MP for Bermondsey and former Labour Chief Whip, announced in July 1981 that he would not be standing at the next General Election. He claimed that he had been forced out by the 'Left'. He later summed up his attitude when he said:

'I am opposed to the Bermondsey Labour Party and all it stands for' (*Times*, 22nd November 1982).

Mr Peter Tatchell was duly selected by the Bermondsey Labour Party as prospective candidate for the next General Election. Mr Tatchell was secretary of Bermondsey constituency party and an extreme Left-winger. In November 1981, he published an article in the Left-wing *London Labour Briefing*, in which he said that the Labour Party was 'stuck in the rut of obsessive legalism and parliamentarianism'. He also called for 'more imaginative and defiant forms of protest', which could be 'combined with the industrial might of the trade unions' to form 'more militant forms of extra-parliamentary opposition which involve mass popular participation and challenge the Government's right to rule'. He also criticised the NEC and Regional Executive Councils for failing to mobilise the Labour movement under the banners of 'Jobs and Better Housing For All', 'Democratic Control of the Police' and 'Freedom of Assembly and Demonstration.'

Following this, the article was raised in the House of Commons by a Social Democrat MP, Mr James Wellbeloved, and this provoked Mr Foot to declare:

'the individual concerned is not an endorsed candidate of the Labour Party and as far as I am concerned never will be endorsed' (*Hansard*, 3rd December 1981, Col. 389).

On 7th December 1981, the Organisation Committee of the NEC voted by 12 to seven to refuse endorsement to Mr Tatchell. On 16th December, the full NEC upheld this decision by a mere one vote, voting by 15 to 14 not to endorse Mr Tatchell. The vote was widely seen as a vote of confidence in Mr Foot. However, Bermondsey constituency Labour Party refused both to accept the decision and to select another candidate.

Meanwhile, Mr Mellish had declared that if Mr Tatchell did not withdraw he would stand down as Member of Parliament for Bermondsey and force a by-election in order to give the voters of Bermondsey the opportunity to show their disapproval of the extremism of the local Labour party; later, in the local elections in May 1982, he supported three independent Labour candidates rather than the official candidates and was threatened with expulsion from the party.

On 12th July 1982, Mr Foot backed down and, in a compromise bid, agreed at a meeting of the NEC's Organisation Committee that the Bermondsey party should be allowed to consider Mr Tatchell when it held a fresh selection meeting. Following this, in August, Mr Mellish finally carried out his threat and resigned from the Labour Party. On 1st November 1982, he also resigned his seat in the House of Commons. Predictably, on 9th January 1983, Mr Tatchell was reselected as Labour candidate for Bermondsey by 52 votes to 10.

On 10th January, Mr Foot completed his somersault by backing Mr Tatchell's candidature in a letter to him. He said:

'I was glad to see the statements which you made both before and after your selection about your allegiance to the Labour Party's views on parliamentary democracy ... you will have my full backing' (*Guardian*, 11th January 1983).

Later, Mr Mellish declared:

'Michael Foot has done an about turn, everyone knows that. The idea that anything has changed is absolute nonsense' (*Guardian*, 12th January 1983).

On 13th January, it was revealed that Mr Tatchell had repeated his calls for the mobilisation of extra-parliamentary action. In an introduction to a pamphlet, *Democracy and Parliament*, published by the Socialist Society in September 1982, he wrote:

‘Nowhere in the world has radical social change ever been accompanied by parliament’

and

‘... parliament will remain a largely unaccountable and elitist charade ...’

The Bermondsey by-election was held on 24th February. In a further embarrassment, party officials forced Mr Tatchell to cancel his first press conference on 7th February, after they made him withdraw 30,000 election leaflets when it was discovered that they had been printed by the Cambridge Heath Press, controlled by the Militant Tendency. The by-election itself was one of the dirtiest in recent history and the result was a catastrophe for Labour. Mr Mellish's previous majority of 11,756 was transformed into a Liberal majority of 9,319. Mr Simon Hughes, the Liberal candidate, took 57.7 per cent of the poll and Mr Tatchell received a mere 7,698 votes.

4. PARLIAMENTARY PRESSURE GROUPS

The Tribune Group. Apart from the Fabian Society, which in practice is a research organisation, the Tribune Group, founded in 1964, is the oldest surviving pressure group in the party. In fact, it can trace its origins back to the starting of the weekly newspaper *Tribune* in 1937. The Tribune Group has always been composed of the Left-wing Socialist MPs within the Parliamentary Labour Party and has steadily grown in strength. The chairman of the Group is Mr Stanley Newens, MP for Harlow, and its members include Mr Michael Foot, as well as five front bench spokesmen, Mr Albert Booth, Mr Eric Heffer, Mr Neil Kinnock, Mr Stanley Orme and Mr John Silkin. In spring 1982, the membership was as follows:

Frank Allaun	Ronald Leighton
Joe Ashton	Robert Litherland
Norman Atkinson	Miss Oonagh McDonald
Guy Barnett	William McKelvey
Tony Benn	Kevin McNamara
Andrew Bennett	Robert McTaggart
Sydney Bidwell	James Marshall
Albert Booth	John Maxton
Ronald Brown (Leith)	Miss Joan Maynard
Norman Buchan	Michael Meacher
James Callaghan (Middleton)	Ian Mikardo
Dennis Canavan	Maurice Miller
Neil Carmichael	Stanley Newens
Robin Cook	Stanley Orme
Robert Cryer	Martin O'Neill
Arthur Davidson	Robert Parry

Alfred Dubs	John Prescott
Kenneth Eastham	Reginald Race
Robert Edwards	Miss Jo Richardson
Raymond Ellis	Allan Roberts
Ioan Evans	Ernest Roberts
Martin Flannery	Gwilym Roberts
Edward Fletcher	Jeffrey Rooker
Michael Foot	Ernest Ross
John Fraser	John Silkin
John Garrett	Julius Silverman
Dame Judith Hart	Dennis Skinner
Eric Heffer	Peter Snape
Stuart Holland	Clive Soley
Douglas Hoyle	Jack Straw
Leslie Huckfield	Gavin Strang
Robert Hughes	Stanley Thorne
Alec Jones	John Tilley
Russell Kerr	William Wilson
Robert Kilroy Silk	David Winnick
Neil Kinnock	Mrs Sheila Wright

(Source: *Political Companion*, Spring 1982).

Recently there has been a major split among the Left MPs and the formation of a breakaway Left-wing Parliamentary group. The cause of the split was disenchantment among the more Left MPs at the Group's ineffectiveness, and in particular, the failure of at least 20 Tribune members to vote for Mr Benn in the deputy leadership election, and the decision of the Group to register as an 'approved organisation' under Labour's plan to combat the Militant Tendency. 20 Labour MPs have now left the Tribune Group: these are Mr Reg Race, Mr Dennis Skinner, Miss Joan Maynard, Mr Martin Flannery, Mr William McElvey, Mr Tony Benn, Mr Ian Mikardo, Miss Jo Richardson, Mr John Tilley, Mr Andrew Bennett, Mr Ron Brown (Leith), Mr James Callaghan (Middleton), Mr Denis Canavan, Mr Bob Cryer, Mr Les Huckfield, Mr James Lamond, Mr Robert Litherland, Mr Robert McTaggart, Mr Robert Parry and Mr Ernie Ross. On the other hand, Miss Joan Lestor, Mr Reg Freeson and Ms. Harriet Harman have recently joined the Group.

The Campaign Group. The majority of the MPs who have left the Tribune Group have joined the new Campaign Group. This was founded by the first five MPs to leave the Tribune Group in November 1982: Mr Reg Race, Mr Dennis Skinner, Miss Joan Maynard, Mr William McKelvey and Mr Martin Flannery. In all, only 13 of the MPs who quit the Tribune Group have joined the Campaign Group; while five others (Mr Norman Atkinson, Mr Stuart Holland, Mr Allan Roberts, Mr Ernie Roberts and Mr Stan Thorne) have decided to join the Campaign Group and remain in the Tribune Group.

The Campaign Group has no officials and its aims are

‘to campaign against witch-hunts and expulsions in the Labour Party and to campaign for Labour Party policy centred on peace, jobs and freedom’ (*Tribune*, 3rd December 1982).

Mr. Robert Cryer, MP, is acting as convenor of the Group,

‘which is open to the whole PLP on the above basis’ (*ibid.*).

Notably, Mr Benn has not joined the Group as he did not wish it to be seen as a ‘Benn breakaway’ organisation; nevertheless, he has attended its informal meetings.

The Manifesto Group. This was set up in December 1974 as a grouping of Right-wing Labour MPs after a meeting on 2nd December chaired by Dr Dickson Mabon, MP for Greenock, who became its chairman. On his appointment to ministerial office, he was succeeded by Mr John Horam on 23rd June 1976. Both Dr Mabon and Mr Horam have joined the SDP. Like the Tribune Group, its members are MPs; unlike Tribune, it excludes Ministers. The Manifesto Group does not reveal its membership spite this being a pre-condition for inclusion on the new register of non-affiliated organisations, as the Militant Tendency have pointed out. At present, its chairman is Mr Giles Radice, its vice-chairmen, Mr Tom Urwin and Mr Arthur Palmer, its secretary, Mr George Robertson, and its treasurer, Mr Ken Weetch.

5. EXTRA PARLIAMENTARY PRESSURE GROUPS

The Labour Party has a plethora of inter-connected and competing pressure groups. There follows a guide to some of the better known:

Socialist Organiser Alliance. This is run on lines very similar to the Militant Tendency, although it has not achieved the same notoriety. *Socialist Organiser*, a weekly newspaper, is ‘sponsored’ by the Socialist Campaign for Labour Victory, of which Mr John Bloxam is secretary, and Mr Jonathan Hammond, president of the National Union of Journalists, chairman. As with *Militant*, what has happened is that under the cover of the paper (which also has ‘supporters’ rather than ‘members’), there has developed a political organisation.

The Socialist Campaign for a Labour Victory (SCLV) was formed in July 1978 on the initiative of two Trotskyist groups, the Chartists and the Workers' Action Group. The policies of the SCLV include the nationalisation under workers' control of any firm threatening redundancies, the abolition of the police Special Patrol Group, the Special Branch and MI5, on the grounds that the ‘capitalist police are an enemy of the working class’, and the withdrawal of troops from Northern Ireland. Among the supporters of SCLV are Mr Ken Livingstone, leader of the Greater London Council, and Miss Joan Maynard, Labour MP for Sheffield, Brightside.

As mentioned earlier, the SCLV was one of the prime movers in the Rank and File Mobilising Committee, the alliance of groups in the Labour Party campaigning for constitutional changes.

Campaign for Labour Party Democracy (CLPD). An account of the activities of the Campaign concerning the constitutional changes within the Labour Party has already been given (see p. 452). The Campaign has already achieved many of its aims by winning mandatory reselection of MPs, and the widening of the franchise for the election of the leader of the party but it is still very active. It has built up a large degree of support in the constituency parties and this is undoubtedly responsible for its success. The best example of its influence is the increasing number of identical resolutions submitted to the Party Conference which are based on CLPD

'model resolutions' circulated among its supporters. It is now campaigning to remove Clause II from the party constitution, which bans organisations possessing their own programme, principles and policy. It is this clause under which action has been taken against Militant.

The CLPD has recently been seriously split over the register of non-affiliated organisations set up by the Party Conference. In November 1982, the CLPD executive recommended that it should apply for inclusion on the register, but a substantial minority vigorously opposed this decision, including the chairman, Mr Andy Harris, a GLC councillor. A consultative ballot among CLPD members gave a tiny majority of 0.8 per cent in favour of registration, but the issue was left to be decided at the annual general meeting. Mr Victor Schonfield, CLPD's treasurer, Mr Vladimir Derer, CLPD's secretary and leading activist, and Mr Peter Willsman, CLPD's general secretary, announced that they would resign if the meeting voted against registration. In addition, Mr Tony Benn's supporters, notably Mr Chris Mullin, editor of *Tribune*, attempted to stand against the executive but failed to get their nomination papers in in time. In the event, the annual general meeting on 29th January 1983, voted by 310 to 288 in favour of applying for registration. The meeting also elected Mr. Alistair Macrae of NUPE as the new chairman. The CLPD is now pressing for 'reform' of the register.

Labour Co-ordinating Committee (LCC). This group is principally concerned with party policy rather than the constitution. It is closely tied to Mr Tony Benn and is made up of his active supporters. It was launched at the Labour Party Conference in 1978 and produces a broadsheet entitled *Labour Activist*. The launch committee of the LCC included Mr Michael Meacher, MP (acting chairman), Mr Tony Banks (now a GLC councillor and PPC for Newham North West), Mr Ray Buckton of ASLEF, Mr Francis Cripps, Mr Bryan Gould (then MP for Southampton Test), Mr Stuart Holland (now MP for Lambeth Vauxhall), Miss Frances Morrell (now a GLC councillor), Mr Chris Mullin (now editor of *Tribune*), Mr Jeff Rooker (MP for Birmingham Perry Barr), Mr Brian Sedgemore (then MP for Luton West), and Mrs Audrey Wise (then MP for Coventry South West and now an NEC member). The LCC is still chaired by Mr Michael Meacher, MP, and its vice-chairman is Mr Peter Hain (PPC for Putney); its executive includes Ms Harriet Harman, MP, Mrs Audrey Wise and Miss Valerie Wise (a GLC councillor).

Labour Solidarity Campaign. This was set up as a Right-wing response to such organisations as the CLPD and LCC, although it does include some Tribune Group members as well as Centre and Right Labour MPs. The joint chairmen of the Solidarity Campaign are Mr Peter Shore and Mr Roy Hattersley, its secretary is Mr Ken Woolmer, MP, and its treasurer Mr Austin Mitchell, MP. Mr John Grant, MP, is a former committee member, but has since left to join the SDP. The Solidarity Campaign has emulated its Left-wing equivalents and circulates its members with model resolutions and instructions on how to vote at the Party Conference. As previously outlined (see p. 455), it has recently launched a campaign in favour of 'one man, one vote'.

Broad Left Organising Committee (BLOC). This organisation emerged from a rally on trade unions and Socialism convened in July 1981 by the Labour Co-ordinating Committee, which was followed up by liaison meetings of representatives from Broad Left organisations within various trade unions. It has close links with both the LCC and the Campaign for Labour Party Democracy. On 19th February 1983, the BLOC held a conference at County Hall, London, with Mr Tony Benn as the main speaker. The conference was intended to be

'as representative of the left in the trade union movement as possible ... The main aim of the conference will be to discuss the whole issue of how the block vote is cast within the TUC and Labour Party on policy and the election of the leadership of our movement. It is quite clear to our

committee that it is vital that the Left arrive at a correct view on how we can extend democracy within the unions' (Statement issued by BLOC, *Socialist Organiser*, 13th January 1983).

The conference attracted 109 delegates from 19 unions. Among the reforms being canvassed in the Board Left is the proposal that union conferences elect their union representatives on the general council of the TUC and Labour's executive.

6. THE LABOUR PARTY YOUNG SOCIALISTS (LPYS)

The LPYS are the stronghold of the Militant Tendency. They used to be known simply as the Young Socialists, but in 1964 their name was changed to the Labour Party Young Socialists, and they were purged after it was discovered that they were then being controlled by Young Trotskyists allied to the old Socialist Labour League (now the Workers' Revolutionary Party). The organiser of the LPYS is Mr Andy Bevan, the Trotskyists national youth organiser of the party, whose appointment Mr Callaghan vainly tried to block in 1976. During the riots in the summer of 1981, the *News of the World* reported Mr Bevan as saying:

'We must bring the Tories down at the earliest opportunity—we can't wait two years for an election'

and, speaking of the riots:

'What we've seen is blind anger. The Young Socialists are giving these people political direction' (12th July 1981).

In November 1982, *Socialist Youth*, the monthly paper of the LPYS, said that they were campaigning for a guaranteed job for every school leaver, trade union rights and conditions for all YOPs workers, a minimum grant of £20 for all over 16s in full-time education, a national minimum wage of £90 a week for all over 18s and a 35-hour week without loss of pay.

In the Labour NEC report for 1982, the LPYS said that they had 483 branches compared with 465 in 1981, 444 in 1980, 416 in 1979, 395 in 1978 and 356 in 1977. Active membership of the LPYS was estimated at over 10,000 for the first time in nearly 20 years. The LPYS have a representative on the NEC, Mr Laurence Coates, who is an active supporter of the Militant Tendency. All 14 members of the LPYS national committee are Militant supporters. Following the swing to the Right on the NEC, the NEC's Youth Committee decided to reduce the budget of the LPYS from £28,491 in 1982 to £15,200 in 1983, and to instruct them to submit all policy papers to the NEC in future for approval. This has been widely interpreted by the Left as the first step towards disbanding the LPYS.

Within the LPYS, a separate faction exists called Class Fighter, part of the National Left-wing Youth Movement. Class Fighter is a revolutionary movement which among other things states 'The war drive comes from imperialism. Defend the Soviet Union', 'Support all actions in Solidarity with the anti-imperialist struggle in the North of Ireland' and 'Build labour movement support for black self-defence—including against the racism and anti-working class brutality of the police' (*Class Fighter*, February/March 1983). It is supported by the Socialist Organiser Alliance. At the most recent LPYS Conference at Bridlington, motions submitted included ones calling for the election of Army officers by their troops, the abolition of both the monarchy and the police force, and solidarity with Irish Republican terrorists (*Daily Telegraph*, 21st March 1983). One delegate at the conference said:

‘Every bullet in a British soldier is another nail in the coffin of British imperialism’

and another called for the

‘death of British troops’ in Ulster (*Times*, 5th April 1983).

(E) PARTY ORGANISATION

1. PARTY STRUCTURE AND POLICY-MAKING

Power in the Labour Party is almost entirely in the hands of the big trade unions who finance the party and wield the block votes at the Party Conference. This is not surprising given that, as Mr Ernest Bevin, a prominent trade union leader who became Foreign Secretary in a Labour government, put it, the party ‘grew out of the bowels of the trade union movement’.

The Party Constitution, drawn up in 1918, does not pretend to give the leader, Cabinet or elected MPs supremacy over policy. Clause V of the Constitution, which lays down the relative powers of the various parts of the party organisation, provides that:

‘(1) No proposal shall be included in the Party Programme unless it has been adopted by the Party Conference by a majority of not less than two-thirds of the votes recorded on a card vote.
(2) The National Executive Committee and the Parliamentary Committee of the Parliamentary Labour Party (i.e. the Shadow Cabinet) shall decide which items from the Party Programme shall be included in the Manifesto.’

Clause VII states that:

‘The work of the Party shall be under the direction and control of the Party Conference.’

The Party Conference. Power at the Party Conference rests entirely in the hands of the big unions. Each union's vote is determined by the size of its affiliation fee paid to the party during the previous year. At the 1982 Party Conference, the unions as a body were entitled to a vote of 6,282,000, having paid in 1981 total affiliation fees of £2,509,000. Out of a total of 6,950,000 votes at the Party Conference the voting strength was as follows:

<i>Organisations</i>	<i>Entitled Vote</i>
Constituency Parties	602,000
Trade Unions	6,282,000
Socialist and Co-operative Societies	66,000
Parliamentary Labour Party	—
TGWU (Transport Workers)	1,250,000
AUEW (Engineers)	850,000
GMWU (now GMBATU—Municipal workers)	650,000
NUPE (Public Employees)	600,000
USDAW (Shopworkers)	417,500
NUM (Mineworkers)	235,054

<i>Organisations</i>	<i>Entitled Vote</i>
UCATT (Building workers)	200,000
UCW (Communication workers)	193,277
EETPU (Electricians)	180,000
NUR (Railwaymen)	170,000
ASTMS (Managerial Staffs)	147,000
COHSE (Health Service Employees)	135,000

Thus, the five largest unions together had an absolute majority at the 1982 Conference, and it should be noted that the vote of each union is normally wielded as a single unit even when the membership—and the delegates themselves—are divided. In contrast, less than one-tenth of the 1982 Conference vote was contributed by almost 600 constituency parties, each voting separately.

The National Executive Committee. The NEC, elected during the Party Conference, oversees party organisation and enforces party discipline, if necessary by disaffiliating an organisation or expelling an individual. It also appoints the party's general secretary. It normally meets monthly, and has various sub-committees.

The unions elect twelve of the NEC's 29 members directly and, since the treasurer and the five women members are elected by the whole Conference, their election is also effectively dominated by the union block votes. The constituency parties—which for long have supported Left-wingers—elect seven representatives, usually MPs, and the Socialist and Co-operative Societies and the Young Socialists each elect one. Seats are reserved for the leader and the deputy leader of the Parliamentary Party.

The members of the NEC, as elected at the 1982 Labour Party Conference, and the votes they received, were as follows:

Constituency section: Mr Tony Benn, 485,000; Mr Dennis Skinner, 445,000; Mr Eric Heffer, 444,000; Mr Frank Allaun, 379,000; Mr Neil Kinnock, 335,000; Miss Jo Richardson, 331,000. *Women's section:* Dame Judith Hart, 4,423,000; Mrs Anne Davis, 3,850,000; Mrs Betty Boothroyd, 3,794,000; Mrs Gwyneth Dunwoody, 3,783,000; Dr. Shirley Summerskill, 3,771,000. *Trade union section:* Mr Alex Kitson, 5,948,000; Mr Neville Hough, 5,551,000; Mr Sam McCluskie, 5,551,000; Mr Syd Tierney, 5,349,000; Mr Russell Tuck, 5,241,000; Mr Ken Cure, 4,643,000; Mr Alan Hadden, 4,596,000; Mr John Golding, 3,822,000; Mr Tom Sawyer, 3,541,000; Mr David Williams, 3,500,000; Mr Roy Evans, 3,371,000; Mr Denis Howell, 3,221,000.

Mr Eric Varley was elected treasurer of the party, receiving 5,190,000 votes against Mr Michael Meacher's 1,736,000. In addition, Mr Laurence Coates is the Labour Party Young Socialists' representative and Mr John Evans represents the Socialist, Co-operative and other organisations.

When the results were first announced, it appeared that Mr Thomas Breakall, an official of the EETPU (electricians' union) had been elected. However, a recount confirmed that an error had been made. It did not result in the election of Mr Clarke, as had widely been expected, but in that of Mr Denis Howell, MP, president of the moderate clerical union, APEX. It appeared that Mr Sid Weighell, general secretary of the NUR, had contradicted his union's mandate. He later resigned as general secretary. Mr Breakall commented afterwards:

'If they can't run a bloody ballot, how they expect to run a country is beyond my comprehension' (*Daily Mail*, 30th September 1982).

After the 1979 Party Conference, the balance in the NEC was 17 to 12 in the Left's favour. After the 1980 Conference it became 19 to 10. At the 1981 Conference, the Right succeeded in voting off five Left-wingers: Mr Bernard Dix of NUPE, Mr Charlie Kelly of UCATT, Mrs Margaret Beckett, Mrs Renée Short, MP, and Mr Norman Atkinson, MP. At the 1982 Conference, the Right consolidated their hold by removing Mr Eric Clarke of the NUM, Mr Leslie Huckfield, MP, Miss Joan Maynard, MP, Miss Joan Lestor, MP, and Mr Douglas Hoyle, MP. One result of this was that Mr Tony Benn was replaced as chairman of the key Home Policy Committee by Mr John Golding, and Mr Russell Tuck replaced Mr Eric Heffer as chairman of the Organisation Committee.

The Shadow Cabinet. Officially known as the Parliamentary Committee of the Parliamentary Labour Party, this is elected each year by all Labour Members of Parliament. The results of the 1982 ballot (compared with 1981) were as follows:

	<i>1981</i>	<i>1982</i>	<i>Current Shadow Portfolio</i>
1. Mr Gerald Kaufman	142	142	Environment
2. Mr Neil Kinnock	131	118	Education
3. Mr Peter Shore	129	147	Treasury & Economic Affairs
4. Mr Roy Hattersley	127	135	Home Affairs
5. Mr Eric Varley	122	131	Employment
6. Mr Albert Booth	118	114	Transport
7. Mr John Silkin	103	132	Leader of the House of Commons and Defence and Disarmament
8. Mr John Smith	102	111	Energy
9. Mr Peter Archer	101	83	Trade
10. Mr Stan Orme	100	104	Industry
11. Mr Merlyn Rees	93	128	Industry and Employment Co-ordinator
12. Mr Brynmor John	90	105	Social Security
13. Mrs Gwyneth Dunwoody	85	82	Health Service
14. Mr Bruce Millan	85	92	Scotland
15. Mr Eric Heffer	82	84	European and Community Affairs.

In addition, Mr Healey, as deputy leader of the Party, is an automatic member of the Shadow Cabinet and holds the Foreign Affairs portfolio. The other unelected members of the Shadow Cabinet are Mr Michael Cocks, Chief Whip; Mr Jack Dormand, chairman of the PLP; Lord Cledwyn, Opposition leader in the House of Lords; Lord Ponsonby, Chief Opposition Whip, House of Lords; and Lord Lee of Newton, Peers' backbench representative. Mr Bryan Davies, former MP for Enfield North, is secretary.

2. MEMBERSHIP

Labour Party membership comprises two classes—affiliated members and individual members. Affiliated members may consist of (a) political levy-paying members of trade unions affiliated to

the TUC or recognised as bona fide trade unions by the TUC; (b) Co-operative Societies; (c) Socialist societies; and (d) professional organisations having interests consistent with those of affiliated organisations. Individual members form (e) Constituency Labour Parties (and Central Labour Parties in divided boroughs) and (f) County or Area Federations of Constituency Labour Parties.

Comparative Membership					
	1957	1970	1979	1980	1981
Individual*	912,987	680,191	666,091	348,156	276,692
Affiliated†	5,669,562	5,542,389	6,569,507	6,463,114	6,330,898
Total	6,582,549	6,222,580	7,235,598	6,811,270	6,607,590

* Constituency members

† Mainly trade unions

Total membership peaked in 1957 and declined steadily until 1977, when it suddenly rose owing to a large increase in the number of trade union members affiliated. The reason for the sudden drop in 1980 was that for the first time the Labour Party compiled a more realistic figure of individual membership. In previous years the figures had automatically credited constituencies with 1,000 each, which had produced inflated totals in excess of 650,000. Nevertheless, there has been a severe fall-off in individual membership in recent years.

3. FINANCE

The Labour Party has been in severe financial crisis ever since the last General Election. At the 1979 Party Conference, Mr Norman Atkinson, then party treasurer, reported that

‘The party is fast overspending its income—disastrously so.’

Presenting his financial report to the Conference, he said:

‘In the absence of remedial action we estimate that the working deficit for next year will actually threaten our very existence. It is likely to be around £1 million, making an accumulative deficit for the three year period of about £1.4 million: a figure which (if it is allowed to happen) would represent an overspending of some 25 per cent’ (3rd October 1979).

Following this, the Commission of Inquiry (see p. 449) looked into the finance and organisation of the party. At the 1980 Party Conference, Mr Clive Jenkins, general secretary of ASTMS, who headed the Commission's finance panel, said the party's finances were worse than he had expected. About £800,000 was needed to deal with current liabilities, £1 million was needed for a capital base and a further £2 million for the next General Election. Despite some vigorous opposition, the Conference voted to raise the individual membership subscription from £3 to £5 and to institute a register of Labour supporters, who could pay £1 a year but would have no membership rights. It was also agreed that trade union affiliation fees under the political levy would go up from 32p to 40p per person.

At the 1981 Party Conference, the sitting Party treasurer, Mr Norman Atkinson, was replaced by a moderate, Mr Eric Varley. In his final financial report, Mr Atkinson claimed that the party's finances were now under control and that the party would be in surplus that year. The Party

Conference also agreed to raise trade union affiliation fees again from 40p to 45p per person, and to raise the individual membership subscription from £5 to £6, although non-wage earners would be allowed to pay a special rate of £2. At the 1982 Party Conference, Mr Varley reported that far from being in surplus in 1981;

‘the Party faced its worst ever financial crisis with a deficit of £547,000 carried forward from 1981 into this year’ (27th September 1982).

In desperation, it was agreed that trade union affiliation fees would rise for the third year running, from 45p to 50p per person.

LABOUR PARTY GENERAL FUND INCOME AND EXPENDITURE ACCOUNT

	1981	1980
<i>Income</i>	£	£
<i>Affiliation Fees:</i>		
Trade Unions	2,509,000	2,031,000
Constituency Parties	561,000	378,000
Socialist Societies	24,000	23,000
Parliamentary Labour Party	15,000	16,000
Parliamentary Grant	84,000	58,000
Investment Income (net of tax)	22,000	37,000
Sundry Income	13,000	12,000
Total Income	3,228,000	2,555,000
<i>Expenditure</i>		
Total expenditure	3,132,000	2,720,000
Comparability back pay for staff	416,000	–
Deficit for the year	320,000	165,000
Accumulated deficit brought forward	227,000	62,000
Deficit carried forward at the end of year	547,000	227,000

Thus in 1981, 78 per cent of the party's income came from trade union affiliation fees, 17 per cent from constituency party affiliation fees, and 5 per cent was miscellaneous income.

4. TRADE UNION SPONSORSHIP OF LABOUR MPS

The financial arrangements under which Labour parliamentary candidates are sponsored by unions are governed by the rules laid down by the party in the Hastings Agreement of 1933 which limits the amount of financial aid a union or individual candidate may give to a constituency party.

Thus, a union may contribute up to 80 per cent of election expenses allowed by law; in many cases the proportion given is less. If the party employs a full-time agent, a union may alternatively contribute 60 per cent of his salary in a borough and 65 per cent in a county (Professor Richard Rose, *The Problem of Party Government*, Macmillan, 1974, p. 237).

In the General Election of 1979, trade unions sponsored 149 Labour MPs seeking to retain their seats, and 36 new candidates. After the election, there was a total of 134 Labour MPs who were sponsored by a trade union. Of these, nine have since left to join the SDP. The giant Transport and General Workers' Union sponsors 21 sitting Labour MPs, among whom are three members of the Shadow Cabinet: Mr Peter Shore, Mr John Silkin and Mr Neil Kinnock.

In addition, the **Co-operative Party**, which describes itself as 'the political committee of the Co-operative Union', acts as the electoral partner of the Labour Party. Membership is by affiliation through the various retail and other societies, whose affiliation fees are the principal source of the Party's finance. In 1982, there were 145 societies subscribing to the Co-operative Party. At the 1979 General Election, the party sponsored 25 Labour candidates, of whom 17 were elected. Four of these have since joined the SDP (Mr Ian Wrigglesworth, Mr John Roper, Dr Dickson Mabon and Mr Mike Thomas). The present Co-operative-sponsored MPs are: Mr Jim Craigen, Mr Richard Douglas, Mr Bob Edwards, Mr Ioan Evans, Mr George Foulkes, Mr Ted Graham, Mr Alfred Morris, Mr Stan Newens, Mr Ossie O'Brien, Mr Arthur Palmer, Mr Laurie Pavitt, Mr Barry Sheerman and Mr John Tilley.

These 13 form the Co-operative Parliamentary Group, of which Mr John Tilley is chairman and Mr Stan Newens vice chairman.

4. TRADE UNIONS FOR A LABOUR VICTORY

In 1981, Trade Unions for a Labour Victory (TULV) constituted itself on a permanent basis; until then it had been an informal grouping. According to *Tribune*, TULV is registered as a limited company under the name of the Trade Union Management Company Limited. The directors are listed as Mr David Basnett (GMBATU), Mr Moss Evans (TGWU), Mr Clive Jenkins (ASTMS) and Mr William Keys (SOGAT). The shareholders of the company are Mr Basnett and Mr Larry Whitty of the GMBATU. All the larger unions affiliated to the Labour Party are members of TULV, with the exception of the National Union of Mineworkers. TULV was requested to apply for inclusion on the Labour Party's register of non-affiliated groups, but declined to do so on the grounds that it was not an organisation of Labour Party members, but a 'board of affiliated organisations'. The NEC has accepted this interpretation (*Tribune*, 22nd October 1982).

The Left are concerned that TULV, which they see as a group of Right-wing general secretaries, are trying to take control of the party by using their financial muscle. In 1982, two special conferences were held between representatives of the NEC and TULV. The first took place at the ASTMS college at Bishops Stortford on 5th and 6th January 1982; this resulted in the publication of a 'declaration of Labour Party-Trade Union accord', and caused Mr David Basnett, chairman of TULV, to declare:

'Peace has at last broken out in the Labour Party' (*Times*, 7th January 1982).

The second conference was held at the GMWU's Woodstock College, near Surbiton, on 4th July 1982, when it was agreed to raise a new General Election Fund with a target of £2 million to £2½ million. After the fiasco of the Bermondsey by-election, it was decided that a further conference should be held. This has been set for 6th and 7th May 1983 and will be to discuss tactics for the General Election. Mr Basnett insists that:

‘The Party leadership will not be on the agenda—nor will it need to be raised’ (*Daily Telegraph*, 10th March 1983).

Recently, massive donations have been made to the TULV by large trade unions. At the 1982 Party Conference, Mr Basnett announced that the unions would be contributing £1 million in 1982–3 and £2 million in 1983–84, to an electoral fund to fight the next election (*Guardian*, 28th September 1982).

28. THE 'ALLIANCE' PARTIES: SDP AND LIBERALS

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(A) ELECTORAL DEVELOPMENT

1. INTRODUCTION

The mid-term point of almost every Conservative government since the war has been marked by a switch of electoral support to the 'Centre' party, which was, until 1981, the Liberal Party. The Liberal peak in the 1955–9 Parliament was marked by their victory in the Torrington by-election (1958); that of 1959–64 was Orpington (1962); in 1972–3 the Liberals succeeded in capturing, first, Rochdale from Labour and then a number of Conservative seats: Sutton and Cheam, Isle of Ely, Ripon and Berwick-on-Tweed. The unusually difficult economic problems encountered by the Conservative Government elected in May 1979 ensured that its mid-term period, too, should see a 'centrist' revival. What has been different is, first, that this revival only occurred through the catalyst of a new party, the Social Democratic Party (SDP); and second, that the electoral support of the 'Alliance' parties, after peaking during the autumn and winter of 1981–2, has significantly declined since then.

Two other common factors may also be noted. First, none of these 'centrist' revivals was caused by the promotion of new or original policies. They arose almost solely because of the electorate's disenchantment (temporarily, as it has proved in the past) with the policies, personalities and images of the two main parties. In good years and bad, Liberal policies, so far as these may be consistently discerned, remained a rag-bag of superficially attractive but unworkable or excessively complex panaceas. SDP policies do not differ markedly from those favoured by successive Labour leaders: Gaitskell, Wilson and Callaghan. Second, no post-war 'centrist' revival has succeeded in electing more than 14 Liberals to the House of Commons in the ensuing General Election. However, both in 1964 and in the two elections of 1974 a high Liberal vote ensured the narrow victory of the Labour Party.

The formation of the SDP resulted from the bitter disillusion experienced by various politicians who had grown up in the Labour Party at the extremism rampant in that Party after its 1979 election defeat. The Labour Conference of 1980, which passed a variety of extremist resolutions, laid the foundation for the defection of a number of MPs. There were in particular two decisions: to change the method of electing the Labour leader and to impose mandatory reselection on Labour MP's (see p. 449). Following the defeat of Mr Healey by Mr Foot in the leadership contest of November 1980 (see p. 457). The last straw for these 'moderates' was the vote at the Labour Party Special Conference at Wembley on 24th January 1981 to give the trade unions the

largest share of the electoral college for electing the leader. The next day, the ‘Gang of Four’—Mr Roy Jenkins, Mrs Shirley Williams, Dr David Owen and Mr William Rodgers—launched the ‘Limehouse Declaration’ from Dr Owen's home in East London, and set up the Council for Social Democracy.

The Council prepared for the defection on 2nd March 1981 from the Labour Party of the four already named (only two of whom were MPs at the time) and ten other Labour MPs who combined to launch the Social Democratic Party. The following are the 29 MPs taking the SDP Commons whip at the time of writing, with the dates on which they joined the SDP:

Mr T. BRADLEY (Leicester, East) 2.3.81; Mr C. BROCKLEBANK-FOWLER (Norfolk, North West) 16.3.81 (a former Conservative); Mr R. W. BROWN (Hackney South and Shoreditch) 2.12.81; Mr J. CARTWRIGHT (Woolwich, East) 2.3.81; Mr R. CRAWSHAW (Toxteth) 2.3.81; Mr G. CUNNINGHAM (Islington, South and Finsbury) 16.6.82; Mr E. HUDSON DAVIES (Caerphilly) 22.12.81; Mr J. DUNN (Kirkdale) 7.10.81; Mr T. ELLIS (Wrexham) 2.3.81; Mr D. GINSBURG (Dewsbury) 6.10.81; Mr J. GRANT (Islington Central) 17.11.81; Mr J. HORAM (Gateshead, West) 2.3.81; Mr R. JENKINS (Glasgow, Hillhead) 2.3.81; Mr E. LYONS (Bradford West) 19.3.81; Dr J. D. MABON (Greenock and Port Glasgow) 2.10.81; Mr R. MACLENNAN (Caithness and Sutherland) 2.3.81; Mr T. McNALLY (Stockport, South) 7.10.81; Mr B. MAGEE (Waltham Forest, Leyton) 25.1.82; Mr R. MITCHELL (Southampton, Itchen) 5.10.81; Mr E. OGDEN (West Derby) 29.10.81; Dr D. OWEN (Devonport) 2.3.81; Mr W. ROGERS (Stockton) 2.3.81; Mr J. ROPER (Farnworth) 2.3.81; Mr N. SANDELSON (Hayes and Harlington) 2.3.81; Mr J. THOMAS (Abertillery) 12.12.81; Mr M. THOMAS (Newcastle East) 2.3.81; Mr J. WELLBELOVED (Bexley, Erith and Crayford) 3.7.81; Mrs S. WILLIAMS (Crosby) 2.3.81; Mr I. WRIGGLESWORTH (Teeside Thornaby) 2.3.81. (Mr Michael O'Halloran, MP for Islington North, having defected from Labour to the SDP on 7th September 1981, left the SDP on 4th February 1983 and sits as an Independent Labour MP.)

2. LEVEL OF ELECTORAL SUPPORT

It is nearly 60 years since a ‘third’ party (i.e., the Liberal Party) was considered to be a serious contestant for the reins of power, if the 1931 and wartime coalition governments are excluded. Since 1923, therefore, the ‘third’ party has had a ‘spoiling effect: it can deny power to one of the main parties by disproportionately taking votes from that party, but it has not, hitherto, had the opportunity of putting its policy programme into practice.

Before the internal harmony and policy consistency of the Alliance parties are examined, it would seem appropriate to consider their popularity showing as measured in opinion polls and parliamentary and local by-elections. For a while during late 1981 and early 1982, the Alliance leaders dreamed of forming an Alliance government, with the followers of Mr Jenkins, Dr Owen and Mr Steel striving to promote their patrons' claims to the occupancy of No. 10. It was Mrs Shirley Williams who caused some embarrassment among her SDP colleagues when she forecast on BBC radio on 20th January 1982 that

‘the bubble of euphoria is also going to be burst a bit, as we begin to spell out straightforward and, as it were, no longer fuzzy-at-the-edges policy statements. So yes, we are undoubtedly going to lose some ground, we have to in the next year or two’.

In fact, the Alliance suffered a dramatic decline in electoral support from that point on.

The Gallup poll in mid-December 1981, shortly after Mrs Williams's own triumph at Crosby, showed over half (50.5 per cent.) of the electorate proposing to vote for one or the other of the Alliance parties (36 per cent. SDP, 14.5 per cent. Liberal). Another poll in mid-March 1982, before the Falklands conflict, showed that Alliance support had dropped to 33 per cent. and support for the SDP alone had fallen to 21.5 per cent.

There was a rapid decline from the remarkable by-election victories of Croydon and Crosby in autumn 1981, through Glasgow Hillhead in March 1982, which gave the SDP candidate Mr Roy Jenkins victory only after a very tough contest, to more recent by-elections (see Appendix III, p.526–8). Beaconsfield (27th May 1982) saw a successful Conservative candidate take the same percentage of the vote as at the 1979 election, while the actual Liberal vote was up by only 1,000 compared to the 1979 General Election. Mitcham and Morden on 3rd June 1982 was an even greater blow to the Alliance. Mr Bruce Douglas-Mann, the SDP candidate, who as Labour MP had a majority at the General Election of 618, was defeated by the Conservative, Mrs Angela Rumbold, who obtained a majority of 4,274. It was the first by-election gain for a Government party for over twenty years.

By-elections (excluding two in Scotland) during the last six months of 1982—Gower, Birmingham Northfield, and Southwark Peckham—were not disastrous for the Alliance, with their candidates polling an average of 28 per cent. of the vote, but they were markedly below the pre-April 1982 rating, despite steadily rising unemployment and depressed industry,

In the local elections of 6th May 1982, the Liberals had a net gain of 155 seats, but this was far short of their target. The Chairman of the Association of Liberal Councillors, Sir Trevor Jones, had claimed:

‘Liberals are poised to move into positions of power on more than 50 councils this coming May’ (*Liberal News*, 2nd February 1982).

In fact, they failed to gain their prime target, Richmond-on-Thames, and made minimal gains in the London boroughs of Sutton and Kingston, where they had hoped to make advances. In the London borough of Croydon, where they had won a Parliamentary by-election in October 1981, they gained no seats, while Conservatives gained 8 seats from Labour.

The local elections were especially disappointing to the SDP, which had a net loss of 48 seats. It was almost completely wiped out in Islington, North London (for a while the only SDP-controlled local authority), with a loss of 25 out of 26 seats, and in Southwark, Central London, with a loss of 14 out of 14 seats. It made very little impact elsewhere in London or in other parts of the country. In Sefton, Merseyside, the council most closely aligned with Mrs Williams' constituency of Crosby, the Conservatives won 17 seats while the SDP captured only one.

The pattern of local by-elections confirm the picture of the Alliance in the doldrums. In October–November 1981, the two Alliance parties were winning over half of all local government by-elections fought, while the Conservatives were winning fewer than a quarter. Between late February 1982 and the end of April 1982, the Alliance gained 21 seats in by-elections and lost only 3. However, in the six weeks up to the beginning of December 1982, the Alliance (or more particularly, the Liberals) won only 4 out of 44 local by-elections. Between July and December 1982, Mr Peter Kellner, the *New Statesman's* political editor, recorded the following pattern in the 148 contests in the five-month period.

	<i>Seats defended</i>	<i>Seats lost</i>	<i>Seats gained</i>
Conservative	58	13	14
Labour	39	10	7
Liberal	18	8	12
SDP	—	—	2

In the same period of 1981, the Alliance gained 77 seats (*New Statesman*, 3rd December 1982).

The spring of 1983 saw two parliamentary by-elections which, while indicating a remarkable volatility in voting patterns, did little to alter the impression of continued Alliance decline. First, on 24th February 1983, a Liberal candidate captured the Labour stronghold of Southwark, Bermondsey, converting a Labour majority of 11,756 into a Liberal one of 9,319. This result, however, was an exceptional one, and can be explained almost entirely by the extraordinary unpopularity of the Labour candidate, Mr Peter Tatchell, who was vigorously attacked during the campaign by the previous Labour Member, a former chief whip, Mr Robert Mellish (see Chapter 27, p.466). Both Conservative and discontented Labour voters combined in a frenzy of ‘tactical’ voting to defeat Mr Tatchell.

Alliance support increased dramatically in opinion polls taken after Bermondsey, only to drop back as speedily. The SDP candidate in the next by-election, at Darlington, started a ‘hot’ favourite. His inability to explain the confusions and contradictions in SDP policy, together with a moderate Labour candidate and an effective Conservative campaign, all helped to make SDP support plummet; and the SDP candidate came a poor third, more than 5,000 votes behind the Conservative and nearly 8,000 behind Labour. The result displayed once again not only the normal inability of the Alliance to win Labour seats, but also the message ‘an Alliance vote lets Labour in’.

An ORC opinion poll taken after Darlington showed the Alliance lagging in third place nationally, with 21 per cent of the electorate's support, compared with 35 per cent for Labour and 43 per cent for the Conservative (*Guardian*, 28th March 1983).

(B) AN ALLIANCE OF THE LEFT?

1. LIBERAL SUPPORT FOR LABOUR, PRE-1979

There is no shortage of evidence of the Left-wing inclinations of the Liberals over the years. On each occasion when they had held the balance of power after a general election—in 1924, 1929 and February 1974—the Liberals had been instrumental in producing Labour governments. As leader of the Party, Mr Jo Grimond had said in June 1962, that ‘the place of the Liberals is on the progressive or Left side of politics’ (speech to the American Chamber of Trade), while, shortly after entering Parliament, Mr David Steel wrote that Sir Harold Wilson's dismal record as Prime Minister ‘has convinced us that we are not just a party of the Left, but *the* Party of the Left’ (*New Statesman*, 11th August 1967).

Liberal support for many of the policies, record and legislation of the last Labour government culminated in the discredited Lib-Lab Pact. This lasted from March 1977 to the autumn of 1978, and saw the Liberals keeping the Labour government in power without making any attempt to secure the reversal of Socialist legislation, such as that extending nationalisation and

strengthening trade union powers. The Liberals may continue to make much of the fact that the British economy experienced a modest improvement during that period, but that may be directly attributed to the Labour Government's being obliged, five months before the Pact began, to accept the programme of reductions in public spending and borrowing imposed by the IMF.

Whatever their reservations over the techniques, motivation and political strengths of the SDP, many Liberals would therefore not have shrunk from alliance with a group of Labour defectors purely on account of their socialist track-records; Liberals and Labour are not unfamiliar soulmates.

2. THE SDP'S LEFTIST ROOTS

The leaders of the SDP have not disguised their Leftist sentiments, nor their contempt for the idea of a Centre Party. Mrs Shirley Williams was perhaps the most forthright:

‘Speaking for myself, I do not want a new Centre Party, I want a Labour Party refreshed by new thinking ...’ (*Sunday Times*, 3rd February 1980). ‘We believe that a centre party would have no roots, no principles, no philosophy and no values’ (*Guardian*, 9th June 1980). ‘Yes, we are the inheritors of the old Labour Party’ (*Daily Telegraph*, 25th November 1981). ‘I’ve re-read all the Labour manifestoes of this decade, 1970, two in 1974, 1979 ... Generally speaking, these were the aims and policies I believed in’ (*Guardian*, 29th November, 1980). When asked by Sir Robin Day: ‘Do you call yourself a Socialist?’ Dr Owen replied: ‘Yes, I do’ (BBC Radio, 29th November 1980).

Certain lesser known MPs who joined the SDP also made similarly ringing declarations. Mr Tom Ellis, MP for Wrexham, said: ‘I shall not resign (as an MP) because I still hold the views on which the Labour Party fought the election 20 months ago’ (*Daily Telegraph*, 5th February 1981). Mr Ian Wrigglesworth, MP for Teesside, Thornaby, said that he intended ‘to go on opposing Conservative policies as strongly as I have done since being elected to Parliament’ (Middlesbrough *Evening Gazette*, 9th March 1981).

The leader of the SDP, Mr Roy Jenkins, would no doubt wish to dismiss the following statement, made before he became Labour Home Secretary for the second time, as typical of the irony of politics:

‘There has been a lot of talk about the formation of a new Centre Party. Some have even been kind enough to suggest that I might lead it. I find this idea profoundly unattractive ... I do not believe that such a grouping would have any coherent philosophical base ... I cannot be indifferent to the political traditions in which I was brought up ... the Labour Party is and always has been an instinctive part of my life’ (Oxford, 9th March 1973).

3. VOTING FOR SOCIALIST LEGISLATION

The SDP MPs voted without restraint for the Left-wing programme of legislation thrust through Parliament, usually with the aid of guillotines, by the last Labour government. The following list provides a suitable touchstone from which present SDP policies might be judged; the party's MPs might be asked how they justified their voting and why they failed to assist the Conservative Government in amending or repealing this legislation during 1979–82.

1974 Finance Act (2R, 19th June 1974). This raised income tax by 3p in the £ and imposed substantial additional taxation on industry. *Trade Union and Labour Relations (Amendment) Act (2R, 3rd December 1974)*. This strengthened the closed shop, by taking away certain individual rights to compensation, and increased trade union immunities and privileges in other respects. *Housing Finance (Special Provisions) Act (2R, 24th March 1975)*. This exempted the councillors of Clay Cross and elsewhere from most of the penalties they incurred as a result of their refusal to carry out their statutory duties. *Employment Protection Act (2R, 28th April 1975)*. This placed a number of burdens on industry and gave trade unions further privileges. *Community Land Act (2R, 29th April 1975)*. This sought to nationalise building land. *Finance (No. 2) Act (2R, 8th May 1975)*. This raised income tax by a further 2p in the £ and VAT on certain goods to 25 per cent. *Aircraft and Shipbuilding Industry Act (2R, 2nd December 1975)*. This nationalised the two industries. *Dock Work Regulation Act (2R, 10th February 1976)*. This extended the definition of dock work so that jobs previously handled by other people could in future become the preserve of dockers. An attempt to extend the scheme to ports and other cargo-handling facilities previously outside its scope was substantially defeated on 10th November 1976, when two Labour MPs abstained. All the ex-Labour SDP MPs voted with the Labour Government on this occasion. *Health Services Act (2R, 27th April 1976)*. This abolished pay beds in National Health Service hospitals. *Education Act (2R, 21st July 1976)*. This in effect compelled all local authorities to abolish grammar schools and selection to secondary education. (NB: 2R=2nd Reading). *Abolition of Direct Grant Schools system* by regulation was passed on 27th October 1975.

The Liberals, now allies of the SDP, voted *against* all the above legislation except the three last-named measures on health and education.

(C) STRIFE BETWEEN THE PARTNERS

1. LIBERAL CRITICISMS

Since the launching of the SDP in the spring of 1981, its relations with the Liberal Party have been at times ambiguous, with frequent evidence of serious tensions below the surface. Remarks by politicians and party workers in both parties, before and after the apparent cementing of the Alliance, bear witness to the essential dichotomy between the two. On the one hand, the Liberals, out of power in peacetime for 50 years, proud of their local strengths and contacts, were aware that the three highest Liberal votes in general elections over the past 20 years—3,100,000 (11.2 per cent) in 1964, 6,100,000 (19.4 per cent) in February 1974, and 5,300,000 (18.3 per cent) in October 1974 had seen only 9, 14 and 13 Liberal MPs elected, respectively. On the other, the SDP, well-equipped with ex-ministerial talent and anxious to return to office, were not renowned for paying the closest of attention to their home bases: hence Mr Roy Jenkins had abandoned his Birmingham electors in 1977 for the Presidency of the European Commission; Mrs Shirley Williams had lost her seat at Hertford and Stevenage in the May 1979 General Election on an 8.1 per cent swing; and the majority of the other SDP MPs had had quarrels with admittedly extreme Left-wing constituency parties.

Even the tide of Liberal-SDP success in Parliamentary and local by-elections saw displays of mutual suspicion. These were on two themes which continued through 1982 into 1983: the incompatibility of the philosophy of the two parties, and organisational friction, such as over decisions on which party should fight which seats. Of the two, the former was the more important, and was well-expressed by Mr Cyril Smith, Liberal MP for Rochdale:

‘One does wonder if Labour had won the last election, what would now be the position. I suspect three of the four (SDP leaders) would be in a Labour Cabinet ... Let it be clear that some of us fear that in having (an alliance) we will not only see the break up of the Labour Party, but in the longer term, of the Liberal Party as well, certainly the Liberal Party as we know it’ (*Liberal News*, 29th September 1981).

Mr David Steel went so far as to say:

‘There is a different attitude between the Liberal Party and the SDP ... It [the SDP] is ... a more authoritarian party and we are a less authoritarian party’ (BBC Radio, 20th January 1982).

Mr Roger Pincham, former Chairman of the Liberal Party, developed this theme:

‘The leaders of Social Democracy look back to years of power, often exercised by central diktat with little regard for the views of the people in receipt of a torrent of legislation ... This experience of power ... is in danger of creating a Party not only more centralised than our own but also less concerned with genuine local democracy than the Conservative Party and in some respects, the Labour Party’ (*Liberal Clarion*, February 1982).

Mr Tony Greaves, organiser of the Association of Liberal Councillors, voiced the grass roots reaction of many Liberals:

‘The SDP leadership do not understand the Liberal Party, they have shown no interest whatsoever in finding out about the party ... Some of them show an arrogance ... that they have got the solution to the country's problems’ (BBC Radio, 20th January 1982).

Perhaps the bluntest (and most accurate) criticism of all came from Cllr. Eric Flounders, leader of the Liberal group on Tower Hamlets Council in East London:

‘... we have to acknowledge that among the sincere and committed SDP members is a significant core of ex-Labour members who are now in the SDP simply because the Labour Party has rejected them. These people are frequently former members of the self-seeking, arrogant, complacent, do-nothing Right-wing Labour clique which over the last 50 years has reduced the East End to the sorry plight in which it now finds itself. They are the very people Liberals have been fighting to get rid of ... I see no reason ... why we should accept them simply because they have switched party labels’ (*Liberal News*, 17th August 1982).

Another long-standing Liberal critic of SDP ‘fudging’ was Mr Jo Grimond:

‘At present the Liberal-Social Democratic Alliance occasionally looks too much like a halfway house on the old road of state socialism ... Such compromises may win votes but they will not improve the country ...’ (*Journal of Economic Affairs*, October 1981).

He also wrote:

‘I did read one (SDP policy document) which was aware of the problem but didn't seem to me to come to any very concrete conclusions’ (*Alliance* magazine, December/January 1982–3).

Earlier, he had written:

'I have among other Cassandra-like observations pointed out that the Tories are becoming the party most open to new ideas' (*Spectator*, 25th September 1982).

2. SDP CONTEMPT FOR LIBERALS

Leading figures in the SDP have criticised the Liberals. Before the party's foundation (but when her departure from the Labour Party had become inevitable) Mrs Shirley Williams declared that

'the Liberals aren't a serious alternative' (*Guardian*, 29th November 1980).

Two years later, when co-operation between the two parties had been forged into the Alliance, she was almost as dismissive:

'We in the SDP sometimes feel we have a greater awareness of the constraints that governing imposes, of the tough choices of policy and priorities it requires, than some of our Liberal allies' (SDP Conference, Cardiff, 12th October 1982).

3. MUTUAL RECRIMINATIONS

It was apparent as early as the summer of 1980 that the Liberals were expected to make sacrifices. Mr Mike Thomas, an SDP MP and member of the party's national steering committee, claimed that about half the Liberal candidates already selected would have to stand down to avoid an 'overwhelming preponderance' of Liberal MPs. The then Liberal president, Mr Richard Holmes, declared: 'A cynical electoral deal imposed from above is hardly the way to embark on the new politics' (*Guardian*, 24th July 1981).

Mr Tony Greaves produced a more dramatic comment: 'It is therefore very important indeed that the SDP are kept out of Liberal target wards, Liberal held wards, etc. If they intervene against us in such areas we should (and almost always will) smash them into the ground' (Association of Liberal Councillors Activists' Guide, August 1981). A few months later, Mr Tom McNally, SDP MP for Stockport South, said: 'There is no future in an Alliance where the Liberals fight rural England and outer suburbs and the SDP try and take the Labour Party on in the inner cities ... It is more likely that the give will be on the Liberal side' (BBC Radio, 20th January 1982).

Not all the MP defectors from the Labour Party were welcome to the Alliance. The *Daily Telegraph* reported that Mr James Dunn, former Labour MP for Liverpool, Kirkdale, had joined the SDP after initially approaching the Liberals who were threatening to take his seat at the next election (9th October 1981). Cllr. Richard Kemp, a Liberal who was leading negotiations with the SDP in Liverpool, said: 'He is not the kind of man we are looking for'.

On 6th October, Mrs Williams announced to the SDP Conference in Bradford her desire to be selected as SDP/Liberal candidate for the forthcoming Crosby by-election. Mr Michael Meadowcroft, Chairman of the Liberal Assembly Steering Committee, said: 'She botched Warrington and botched Croydon. Why should she now botch Crosby?' (*Daily Express*, 7th October 1981).

Mr David Steel also complained of Mrs Williams's failure to contact the Crosby Liberals, who thus heard the news second hand from the platform of the Conference (*Times*, 10th October 1981).

The SDP's response was shown by one member telling the SDP Conference in Perth that it would be 'electoral madness' to allocate seats to Liberals simply because they had traditionally come second to Conservative and Labour in the past, and by Mr Tom Forester, an SDP councillor in Brighton, saying that the party would not be built 'by acting as a rubbish transfer-station for the other parties, or by letting the Liberals fight all the best seats' (*Times*, 10th October 1981). Finally, the treasurer of the Liberal Party in Crosby, Mr Sime, resigned after accusing Mrs Williams of 'bulldozing her way into Crosby'. He claimed that if local members had been given a free choice they would have selected Mr Hill (the original Liberal prospective candidate) (*Times*, 29th October 1981).

There was a quarrel at the start of 1982—long before Alliance support slumped so dramatically. After Mr William Rodgers had, somewhat hastily, suspended negotiations for the allocation of seats, Mr Cyril Smith accused him of 'acting like an overgrown school girl' and 'poncing about the stage like a prima donna' (*Times*, 4th January 1982). The resentment of some Liberal activists at the electoral arrangements with the SDP was shown by the statement by Mr Barry Peters, a Liberal county councillor in West Yorkshire, that 'the SDP wants to fight several seats made marginal by the seven days a week activities of radical liberals ... Whereas the seats are Liberal marginals they are not SDP marginals. Much of the Liberal vote built up over many years would not transfer to the SDP' (*Liberal News*, 10th August 1982).

Thus, Cllr Michael Meadowcroft, a former senior party official and currently prospective candidate for Leeds West, referring to Mr Steel's threat on BBC *Panorama* on 20th September 1982 to support agreed SDP candidates against 'rebel' Liberals, declared:

'David is putting himself in a very vulnerable and dangerous position ... it is unconstitutional, illiberal and unacceptable for the leader to state his determination to endorse the candidate in opposition to an official Liberal. It will lead to great bitterness and will alienate Liberals from the leader' (*Guardian*, 23rd September 1982).

He added:

'My position is that there is a strategic case for the Alliance but no philosophic case for it ... the two parties are predicated on very different historical and philosophical bases and ... to join in an Alliance which requires Liberals to accept social democracy as of virtually equal validity is both dishonest and dangerous' (*Alliance* magazine, September 1982).

Mr John Pardoe, the former MP and Liberal economic spokesman from 1974–9, was also somewhat scathing about the apparent failure of the Alliance:

'The joint rating of the two parties is now no higher than I would have expected the Liberal rating to be had the SDP never been formed. All that has happened is that the vote which would have been available to the Liberal party alone is now shared out between two parties. Some of us have always felt that Social Democrats in the Labour Party were its great white soft underbelly, and we retain doubts about the strength of their backbones' (*Guardian*, 20th September 1982).

4. ORGANISATIONAL CONFLICTS

To a large extent, the Alliance parties appear to have avoided total failure to agree on the appointment of seats. By early October 1982, 314 constituencies had been allocated to the SDP

and 318 to the Liberals, in such a way to ensure that neither party was excluded from a particular area.

There are, however, areas of unresolved conflict, notably in London and Merseyside, in those constituencies such as Tower Hamlets, where the Liberals had already emerged as the opposition to Labour's entrenched positions, or where a defecting Labour MP might reap where the Liberals have sown, as in Liverpool Broadgreen. There the SDP selected Mr Richard Crawshaw, MP, having been allocated a seat regarded as a prize by the local Liberals who selected a counter candidate. At the time of writing, the dispute had frozen co-operation for the local government elections in Liverpool. In Hammersmith, the Liberals are refusing to stand aside, simply believing they have in place a better candidate.

5. THE LEADERSHIP ISSUE

The two by-elections at the start of 1983 produced strife within the Alliance over the leadership issue. After the Liberal success in Bermondsey, Mr David Alton, Liberal MP for Liverpool Edgehill, said that Mr Steel was 'the best person to head up the General Election campaign', while Mr David Penhaligon, Liberal MP for Truro, said: 'David Steel should lead the Alliance and I am not alone in holding that view' (*Guardian* and *Daily Express*, 20th March 1983, respectively).

Mrs Shirley Williams declared:

'We all know that if we form a government it is certain that Roy Jenkins will be Prime Minister, because he has the experience, the weight and the gravity required for that post. This is certainly accepted by David Steel' (*Guardian*, 2nd March 1983).

Mr Jenkins added:

'Anything that does not come from David Steel and me is not to be treated too seriously' (*Times*, 2nd March 1983).

Mr Steel himself said:

'While we value the opinion of our colleagues I would prefer them not to feel the urge to confide in the nearest journalist, microphone or camera' (*Financial Times*, 2nd March 1983).

After the SDP candidate's defeat at Darlington, Mrs Williams was quick to make excuses: 'The two (other) parties ganged up against him ... The result is a disappointment, a setback' (*The Standard*, 25th March 1983). Liberal MPs and activists, however, were critical of the SDP as a whole, and particularly of Mr Roy Jenkins. Mr Alton indicated that he wanted all Alliance MPs to disavow the proposal by Mr Jenkins and Mr Steel that, on the eve of the General Election, they should announce the name of their 'Prime Minister designate', hitherto expected to be Mr Jenkins. Mr Alton and his colleagues favoured joint leadership by Mr Steel and Mr Jenkins until after the General Election, when all Alliance MPs would elect a single leader. This was expected to be Mr Steel, as it was 'virtually sure' that there would be more Liberal than SDP MPs after the election 'because the Liberals got the best of the bargain in the carve-up of constituencies to be fought by the Alliance' (*The Standard*, 25th March 1983).

An ORC poll taken after Darlington indicated that 31 per cent would be more likely to vote for the Alliance under the leadership of Mr Steel, and only 11 per cent less likely, whereas the response to Mr Jenkins was: 9 per cent more likely; 33 per cent less likely (*Guardian*, 28th March 1983).

A meeting of the Alliance MPs on 30th March agreed to defer a final decision over the 'Prime Minister designate'.

(D) THE SDP'S INTERNAL STRUCTURE

The more extraordinary features of the constitution of the SDP mainly arise because the Social Democrats claim to have learnt from the mistakes of all other parties, and therefore attempt to provide a measure of perfection.

Membership. Not surprisingly, there is no provision for corporate or group membership. There is, therefore, not only no danger of trade union dominance, but no likelihood, despite the frustration of some unions (notably the EEPTU, the AUEW and the NUR) at the antics and extremism of the Labour Party, of any union affiliating to the party or providing significant numbers of members. Membership is therefore individual. In its first year, the SDP estimated that the minimum membership subscription necessary to run its organisation was £9; from February 1982 it was £11, rising to £12.50 in the spring of 1983. As a result, its membership was very much less than that of either the Conservative, or even the Labour, parties.

The Times estimated SDP membership at 70,000 at the end of February 1982, and the highest figure recorded—or more accurately, pointed at—was 78,205 (this was the total number of ballot forms sent out for the vote on key elements in the constitution in early April 1982). However, only 62,000 members were entitled to vote in the July 1982 leadership contest, so party membership had already plummeted by 17,000 (or over a fifth) from the February peak. The latest estimate is about 60,000.

Area Parties. In order to take account both of the constituency boundary changes taking place in 1983, and to facilitate co-operation with the Liberals, the SDP membership was organised in area parties. By the date of the consultative Constitutional Assembly in London on 13th–14th February 1982, they numbered around 200. Area parties were responsible for the selection of parliamentary candidates within the area, and each was entitled to elect a representative to the party's main decision-making body, the Council for Social Democracy.

This system, unlike that prevailing in each of the three older parties, which all use the constituency as the basic unit, provoked criticism at the October 1981 conferences in Perth, Bradford and London, as did the provision that all subscriptions should be paid to the national party headquarters. The rural area parties took the view that the wide distances over party areas would mean that only the views of the more mobile middle class members were likely to be represented (*Financial Times*, 15th February 1982).

Council for Social Democracy (CSD). This is designed to be, in the words of an SDP leaflet, 'the Parliament of the Party'. It contains about 400 members, partly elected by area parties, and partly consisting of MPs and co-opted members who do not, however, have the vote. The Council meets at least three times a year.

Regional Organisation. The original ‘draft constitution’ showed, in the words of the guide prepared by Mr Robert MacLennan, MP, in 1981, that ‘we intend to ensure through the regional organisation ... that policies prepared by the Party are responsive to the needs and wishes of people throughout the country’. Regional conferences and regional organisation would assist in policy-making, co-ordinate local activity and ensure parliamentary candidates. In fact, the February 1982 conference (see above) agreed to make regional parties optional: as one Liberal pamphlet commented, ‘they clearly had difficulty in deciding regional boundaries.’ It continues: ‘“at a stroke”, the regional tier of the SDP was abolished and virtually all its powers are now concentrated on the centre’ (*A Guide to the SDP Constitution*).

The Policy Sub-Committee. Chaired by the Leader, this is responsible for preparation of draft policy statements, which would eventually be submitted to the CSD.

National Committee. This is responsible for the party's organisation outside Parliament. Apart from the President and the Leader, its membership of 39 consists of: 10 MPs, 2 peers, 8 nationally elected members, 3 local councillors, 12 representatives from the regions, chosen by members of the Council for Social Democracy, one under 26 years old, and one Euro-MP. Its first meeting was on 22nd November 1982—over 18 months after the launch of the SDP.

Dual Leadership. The SDP encountered difficulties in deciding on a single leader, so, like the ancient Romans, it decided that there should be two. As Mr MacLennan's outline of the constitution glibly explained, ‘the task of leading a political party is onerous and ought to be shared’.

The *President*, the leader of the party in the country, chairs the CSD and the National Committee, and is elected by a ballot of all the party's members. The *Leader* is the constitutional head of the party in Parliament. The February 1982 conference rejected both the method of election preferred by the CSD (election by MPs alone) and an interim arrangement by which all party members would elect the leader until the Parliamentary Party grew larger, and decided on the principle of ‘one member, one vote’. This solution was endorsed by a ballot of the membership in 1982, and on 2nd July 1982 Mr Roy Jenkins was elected leader after a much more closely contested fight than had been expected. He had a majority of less than 5,000 over his opponent, Dr David Owen (26,256 to 20,864). Mrs Williams was elected President in September 1982.

This ‘collective’ leadership, and the growing belief by Dr Owen that he would be a better leader than Mr Jenkins, have undoubtedly served to undermine the latter's position, especially as the Liberals appear more vigorously united under Mr Steel.

(E) SDP AND LIBERAL POLICIES

More details on the policy proposals of the Alliance partners, as expressed in innumerable Green Papers and White Papers, are given in the respective subject chapters of this *Campaign Guide*. This section outlines those policies which most lend themselves to Conservative attack, and, in particular, instances the contradictions in statements by different Alliance spokesmen.

1. GENERAL ECONOMIC POLICY

The titles of earlier SDP Green Papers, notably *Towards Full Employment* (7th June 1982), representing the views of its Economic Policy Group, chaired by Mr Roy Jenkins, and *Partnership and Prosperity* (19th June 1982), representing the views of the Industrial Strategy Policy Group, chaired by Mr William Rodgers, together with the joint publication *Back to Work*, endorsed at the 1982 conferences of the Alliance partners, spoke for themselves. Their specific commitment to 'reduce the number of jobless by one million within two to three years', made at press conferences in London and other cities and a major rally in Westminster on 20th January 1983, involves £3,000–£4,000 million of extra public borrowing over two years.

It is perhaps significant that this latest commitment was made at a time when the fortunes of the Alliance were low. It does not quite accord with numerous statements by Alliance spokesmen over recent years.

Mr Roy Jenkins said:

'... I would certainly not go before the electorate saying "vote for us and see unemployment disappear like the snows in April". That would not be an honest or a sensible or a responsible approach. Nor do I really believe that you will deal with unemployment just by creating jobs for the sake of creating jobs. I think how you have got to deal with unemployment is by getting the economy moving' (*Weekend World*, LWT, 29th March 1981)

Mr John Horam, the SDP economic spokesman, has made a number of interesting statements:

'A government ... may consciously decide to take some of the strain by accepting a rather higher rate of inflation in the short term in order to gain the prize of higher output and employment' (SDP Discussion Paper on Economic Policy, October 1981). 'You can't bring down unemployment, certainly in the long term just by throwing money at it. Surely, we learnt that from the last period of Mr Heath's government and the first part of the last Labour government. Surely, we learnt that for good' (*Weekend World*, 29th March 1981). 'They (Labour) believe they can bring down unemployment by throwing money at the problem, but their approach has no credibility. It would simply lead to chaos—and the unemployed would suffer' (Canterbury, 3rd March 1982). 'A reduction in unemployment would be extremely difficult in any reflationary programme. That is the problem with reflation. General reflationary measures are disappointing when it comes to reducing unemployment' (*Hansard*, 5th May 1982, Col. 200). 'It is true that many less efficient plants no longer operate and that has been good for the economy. It is also true that there has been a bit of demanning, which has been good for the economy' (*ibid.*).

Mr William Rodgers wrote:

'I've never thought we would really begin to regenerate the North East and other parts fully until the traditional industries which were palpably in decline had run out through a hole in the bottom ... We're going to see a further decline in manpower in the coal industry. Ship building has declined—it was an inflated industry in terms of size and competitiveness. Heavy engineering is in decline. It is the result of the rise of heavy industries in former third world countries, so until that process has exhausted itself we shan't see the bottoming out of comparative levels of employment' (*Alliance* magazine, November 1982).

Some Contradictions. Mr Horam said:

'It is a mistake to ask for both an expansion of the economy and for lower interest rates' (*Hansard*, 16th March 1981, Col. 63).

Mrs Shirley Williams, on the other hand, saw the reduction of interest rates as the 'first essential' (*Financial Times*, 7th October 1981).

Mrs Williams also said, in a Crosby by-election leaflet:

'Hold the pound steady to encourage exports without forcing inflation up' (October 1981).

At the same time Mr Horam was calling for:

'a considerable attempt to lower the exchange rate of the pound in order to stimulate demand for our products abroad ... recently the pound has fallen but not far enough' (SDP Discussion Paper on Economic Policy, October 1981).

2. INCOMES POLICY

This is the centrepiece of Alliance economic policy. The Alliance partners are the only parties appearing to call for a return to the traditional incomes policies which failed so dismally in the sixties, early seventies and late seventies. Yet their spokesmen appear to be greatly confused on the subject, despite the agreement patched together at the Council for Social Democracy at Newcastle upon Tyne on 28th January 1983 on the following very tenuous lines:

'We would if we were convinced that it was necessary ... be prepared to introduce a statutory incomes policy for an interim period' (*Times*, 29th January 1983).

This weakened definition is not surprising in view of the following statements. Dr Owen said:

'We believe that politicians have dabbled too long in the detailed process of wage bargaining' (*Hansard*, 28th October 1981, Col. 910).

Mr Horam wrote:

'They (incomes policies) tend to force trade-offs with the unions which are sometimes against the general interests of society and the long-run efficiency of the economy. They consume huge amounts of government time ...' (SDP Discussion Paper on Economic Policy, October 1981).

He also said:

'We know from experience of the Heath government that a statutory (incomes) policy, in the sense that it is compulsory, does not work. It does not work because it cannot be enforced' (*Daily Telegraph*, 9th June 1982).

Mrs Williams wrote:

'Statutory prices and incomes policies are too rigid to last for long ... Typically they are modified by permitting qualifications ... the qualifications then arouse feelings of injustice and the policies become discredited' (*Politics is for People*, Penguin, 1981).

Miss Ruth Levitt, Dr Owen's research assistant and an SDP candidate, in moving a successful amendment against a motion favouring a statutory incomes policy at the October 1982 meeting of the Council for Social Democracy, said:

'How can flexibility be guaranteed in a statutory incomes policy of the conventional kind? ... We have an intelligent electorate which has lived through the failure of previous incomes policies' (*Guardian*, 16th October 1982).

The *Liberal Programme*, endorsed by the Liberal Council on 17th July 1982, proposed a Prices and Incomes Authority responsible for monitoring pay settlements and price increases. The Government would have the power to introduce tax sanctions on both employers and employees to enforce its prices and incomes policy. However, Mr Jo Grimond wrote:

'Now the employer is to be told that if the unions force him to pay exorbitant wages or go out of business if he tries to continue, he will be taxed. The unions will escape any punishment. The employer will not be allowed to increase employment by paying lower wages nor to attract good labour by paying higher wages. We shall have another huge department to supervise the whole operation ..., an incomes policy is minted in the thinking of 1945' (*Spectator*, 25th September 1982).

3. TRADE UNION LAW

Here, confusion between and within the Alliance partners is shown by their Commons voting behaviour. On 8th February 1982, the Liberals and 17 SDP MPs voted for the Second Reading of the Employment Bill, while 5 SDP MPs including Mr John Grant, their employment spokesman, voted against, and 5 abstained or were absent. On 19th May 1982, while the Liberals voted for the Third Reading of the Bill, the SDP abstained, with Mr Grant voting against.

Mr Eric Ogden, SDP MP, said:

'My own individual conclusion is that this is a bad, political, Bill, which does not deserve support in any way' (*Guardian*, 6th February 1982).

Mr John Grant himself said:

'I think it is a bad Bill' (*Guardian*, 6th February 1982).

Mr William Rodgers, however, disagreed:

'The plain fact is that on all the available evidence, a significant majority of individual trade unionists believe in the Bill's provisions' (*Hansard*, 8th February 1982, Col. 759).

4. NATIONALISATION

Similar confusion is displayed over the issues of nationalisation and denationalisation. Although the ex-Labour SDP MPs voted for the last Labour government's measures of nationalisation, and against such Conservative measures of denationalisation as the British Aerospace Bill (2nd Reading, 20th November 1979), Dr Owen, in particular, has expressed views which are close to those of the Conservative Party. In his book, *Face the Future* (Cape, 1981) he wrote:

'The case for state involvement in the ship repair yards was always dubious; they are probably best left to operate within the private sector, particularly since the government already has four naval dock yards.

Mr Jenkins has said:

‘Many of the early nationalisation measures were right. They have remained part of the social fabric. I favour measures of that type’ (*Hansard*, 10th November 1982, Col. 579).

On the steel industry, Dr Owen has stated:

‘Although it is a terrible thing to say, what Mrs Thatcher is doing in the steel industry would be inevitable under a Labour government as well. It was quite obvious when we came back to office in 1974 that there would have to be rationalisation of the British steel industry. If it had been done earlier there need have been fewer closures and less unemployment’ (*Sunday Express*, 15th February 1981).

Mr Steel also acknowledged:

‘Neither I nor my party are against pragmatic adjustments in the frontier between the private and public sectors’ (*Hansard*, 3rd November 1982, Col. 31).

Mr Ian Wrigglesworth, however, declared:

‘We are opposed to denationalisation because we wish to stabilise the frontiers between the public and private sectors of industry’ (*Social Democrat*, 5th November 1982).

As so often, it is Mr Grimond who is most critical of his own party and, implicitly, its ally:

‘The Liberal Party doesn't seem to know in its mind what to do about it—its ostensible view is that the mix of the mixed economy must be left as it is. This seems to be a slightly doubtful proposition ... We have to reduce the public sector, the state-run sector, and hand it over to other bodies. The economy is probably unmanageable so long as the state attempts to do so much. The Liberals have not given nearly enough thought to the question of the bureaucracy of the state, what is suitable for the state to run’ (*Alliance* magazine, December/January 1982–3).

5. IMPORT CONTROLS

While the Alliance partners are generally opposed to import controls, there appears to be, on this as on other issues, a difference between the views of Mr Jenkins and his former rival for the SDP leadership. The former stated:

‘Import controls need to be approached with particular caution ... they would be bound to invite retaliation’ (*Institute for Fiscal Studies*, 23rd February 1981).

Dr Owen wrote in his book:

‘The case for some kind of import restriction—if this does not provoke retaliation against British exports—is very strong’ (*Face the Future*, p.131).

6. TAXES AND RATES

As the General Election approaches, the Alliance partners have become more coy about their views. There are, however, some disagreeable skeletons in the cupboard, particularly in the books by Mrs Williams and Dr Owen, already cited. The former wishes 'to include a wealth tax on substantial fortunes', and proposes 'drastically narrowing allowances' (op. cit., p.62). The latter also lays emphasis on the desirability of cutting mortgage tax relief (op.cit., p.96). The SDP Discussion Paper on Local Government and Finance (October 1981) stated:

'If a wealth tax were to be introduced, it could conveniently be combined with rates as a local government tax. ... Rates are a very good tax.'

The Liberal Assembly in 1982, however, voted for the abolition of domestic (not commercial) rates and in favour of a local income tax, despite Mr David Alton, MP for Liverpool, Edgehill, having written:

'Local councils should have the inalienable right to levy a supplementary rate. I do not see why it should be a matter for Central Government to interfere in these matters' (*Liberal News*, 27th April 1982).

These statements help to explain the ambiguity of Alliance councillors in opposing Labour's local extravagances.

7. EDUCATION

Confusion is widespread within the Alliance. Some SDP and Liberal MPs and activists doubtless sympathise with Mrs Williams's dramatic statement that:

'It is with reluctance that I for one conclude that the freedom to send one's child to an independent school is bought at too high a price for the rest of society' (*Politics is for People*, p.158).

Others, particularly Mr Roy Jenkins, vigorously disagreed.

As far as the state system is concerned, both partners in the Alliance are firmly opposed to any local choice over selection to secondary school, supporting central imposition of the comprehensive idea.

'The SDP opposes selection at 11' (*Policies for Local Elections 1983*).

Mr Alan Beith, the Liberal spokesman on Education, declared:

'My colleagues and I believe strongly in a non-selective education system' (*Hansard*, 16th May 1979, Col. 246).

The 1979 Liberal Assembly voted to oppose the Government's policy giving freedom to local authorities to make their own decisions on selection.

8. NUCLEAR POWER

Here the rift appears unbridgeable. Successive Liberal Assemblies, with the somewhat less vocal support of Liberal MPs, have voted against nuclear power. They appear to have some allies in

the SDP, notably in its study group on energy, but MPs such as Dr Owen, Mr Rodgers, Dr Mabon and Mr Tom Ellis, all support nuclear power.

9. DEFENCE

On the issue of nuclear weapons, which seems likely to assume much greater importance as an election issue in 1983–4 than at any time for the past twenty years, the Alliance partners are also totally divided. The Liberals, in the words of their policy head, Mr Peter Knowlson, ‘have consistently opposed a British independent nuclear deterrent since 1957’ (*Liberal News*, 4th May 1982). Mr Richard Wainwright, Liberal MP for Colne Valley, wrote:

‘Liberals have always said no to the so-called British independent deterrent—Polaris, and now Trident’ (*Liberal News*, 27th April 1982).

Mr Steel himself acknowledged the issue as ‘slightly tricky’ for the Alliance (*Times*, 30th March 1982).

The SDP, like the Liberals, opposes the Trident programme, but it has generally supported the retention of Polaris missiles by Britain, and the introduction of Cruise missiles.

The Newcastle meeting of the Council for Social Democracy on 30th January 1983 saw the defeat of proposals for opposition to Cruise, partly because of a vigorous speech by Dr Owen. As might be expected, Mr Grimond is out of step with his own party:

‘I personally agree with the SDP line, not with that of the Liberal unilateralists. I want to remain in NATO and I believe that a deterrent is essential and it promotes peace I would not support unilateral disarmament either on moral or practical grounds’ (*Alliance* magazine, December/January 1982–3)

10. THE CONSTITUTION

The Alliance proposals for proportional representation, reform of the House of Lords and, more particularly, for a drastic upheaval in the system of local government, with devolution to Scotland, Wales and the English regions, are discussed in Chapters 16 and 20. Mr Richard Mitchell, SDP MP for Southampton, Itchen, said:

‘We are in danger of creating another massive bureaucracy and giving hostages to fortune to our political opponents’ (*Guardian*, 12th October 1982).

11. SOME CONCLUSIONS ON POLICY-MAKING

Mrs Shirley Williams's words were prophetic:

‘The danger for any new party, at a time of disillusion with the old parties, is that it becomes all things to all men’ (*Observer*, 29th March 1981).

Dr Owen has said:

'It is not sufficient to be against things. As social democrats we have to be for things' (London, 9th October 1982).

One can understand, however, why he petulantly told a questioner on the day the SDP was launched:

'Look, love, if you want a manifesto, go and join one of the other parties' (*Times*, 27th March 1981).

(F) VOTING BEHAVIOUR

SDP/LIBERAL VOTING RECORD ON IMPORTANT DIVISIONS (3-line whips)

March 1981—9th March 1983 (incl.)

	SDP	Liberals	Both Together
Voted with the Government	25 (8.83%)	51 (18.0%)	23
Voted against the Government	220 (77.7%)	209 (73.9%)	195
Abstained	25 (8.83%)	13 (4.59%)	6
Split	13 (4.59%)	10 (3.53%)	3
Parties acted differently			56
Total	283	283	283

In all except 15 of these divisions, the official Labour Opposition also voted against the Government.

SDP/LIBERAL VOTING RECORD ON IMPORTANT DIVISIONS (3-line whips)

March 1981 – 9th March 1983
(incl.)

SDP and Liberals both voted against the Government		195
SDP and Liberals both voted with the Government		23
SDP and Liberals both abstained		6
SDP and Liberals both split		3
SDP with Govt.	Liberals split	1
SDP with Govt.	Liberals abstained	1
SDP against Govt.	Liberals with Govt.	14
SDP against Govt.	Liberals split	5
SDP against Govt.	Liberals abstained	4
SDP split	Liberals with Govt.	6
SDP split	Liberals against Govt.	4

March 1981 – 9th March 1983
(incl.)

SDP abstained	Liberals with Govt.	8
SDP abstained	Liberals against Govt.	12
SDP abstained	Liberals split	1
SDP and Liberals acted differently:		56
Total number of Important Divisions		283

In all except 15 of these divisions, the official Labour Opposition also voted against the Government.

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(A) THE EXTREME LEFT: INTRODUCTION

There are today at least 25 distinct Marxist organisations, the majority of which have come into existence since the late 1960s. All believe in a central core of revolutionary ideas that are hostile to liberal democracy. They hold that class struggle is inevitable under capitalism; that the so-called freedoms of the press and parliament are devices invented by the bourgeoisie to deceive the people; that the present legal system and the security forces are instruments of capitalist oppression; and that the working class will triumph over these historic enemies, and emerge victorious in a world-wide revolution.

Apart from a common belief in this central core of doctrine, the most striking characteristic of the extreme Left is its diversity, both in the breadth of its activities and in its ideological variety. The principal division is between those parties that can be roughly described as 'Stalinist' and those that can be called 'Trotskyists'. The main features of 'Stalinism' are: support for the Soviet Union; the conviction that revolution cannot be brought about by immediate, small-scale disruption or violence; and the concomitant conviction that long-term measures must be taken to bring about circumstances propitious for the eventual overthrow of Capitalism and Parliamentary Democracy. The 'Trotskyists', on the other hand, take the view that the collapse of capitalism is imminent; that its demise can be hastened by violent actions and demonstrations; that Communism cannot be achieved in one country alone; and that the Soviet Union is a perversion of true Marxism.

In addition to this broad distinction, there are divisions within the 'Stalinist' and 'Trotskyist' camps about the tactics that should be employed.

The following table sets out the essential facts about the main parties in the two camps:

	<i>Membership</i>	<i>Leaders</i>	<i>Date of Founding</i>
<i>Stalinist:</i>			
Communist Party of Great Britain	18–20,000	Ron Halverson	1920
New Communist Party	c.1000	Eric Trevelt	1977
<i>Trotskyist:</i>			

	<i>Membership</i>	<i>Leaders</i>	<i>Date of Founding</i>
Socialist Workers Party (formerly International Socialists)	c.4000	Tony Cliff/Paul Foot	1976
Workers Revolutionary Party	c.1000*	Gerry Healy/The Redgraves (actors)	1959
Socialist League (formerly International Marxist group)	c.1000		1983 (IMG:1968)
Revolutionary Communist Party	Unknown	Fran Eden	1982

* The youth wing of the WRP (Young Socialists, *not* Labour Party Young Socialists) numbers 5,000.

(B) THE STALINISTS

1. THE COMMUNIST PARTY OF GREAT BRITAIN

The Official Policy of the Communist Party has remained unchanged since 1977. In that year, the party produced a new version of its policy document, entitled *The British Road to Socialism*. This document set out the main aims of the Party:

1. the installation of a Left-wing Labour government, ‘opening up the road to socialism’.
2. the eventual acquisition of all political and economic power by the proletariat.
3. the fostering of ‘mass struggles outside Parliament’.

Two years before the production of this document, a set of specific economic policies was published in the *Morning Star* (1st November, 1975). These were designed to lay the basis for an alliance with radical elements in the Labour Party, and included:

- a. ‘the taking over of big firms and financial institutions’.
- b. the introduction of a wealth tax.
- c. the selling of overseas investments.

It is an interesting comment on the state of the Labour Party today that these proposals no longer seem particularly outlandish: they are, indeed, almost indistinguishable from ‘mainstream’ Labour policies.

Relations with the Labour Movement. One of the reasons why the Communists' policies seem to be so similar to those of the Labour Party is that they regard themselves as part of a general Labour movement. They seek to influence and infiltrate the Labour Party and the trades unions at every level.

Mr Ron Halverson (the chairman of the Communist Party) has said:

‘Many would say I'm bloody cheeky to want a say in the Labour Party, but the Party is not put in power by Party members but by the Labour movement’ (*Sunday Times*, 7th December 1980).

Within the trades unions, the Communists have traditionally exerted an influence out of all proportion to their numbers. In recent years, the Party has had a number of representatives on the

general council of the TUC, including Mr Ken Gill (AUEW), Mr George Guy (Sheet Metal Workers), and Mr Michael McGahey of the NUM.

Condition of the Party. The failure of the party to produce any fresh ideas since 1977 is undoubtedly partly responsible for the decline in its fortunes. Since 1964, the party's membership has fallen by 15,000, (from 34,000 to under 20,000). This decline has been reflected in the party's recent electoral performance. From 1955 to 1966, Communist candidates gained an average of 1,348 votes each; in the four elections of the 1970s, they gained an average of 612 votes; at the last election, in 1979, the average was only 419.

Finances and Publications. Given this general decline, it is hardly surprising that the sales of the party's main publication, the *Morning Star*, which has traditionally formed one of the party's main sources of income, have significantly decreased. In 1947, under its former title, *The Daily Worker* it sold an average of 123,000 copies a day; it now sells an average of only 32,000 copies. The paper is sustained mainly by the Soviet Union's bulk purchase of 14,000 copies a day. Despite this subsidy, during the last financial year the paper lost £100,000.

Internal Divisions. The general decline of the party has created ideological rifts. The main division is between those associated with Mr Costello (at one time National Industrial Organiser of the party), and the followers of Mr Martin Jacques (editor of *Marxism Today*). Mr Costello holds firmly to the traditional pro-Soviet stance of the Party; he wishes it to concentrate its efforts on the Labour movement. Mr Jacques, on the other hand, favours a much broader 'democratic alliance' embracing all Left-wing parties, including even the SDP; he is also concerned to form alliances with small minority groups such as the Ecology Party. This internal dispute led Mr Costello to resign his post in the party, thus diminishing the influence of old-fashioned Stalinism.

2. THE NEW COMMUNIST PARTY

One group within the party took an even stronger line than Mr Costello, favouring open support for the Soviet Union and rejecting the idea of any participation in elections or parliamentary democracy. This group, under the leadership of Mr Sid French, broke away from the main party in 1977 and formed the new Communist Party. It now acts as a spokesman for the Soviet Union, and supports Russian front-organisations such as the British Peace Assembly.

(C) THE TROTSKYISTS

1. THE SOCIALIST WORKERS PARTY

Policy. Of all the Trotskyist groups, the SWP presents the greatest threat to the supremacy of the Communist Party on the extreme Left. The SWP seeks to bring about disruption through extra-parliamentary activity, and uses existing institutions only for the purposes of propaganda. In its publication, *Socialist Worker* (6th November 1982), it states:

- i. 'the structures of the present parliament, army, police and judiciary cannot be taken over and used by the working class'.
- ii. 'at most, parliamentary activity can be used to make propaganda against the present system'.

- iii. 'the working class needs an entirely different kind of state—a workers state based upon councils of workers delegates and a workers militia'.
- iv. 'as part of a world-wide struggle, we campaign for solidarity with workers in other countries'.

Tactics. The SWP does not attempt to operate within the Labour Party or the leadership of the trade union movement. It concentrates its efforts on stimulating strikes and disruption in particular industries: its publication, *Real Steel News*, played a significant part in the steel strike of 1980. The party also played an important role in the Toxteth riots of 1981. Mr Tony Cliff, one of the SWP leaders, described the riots as 'fantastic', but went on to express some regret that 'they have not gone far enough ... The kids have attacked shops when they could have been attacking factories' (*Sunday Telegraph*, 12th July 1981).

2. THE WORKERS REVOLUTIONARY PARTY

Policy. The WRP represents the fundamentalist wing of Trotskyism. It believes that the capitalist State is making itself ready for civil war, and that the workers must do likewise. It defined its revolutionary objective, in its 1981 Manifesto, as the formation of 'factory occupation committees' to establish the case for nationalisation and workers' control, and to prepare for 'the conquest of political and industrial power ... by a Workers Revolutionary Government'. In a statement issued on 10th February 1980, and published in the WRP's newspaper, *The News Line*, the political committee of the WRP spelt out some of its specific policies:

- i. to 'abolish the House of Lords, Monarchy and the Privy Council'.
- ii. to 'disband the standing army and police'.
- iii. to 'nationalise the banks, basic industry and the land without compensation, and under workers control'.

Tactics. The chief activity of the WRP is the indoctrination of the young, and especially those who are unemployed. The party runs a College of Marxist Education in Derbyshire, and has established a number of 'Youth Training Centres' in major cities, including London (Brixton), Liverpool, Glasgow, and Newcastle-upon-Tyne. The true purposes of these centres are often disguised from those who attend them.

3. THE SOCIALIST LEAGUE

Until the beginning of 1983, the Socialist League was known as the International Marxist Group (IMG). This group emerged out of the Labour Party in 1968, and first attracted attention during the student troubles of that year, under the leadership of Mr Tariq Ali (who has since formally broken off his links with the group).

Policy. The group, which has affiliations with Trotskyist parties in 30 countries, concentrates mainly on Northern Irish and foreign affairs. Its principal interests are to support the IRA and the 'troops out' movement, and to foster revolution in Grenada and El Salvador. It adopted 'an Argentine defencist position' in what it termed the 'Malvinas War' (*Socialist Organiser*, 17th February 1983).

Tactics. Recently, the group has attempted to augment its influence by infiltrating the Labour Party. The most conspicuous example of this tactic has been the attempt of Mr Tariq Ali to join the Hornsey Labour Party. In a recent television interview, Mr Ali said:

'I remain a Marxist. I have never denied the fact that I am one ... I believe that the best place for Marxists to be is in the Labour Party' (*A Week In Politics*, Channel 4, 27th November 1982).

In 1981, the conference of 'Revolution Youth' (the group's youth wing) supported Mr Benn's candidacy for the deputy leadership of the Labour Party.

4. THE REVOLUTIONARY COMMUNIST PARTY

The RCP first attracted attention in November 1982, during serious disturbances in Brixton. Its leading figure, Ms Fran Eden (who gained 38 votes in the Bermondsey by-election of February 1983), has stressed the Party's preoccupation with the issue of race, and has described the police as 'lunatics who are programmed to violence' (*Daily Express*, 4th November 1982). The party also fervently supports the IRA and the 'troops out' movement. The size of its membership and its financial arrangements are carefully concealed.

(D) THE EXTREME RIGHT

The National Front was formed in 1966 when the League of Empire Loyalists merged with the British National Party. In 1970, and the two elections in 1974, the average share of the vote obtained by National Front candidates was over 3 per cent. In 1979 the party fought its most ambitious campaign, putting forward 303 candidates (three times more than in October 1974). The result was a major setback for the Party. The average share of the vote gained by each National Front candidate was no more than 1.3 per cent.

The leaders of the party reacted to this debacle by quarrelling furiously amongst themselves. These disputes have now split the National Front into three separate, warring factions, whose energies are almost entirely absorbed by their own fratricidal strife. One group, led by Mr JOHN Tyndall, began by calling itself the New National Front; Mr Tyndall's organisation is now known as the British National Party, and is thought to have a membership of around 750. A second faction formed itself into the Constitutional Movement under Mr Paul Kavanagh and Mr Andrew Fountaine (formerly Executive Director of the National Front); it has perhaps 1,000 members. Both these groups are concentrated mainly in London; and they share a singularly unimpressive record in local elections. As for the remaining rump of the National Front, it is believed to have around 5,000 members (during its heyday in 1977 it probably had about 20,000).

Policy. Despite the bitter personal feuds, the three groups remain in broad agreement about policy. They all possess the National Front's traditional obsession with the issue of race, and they all demand compulsory repatriation of coloured immigrants. On other questions, individual candidates are able to exercise considerable discretion. However, a typical National Front candidate would be likely to call for British withdrawal from the EEC, and for control over banking institutions and foreign imports. The National Front candidate at the Bermondsey by-election in February 1983, for example, listed all these points in his election address and, in addition, stated that the National Front would 'pull Britain out of Nato', purge 'Red teachers from our schools' and ban the export of investment capital.

(E) THE ECOLOGY PARTY

The Ecology Party's support is highly unstable. At the moment it lays claim to a total membership of 4,500 divided among 250 branches throughout the country. It has put forward candidates at all the general elections that have occurred since its establishment in 1973. At the 1979 election, the 53 Ecology candidates each obtained an average of 1.5 per cent of the vote in the constituencies in which they fought. (The best results were gained in St Marylebone, London, and South Worcestershire, where the party received 2.8 and 2.6 per cent of the vote respectively.) At the next election it plans to put forward 100 candidates.

Links With Other Organisations. Since 1979 the Party has established ties with the 'Greens' in Germany, and with CND at home. For instance, it now has a close relationship with the disarmament group called 'Women for Life on Earth', the body which is chiefly responsible for the women-only peace camps at Greenham Common and elsewhere. An electoral alliance has now been agreed between them. A spokesman for the Ecology Party has said: 'They have the same beliefs as us, a joint manifesto for peace and survival' (*The Guardian*, 14th March 1983).

Policy. The Party produced its manifesto, entitled *Politics for Life*, for the next election somewhat prematurely in March 1983. This document lays stress on the need for economic self-sufficiency, the decentralisation of power, unilateral nuclear disarmament and the abandonment of nuclear power.

THE CONSERVATIVE MANIFESTO, 1979

1. Our five tasks

This election is about the future of Britain—a great country which seems to have lost its way. It is a country rich in natural resources, in coal, oil, gas and fertile farmlands. It is rich, too, in human resources, with professional and managerial skills of the highest calibre, with great industries and firms whose workers can be the equal of any in the world. We are the inheritors of a long tradition of parliamentary democracy and the rule of law.

Yet today, this country is faced with its most serious problems since the Second World War. What has happened to our country, to the values we used to share, to the success and prosperity we once took for granted?

During the industrial strife of last winter, confidence, self-respect, common sense, and even our sense of common humanity were shaken. At times this society seemed on the brink of disintegration.

Some of the reasons for our difficulties today are complex and go back many years. Others are more simple and more recent. We do not lay all the blame on the Labour Party: but Labour have been in power for most of the last fifteen years and cannot escape the major responsibility.

They have made things worse in three ways. First, by practising the politics of envy and by actively discouraging the creation of wealth, they have set one group against another in an often bitter struggle to gain a larger share of a weak economy.

Second, by enlarging the role of the State and diminishing the role of the individual, they have crippled the enterprise and effort on which a prosperous country with improving social services depends.

Third, by heaping privilege without responsibility on the trade unions, Labour have given a minority of extremists the power to abuse individual liberties and to thwart Britain's chances of success. One result is that the trade union movement, which sprang from a deep and genuine fellow-feeling for the brotherhood of man, is today more distrusted and feared than ever before.

It is not just that Labour have governed Britain badly. They have reached a dead-end. The very nature of their Party now prevents them from governing successfully in a free society and mixed economy.

Divided against themselves; devoid of any policies except those which have led to and would worsen our present troubles; bound inescapably by ties of history, political dogma and financial dependence to a single powerful interest group, Labour have demonstrated yet again that they cannot speak and dare not act for the nation as a whole.

Our country's relative decline is not inevitable. We in the Conservative Party think we can reverse it, *not* because we think we have all the answers but because we think we have the one answer that matters most. We want to work *with the grain* of human nature, helping people to help themselves—and others. This is the way to restore that self-reliance and self-confidence which are the basis of personal responsibility and national success.

Attempting to do too much, politicians have failed to do those things which *should* be done. This has damaged the country and the authority of government. We must concentrate on what should be the priorities for *any* government. They are set out in this manifesto.

Those who look in these pages for lavish promises or detailed commitments on every subject will look in vain. We may be able to do more in the next five years than we indicate here. We believe we can. But the Conservative government's first job will be to re-build our economy and reunite a divided and disillusioned people.

Our five tasks are:

1. To restore the health of our economic and social life, by controlling inflation and striking a fair balance between the rights and duties of the trade union movement.
2. To restore incentives so that hard work pays, success is rewarded and genuine new jobs are created in an expanding economy.
3. To uphold Parliament and the rule of law.
4. To support family life, by helping people to become homeowners, raising the standards of their children's education, and concentrating welfare services on the effective support of the old, the sick, the disabled and those who are in real need.
5. To strengthen Britain's defences and work with our allies to protect our interests in an increasingly threatening world.

This is the strategy of the next Conservative government.

2. Restoring the balance

Sound money and a fair balance between the rights and obligations of unions, management and the community in which they work are essential to economic recovery. They should provide the stable conditions in which pay bargaining can take place as responsibly in Britain as it does in other countries.

THE CONTROL OF INFLATION

Under Labour prices have risen faster than at any peacetime period in the three centuries in which records have been kept, and inflation is now accelerating again. The pound today is worth less than half its 1974 value. On present form it would be halved in value yet again within eight years. Inflation on this scale has come near to destroying our political and social stability.

To master inflation, proper monetary discipline is essential, with publicly stated targets for the rate of growth of the money supply. At the same time, a gradual reduction in the size of the Government's borrowing requirement is also vital. This Government's price controls have done nothing to prevent inflation, as is proved by the doubling of prices since they came to power. All the controls have achieved is a loss of jobs and a reduction in consumer choice.

The State takes too much of the nation's income; its share must be steadily reduced. When it spends and borrows too much, taxes, interest rates, prices and unemployment rise so that in the long run there is less wealth with which to improve our standard of living and our social services.

BETTER VALUE FOR MONEY

Any future government which sets out honestly to reduce inflation and taxation will have to make substantial economies, and there should be no doubt about our intention to do so. We do not pretend that every saving can be made without change or complaint; but if the Government does not economise the sacrifices required of ordinary people will be all the greater.

Important savings can be made in several ways. We will scrap expensive Socialist programmes, such as the nationalisation of building land. We shall reduce government intervention in industry and particularly that of the National Enterprise Board, whose borrowing powers are planned to reach £4.5 billion. We shall ensure that selective assistance to industry is not wasted, as it was in the case of Labour's assistance to certain oil platform yards, on which over £20 million of public money was spent but no orders received.

The reduction of waste, bureaucracy and over-government will also yield substantial savings. For example, we shall look for economies in the cost (about £1.2 billion) of running our tax and social security systems. By comparison with private industry, local direct labour schemes waste an estimated £400 million a year. Other examples of waste abound, such as the plan to spend £50 million to build another town hall in Southwark.

TRADE UNION REFORM

Free trade unions can only flourish in a free society. A strong and responsible trade union movement could play a big part in our economic recovery. We cannot go on, year after year, tearing ourselves apart in increasingly bitter and calamitous industrial disputes. In bringing about economic recovery, we should all be on the same side. Government and public, management and unions, employers and employees, all have a common interest in raising productivity and profits, thus increasing investment and employment, and improving real living standards for everyone in a high-productivity, high-wage, low-tax economy. Yet at the moment we have the reverse—an economy in which the Government has to hold wages down to try to make us competitive with other countries where higher real wages are paid for by higher output.

The crippling industrial disruption which hit Britain last winter had several causes: years with no growth in production; rigid pay control; high marginal rates of taxation; and the extension of trade union power and privileges. Between 1974 and 1976, Labour enacted a 'militants' charter' of trade union legislation. It tilted the balance of power in bargaining throughout industry away from responsible management and towards unions, and sometimes towards unofficial groups of workers acting in defiance of their official union leadership.

We propose three changes which must be made at once. Although the Government refused our offer of support to carry them through the House of Commons last January, our proposals command general assent inside and outside the trade union movement.

1. Picketing

Workers involved in a dispute have a right to try *peacefully* to persuade others to support them by picketing, but we believe that right should be limited to those in dispute picketing at their own place of work. In the last few years some of the picketing we have witnessed has gone much too far. Violence, intimidation and obstruction cannot be tolerated. We shall ensure that the protection of the law is available to those not concerned in the dispute but who at present can suffer severely from secondary action (picketing, blacking and blockading). This means an immediate review of the existing law on immunities in the light of recent decisions, followed by

such amendment as may be appropriate of the 1976 legislation in this field. We shall also make any further changes that are necessary so that a citizen's right to work and go about his or her lawful business free from intimidation or obstruction is guaranteed.

2. The Closed Shop

Labour's strengthening of the closed shop has made picketing a more objectional weapon. In some disputes, pickets have threatened other workers with the withdrawal of their union cards if they refuse to co-operate. No union card can mean no job. So the law must be changed. People arbitrarily excluded or expelled from any union must be given the right of appeal to a court of law. Existing employees and those with personal conviction must be adequately protected, and if they lose their jobs as a result of a closed shop they must be entitled to ample compensation.

In addition, all agreements for a closed shop must be drawn up in line with the best practice followed at present and only if an overwhelming majority of the workers involved vote for it by secret ballot. We shall therefore propose a statutory code under Section 6 of the 1975 Employment Protection Act. We will not permit a closed shop in the non-industrial civil service and will resist further moves towards it in the newspaper industry. We are also committed to an enquiry into the activities of the SLADE union, which have done so much to bring trade unionism into disrepute.

3. Wider Participation

Too often trade unions are dominated by a handful of extremists who do not reflect the common-sense views of most union members.

Wider use of secret ballots for decision-making throughout the trade union movement should be given every encouragement. We will therefore provide public funds for postal ballots for union elections and other important issues. Every trade unionist should be free to record his decisions as every voter has done for a hundred years in parliamentary elections, without others watching and taking note.

We welcome closer involvement of workers, whether trade unionists or not, in the decisions that affect them at their place of work. It would be wrong to impose by law a system of participation in every company. It would be equally wrong to use the pretext of encouraging genuine worker involvement in order simply to increase union power or facilitate union control of pension funds.

TOO MANY STRIKES

Further changes may be needed to encourage people to behave responsibly and keep the bargains they make at work. Many deficiencies of British industrial relations are without foreign parallel. Strikes are too often a weapon of first rather than last resort. One cause is the financial treatment of strikers and their families. In reviewing the position, therefore, we shall ensure that unions bear their fair share of the cost of supporting those of their members who are on strike.

Labour claim that industrial relations in Britain cannot be improved by changing the law. We disagree. If the law can be used to confer privileges, it can and should also be used to establish obligations. We cannot allow a repetition of the behaviour that we saw outside too many of our factories and hospitals last winter.

RESPONSIBLE PAY BARGAINING

Labour's approach to industrial relations and their disastrous economic policies have made realistic and responsible pay bargaining almost impossible. After encouraging the 'social contract' chaos of 1974–5, they tried to impose responsibility by the prolonged and rigid control of incomes. This policy collapsed last winter as we warned that it would. The Labour government then came full circle with the announcement of yet another 'social contract' with the unions. For five years now, the road to ruin has been paved with such exchanges of promises between the Labour government and the unions.

To restore responsible pay bargaining, we must all start by recognising that Britain is a low-paid country because we have steadily become less efficient, less productive, less reliable and less competitive. Under this Government, we have more than doubled our pay but actually produced less in manufacturing industry. It will do yet further harm to go on printing money to pay ourselves more without first earning more. That would lead to even higher prices, fewer jobs and falling living standards.

The return to responsibility will not be easy. It requires that people keep more of what they earn; that effort and skill earn larger rewards; and that the State leaves more resources for industry. There should also be more open and informed discussion of the Government's economic objectives (as happens, for example, in Germany and other countries) so that there is wider understanding of the consequences of unrealistic bargaining and industrial action.

Pay bargaining in the private sector should be left to the companies and workers concerned. At the end of the day, no one should or can protect them from the results of the agreements they make.

Different considerations apply to some extent to the public sector, of whose seven million workers the Government directly employs only a minority. In the great public corporations, pay bargaining should be governed, as in private ones, by what each can afford. There can be no question of subsidising excessive pay deals.

Pay bargaining in central and local government, and other services such as health and education, must take place within the limits of what the taxpayer and ratepayer can afford. It is conducted under a variety of arrangements, some of long standing, such as pay research. In consultation with the unions, we will reconcile these with the cash limits used to control public spending, and seek to conclude no-strike agreements in a few essential services. Bargaining must also be put on a sounder economic footing, so that public sector wage settlements take full account of supply and demand and differences between regions, manning levels, job security and pension arrangements.

3. A more prosperous country

Labour have gone to great lengths to try to conceal the damage they have done to the economy and to our prospects of economic expansion. Even in the depression of the 1930s the British economy progressed more than it has under this Labour government. Their favourite but totally false excuse is that their appalling record is all due to the oil crisis and the world-wide economic depression. Yet since the oil crisis, despite our coal, and gas and oil from the North Sea, prices and unemployment in Britain have risen by more than in almost any other major industrial country. And output has risen by less. With much poorer energy supplies than Britain, the others

have nonetheless done much better—because they have not had a Labour government or suffered from Labour's mistakes.

To become more prosperous, Britain must become more productive and the British people must be given more incentive.

CUTTING INCOME TAX

We shall cut income tax at all levels to reward hard work, responsibility and success; tackle the poverty trap; encourage saving and the wider ownership of property; simplify taxes—like VAT; and reduce tax bureaucracy.

It is especially important to cut the absurdly high marginal rates of tax both at the bottom and top of the income scale. It must pay a man or woman significantly more to be in, rather than out of, work. Raising tax thresholds will let the low-paid out of the tax net altogether, and unemployment and short-term sickness benefit must be brought into the computation of annual income.

The top rate of income tax should be cut to the European average and the higher tax bands widened. To encourage saving we will reduce the burden of the investment income surcharge. This will greatly help those pensioners who pay this additional tax on the income from their life-time savings, and who suffer so badly by comparison with members of occupational or inflation-proofed pension schemes.

Growing North Sea oil revenues and reductions in Labour's public spending plans will not be enough to pay for the income tax cuts the country needs. We must therefore be prepared to switch to some extent from taxes on earnings to taxes on spending. Value Added Tax does not apply and will not be extended, to necessities like food, fuel, housing and transport. Moreover the levels of State pensions and other benefits take price rises into account.

Labour's extravagance and incompetence have once again imposed a heavy burden on ratepayers this year. But cutting income tax must take priority for the time being over abolition of the domestic rating system.

A PROPERTY-OWNING DEMOCRACY

Unlike Labour, we want more people to have the security and satisfaction of owning property. Our proposals for encouraging home ownership are contained in Chapter 5.

We reject Labour's plan for a Wealth Tax. We shall deal with the most damaging features of the Capital Transfer and Capital Gains Taxes, and propose a simpler and less oppressive system of capital taxation in the longer term. We will expand and build on existing schemes for encouraging employee share-ownership and our tax policies generally will provide incentive to save and build up capital.

INDUSTRY COMMERCE AND JOBS

Lower taxes on earnings and savings will encourage economic growth. But on their own they will not be enough to secure it.

Profits are the foundation of a free enterprise economy. In Britain profits are still dangerously low. Price controls can prevent them from reaching a level adequate for the investment we need. In order to ensure effective competition and fair pricing policies, we will review the working of the Monopolies Commission, the Office of Fair Trading and the Price Commission, with the legislation which governs their activities.

Too much emphasis has been placed on attempts to preserve existing jobs. We need to concentrate more on the creation of conditions in which new, more modern, more secure, better paid jobs come into existence. This is the best way of helping the unemployed and those threatened with the loss of their jobs in the future.

Government strategies and plans cannot produce revival, nor can subsidies. Where it is in the national interest to help a firm in difficulties, such help must be temporary and tapered.

We all hope that those firms which are at present being helped by the taxpayer will soon be able to succeed by themselves; but success or failure lies in their own hands.

Of course, government can help to ease industrial change in those regions dependent on older declining industries. We do not propose sudden, sharp changes in the measures now in force. However, there is a strong case for relating government assistance to projects more closely to the number of jobs they create.

NATIONALISATION

The British people strongly oppose Labour's plans to nationalise yet more firms and industries such as building, banking, insurance, pharmaceuticals and road haulage. More nationalisation would further impoverish us and further undermine our freedom. We will offer to sell back to private ownership the recently nationalised aerospace and shipbuilding concerns, giving their employees the opportunity to purchase shares.

We aim to sell shares in the National Freight Corporation to the general public in order to achieve substantial private investment in it. We will also relax the Traffic Commissioner licensing regulations to enable new bus and other services to develop—particularly in rural areas—and we will encourage new private operators.

Even where Labour have not nationalised they interfere too much. We shall therefore amend the 1975 Industry Act and restrict the powers of the National Enterprise Board solely to the administration of the Government's temporary shareholdings, to be sold off as circumstances permit. We want to see those industries that remain nationalised running more successfully and we will therefore interfere less with their management and set them a clearer financial discipline in which to work.

High productivity is the key to the future of industries like British Rail, where improvements would benefit both the work-force and passengers who have faced unprecedented fare increases over the last five years.

FAIR TRADE

Just as we reject nationalisation, so we are opposed to the other Socialist panacea—import controls. They would restrict consumer choice, raise prices and invite damaging retaliation

against British goods overseas. We will vigorously oppose all kinds of dumping and other unfair foreign trade practices that undermine jobs at home.

We fully support the renegotiated Multi-fibre Arrangement for textiles and will insist that it is monitored effectively and speedily. We also believe in a revised 'safeguard' clause under GATT, to give us a better defence against sudden and massive surges of imports that destroy jobs.

SMALL BUSINESSES

The creation of new jobs depends to a great extent on the success of smaller businesses. They have been especially hard hit under Labour. Our cuts in direct and capital taxation, the simplification of VAT and our general economic and industrial relations policies are the key to their future. We shall make planning restraints less rigid; reduce the number of official forms and make them simpler; provide safeguards against unfair competition from direct labour; review the new 714 Certificate system for sub-contractors and review with representatives of the self-employed their National Insurance and pension position. We shall amend laws such as the Employment Protection Act where they damage smaller businesses—and larger ones too—and actually prevent the creation of jobs.

We shall also undertake a thorough review of the enforcement procedures of Customs and Excise and the Inland Revenue, and introduce an easier régime for small firms in respect of company law and the disclosure of their affairs.

ENERGY

The development of our energy resources provide a challenge for both our nationalised industries and the private sector. Nowhere has private enterprise been more successful in creating jobs and wealth for the nation than in bringing North Sea oil and gas ashore. These benefits will be short-lived unless we pursue a vigorous policy for energy saving. Labour's interference has discouraged investment and could cost Britain billions of pounds in lost revenue. We shall undertake a complete review of all the activities of the British National Oil Corporation as soon as we take office. We shall ensure that our oil tax and licensing policies encourage new production.

We believe that a competitive and efficient coal industry has an important role in meeting energy demand, together with a proper contribution from nuclear power. All energy developments raise important environmental issues, and we shall ensure the fullest public participation in major new decisions.

AGRICULTURE

Our agricultural and food industries are as important and as efficient as any that we have. They make an immense contribution to our balance of payments; they provide jobs for millions of people and they sustain the economy of the countryside. Labour have seriously undermined the profitability of these industries, without protecting consumers against rising food prices which have more than doubled during their term of office. We must ensure that these industries have the means to keep abreast of those in other countries.

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

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

FISHING

The Government's failure to negotiate with our Community partners proper arrangements for fishing has left the industry in a state of uncertainty. The general adoption of 200-mile limits has fundamentally altered the situation which existed when the Treaty of Accession was negotiated. We would work for an agreement which recognised: first, that United Kingdom waters contained more fish than those of the rest of the Community countries put together; secondly, the loss of fishing opportunities experienced by our fishermen; thirdly, the rights of inshore fishermen; last, and perhaps most important of all, the need for effective measures to conserve fish stocks which would be policed by individual coastal states. In the absence of agreement, we would not hesitate to take the necessary measures on our own, but of course on a non-discriminatory basis.

ANIMAL WELFARE

The welfare of animals is an issue that concerns us all. There are problems in certain areas and we will act immediately where it is necessary. More specifically, we will give full support to the EEC proposals on the transportation of animals. We shall update the Brambell Report, the codes of welfare for farm animals, and the legislation on experiments on live animals. We shall also re-examine the rules and enforcement applying to the export of live animals and shall halt the export of cows and ewes recently calved and lambed.

4. The rule of law

The most disturbing threat to our freedom and security is the growing disrespect for the rule of law. In Government as in opposition, Labour have undermined it. Yet respect for the rule of law is the basis of a free and civilised life. We will restore it, re-establishing the supremacy of Parliament and giving the right priority to the fight against crime.

THE FIGHT AGAINST CRIME

The number of crimes in England and Wales is nearly half as much again as it was in 1973. The next Conservative government will spend more on fighting crime even while we economise elsewhere.

Britain needs strong, efficient police forces with high morale. Improved pay and conditions will help Chief Constables to recruit up to necessary establishment levels. We will therefore implement in full the recommendations of the Edmund Davies Committee. The police need more time to detect crime. So we will ease the weight of traffic supervision duties and review

cumbersome court procedures which waste police time. We will also review the traffic laws, including the totting-up procedure.

DETTERRING THE CRIMINAL

Surer detection means surer deterrence. We also need better crime prevention measures and more flexible, more effective sentencing. For violent criminals and thugs really tough sentences are essential. But in other cases long prison terms are not always the best deterrent. So we want to see a wider variety of sentences available to the courts. We will therefore amend the 1961 Criminal Justice Act which limits prison sentences on young adult offenders, and revise the Children and Young Persons Act 1969 to give magistrates the power to make residential and secure care orders on juveniles.

We need more compulsory attendance centres for hooligans at junior and senior levels. In certain detention centres we will experiment with a tougher regime as a short, sharp shock for young criminals. For certain types of offenders, we also support the greater use of community service orders, intermediate treatment and attendance centres. Unpaid fines and compensation orders are ineffective. Fines should be assessed to punish the offender within his means and then be backed by effective sanctions for non-payment.

Many people advocate capital punishment for murder. This must remain a matter of conscience for Members of Parliament. But we will give the new House of Commons an early opportunity for a free vote on this issue.

IMMIGRATION AND RACE RELATIONS

The rights of all British citizens legally settled here are equal before the law whatever their race, colour or creed. And their opportunities ought to be equal too. The ethnic minorities have already made a valuable contribution to the life of our nation. But firm immigration control for the future is essential if we are to achieve good community relations. It will end persistent fears about levels of immigration and will remove from those settled, and in many cases born here, the label of 'immigrant'.

1. We shall introduce a new British Nationality Act to define entitlement to British citizenship and to the right of abode in this country. It will not adversely affect the right of anyone now permanently settled here.
2. We shall end the practice of allowing permanent settlement for those who came here for a temporary stay.
3. We shall limit entry of parents, grandparents and children over 18 to a small number of urgent compassionate cases.
4. We shall end the concession introduced by the Labour government in 1974 to husbands and male fiancés.
5. We shall severely restrict the issue of work permits.
6. We shall introduce a Register of those Commonwealth wives and children entitled to entry for settlement under the 1971 Immigration Act.
7. We shall then introduce a quota system, covering everyone outside the European Community, to control all entry for settlement.
8. We shall take firm action against illegal immigrants and overstayers and help those immigrants who genuinely wish to leave this country—but there can be no question of compulsory repatriation.

We will encourage the improvement of language training in schools and factories and of training facilities for the young unemployed in the ethnic communities. But these measures will achieve little without the effective control of immigration. That is essential for racial harmony in Britain today.

THE SUPREMACY OF PARLIAMENT

In recent years, Parliament has been weakened in two ways. First, outside groups have been allowed to usurp some of its democratic functions. Last winter, the Government permitted strike committees and pickets to take on powers and responsibilities which should have been discharged by Parliament and the police. Second, the traditional role of our legislature has suffered badly from the growth of government over the last quarter of a century.

We will see that Parliament and no other body stands at the centre of the nation's life and decisions, and we will seek to make it effective in its job of controlling the Executive.

We sympathise with the approach of the all-party parliamentary committees which put forward proposals last year for improving the way the House of Commons legislates and scrutinises public spending and the work of government departments. We will give the new House of Commons an early chance of coming to a decision on these proposals.

The public has rightly grown anxious about many constitutional matters in the last few years—partly because our opponents have proposed major constitutional changes for party political advantage. Now Labour want not merely to abolish the House of Lords but to put nothing in its place. This would be a most dangerous step. A strong Second Chamber is necessary not only to revise legislation but also to guarantee our constitution and liberties.

It is not only the future of the Second Chamber which is at issue. We are committed to discussions about the future government of Scotland, and have put forward proposals for improved parliamentary control of administration in Wales. There are other important matters, such as a possible Bill of Rights, the use of referendums, and the relationship between Members of the European Parliament and Westminster, which we shall wish to discuss with all parties.

NORTHERN IRELAND

We shall maintain the Union of Great Britain and Northern Ireland in accordance with the wish of the majority in the Province. Its future still depends on the defeat of terrorism and the restoration of law and order. We shall continue—with the help of the courage, resolution and restraint of the Security Forces—to give it the highest priority. There will be no amnesty for convicted terrorists.

In the absence of devolved government, we will seek to establish one or more elected regional councils with a wide range of powers over local services. We recognise that Northern Ireland's industry will continue to require government support.

5. Helping the family

HOMES OF OUR OWN

To most people ownership means first and foremost a home of their own.

Many find it difficult today to raise the deposit for a mortgage. Our tax cuts will help them. We shall encourage shared purchase schemes which will enable people to buy a house or flat on mortgage, on the basis initially of a part-payment which they complete later when their incomes are high enough. We should like in time to improve on existing legislation with a realistic grants scheme to assist first-time buyers of cheaper homes. As it costs about three times as much to subsidise a new council house as it does to give tax relief to a home buyer, there could well be a substantial saving to the tax and ratepayer.

The prospect of very high mortgage interest rates deters some people from buying their homes and the reality can cause acute difficulties to those who have done so. Mortgage rates have risen steeply because of the Government's financial mismanagement. Our plans for cutting government's spending and borrowing will lower them.

THE SALE OF COUNCIL HOUSES

Many families who live on council estates and in new towns would like to buy their own homes but either cannot afford to or are prevented by the local authority or the Labour government. The time has come to end these restrictions. In the first session of the next Parliament we shall therefore give council and new town tenants the legal right to buy their homes, while recognising the special circumstances of rural areas and sheltered housing for the elderly. Subject to safeguards over resale, the terms we propose would allow a discount on market values reflecting the fact that council tenants effectively have security of tenure. Our discounts will range from 33 per cent after three years, rising with length of tenancy to a maximum of 50 per cent after twenty years. We shall also ensure that 100 per cent mortgages are available for the purchase of council and new town houses. We shall introduce a right for these tenants to obtain limited term options on their homes so that they know in advance the price at which they can buy, while they save the money to do so.

As far as possible, we will extend these rights to housing association tenants. At the very least, we shall give these associations the power to sell to their tenants.

Those council house tenants who do not wish to buy their homes will be given new rights and responsibilities under our Tenants' Charter.

REVIVING THE PRIVATE RENTED SECTOR

As well as giving new impetus to the movement towards home ownership, we must make better use of our existing stock of houses. Between 1973 and 1977 no fewer than 400,000 dwellings were withdrawn from private rental. There are now hundreds of thousands of empty properties in Britain which are not let because the owners are deterred by legislation. We intend to introduce a new system of shorthold tenure which will allow short fixed-term lettings of these properties free of the most discouraging conditions of the present law. This provision will not, of course, affect the position of existing tenants. There should also be more flexible arrangements covering accommodation for students. At the same time, we must try to achieve a greater take-up in rent allowances for poorer tenants.

PROTECTING THE ENVIRONMENT

The quality of our environment is a vital concern to all of us. The last Conservative government had a proud record of achievement in reducing pollution, and protecting our heritage and countryside. We shall continue to give these issues a proper priority. Subject to the availability of resources we shall pay particular attention to the improvement and restoration of derelict land, the disposal and recycling of dangerous and other wastes, and reducing pollution of our rivers and canals.

We attach particular importance to measures to reduce fuel consumption by improving insulation.

STANDARDS IN EDUCATION

The Labour Party is still obsessed with the structure of the schools system, paying too little regard to the quality of education. As a result we have a system which in the view of many of our parents and teachers all too often fails—at a cost of over £8 billion a year—even to provide pupils with the means of communication and understanding. We must restore to every child, regardless of background, the chance to progress as far as his or her abilities allow.

We will halt the Labour government's policies which have led to the destruction of good schools; keep those of proven worth; and repeal those sections of the 1976 Education Act which compel local authorities to reorganise along comprehensive lines and restrict their freedom to take up places at independent schools.

We shall promote higher standards of achievement in basic skills. The Government's Assessment of Performance Unit will set national standards in reading, writing and arithmetic, monitored by tests worked out with teachers and others and applied locally by education authorities. The Inspectorate will be strengthened. In teacher training there must be more emphasis on practical skills and on maintaining discipline.

Much of our higher education in Britain has a world-wide reputation for its quality. We shall seek to ensure that this excellence is maintained. We are aware of the special problems associated with the need to increase the number of high-quality entrants to the engineering professions. We shall review the relationship between school, further education and training to see how better use can be made of existing resources.

We recognise the valuable work done by the Youth Service and will continue to give help to those voluntary bodies which make such a considerable contribution in this field.

PARENTS' RIGHTS AND RESPONSIBILITIES

Extending parents' rights and responsibilities, including their right of choice, will also help raise standards by giving them greater influence over education. Our Parents' Charter will place a clear duty on government and local authorities to take account of parents' wishes when allocating children to schools, with a local appeals system for those dissatisfied. Schools will be required to publish prospectuses giving details of their examination and other results.

The Direct Grant schools, abolished by Labour, gave wider opportunities for bright children from modest backgrounds. The Direct Grant principle will therefore be restored with an Assisted Places Scheme. Less well-off parents will be able to claim part or all of the fees at certain schools from a special government fund.

THE ARTS

Economic failure and Socialist policies have placed the arts under threat. Lightening the burden of tax should in time enable the private sponsor to flourish again and the reform of capital taxation will lessen the threat to our heritage. We will strengthen the existing provision whereby relief from CTT is available on assets placed in a maintenance fund for the support of heritage property. We favour the establishment of a National Heritage Fund to help preserve historic buildings and artistic treasures for the nation. We will continue to give as generous support to Britain's cultural and artistic life as the country can afford.

Sport and recreation have also been hit by inflation and high taxation. We will continue to support the Sports Councils in the encouragement of recreation and international sporting achievement.

HEALTH AND WELFARE

The welfare of the old, the sick, the handicapped and the deprived has also suffered under Labour. The lack of money to improve our social services and assist those in need can only be overcome by restoring the nation's prosperity. But some improvements can be made now by spending what we do have more sensibly.

In our National Health Service standards are falling; there is a crisis of morale; too often patients' needs do not come first. It is not our intention to reduce spending on the Health Service; indeed, we intend to make better use of what resources are available. So we will simplify and decentralise the service and cut back bureaucracy.

When resources are so tightly stretched it is folly to turn good money away from the NHS and to discourage people from doing more for themselves. We shall therefore allow pay-beds to be provided where there is a demand for them; end Labour's vendetta against the private health sector; and restore tax relief on employer-employee medical insurance schemes. The Royal Commission on the Health Service is studying the financing of health care, and any examination of possible longer term changes—for example greater reliance for NHS funding on the insurance principle—must await their report.

In the community, we must do more to help people to help themselves, and families to look after their own. We must also encourage the voluntary movement and self-help groups working in partnership with the statutory services.

MAKING SENSE OF SOCIAL SECURITY

Our social security is now so complicated that even some Ministry officials do not understand it. Income tax starts at such a low level that many poor people are being taxed to pay for their own benefits. All too often they are little or no better off at work than they are on social security.

This was one of our principal reasons for proposing a tax credit scheme. Child benefits are a step in the right direction. Further progress will be very difficult in the next few years, both for reasons of cost and because of technical problems involved in the switch to computers. We shall wish to move towards the fulfilment of our original tax credit objectives as and when resources become available. Meanwhile we shall do all we can to find other ways to simplify the system,

restore the incentive to work, reduce the poverty trap and bring more effective help to those in greatest need.

Restoring the will to work means, above all, cutting income tax. It also involves bringing unemployment and short-term sickness benefit within the tax system—an objective fully shared by Labour Ministers. The rules about the unemployed accepting available jobs will be reinforced and we shall act more vigorously against fraud and abuse.

We welcomed the new Child Benefit as the first stage of our tax credit scheme. One-parent families face much hardship so we will maintain the special addition for them.

THE ELDERLY AND THE DISABLED

We will honour the increases in retirement pensions which were promised just before the election.

However, like others, pensioners have suffered from the high taxes and catastrophic inflation of Labour's years.

It is wrong to discourage people who wish to work after retirement age, and we will phase out the 'earnings rule' during the next Parliament. The Christmas Bonus, which the last Conservative government started in 1972, will continue. We will exempt war widows' pensions from tax and provide a pension for pre-1950 widows of 'other ranks' who do not receive one at present.

Much has been done in recent years to help the disabled, but there is still a long way to go. Our aim is to provide a coherent system of cash benefits to meet the costs of disability, so that more disabled people can support themselves and live normal lives. We shall work towards this as swiftly as the strength of the economy allows.

6. A strong Britain in a free world

IMPROVING OUR DEFENCES

During the past five years the military threat to the West has grown steadily as the Communist bloc has established virtual parity in strategic nuclear weapons and a substantial superiority in conventional weapons. Yet Labour have cut down our forces, weakened our defences and reduced our contribution to NATO. And the Left are pressing for still more reductions.

We shall only be able to decide on the proper level of defence spending after consultation in government with the Chiefs of Staff and our allies. But it is already obvious that significant increases will be necessary. The SALT discussions increase the importance of ensuring the continuing effectiveness of Britain's nuclear deterrent.

In recent times our armed forces have had to deal with a wide variety of national emergencies. They have responded magnificently despite government neglect and a severe shortage of manpower and equipment. We will give our servicemen decent living conditions, bring their pay up to full comparability with their civilian counterparts immediately and keep it there. In addition, we must maintain the efficiency of our reserve forces. We will improve their equipment, too, and hope to increase their strength.

THE EUROPEAN COMMUNITY

If we wish to play our full part in shaping world events over the next few critical years, we must also work honestly and genuinely with our partners in the European Community. There is much that we can achieve together, much more than we can achieve alone.

There are some Community policies which need to be changed since they do not suit Britain's—or Europe's—best interests. But it is wrong to argue, as Labour do, that Europe has failed us. What has happened is that under Labour our country has been prevented from taking advantage of the opportunities which membership offers.

Labour's economic policies have blunted our competitive edge and made it more difficult for our companies to sell in our partners' markets. What is more, the frequently obstructive and malevolent attitude of Labour Ministers has weakened the Community as a whole and Britain's bargaining power within it.

By forfeiting the trust of our partners, Labour have made it much more difficult to persuade them to agree to the changes that are necessary in such important areas as the Common Agricultural Policy, the Community budget, and the proposed Common Fisheries Policy.

The next Conservative government will restore Britain's influence by convincing our partners of our commitment to the Community's success. This will enable us to protect British interests and to play a leading and constructive role in the Community's efforts to tackle the many problems which it faces.

We shall work for a common-sense Community which resists excessive bureaucracy and unnecessary harmonisation proposals, holding to the principles of free enterprise which inspired its original founders.

Our policies for the reform of the CAP (*see Chapter 3*) would reduce the burden which the Community budget places upon the British taxpayer. We shall also strive to cut out waste in other Community spending programmes.

National payments into the budget should be more closely related to ability to pay. Spending from the budget should be concentrated more strictly on policies and projects on which it makes sense for the Community rather than nation states to take the lead.

We attach particular importance to the co-ordination of Member States' foreign policies. In a world dominated by the super-powers, Britain and her partners are best able to protect their international interests and to contribute to world peace and stability when they speak with a single voice.

AFRICA AND THE MIDDLE EAST

In Africa and the Middle East, there is an increasing threat from the Soviet Union and its Cuban allies. That threat must be countered, not only through collaboration with our European and American allies but also by the people and governments in Africa and the Middle East whose independence is threatened.

We shall do all we can to build on the Egyptian/Israeli peace treaty, to seek a comprehensive settlement which will bring peace to the whole region.

RHODESIA

The Conservative Party will aim to achieve a lasting settlement to the Rhodesia problem based on the democratic wishes of the people of that country. If the Six Principles, which all British governments have supported for the last fifteen years, are fully satisfied following the present Rhodesian Election, the next government will have the duty to return Rhodesia to a state of legality, move to lift sanctions, and do its utmost to ensure that the new independent state gains international recognition.

TRADE, AID AND THE COMMONWEALTH

Like other industrial countries, Britain has a vital interest in bringing prosperity to poorer nations which provide us with a growing market and supply many of the raw materials upon which we depend. The next Conservative government will help them through national and international programmes of aid and technical co-operation and by the encouragement of voluntary work. But we also attach particular importance to the development of trade and private investment through such instruments as the European Community's Lomé Convention. In particular, we will foster all our Commonwealth links and seek to harness to greater effect the collective influence of the Commonwealth in world affairs.

7. A new beginning

In this manifesto we have not sought to understate the difficulties which face us—the economic and social problems at home, the threats to the freedom of the West abroad. Yet success and security *are* attainable if we have the courage and confidence to seize the opportunities which are open to us.

We make no lavish promises. The repeated disappointment of rising expectations has led to a marked loss of faith in politicians' promises. Too much has gone wrong in Britain for us to hope to put it all right in a year or so. Many things will simply have to wait until the economy has been revived and we are once again creating the wealth on which so much else depends.

Most people, in their hearts, know that Britain has to come to terms with reality. They no longer have any time for politicians who try to gloss over the harsh facts of life. Most people want to be told the truth, and to be given a clear lead towards the action needed for recovery.

The years of make-believe and false optimism are over. It is time for a new beginning.

APPENDIX II

GENERAL ELECTION STATISTICS 1945–1979

Table 1—Votes Cast, Electorate, and Turnout at General Elections, 1945–1979 (UK)²⁵

General Election	Conservative¹ 4	Labour⁴	Liberal	Others	Total Votes Cast	Electorate	Percentage Voting³
1945	9,972,010 (39.6%)	11,967,746 (48.0%)	2,252,430 (9.0%)	903,009 (3.4%)	25,095,195	33,240,391	72.8
1950	12,492,404 (43.5%)	13,266,176 (46.1%)	2,621,487 (9.1%)	391,057 (1.3%)	28,771,124	34,412,255	83.9
1951	13,718,199 (48.0%)	13,948,883 (48.8%)	730,546 (2.6%)	198,966 (0.6%)	28,596,594	34,919,331	82.6
1955	13,310,891 (49.7%)	12,405,254 (46.4%)	722,402 (2.7%)	321,182 (1.2%)	26,759,729	34,852,179	76.8
1959	13,750,875 (49.3%)	12,216,172 (43.9%)	1,640,760 (5.9%)	254,845 (0.9%)	27,862,652	35,397,304	78.7
1964	12,002,642 (43.4%)	12,205,808 (44.1%)	3,099,283 (11.2%)	349,415 (1.3%)	27,657,148	35,894,054	77.1
1966	11,418,455 (41.9%)	13,096,629 (48.1%)	2,327,457 (8.5%)	422,206 (1.5%)	27,264,747	35,957,245	75.8
1970	13,145,123 (46.4%)	12,208,758 (43.1%)	2,117,035 (7.5%)	873,882 (3.0%)	28,344,798	39,342,013	72.0
1974 (Feb) ⁴	11,872,180 (37.8%)	11,646,391 (37.1%)	6,058,744 (19.4%)	1,762,847 (5.7%)	31,340,162	39,770,724	78.8
1974 (Oct) ⁴	10,462,583 (35.8%)	11,457,079 (39.2%)	5,346,754 (18.3%)	1,922,762 (6.7%)	29,189,178	40,072,971	72.8
1979	13,697,923 (43.9%)	11,532,218 (36.9%)	4,313,804 (13.8%)	1,677,417 (5.4%)	31,221,362	41,095,649	76.0

¹ Including National, National Liberal and National Labour in 1945.

² Percentages are of total votes cast.

³ As percentage of electorate.

⁴ The Conservative total excludes all types of Unionist candidates in Northern Ireland, but includes the Speaker of the House of Commons.

The Labour total excludes the five (three in October) candidates of the Northern Ireland Labour Party. The total for Others includes all candidates contesting seats in Northern Ireland.

⁵ Figures for 1945 adjusted to allow for two-member seats.

Sources: F. W. S. Craig, "British Parliamentary Election Statistics 1832–1980", and *Political Companion*.

Table 2—Votes Cast, Electorate, and Turnout at General Elections, 1945—1979 (England)²

General Election	Conservative¹	Labour	Liberal	Others	Total Votes Cast	Electorate	Percentage Voting
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Table 2—Votes Cast, Electorate, and Turnout at General Elections, 1945—1979 (England)²

General Election	Conservative¹	Labour	Liberal	Others	Total Votes Cast	Electorate	Percentage Voting
1945	8,269,191 (40.2%)	9,972,519 (48.5%)	1,913,917 (9.4%)	383,393 (1.9%)	20,539,020	27,045,729	73.4
1950	10,499,392 (43.8%)	11,050,966 (46.2%)	2,248,127 (9.4%)	155,963 (0.6%)	23,954,448	28,374,288	84.4
1951	11,622,704 (48.8%)	11,630,467 (48.8%)	537,434 (2.3%)	35,490 (0.1%)	23,826,095	28,813,343	82.7
1955	11,165,436 (50.4%)	10,355,892 (46.8%)	571,034 (2.6%)	43,768 (0.2%)	22,136,130	28,790,285	76.9
1959	11,559,240 (49.9%)	10,085,097 (43.6%)	1,449,593 (6.3%)	33,839 (0.2%)	23,127,769	29,303,126	78.9
1964	10,106,028 (44.1%)	9,982,360 (43.5%)	2,775,752 (12.1%)	73,111 (0.3%)	22,937,251	29,804,627	77.0
1966	9,692,356 (42.7%)	10,886,408 (48.0%)	2,036,793 (9.0%)	77,138 (0.3%)	22,692,695	29,894,141	75.9
1970	11,282,524 (48.3%)	10,131,555 (43.4%)	1,853,616 (7.9%)	93,201 (0.4%)	23,360,896	32,737,025	71.4
1974 (Feb)	10,508,977 (40.2%)	9,842,468 (37.6%)	5,574,934 (21.3%)	215,239 (0.9%)	26,141,618	33,093,667	78.9
1974 (Oct)	9,414,008 (38.9%)	9,695,051 (40.1%)	4,878,792 (20.2%)	203,217 (0.8%)	24,191,068	33,341,372	72.5
1979	12,255,514 (47.2%)	9,525,280 (36.7%)	3,878,055 (14.9%)	313,401 (1.2%)	25,972,250	34,211,471	75.9

¹ Up to 1966 total for Conservative includes Conservative and National Liberal and Conservative candidates.

² Percentages are of total votes cast.

Sources: F. W. S. Craig, “British Parliamentary Election Statistics 1832–1980”, and *Political Companion*.

Table 3—Votes Cast, Electorate, and Turnout at General Elections 1945–1979³ (Scotland)^{2 3}

General Election	Conservative¹	Labour	Liberal	SNP	Others	Total Votes Cast	Electorate	Percentage Voting
1945	964,143 (41.1%)	1,144,310 (47.6%)	132,849 (5.0%)	30,595 (1.2%)	117,995 (5.1%)	2,389,892	3,343,120	69.0
1950	1,222,010 (44.8%)	1,259,410 (46.2%)	180,270 (6.6%)	9,708 (0.4%)	55,286 (2.0%)	2,726,684	3,370,190	80.9
1951	1,349,298 (48.6%)	1,330,244 (47.9%)	76,291 (2.7%)	7,299 (0.3%)	14,705 (0.5%)	2,777,837	3,421,419	81.2
1955	1,273,942	1,188,058	47,273	12,112	21,869	2,543,254	3,387,536	75.1

Table 3—Votes Cast, Electorate, and Turnout at General Elections 1945–1979³ (Scotland)^{2 3}

General Election	Conservative¹	Labour	Liberal	SNP	Others	Total Votes Cast	Electorate	Percentage Voting
	(50.1%)	(46.7%)	(1.9%)	(0.5%)	(0.8%)			
1959	1,260,287	1,245,255	108,963	21,738	31,270	2,667,513	3,413,732	78.1
	(47.2%)	(46.7%)	(4.1%)	(0.8%)	(1.2%)			
1964	1,069,695	1,283,667	200,063	64,044	17,070	2,634,539	3,393,421	77.6
	(40.6%)	(48.7%)	(7.6%)	(2.4%)	(0.7%)			
1966	960,675	1,273,916	172,447	128,474	16,868	2,552,380	3,359,891	76.0
	(37.7%)	(49.9%)	(6.8%)	(5.0%)	(0.6%)			
1970	1,020,674	1,197,068	147,667	306,802	16,024	2,688,235	3,629,017	74.1
	(38.0%)	(44.5%)	(5.5%)	(11.4%)	(0.6%)			
1974 (Feb)	950,668	1,057,601	229,162	633,180	16,464	2,887,075	3,656,467	79.0
	(32.9%)	(36.6%)	(8.0%)	(21.9%)	(0.6%)			
1974 (Oct)	681,327	1,000,581	228,855	839,617	7,721	2,758,101	3,686,792	74.8
	(24.7%)	(36.3%)	(8.3%)	(30.4%)	(0.3%)			
1979	916,155	1,211,445	262,224	504,259	22,554	2,916,637	3,795,865	76.8
	(31.4%)	(41.6%)	(9.0%)	(17.3%)	(0.7%)			

¹ Up to, and including, the 1964 General Election the total Conservative vote in Scotland includes votes cast for Conservative candidates and for the National Liberal and Conservative Organisation (i.e. a joint candidate of the Conservative Party and the National Liberal Organisation).

² Figures for 1945 adjusted to allow, for two-member seats.

³ Percentages are of total votes cast.

Sources: F. W. S. Craig, “British Parliamentary Election Statistics 1832–1980”, and *Political Companion*.

Table 4—Votes Cast, Electorate, and Turnout at General Elections 1945–1979 (Wales)³

General Election	Conservative¹	Labour	Liberal	Plaid Cymru	Others	Total Votes Cast	Electorate	Percentage Voting
1945 ²	316,729	779,184	198,553	14,321	21,884	1,330,671	1,798,199	75.7
	(23.8%)	(58.5%)	(14.9%)	(1.1%)	(1.7%)			
1950	418,668	887,984	193,090	17,580	11,232	1,528,554	1,802,356	84.8
	(27.4%)	(58.1%)	(12.6%)	(1.2%)	(0.7%)			
1951	471,269	925,848	116,821	10,920	4,591	1,529,449	1,812,664	84.4
	(30.9%)	(60.5%)	(7.6%)	(0.7%)	(0.3%)			
1955	428,866	825,690	104,095	45,119	29,594	1,433,724	1,801,217	79.6
	(29.9%)	(57.6%)	(7.3%)	(3.1%)	(2.1%)			
1959	486,335	841,450	78,951	77,571	6,950	1,491,257	1,805,686	82.6

Table 4—Votes Cast, Electorate, and Turnout at General Elections 1945–1979 (Wales)³

General Election	Conservative ¹	Labour	Liberal	Plaid Cymru	Others	Total Votes Cast	Electorate	Percentage Voting
	(32.6%)	(56.5%)	(5.3%)	(5.2%)	(0.4%)			
1964	425,022	837,022	106,114	69,507	9,377	1,447,042	1,805,454	80.1
	(29.4%)	(57.9%)	(7.3%)	(4.8%)	(0.6%)			
1966	396,795	863,692	89,108	61,071	12,769	1,423,435	1,800,925	79.0
	(27.9%)	(60.6%)	(6.3%)	(4.3%)	(0.9%)			
1970	419,884	781,941	103,747	175,016	35,966	1,516,554	1,958,778	77.4
	(27.7%)	(51.6%)	(6.8%)	(11.5%)	(2.4%)			
1974 (Feb)	412,535	745,547	255,423	171,374	8,964	1,593,843	1,993,931	79.9
	(25.9%)	(46.8%)	(16.0%)	(10.7%)	(0.6%)			
1974 (Oct)	367,230	761,447	239,057	166,321	3,785	1,537,840	2,008,284	76.6
	(23.9%)	(49.5%)	(15.5%)	(10.8%)	(0.3%)			
1979	526,254	795,493	173,525	132,544	8,772	1,636,588	2,061,109	79.4
	(32.2%)	(48.6%)	(10.6%)	(8.1%)	(0.5%)			

¹ Up to, and including, the 1966 General Election the total Conservative vote in Wales includes votes cast for Conservative and for the National Liberal candidates and for candidates of the National Liberal and Conservative Organisation.

² Figures for 1945 adjusted to allow for two-member seats.

³ Percentages are of total votes cast.

Sources: F. W. S. Craig, "British Parliamentary Election Statistics 1832–1980", and *Political Companion*.

Table 5 – Profile of Party Support in February 1974, October 1974 and May 1979 General Elections

	Feb 1974	Oct 1974	May 1979
	%	%	%
<i>Men</i>			
Conservative	35	32	43
Labour	42	43	40
Liberal	19	18	13
Others	4	7	4
<i>Women</i>			
Conservative	42	39	47
Labour	35	38	35
Liberal	21	20	15
Others	2	3	3
<i>18–24</i>			
Conservative	24	24	42
Labour	46	42	41

Table 5 – Profile of Party Support in February 1974, October 1974 and May 1979 General Elections

	Feb 1974	Oct 1974	May 1979
	%	%	%
Liberal	25	27	12
Others	5	7	5
<i>25–34</i>			
Conservative	35	33	43
Labour	40	38	38
Liberal	21	24	15
Others	4	5	4
<i>35–54</i>			
Conservative	37	34	46
Labour	40	42	35
Liberal	19	20	16
Others	4	4	3
<i>55+</i>			
Conservative	46	42	47
Labour	33	40	38
Liberal	19	14	13
Others	2	4	2
<i>ABC1.</i>			
Conservative	57	56	59
Labour	20	19	24
Liberal	21	21	15
Others	2	4	2
<i>C2</i>			
Conservative	29	26	41
Labour	48	49	41
Liberal	19	20	15
Others	4	5	3
<i>DE</i>			
Conservative	28	22	34
Labour	49	57	49
Liberal	19	16	13
Others	4	5	4
<i>Trade Unionists</i>			
Conservative	23	23	33
Labour	55	55	51
Liberal	19	16	13
Others	3	6	3
<i>Non-Trade Unionists</i>			

Table 5 – Profile of Party Support in February 1974, October 1974 and May 1979 General Elections

	Feb 1974	Oct 1974	May 1979
	%	%	%
Conservative	45	41	50
Labour	32	35	32
Liberal	21	21	14
Others	2	3	4

(Source: MORI—*British Public Opinion: General Election 1979*)

APPENDIX III

BY-ELECTIONS SINCE MAY 1979 (GREAT BRITAIN)

VOTING STATISTICS

Constituency	Con	Lab.	Lib./SDP	Other	SNP	Winning Party	Turnout
	Vote (%)	Vote (%)	Vote (%)	Vote (%)	Vote (%)	(majority)	%
Manchester Central							
May 1979							
General election	4,413 (22.1)	14,117 (70.8)	1,052* (5.3)	365* (1.8)	—	Lab. (9,704)	63.7
By-election 27.9.79	1,275* (12.0)	7,494 (70.7)	1,502 (14.2)	328* (3.1)	—	Lab. (5,922)	33.6
Hertfordshire S.W.							
May 1979							
General election	33,112 (54.7)	16,784 (27.7)	9,808 (16.2)	839* (1.4)	—	Con. (16,328)	79.7
By-election 13.12.79	17,031 (45.9)	10,259 (27.7)	8,752 (23.6)	1,038* (2.8)	—	Con. (6,772)	48.3
Southend East							
May 1979							
General election	22,413 (56.1)	11,639 (29.1)	5,244 (13.1)	676* (1.7)	—	Con. (10,774)	70.1
By-election 13.3.80	13,117 (36.8)	12,687 (35.6)	8,939 (25.1)	894* (3.5)	—	Con. (430)	62.5
Glasgow Central							
May 1979							
General election	1,937 (16.4)	8,542 (72.5)	—	—	1,308 [®] (11.1)	Lab. (6,605)	59.5
By-election 26.6.80	707 [®] (8.8)	4,902 (60.8)	—	337 [®] (4.1)	2,122 (26.3)	Lab. (2,780)	42.8

BY-ELECTIONS SINCE MAY 1979 (GREAT BRITAIN)

VOTING STATISTICS

Constituency	Con	Lab.	Lib./SDP	Other	SNP	Winning Party (majority)	Turnout %
	Vote (%)	Vote (%)	Vote (%)	Vote (%)	Vote (%)		
Warrington							
May 1979							
General election	9,032 (28.8)	19,306 (61.1)	2,833 [@] (9.1)	144 [@] (10.5)	—	Lab. (10,274)	71.3
By-election 16.7.81	2,102 [@] (7.1)	14,280 (48.4)	12,521 (42.4)	605 [@] (2.1)	—	Lab. (1,759)	67.0
Croydon N.W.							
May 1979							
General election	19,928 (49.4)	16,159 (40.1)	1,239 [@] (10.5)	—	—	Con. (3,769)	72.5
By-election 22.10.81	10,546 (30.5)	8,967 (26.0)	13,800 (40.0)	1,229 [@] (3.5)	—	Lib./SDP (3,254)	62.5
Crosby							
May 1979							
General election	34,768 (57.0)	15,496 (25.4)	9,302 (15.2)	1,489 [@] (2.4)	—	Con. (19,272)	75.2
By-election 26.11.81	22,829 (39.8)	5,450 [@] (9.5)	28,118 (49.1)	900 [@] (1.6)	—	Lib./SDP (5,289)	68.9
Glasgow Hillhead							
May 1979							
General election	12,368 (41.1)	10,366 (34.4)	4,349 (14.4)	—	3,050 [†] (10.1)	Con. (2,002)	75.7
By-election 23.3.82	8,068 (26.6)	7,846 (25.8)	10,106 (33.4)	839 (2.8)	3,416 [†] (11.3)	SDP/Lib. (2,038)	75.5
Beaconsfield							
May 1979							
General election	31,938 (61.7)	10,433 (20.1)	8,853 (17.1)	548 [†] (1.1)	—	Con. (21,505)	76.2
By-election 27.5.82	23,049 (61.8)	3,886 [†] (10.4)	9,996 [†] (26.8)	375 [†] (1.0)	—	Con. (13,053)	53.1
Mitcham and Morden							
May 1979							
General election	21,850 (43.9)	21,668 (45.2)	4,258 [†] (8.9)	966 [†] (2.0)	—	Lab. (618)	76.9
By election 3.6.82	13,306	7,475	9,032	850 [†]	—	Con.	47.9

BY-ELECTIONS SINCE MAY 1979 (GREAT BRITAIN)

VOTING STATISTICS

Constituency	Con	Lab.	Lib./SDP	Other	SNP	Winning Party	Turnout
	Vote (%)	Vote (%)	Vote (%)	Vote (%)	Vote (%)	(majority)	%
	(43.4)	(24.4)	(29.4)	(2.8)	—	(4,274)	—
Coatbridge and Airdrie							
May 1979							
General election	12,442 (27.5)	27,598 (60.9)	—	—	5,260 [†] (11.6%)	Lab. (19,156)	75.3
By-election 24.6.82	9,118 (26.3)	19,208 (55.1)	2,873 (8.2)	—	3,652 [†] (10.4)	Lab. (10,090)	56.3
Gower							
May 1979							
General Election	14,332 (30.5)	24,963 (53.2)	4,245 [‡] (9.1)	3,357 [‡] (7.2)	— (—)	Lab. (10,641)	80.8
By-election 16.9.82	8,690 (22.1)	17,095 (43.5)	9,875 (25.1)	3,431 [‡] (8.7)	228 (0.6)	Lab. (17,220)	65.4
Peckham							
May 1979							
General Election	9,553 (28.1)	20,364 (59.8)	2,607 [‡] (7.7)	—	1,503 (4.4)	Lab. (10,811)	57.7
By-election 28.10.82	2,800 [‡] (12.4)	11,359 (50.4)	7,418 (32.9)	—	976 (4.3)	Lab. (3,931)	37.9
Birmingham Northfield							
May 1979							
General Election	25,304 (45.4)	25,000 (45.1)	4,538 (8.1)	—	758 (1.4)	Con. (204)	70.6
By-election 28.10.82	15,615 (35.6)	15,904 (36.3)	11,453 (26.1)	—	883 (2.0)	Lab. (289)	54.0
Glasgow Queen's Park							
May 1979							
General Election	5,642 (24.0)	15,120 (64.4)	—	2,276 [‡] (9.7)	454 (1.9)	Lab. (9,478)	68.4
By-election 2.12.82	1,888 [‡] (11.9)	8,851 (56.0)	+1,487 [‡] (9.4)	3,157 (20.0)	418 (2.9)	Lab. (5,694)	46.9
Bermondsey							
May 1979							

BY-ELECTIONS SINCE MAY 1979 (GREAT BRITAIN)

VOTING STATISTICS

Constituency	Con	Lab.	Lib./SDP	Other	SNP	Winning Party	Turnout
	Vote (%)	Vote (%)	Vote (%)	Vote (%)	Vote (%)	(majority)	%
General election	7,582 (24.9)	19,338 (63.6)	2,072 [§] (6.8)	1,414 (4.7)	—	Lab. (11,756)	59.3
By-election 24.2.83	1,631 [§] (5.5)	7,698 (26.1)	17,017 (57.7)	3,143 (10.7)	—	SDP Gain (9,319)	57.7
Darlington							
May 1979							
General election	21,513 (43.4)	22,565 (45.5)	5,054 [§] (10.2)	444 [§] (0.9)	—	Lab. (1,052)	78.4
By-election 24.3.83	18,132 (34.8)	20,544 (39.5)	12,735 (24.5)	590 (1.2)	—	Lab. (2,412)	80.0

* Candidate or candidates lost deposit.

@ Candidate or candidates lost deposit.

† Candidate or candidates lost deposit.

‡ Candidate lost deposit

§ Candidate or candidates lost deposit.

APPENDIX II

GENERAL ELECTION STATISTICS 1945–1979

Table 1—Votes Cast, Electorate, and Turnout at General Elections, 1945–1979 (UK)^{2,5}

General Election	Conservative ¹ ₄	Labour ⁴	Liberal	Others	Total Votes Cast	Electorate	Percentage Voting ³
1945	9,972,010 (39.6%)	11,967,746 (48.0%)	2,252,430 (9.0%)	903,009 (3.4%)	25,095,195	33,240,391	72.8
1950	12,492,404 (43.5%)	13,266,176 (46.1%)	2,621,487 (9.1%)	391,057 (1.3%)	28,771,124	34,412,255	83.9
1951	13,718,199 (48.0%)	13,948,883 (48.8%)	730,546 (2.6%)	198,966 (0.6%)	28,596,594	34,919,331	82.6
1955	13,310,891 (49.7%)	12,405,254 (46.4%)	722,402 (2.7%)	321,182 (1.2%)	26,759,729	34,852,179	76.8
1959	13,750,875 (49.3%)	12,216,172 (43.9%)	1,640,760 (5.9%)	254,845 (0.9%)	27,862,652	35,397,304	78.7
1964	12,002,642 (43.4%)	12,205,808 (44.1%)	3,099,283 (11.2%)	349,415 (1.3%)	27,657,148	35,894,054	77.1
1966	11,418,455 (41.9%)	13,096,629 (48.1%)	2,327,457 (8.5%)	422,206 (1.5%)	27,264,747	35,957,245	75.8
1970	13,145,123 (46.4%)	12,208,758 (43.1%)	2,117,035 (7.5%)	873,882 (3.0%)	28,344,798	39,342,013	72.0
1974 (Feb) ⁴	11,872,180 (37.8%)	11,646,391 (37.1%)	6,058,744 (19.4%)	1,762,847 (5.7%)	31,340,162	39,770,724	78.8
1974 (Oct) ⁴	10,462,583 (35.8%)	11,457,079 (39.2%)	5,346,754 (18.3%)	1,922,762 (6.7%)	29,189,178	40,072,971	72.8
1979	13,697,923 (43.9%)	11,532,218 (36.9%)	4,313,804 (13.8%)	1,677,417 (5.4%)	31,221,362	41,095,649	76.0

¹ Including National, National Liberal and National Labour in 1945.

² Percentages are of total votes cast.

³ As percentage of electorate.

⁴ The Conservative total excludes all types of Unionist candidates in Northern Ireland, but includes the Speaker of the House of Commons.

The Labour total excludes the five (three in October) candidates of the Northern Ireland Labour Party. The total for Others includes all candidates contesting seats in Northern Ireland.

Table 1—Votes Cast, Electorate, and Turnout at General Elections, 1945–1979 (UK)^{2,5}

General Election	Conservative ¹ ₄	Labour ⁴	Liberal	Others	Total Votes Cast	Electorate	Percentage Voting ³
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⁵ Figures for 1945 adjusted to allow for two-member seats.

Sources: F. W. S. Craig, “British Parliamentary Election Statistics 1832–1980”, and *Political Companion*.

Table 2—Votes Cast, Electorate, and Turnout at General Elections, 1945—1979 (England)²

General Election	Conservative ¹	Labour	Liberal	Others	Total Votes Cast	Electorate	Percentage Voting
1945	8,269,191 (40.2%)	9,972,519 (48.5%)	1,913,917 (9.4%)	383,393 (1.9%)	20,539,020	27,045,729	73.4
1950	10,499,392 (43.8%)	11,050,966 (46.2%)	2,248,127 (9.4%)	155,963 (0.6%)	23,954,448	28,374,288	84.4
1951	11,622,704 (48.8%)	11,630,467 (48.8%)	537,434 (2.3%)	35,490 (0.1%)	23,826,095	28,813,343	82.7
1955	11,165,436 (50.4%)	10,355,892 (46.8%)	571,034 (2.6%)	43,768 (0.2%)	22,136,130	28,790,285	76.9
1959	11,559,240 (49.9%)	10,085,097 (43.6%)	1,449,593 (6.3%)	33,839 (0.2%)	23,127,769	29,303,126	78.9
1964	10,106,028 (44.1%)	9,982,360 (43.5%)	2,775,752 (12.1%)	73,111 (0.3%)	22,937,251	29,804,627	77.0
1966	9,692,356 (42.7%)	10,886,408 (48.0%)	2,036,793 (9.0%)	77,138 (0.3%)	22,692,695	29,894,141	75.9
1970	11,282,524 (48.3%)	10,131,555 (43.4%)	1,853,616 (7.9%)	93,201 (0.4%)	23,360,896	32,737,025	71.4
1974 (Feb)	10,508,977 (40.2%)	9,842,468 (37.6%)	5,574,934 (21.3%)	215,239 (0.9%)	26,141,618	33,093,667	78.9
1974 (Oct)	9,414,008 (38.9%)	9,695,051 (40.1%)	4,878,792 (20.2%)	203,217 (0.8%)	24,191,068	33,341,372	72.5
1979	12,255,514 (47.2%)	9,525,280 (36.7%)	3,878,055 (14.9%)	313,401 (1.2%)	25,972,250	34,211,471	75.9

¹ Up to 1966 total for Conservative includes Conservative and National Liberal and Conservative candidates.

² Percentages are of total votes cast.

Sources: F. W. S. Craig, “British Parliamentary Election Statistics 1832–1980”, and *Political Companion*.

Table 3—Votes Cast, Electorate, and Turnout at General Elections 1945–1979³ (Scotland)^{2,3}

General Election	Conservative ¹	Labour	Liberal	SNP	Others	Total Votes Cast	Electorate	Percentage Voting
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Table 3—Votes Cast, Electorate, and Turnout at General Elections 1945–1979³ (Scotland)^{2 3}

General Election	Conservative¹	Labour	Liberal	SNP	Others	Total Votes Cast	Electorate	Percentage Voting
1945	964,143 (41.1%)	1,144,310 (47.6%)	132,849 (5.0%)	30,595 (1.2%)	117,995 (5.1%)	2,389,892	3,343,120	69.0
1950	1,222,010 (44.8%)	1,259,410 (46.2%)	180,270 (6.6%)	9,708 (0.4%)	55,286 (2.0%)	2,726,684	3,370,190	80.9
1951	1,349,298 (48.6%)	1,330,244 (47.9%)	76,291 (2.7%)	7,299 (0.3%)	14,705 (0.5%)	2,777,837	3,421,419	81.2
1955	1,273,942 (50.1%)	1,188,058 (46.7%)	47,273 (1.9%)	12,112 (0.5%)	21,869 (0.8%)	2,543,254	3,387,536	75.1
1959	1,260,287 (47.2%)	1,245,255 (46.7%)	108,963 (4.1%)	21,738 (0.8%)	31,270 (1.2%)	2,667,513	3,413,732	78.1
1964	1,069,695 (40.6%)	1,283,667 (48.7%)	200,063 (7.6%)	64,044 (2.4%)	17,070 (0.7%)	2,634,539	3,393,421	77.6
1966	960,675 (37.7%)	1,273,916 (49.9%)	172,447 (6.8%)	128,474 (5.0%)	16,868 (0.6%)	2,552,380	3,359,891	76.0
1970	1,020,674 (38.0%)	1,197,068 (44.5%)	147,667 (5.5%)	306,802 (11.4%)	16,024 (0.6%)	2,688,235	3,629,017	74.1
1974 (Feb)	950,668 (32.9%)	1,057,601 (36.6%)	229,162 (8.0%)	633,180 (21.9%)	16,464 (0.6%)	2,887,075	3,656,467	79.0
1974 (Oct)	681,327 (24.7%)	1,000,581 (36.3%)	228,855 (8.3%)	839,617 (30.4%)	7,721 (0.3%)	2,758,101	3,686,792	74.8
1979	916,155 (31.4%)	1,211,445 (41.6%)	262,224 (9.0%)	504,259 (17.3%)	22,554 (0.7%)	2,916,637	3,795,865	76.8

¹ Up to, and including, the 1964 General Election the total Conservative vote in Scotland includes votes cast for Conservative candidates and for the National Liberal and Conservative Organisation (i.e. a joint candidate of the Conservative Party and the National Liberal Organisation).

² Figures for 1945 adjusted to allow, for two-member seats.

³ Percentages are of total votes cast.

Sources: F. W. S. Craig, "British Parliamentary Election Statistics 1832–1980", and *Political Companion*.

Table 4—Votes Cast, Electorate, and Turnout at General Elections 1945–1979 (Wales)³

General Election	Conservative¹	Labour	Liberal	Plaid Cymru	Others	Total Votes Cast	Electorate	Percentage Voting
1945 ²	316,729 (23.8%)	779,184 (58.5%)	198,553 (14.9%)	14,321 (1.1%)	21,884 (1.7%)	1,330,671	1,798,199	75.7

Table 4—Votes Cast, Electorate, and Turnout at General Elections 1945–1979 (Wales)³

General Election	Conservative ¹	Labour	Liberal	Plaid Cymru	Others	Total Votes Cast	Electorate	Percentage Voting
1950	418,668 (27.4%)	887,984 (58.1%)	193,090 (12.6%)	17,580 (1.2%)	11,232 (0.7%)	1,528,554	1,802,356	84.8
1951	471,269 (30.9%)	925,848 (60.5%)	116,821 (7.6%)	10,920 (0.7%)	4,591 (0.3%)	1,529,449	1,812,664	84.4
1955	428,866 (29.9%)	825,690 (57.6%)	104,095 (7.3%)	45,119 (3.1%)	29,594 (2.1%)	1,433,724	1,801,217	79.6
1959	486,335 (32.6%)	841,450 (56.5%)	78,951 (5.3%)	77,571 (5.2%)	6,950 (0.4%)	1,491,257	1,805,686	82.6
1964	425,022 (29.4%)	837,022 (57.9%)	106,114 (7.3%)	69,507 (4.8%)	9,377 (0.6%)	1,447,042	1,805,454	80.1
1966	396,795 (27.9%)	863,692 (60.6%)	89,108 (6.3%)	61,071 (4.3%)	12,769 (0.9%)	1,423,435	1,800,925	79.0
1970	419,884 (27.7%)	781,941 (51.6%)	103,747 (6.8%)	175,016 (11.5%)	35,966 (2.4%)	1,516,554	1,958,778	77.4
1974 (Feb)	412,535 (25.9%)	745,547 (46.8%)	255,423 (16.0%)	171,374 (10.7%)	8,964 (0.6%)	1,593,843	1,993,931	79.9
1974 (Oct)	367,230 (23.9%)	761,447 (49.5%)	239,057 (15.5%)	166,321 (10.8%)	3,785 (0.3%)	1,537,840	2,008,284	76.6
1979	526,254 (32.2%)	795,493 (48.6%)	173,525 (10.6%)	132,544 (8.1%)	8,772 (0.5%)	1,636,588	2,061,109	79.4

¹ Up to, and including, the 1966 General Election the total Conservative vote in Wales includes votes cast for Conservative and for the National Liberal candidates and for candidates of the National Liberal and Conservative Organisation.

² Figures for 1945 adjusted to allow for two-member seats.

³ Percentages are of total votes cast.

Sources: F. W. S. Craig, “British Parliamentary Election Statistics 1832–1980”, and *Political Companion*.

Table 5 – Profile of Party Support in February 1974, October 1974 and May 1979 General Elections

	Feb 1974	Oct 1974	May 1979
	%	%	%
<i>Men</i>			
Conservative	35	32	43
Labour	42	43	40
Liberal	19	18	13
Others	4	7	4
<i>Women</i>			

Table 5 – Profile of Party Support in February 1974, October 1974 and May 1979 General Elections

	Feb 1974	Oct 1974	May 1979
	%	%	%
Conservative	42	39	47
Labour	35	38	35
Liberal	21	20	15
Others	2	3	3
<i>18–24</i>			
Conservative	24	24	42
Labour	46	42	41
Liberal	25	27	12
Others	5	7	5
<i>25–34</i>			
Conservative	35	33	43
Labour	40	38	38
Liberal	21	24	15
Others	4	5	4
<i>35–54</i>			
Conservative	37	34	46
Labour	40	42	35
Liberal	19	20	16
Others	4	4	3
<i>55+</i>			
Conservative	46	42	47
Labour	33	40	38
Liberal	19	14	13
Others	2	4	2
<i>ABC1.</i>			
Conservative	57	56	59
Labour	20	19	24
Liberal	21	21	15
Others	2	4	2
<i>C2</i>			
Conservative	29	26	41
Labour	48	49	41
Liberal	19	20	15
Others	4	5	3
<i>DE</i>			
Conservative	28	22	34
Labour	49	57	49
Liberal	19	16	13

Table 5 – Profile of Party Support in February 1974, October 1974 and May 1979 General Elections

	Feb 1974	Oct 1974	May 1979
	%	%	%
Others	4	5	4
<i>Trade Unionists</i>			
Conservative	23	23	33
Labour	55	55	51
Liberal	19	16	13
Others	3	6	3
<i>Non-Trade Unionists</i>			
Conservative	45	41	50
Labour	32	35	32
Liberal	21	21	14
Others	2	3	4

(Source: MORI—*British Public Opinion: General Election 1979*)

APPENDIX III

BY-ELECTIONS SINCE MAY 1979 (GREAT BRITAIN)

VOTING STATISTICS

Constituency	Con	Lab.	Lib./SDP	Other	SNP	Winning Party	Turnout
	Vote (%)	Vote (%)	Vote (%)	Vote (%)	Vote (%)	(majority)	%
Manchester Central							
May 1979							
General election	4,413 (22.1)	14,117 (70.8)	1,052* (5.3)	365* (1.8)	—	Lab. (9,704)	63.7
By-election 27.9.79	1,275* (12.0)	7,494 (70.7)	1,502 (14.2)	328* (3.1)	—	Lab. (5,922)	33.6
Hertfordshire S.W.							
May 1979							
General election	33,112 (54.7)	16,784 (27.7)	9,808 (16.2)	839* (1.4)	—	Con. (16,328)	79.7
By-election 13.12.79	17,031 (45.9)	10,259 (27.7)	8,752 (23.6)	1,038* (2.8)	—	Con. (6,772)	48.3
Southend East							
May 1979							
General election	22,413 (56.1)	11,639 (29.1)	5,244 (13.1)	676* (1.7)	—	Con. (10,774)	70.1
By-election 13.3.80	13,117	12,687	8,939	894*	—	Con.	62.5

BY-ELECTIONS SINCE MAY 1979 (GREAT BRITAIN)

VOTING STATISTICS

Constituency	Con	Lab.	Lib./SDP	Other	SNP	Winning Party	Turnout
	Vote (%)	Vote (%)	Vote (%)	Vote (%)	Vote (%)	(majority)	%
	(36.8)	(35.6)	(25.1)	(3.5)		(430)	
Glasgow Central							
May 1979							
General election	1,937 (16.4)	8,542 (72.5)	—	—	1,308 [®] (11.1)	Lab. (6,605)	59.5
By-election 26.6.80	707 [®] (8.8)	4,902 (60.8)	—	337 [®] (4.1)	2,122 (26.3)	Lab. (2,780)	42.8
Warrington							
May 1979							
General election	9,032 (28.8)	19,306 (61.1)	2,833 [®] (9.1)	144 [®] (10.5)	—	Lab. (10,274)	71.3
By-election 16.7.81	2,102 [®] (7.1)	14,280 (48.4)	12,521 (42.4)	605 [®] (2.1)	—	Lab. (1,759)	67.0
Croydon N.W.							
May 1979							
General election	19,928 (49.4)	16,159 (40.1)	1,239 [®] (10.5)	—	—	Con. (3,769)	72.5
By-election 22.10.81	10,546 (30.5)	8,967 (26.0)	13,800 (40.0)	1,229 [®] (3.5)	—	Lib./SDP (3,254)	62.5
Crosby							
May 1979							
General election	34,768 (57.0)	15,496 (25.4)	9,302 (15.2)	1,489 [®] (2.4)	—	Con. (19,272)	75.2
By-election 26.11.81	22,829 (39.8)	5,450 [®] (9.5)	28,118 (49.1)	900 [®] (1.6)	—	Lib./SDP (5,289)	68.9
Glasgow Hillhead							
May 1979							
General election	12,368 (41.1)	10,366 (34.4)	4,349 (14.4)	—	3,050 [†] (10.1)	Con. (2,002)	75.7
By-election 23.3.82	8,068 (26.6)	7,846 (25.8)	10,106 (33.4)	839 (2.8)	3,416 [†] (11.3)	SDP/Lib. (2,038)	75.5
Beaconsfield							
May 1979							
General election	31,938 (61.7)	10,433 (20.1)	8,853 (17.1)	548 [†] (1.1)	—	Con. (21,505)	76.2
By-election 27.5.82	23,049	3,886 [†]	9,996 [†]	375 [†]	—	Con.	—

BY-ELECTIONS SINCE MAY 1979 (GREAT BRITAIN)

VOTING STATISTICS

Constituency	Con	Lab.	Lib./SDP	Other	SNP	Winning Party	Turnout
	Vote (%)	Vote (%)	Vote (%)	Vote (%)	Vote (%)	(majority)	%
	(61.8)	(10.4)	(26.8)	(1.0)		(13,053)	53.1
Mitcham and Morden							
May 1979							
General election	21,850 (43.9)	21,668 (45.2)	4,258 [†] (8.9)	966 [†] (2.0)	— —	Lab. (618)	76.9
By election 3.6.82	13,306 (43.4)	7,475 (24.4)	9,032 (29.4)	850 [†] (2.8)	— —	Con. (4,274)	47.9 —
Coatbridge and Airdrie							
May 1979							
General election	12,442 (27.5)	27,598 (60.9)	— —		5,260 [†] (11.6%)	Lab. (19,156)	75.3
By-election 24.6.82	9,118 (26.3)	19,208 (55.1)	2,873 (8.2)		3,652 [†] (10.4)	Lab. (10,090)	56.3
Gower							
May 1979							
General Election	14,332 (30.5)	24,963 (53.2)	4,245 [‡] (9.1)	3,357 [‡] (7.2)	— (—)	Lab. (10,641)	80.8
By-election 16.9.82	8,690 (22.1)	17,095 (43.5)	9,875 (25.1)	3,431 [‡] (8.7)	228 (0.6)	Lab. (17,220)	65.4
Peckham							
May 1979							
General Election	9,553 (28.1)	20,364 (59.8)	2,607 [‡] (7.7)		1,503 (4.4)	Lab. (10,811)	57.7
By-election 28.10.82	2,800 [‡] (12.4)	11,359 (50.4)	7,418 (32.9)		976 (4.3)	Lab. (3,931)	37.9
Birmingham Northfield							
May 1979							
General Election	25,304 (45.4)	25,000 (45.1)	4,538 (8.1)		758 (1.4)	Con. (204)	70.6
By-election 28.10.82	15,615 (35.6)	15,904 (36.3)	11,453 (26.1)		883 (2.0)	Lab. (289)	54.0
Glasgow Queen's Park							
May 1979							

BY-ELECTIONS SINCE MAY 1979 (GREAT BRITAIN)

VOTING STATISTICS

Constituency	Con	Lab.	Lib./SDP	Other	SNP	Winning Party	Turnout
	Vote (%)	Vote (%)	Vote (%)	Vote (%)	Vote (%)	(majority)	
General Election	5,642 (24.0)	15,120 (64.4)	—	2,276 [‡] (9.7)	454 (1.9)	Lab. (9,478)	68.4
By-election 2.12.82	1,888 [‡] (11.9)	8,851 (56.0)	+1,487 [‡] (9.4)	3,157 (20.0)	418 (2.9)	Lab. (5,694)	46.9
Bermondsey							
May 1979							
General election	7,582 (24.9)	19,338 (63.6)	2,072 ^{\$} (6.8)	1,414 (4.7)	—	Lab. (11,756)	59.3
By-election 24.2.83	1,631 ^{\$} (5.5)	7,698 (26.1)	17,017 (57.7)	3,143 (10.7)	—	SDP Gain (9,319)	57.7
Darlington							
May 1979							
General election	21,513 (43.4)	22,565 (45.5)	5,054 ^{\$} (10.2)	444 ^{\$} (0.9)	—	Lab. (1,052)	78.4
By-election 24.3.83	18,132 (34.8)	20,544 (39.5)	12,735 (24.5)	590 (1.2)	—	Lab. (2,412)	80.0

* Candidate or candidates lost deposit.

@ Candidate or candidates lost deposit.

† Candidate or candidates lost deposit.

‡ Candidate lost deposit

\$ Candidate or candidates lost deposit.

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