

21/11

Chanarod

59

CONFIDENTIAL

- 1 ~~MR UNWIN~~
- 2 CHANCELLOR

- cc Chief Secretary
- Financial Secretary
- Minister of State (C)
- Minister of State (L)
- Sir Douglas Wass
- Sir Lawrence Airey
- Sir Fred Atkinson
- Mr Byatt
- Mr Littler
- Mr Shepherd SD
- Mr Moore IA
- Mrs Stamler SD
- Mr Hosker T. Sol.
- Mr Cardona
- Mr Cropper
- Mr Ridley

INDUSTRY BILL: AMENDMENT TO REPEAL BRAY REQUIREMENT

1. At your meeting on 30 October about the Industry Act forecast you asked for a note on the feasibility of an amendment to the Industry Bill that would repeal Schedule 5 of the 1975 Industry Act, which obliges the Treasury to publish computer-based forecasts. (A copy of Schedule 5 is attached.) One suggestion was that the government might get a sympathetic backbencher to put down such an amendment.

2. A quick investigation reveals the following.

a. such an amendment would certainly be within the ambit of the present Bill, which specifically states one of its purposes to be to "amend ... the Industry Act 1975".

b. the second reading of the Bill is on 6 November, with Committee stage planned to begin on 13 or 20 November.

c. there are already doubts as to whether it will prove possible to get Royal Assent for the Bill before the end of March 1980. At least part of the £100m of NEB asset disposals assumed for 1979-80 would then be delayed. (The 30 October letter from the Industry Secretary refers.)

3. Clearly from the technical point of view there would be no great problem in getting a backbench amendment tabled and accepted for debate. If you were to favour such a course you would want to discuss the matter with the Prime Minister and DoI Ministers. The latter, from their own departmental interest, might not welcome a contentious amendment of this kind that would threaten to further delay the passage of what is already likely to be a hotly-contested Bill. Subject to separate advice that IA will be putting forward on the Industry Secretary's letter of 30 October, it does however seem unlikely that this consideration is crucial: a debate on repealing Schedule 5 of the 1975 Act would be unlikely in itself to trigger slippage into 1980-81.

4. However there are wider considerations involved, some of which were mentioned in Mr Shepherd's submission of 6 August. First there is the obvious point that as the Bray requirement was made law largely on the basis of Conservative votes, there could be great political embarrassment in the Government now supporting a backbench amendment to repeal it. The recent emphasis on open government and the likely expectations of the new Treasury Committee point the same way. A free Vote would seem unlikely to produce a majority for repeal. But you and your colleagues will be able to judge this aspect.

5. A second consideration is the fact that quite apart from the Bray requirement it has been the practice to publish some forecasts (eg of the PSBR) at Budget time. Moreover there is the need to supply and to publish assumptions (admittedly not forecasts) of the RPI, earnings and other variables for use by the Government Actuary and others. So repeal of the Bray requirement would not be a complete answer to the awkwardness of having to put government figures of some kind into circulation, with attendant effects on expectations. It should be noted too that, as Sir Fred Atkinson commented on Mr Shepherd's minute, the legal requirement imposed by Schedule 5 of the 1975 Act is in

6

fact pretty loose. We have some flexibility in deciding what variables to publish and you are indeed thinking of dropping any PSBR forecast from the Industry Act forecast to be published later this month.

6. The judgement you need to make is obviously a political one. However for what it is worth the view of officials is still that, whilst it remains perfectly feasible to attempt repeal, the prospects of success and the benefits it would bring probably would not justify the risks and costs involved. If you do go for repeal it would be helpful to have a decision in a week or so so that a suitable amendment could be drafted and a willing backbencher lined up in time for a Committee Stage beginning on 13 November.

[Handwritten signature]
1/x.1/79.

[Handwritten signature]

M T FOLGER

1 November 1979