THE CENTRE FOR POLICY STUDIES

ANNUAL MEETING

Monday 28th February 1983

Ballroom

SPEAKERS

The Hyde Park Hotel, Knightsbridge, London SW1

A) A) A. HUGH THOMAS

Mr Alfred Sherman

🖌 Air Vice-Marshal Stewart Menaul Defence Study Group

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Lord Cayzer

Lord Thomas

Fund RAISING

Director of Studies Defence Study Group

Hon Treasurer

Chairman

THE PRIME MINISTER

THE CENTRE FOR POLICY STUDIES

REPORTS OF THE STUDY GROUPS 1982 - 1983

		page
I	COMMUNICATIONS	1
II	CRIME & JUVENILE DELINQUENCY	2
III	DEFENCE	3
IV	DE-REGULATION	4
v	EDUCATION	5
VI	EMPLOYMENT AND THE ECONOMY	6
VII	ENERGY	7
VIII	HEALTH	8
IX	NATIONALISED INDUSTRIES	9
х	PERSONAL CAPITAL FORMATION	10
XI	SOVIET RELATIONS	11
XII	TRADE UNION REFORM COMMITTEE	12
XIII	TRANSPORT	13
XIV	URBAN LAND & HOUSING	14
XV	PUBLICATIONS	15

We have pleasure in circulating these reports for the interest of our donors and members of groups.

Lord Thomas of Swynnerton Chairman

Alfred Sherman Director of Studies

Centre for Policy Studies

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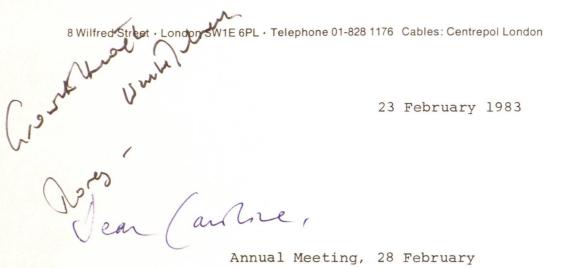
- 1 Lord Thomas. Introduction and Study Group Reports.
- 2 Air Vice-Marshal Stewart Menaul. Defence.
- 3 Alfred Sherman. Economics Study Group.
- 4 Lord Cayzer. Treasurer's Report.
- 5 The Prime Minister.

Directors: Lord Thomas (*Chairman*) Lord Cayzer (*Hon Treasurer*) Alfred Sherman (*Director of Studies*) Simon Webley Secretary: Nathalie Brooke

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To secure fuller understanding of the methods available to improve the standard of living, the quality of life and the freedom of choice of the British people, with particular attention to social market policies.

Centre for Policy Studies



Thank you so much for your letter of the 17th February.

I am enclosing a copy of our Study Group Reports, a list of speakers and three lists of those who have accepted our invitation to be present: donors, members of study groups and special guests.

Please let me know if there is anything else that is required.

All best wishes,

Male

Miss Caroline Stephens

Directors: Lord Thomas (*Chairman*) Lord Cayzer (*Hon Treasurer*) Alfred Sherman (*Director of Studies*) Simon Webley Secretary: Nathalie Brooke

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/

I	COMMUNICATIONS	1
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III	DEFENCE	3
IV	DE-REGULATION	4
V	EDUCATION	5
VI	EMPLOYMENT AND THE ECONOMY	6
VII	ENERGY	7
VIII	HEALTH	8
IX	NATIONALISED INDUSTRIES	9
Х	PERSONAL CAPITAL FORMATION	10
XI	SOVIET RELATIONS	11
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Lord Thomas of Swynnerton Alfred Sherman Chairman Director of Studies COMMUNICATIONS

The Group was formed in mid-1981 to explore political, economic and constitutional implications of technological changes affecting communications in the United Kingdom, particularly against the background of the arrival of direct broadcasting by satellite (DBS) and cable television.

The Group reported to the Minister for Information Technology, Kenneth Baker, by the end of 1981. Our reports were subsequently published as a memorandum of evidence to the Hunt Inquiry into the future of broadcasting and cable technology. We were gratified to see that in many respects the Hunt Report reflected recommendations made by the Group. The principal ones were:

- i) urgent priority to be given to the "re-cabling" of Britain;
- ii) the minimum of regulations;
- iii) there should be a separation between the programme providers and the cable owners, and
 - iv) cable should be able to accept advertisements.

Not all our recommendations were followed by Hunt. For example, we recommended that:

- i) there should be a new body set up to oversee the development of cable and to supervise the existing broadcasting arrangements along the lines of the Federal Communications Commission in the USA. It would replace the Independent Broadcasting Authority and the Board of Governors of the BBC and would avoid, therefore, the need to set up a third "quango" for cable;
- ii) there should be arrangements for "pay as you view", and
- iii) responsibility for the development of cable and the future of broadcasting should be removed from the Home Office to a more technologically aware government department, perhaps the Department of Industry.

The Communications Group will maintain a watching brief. It is also being expanded and re-convened to consider the presentation of politics and policies to and by the media here in the United Kingdom.

- 1 -

The Crime & Juvenile Delinquency Study Group are preparing a report on the police and on police evidence in the courts. We are concerned at the public's loss of confidence in the police force coupled with allegations of perjury, corruption and race discrimination. Whilst supporting the police as much as possible, we are studying the following important matters: police recruitment and training; direct entry into commissioned rank as a method of improving the quality of recruits - the establishment of a Crown Prosecution System to remove prosecutions from the police; and the whole problem of the interviews of suspects by police officers and their evidence of resultant admissions and confessions.

We are examining the position of Probation Officers in the criminal system, concerned that their attitude is becoming increasingly one of protecting the criminal from the effects of the criminal law rather than one of supervision of the criminal in the interests of the public. We seek firstly to reduce the functions of the Probation Service to its original purpose of assisting in the rehabilitation of criminals and secondly to transfer the supervision of criminals to a new Criminal Supervision Order and to a new and tougher body, possibly to be called a Punishment Enforcement Service, interested less in helping the offender and more in making sure that he behaves himself.

We believe that the whole idea of criminal compensation should be greatly extended, that there should be new and simplified criminal compensation proceedings, possibly to be heard in the Magistrates Court; that orders for compensation should be made more frequently, not only against criminals, but in the case of juveniles in appropriate cases, against educational or sporting authorities and in particular football clubs where the crime is committed through the failure of the body concerned to take proper care to prevent injuries.

We are studying the prevention of two of the most worrying crimes, robbery and burglary: firstly by the proper deployment of the police force available and secondly by encouraging householders to co-operate with crime prevention officers and to install appropriate locks and even burglar alarms. The installation of these would be greatly encouraged if their cost could be made tax - or rate - deductible.

These are some of the matters which will concern us during the months ahead.

- 2 -

DEFENCE

The newly formed Defence Group has concentrated on the question of a long-term defence policy for Britain. It has sought to map out all dimensions of defence moral, economic and political - in an attempt to provide an educated guess about the requirements for a defence policy in the next twenty years.

The Group set out to identify our existing defence commitments, and the combination of strategy and weapon systems needed to meet these obligations, taking into account the implications of the rate of technological advance to defence strategy.

Our commitment to NATO, including the defence of these islands, our residual colonial responsibilities, and the defence of vital overseas interests, including sea lanes, present us with what can only be a choice of priorities, since there is no way we can meet all these tasks with the resources available, or likely to be available, in the remainder of this decade. We have thought of ways whereby some of the commitments out of the area of NATO might be shared with others.

It has seemed that our foreign policy may be insufficiently conceptualised. Perhaps it sometimes lacks a coherent "world view". Policy has been perhaps made with insufficient reference to the ability to defend the interest concerned. We are sceptical whether the nature of the Soviet commitment to ideology is adequately borne in mind. The Ministry of Defence is, in turn, geared to definition of needs by the Foreign Office. The Chief of Defence Staff's statement that there were no contingency plans for the defence of the Falkland Islands, nor for their re-possession in the event of invasion, seemed disturbing. Are there contingency plans for all our other responsibilities throughout the world? Should there be? Is our current organisation of defence intelligence and external affairs adequate for decision making?

The Group will seek to produce discussion papers for limited circulation.

The De-regulation Study Group was recently formed in close consultation with Ministers concerned with Trade and Consumer Affairs.

The most insidious danger in the vast labyrinth of regulations in Britain is that they have grown up almost invisibly so that, despite the stifling effect they have on the economy, they are so much part of the institutional furniture of our over-governed society that we assume them to be inevitable and inescapable.

The Group has started by highlighting some of the lessons of the American experience, the main lesson being that it is necessary to regulate the regulators and make them subject to controls over their freedom to regulate others. To ensure that the control problem is tackled on a long term basis, there must also be a regular and systematic review procedure for existing regulations, including "sunset legislation" aimed at phasing-out regulations for which there remains no clear justification.

Our methodological approach will be: identification and categorisation of regulations, followed by establishment of a priority list for de-regulation, starting with those which are considered the most economically damaging. Each regulation will be reviewed in turn and its objectives compared with the results. Where, as is usually the case, the results on balance are bad, the simplest method of abolition or reduction of its harmful effects will be shown.

In those cases where continued regulation may be necessary, we will seek the abolition of the "command and control" approach, which should be the last resort of lawmakers in a free society, and substitute market penalties. For example, instead of commanding car passengers to wear seat belts, how much better to require car insurance companies to pay for the cost of hospital treatment for the victims of accidents who fail to "clunk-click".

The following random list of areas of regulations to be examined gives some idea of the extent of the regulation problem:

> Minimal wages imposed by Wages Councils. Rent control. Employment protection. Consumer protection. Work and product safety. Passenger transport licensing. Building regulations. Retail trading hours. Licensing hours. Sunday entertainment and sport. Town & Country planning. Control of drugs. EEC harmonisation regulations on all the above.

> > - 4 -

EDUCATION

The Education Study Group draws its distinguished members from a wide range of educational activities, including primary and secondary schools, teachers' training, and further and higher education. The Group is dedicated to the furtherance of accountability in education and promotion of the ideals of freedom and individual responsibility.

During the past year our first book "The Right to Learn" was published, a symposium on state education as it is and possible ways forward. The publication received wide media coverage both nationally and locally and in professional journals.

This substantial impact has encouraged us to proceed with our second book on the theme of freedom. This will consider various aspects of the relationship between education and freedom and will include discussion of the financial implications of policies designed to increase freedom, such as educational vouchers and student loans; it will also contain some practical advice on how to establish a new independent school.

Regular meetings with Sir Keith Joseph and Dr Rhodes Boyson were supplemented by papers written and circulated to Ministers and influential backbenchers. These include:

- i) Voluntary membership of student unions, by Antony Flew;
- ii) Demographic factors affecting the numbers taking 'A' levels and the age participation rate in higher education, by Wilson Longden;
- iii) Current threat to church schools from the Labour Party and ILEA, by Caroline Cox and John Marks;
 - iv) Education vouchers: a reply to the DES, by Antony Flew;
 - v) Specialist comprehensive schools
 centres of excellence within
 the state system, by Caroline
 Cox and John Marks;
 - vi) Teacher training, by Arthur Pollard, and
- vii) Responses to "Clever Children in Comprehensive Schools" which was written by Auriol Stevens of "The Observer".

The Group's programme for this year includes: the relationship between academic freedom and anti-academic bias; recommendations for more diversity of types of educational institutions; and advocacy of more freedom of choice and responsibility for parents through the provision of more information and more effective right of appeal.

- 5 -

EMPLOYMENT & THE ECONOMY

The Employment and the Economy Study Group was recently formed to remedy the inadequacy of present information, from both public and private sources, on the nature and working of the economy and labour market, and on the scope for growth and new self-sustaining employment opportunities. Two projects have been initiated:

i) A study of the current unemployment and of the supply and demand for different types of labour:

- measuring employment, unemployment and labour demand, and the black economy;
- analysing the main industrial and sub-industrial groups;
- attempting to clearly define employment groups, full-time, part-time and self-employed; and
- forecasting future supply and demand for labour.

ii) A profile of growth segments - present and potential - in the economy.

After many years of heavy state intervention and ownership dedicated to achieving greater economic efficiency, well-being and equity, our use of resources is less efficient and less equitable and we are less well-off, particularly if we take into account technological progress. Worse, we do not know much about the healthy sectors of the economy, nor indeed about the workings of the economy in general. What we do know is that we know less about the healthy firms which are keeping us afloat than about most of the sick ones which need propping up.

The object of this study will be to identify the healthy segments of the economy which constitute the sources of future employment, regardless of the distinction between 'goods' and 'services'. Eight to ten examples will be statistically analysed. These are the segments to which resources should be allowed to flow. These considerations will remove the rationale for vast subsidies to what seems often to be no more than "work therapy" by nationalised corporations (and some privately owned ones also) which use complementary resources, many of them imported.

The Group is mobilising practical support from research departments of merchant banks and stock-brokers. Preliminary studies, which are expected to throw new light not only on the workings of the British economy, but also on economic assessments and theory, should be ready later this year.

ENERGY

The revived Energy Study Group met for the first time in April 1982, after agreement with the Secretary of State that a study of the nationalised monopoly of the electricity supply industry would be useful. Other important topics were either too politically sensitive to be amenable to alternative economic policies in the short term (eg policy for coal), or already the subject of legislation (such as the British Gas monopoly, and privatisation of part of BNOC).

The Group welcomed the Government's stated intention to facilitate private generation of electricity for public supply, and suggests improvements to the Energy Bill. However, we regard the Bill as only a first step, the effects of which will be marginal. There remains the more fundamental problem of what to do about the nationalised electricity monopoly itself.

We believe that electricity could be both generated and marketed by a number of integrated regional entities, operating independently and with all, or at least a major part, of their capital raised privately. Research, technical co-ordination and the National Grid would be the responsibility of a separate body. Precedents for such a structure are to be found in the US, West Germany, Scandinavia and Japan. Scotland already has two integrated boards independent of the English system.

The management of each regional organisation would be entirely free to decide on its own policy regarding coal, imports of foreign fuel, nuclear energy, combined heat and power, and type and supplier of essential equipment. Only the prices might require some supervision. Unless a competitive market had already been created by earlier legislation, Ministers would no longer need to concern themselves with the minutiae of electricity supply and the National Union of Mineworkers would no longer be able to hold the electricity industry to ransom.

HEALTH

The Health Group, in its continuing study of ways to reform the National Health Service and making it more cost-effective, has decided that further attempts at reforming the administration, in the light of the unsuccessful attempts in 1974 and 1982, would be unproductive.

Health service reforms should, therefore, concentrate upon:

- i) abolition of unnecessary administrative functions;
- ii) introduction of cost-centre financial management;
- iii) determination, and publication, of unit costings for medical interventions, with special reference to comparisons between;
 - a) one NHS hospital, or region, and another such;
 - b) the NHS as it is today and as it was when it began;
 - c) the NHS and the private sector;
 - d) the NHS and public and private health services overseas;
- iv) introduction of a clear line management structure to replace the inefficient and costly "management by consensus" which now prevails.

To elicit the information necessary to allow us to begin research in these areas, the Group submitted a series of questions to the Secretary of State for Health & Social Security in September 1982. No answer has yet been received.

Our series of questions formed, however, the basis of the draft terms of reference for the Management Review recently announced by Norman Fowler in the House of Commons. We are delighted that the emphasis of the inquiry has shifted from manpower to management which it is hoped will include the specific administrative and financial issues identified above.

The Group will press for answers and on their basis will prepare detailed submissions to the Management Inquiry. We believe that there is scope for the elimination of waste and inefficiency. In our submissions we hope to be able to make detailed recommendations for curtailing administrative excess while making no difference to the care of patients.

In the longer term the Group are preparing a book entitled "Health 2000" which will study such issues as the increasing expectations of patients, demands by doctors for the latest technology in their field regardless of costs, the future of the expanding health sector and the relationship between public and private health.

NATIONALISED INDUSTRIES

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The Nationalised Industries Group consists of twelve people drawn from business, politics, finance and academic research.

It has two purposes:

- 1 To examine ways in which Nationalised Industries or parts of them can be returned to the private sector.
- 2 To make practical suggestions for the more efficient working of state owned enterprises.

This year we have concentrated on the first of these purposes though in the course of this we developed clear ideas on the most appropriate board structure for a state owned industry. In particular, that each should have a non-executive Chairman and a professional Chief Executive.

On the first purpose, the Group with its research assistance, has monitored the performance of each state-owned industry, paying special attention to the plans for denationalization and this is available in chart form. We have been heartened by the increase in pace of the actual and announced sale of companies to the general public.

In particular, we have, at the request of the Secretary of State for Industry, produced a much-discussed report "Telecommunications in Britain: Switching Direction". A panel of experts was recruited to advise on this.

Besides general meetings of members, we have discussed policy and particularly situations with:

The Rt Hon Sally Oppenheim MP	Protecting the customers of Nationalised monopolies.
The Rt Hon Nicholas Ridley MP	Treasury views on Denationalisation.
Mr Ian MacGregor	The outlook for privatising the British Steel Corporation.
The Rt Hon Patrick Jenkin MP	Department of Industry's plans for denationalisation.

To focus on the policy aspects of Nationalised Industries in the 1983-87 period, the Group is proposing to draw up a Shadow "White Paper" on the Nationalised Industries to include sections on general policy including finance as well as on plans for specific industries.

9 -

PERSONAL CAPITAL FORMATION

The work of the Personal Capital Formation Group in the last year has concentrated on the development of ideas that would promote a capital-owning democracy. We discussed this theme with Sir Geoffrey Howe, Sir Keith Joseph, Mr David Howell, Mr John Biffen, Sir Nicholas Goodison and Mr Christopher Lawson, of the Conservative Central office.

The Group are concerned that the electorate all too easily associates the Government with economic measures - that the defeat of inflation appears to them to be an end in itself, not as we know it, a means to an end. Monetary theories are difficult to grasp but personal ownership of property in all forms is something people can readily understand, want, and will vote for.

The law at present actually favours the continuing shifts of capital from the personal to the corporate sector - and for most people today ownership is ownership at second hand and such is not ownership in the motivational sense. The Group is concerned with the increasingly insidious concentration of wealth in the hands of financial institutions.

So our key suggestion is that there should be tax equality between privately invested pension funds and institutional investment. What we wish to see is a policy of allowing "self-employed" pensions for all - so that those with a company or state pension could opt for self-administration. Such a policy would give job mobility without pension penalty or revenue cost. Not least it would give a new opportunity for 24 million people to have a real sense of involvement in the industrial success of this country.

We have kept in close touch with other Centre for Policy Studies' Study Groups, particularly Nationalised Industries, where we have advocated "denationalisation from the bottom" for the Electricity Boards. In particular we believe that the statutory monopoly they enjoy should be moved back from the meter to the first transformer, thereby enabling private contractors to put in, for example, the low voltage grid in housing estates.

To match words to deeds the Group has been instrumental in securing funding for the Liverpool and Southend dustmen to help them privatise.

We have other proposals which will be submitted to Government during the course of the year.

SOVIET RELATIONS

This Group comprises a number of historians, and other students, of Soviet and Russian society. It is at the present time discussing the extent to which Soviet policy has been, and can be, influenced by Western actions in the economic sphere.

The Group has considered that Western economic strength should be put to better use in our relations with the Soviet Union. We have laid emphasis on the role of ideology in Soviet society and have argued that that is often neglected by Western politicians and commentators.

We have thought too that the West would be well served by a more carefully articulated and professional information policy, bearing in mind the immense importance given to propaganda and rumour by Communist parties since 1917.

TRADE UNION REFORM COMMITTEE

The Trade Union Reform Committee is planning to concentrate on the Secretary of State's next Bill and to support this with background argument eg the extent to which Government, Parliament and other appeals to the Trade Unions to reform themselves have been ignored.

More specifically we shall deal with:

- i) Further necessary limitations of Trade Union immunities.
- ii) Strikes in essential services.
- iii) Secret balloting on:
 - a) ending strikes; and
 - b) for election of principal Trade Union officials and committees.
 - iv) The political levy:
 - a) contracting in;
 - b) distribution according to members' wishes.
 - v) Trade Union accounts.
 - vi) Definition of Trade Unions eg independent Trade Unions and Staff Associations.
- vii) Restrictions on check-off.
- viii) Containment of closed shop practices.

TRANSPORT

During the year the work of the Transport Study Group has focussed on publicising the case for initiating largescale conversion of railway lines to roads, in order to reduce traffic congestion in towns, facilitate the movement of freight and passengers, and save the country massive subsidies, both overt and covert.

To that end a monograph by one of the Group members, Mr Angus Dalgleish, was published by the Centre for Policy Studies, under the title "The Truth about Transport". This publication was widely reported in the media and Mr Dalgleish was invited to present his views on a number of television and radio programmes and at a special meeting convened by the Institution of Civil Engineers. This coverage, and the fact that British Rail thought it necessary to publish a pamphlet presenting the case for railways, are two indications that the arguments for conversion are having some impact.

The Serpell Report, though it omitted to deal with conversion as an alternative, nevertheless confirmed many of the views about rail put forward in our study and contested at the time by British Rail apologists. It confirmed that the costs of express bus operations are only a quarter of the costs of running rail services; that there is no case to be made for rail in terms of energy savings; and that the large capital outlays entailed in railway electrification would not generate corresponding economies in operation.

The Group has been strengthened by Mr Lance Ibbotson, who recently joined, and who was General Manager of the Southern Region, British Rail. His arguments for converting rail to road have also received considerable publicity. Together with Mr Frederick Margetts, a former member of the British Rail Board, he submitted evidence along these lines to the Serpell Committee.

At a more practical level, a member of the Group, Mr Anthony Shephard, has formed a company to run minibus services in London manned by owner-drivers. His application to operate the services is now awaiting official approval.

The Group is up-dating a plan to produce a minimal London ringway of radial and orbital routes to accommodate traffic entering London on motorways and trunk routes, using railway tracks but without actually stopping the operation of existing railway passenger or freight services.

URBAN LAND & HOUSING

The Urban Land and Housing Group comprises twelve members, all with practical experience in matters of urban land and housing.

During 1982 we concentrated on the preparation of a paper dealing with three specific matters identified at a meeting with the Minister of Housing and Construction in March. A paper was submitted in July in which we put forward a number of ideas on the following matters:

- 1 Private Rented Sector an examination of the way in which net returns from rented property might be improved. We included comments upon sinking fund tax relief, a housing agency assistance scheme, depreciation allowances and suggested amendments to existing legislation on assured tenancies and approved landlords;
- 2 The Landlord's Image including ways of broadening the scope of building societies into this area; and
- 3 Shared Ownership possible ways of the private sector taking over the declining residual equity interest presently remaining with local authorities.

In addition we are working up a paper on de-regulation in the belief that, despite the progress made over the last eighteen months in the planning field, much needs to be done with regard to housing regulations and building control. The Government's proposal for self-certification is a major step in this direction but, whilst we recognise the need to balance the public interest with de-regulation on a significant scale, we believe there are further opportunities available, leading to reductions in costs.

PUBLICATIONS 1982

May <u>Written Evidence</u> by the Centre for Policy Studies Communications Group to the Home Office Inquiry on Cable Expansion and Broadcasting Policy.

July <u>Airports UK: A Policy for the UK's</u> <u>Civil Airports</u> by Michael Colvin MP, Graham Bright MP and Christopher Thompson. The first comprehensive analysis of the post-war development of Britain's airports system.

July

Telecommunications in Britain: Switching Direction by Dr Elizabeth Cottrell and Keith Boyfield. Undertaken at the suggestion of the Department of Industry, this study calls for the establishment of an interim independent regulatory authority to encourage a competitive free market in telecommunications.

September

The Right to Learn: Purpose, Professionalism and Accountability in State Education by Caroline Cox and John Marks. This collection of essays examines current educational problems and challenges "left-wing" wisdom which has been generally accepted in recent years.