



Secretary of State for Industry

DEPARTMENT OF INDUSTRY
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23 Decmeber 1981

Mike Pattison Esq
Private Secretary to
the Prime Minister
10 Downing Street
London SW1

Dear Mike

Thank you for sending me a copy of your letter of 17 December to John Halliday at the Home Office requesting brief notes on the Department's activities.

2 I attach two lists covering the Department's contribution under headings (1) and (2) in your letter. We have nothing to offer under heading (3).

Yours ever

Ian Ellison

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Private Secretary

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DEPARTMENT OF INDUSTRY - ACTIVITIES AND ACHIEVEMENTS IN 1981

1. 2200 applications processed under the "Micros in Schools" scheme launched by the PM and open from 1 June 1981. We believe that we are the only country to equip all schools in this way. (Secondary schools without a micro offered 50% funding towards one of two packages. Objective is to have a micro in every secondary school by end 1982.)
2. Location of first 30 Information Technology Centres (joint initiative between MSC and DoI) announced by Mr Kenneth Baker on 21 December. Aim is to give training to unemployed young people of modest academic achievement.
3. Over £200m has been spent by DoI on industrial R&D; towards half the money directly in industry.
4. By the end of 1981 some £38 million of the £55 million allocated to the Microprocessor Application Project (MAP) had been committed, over 34,000 places on short training courses had been created, and feasibility studies and 600 development projects involving the application of microelectronics in manufacturing industry were underway. Over 40,000 people visited the MAP Microtrain.
5. By the end of November 1981 assistance had been approved for a total of 781 (250 in 1981) projects under the Product and Process Development Scheme involving a Government contribution of £115m (£51m in 1981) towards projects costing £387m (£182m).
6. The Department announced a CAD/CAM Awareness Programme (computer aided design and manufacture) to operate over the next three years.
7. The DoI launched a support programme for robot application and manufacture. Industry has responded enthusiastically with over 1000 enquiries and 20 projects have already been approved.
8. New arrangements were announced on 20 July for the NEB and the NRDC to work together as the British Technology Group.
9. Continued success in attracting major high technology inward investment projects to the UK in the face of strong competition eg
 - England - Hewlett-Packard (Computer peripherals)
Sanyo TV
 - Wales - Mitel (PABXs)
Yuasa Battery (sealed rechargeable batteries)
 - Scotland - Burr Brown (Microelectronic components)

Jobs for these projects alone total about 4,370, many of them highly skilled.



10. 1981 was a good year for British exports of process plant. Major contracts were won by the Davy Group (a £350m steel mill in Mexico and a £1.2bn steel plant in India). Other successes included the CJB polyethylene plant in Greece, worth about £20m.

11. Important rail contracts were won in South Korea by GEC (£86m) and in Hong Kong by Metro Cammell (£70m). A consortium led by GEC secured a number of smaller rail contracts in Zimbabwe (£33m).

12. Successes in gaining export projects in the power station field were Hong Kong Castle Peak B at £550m, the turbines for Edmonton Tennessee at £33m and the turbines for Calgary at £20m. Successes in gas turbines were the generators for the Russo-German gas pipeline at £117m and in the cable field the ANZCAN cable at £170m.

13. Marconi secured a heavyweight torpedo contract against intense American competition. British Aerospace obtained orders for the AV8B (successor to the Harrier Jump Jet) and the Hawk trainer, and was involved in Airbus Industries' sale of the 500th Airbus.

14. The Department announced a £22 million scheme of assistance to help private sector steel companies undertake necessary restructuring. Assistance will be available for rationalisation projects involving new capital investment as well as for closures and redundancy costs.

15. On 29 June Allied Steel and Wire Ltd (a joint public/private venture between BSC and GKN to rationalise certain of their steel rod, wire and bar interests) started trading.

16. In 1981 productivity in BSC as a whole improved markedly, with some major plants starting to perform to best European standards. Operating losses have been cut dramatically (the rate last winter was over £10m a week but now stands at less than one-third of that figure).

17. The Government approved BL's Corporate Plan in January 1981 and agreed to provide £990m in new equity in the two years 1981/2 and 1982/3. In 1981 BL has achieved new models, increased market share, lower manpower, much higher productivity. (The Government has just approved the 1982 Corporate Plan and confirmed the funding agreed last January for 1982/3.)

18. Over £50m of bank lending has been supported under the pilot Small Business Loan Guarantee scheme in the first six months alone.

19. Over £14 million of assistance was offered under Section 8 of the Industry Act for large projects in manufacturing industry with total project costs of £112 million.



20. In the year ending 31 October, offers of regional selective assistance under Section 7 of the Industry Act 1972 totalling £103m were made in respect of 511 projects involving an estimated total investment of £1,080m. The companies concerned expect these projects to create 33,000 new jobs and safeguard a further 16,000. Expenditure under Section 7 in this period amounted to £73.8m and Regional Development Grants payments totalled £631.1m.

21. The British Telecommunications Act 1981 established British Telecom as a separate corporation from the Post Office.

22. About 50% of the Government's shares in Cables and Wireless PLC have been sold to the private sector.

23. The £50m Coal-Fired Boiler Scheme was launched to encourage the switch to a cheaper energy source. 66 applications have been received and the Department has made offers on 31 of these cases. (The scope and coverage of the Scheme is currently under review.)

24. The procedure for Exchange Risk Guarantee Scheme cases (ERGs) has been streamlined for loans of £50,000 or less. Under this scheme, very small firms can take advantage of European money with full exchange risk cover through their local bank.

25. Following the 1980 Finniston Report on the engineering profession, a new Engineering Council has been set up under Royal Charter and its Chairman and 17 members have been appointed.



DEPARTMENT OF INDUSTRY - OUTLOOK FOR 1982

1. 1982 has been designated Information Technology Year. Throughout the year a co-ordinated campaign backed by the Government and industry will aim to bring home to people the importance of information technology (IT) and to increase the awareness of the availability and application of IT products. During 1982 we shall be building on the success of the MAP Microtrain and showing sectors of industry how microprocessors can improve profitability and competitiveness.

2. Information Technology Centres could number up to 100 in the next year or so.

3. Micros in Schools scheme extended from 1 January to all secondary schools. Plan to develop similar scheme for the primary sector and to explore help for special schools.

4. Expenditure on R&D by DoI in 1982 is expected to rise to about £230m with priority being given to the support of more projects in industry.

5. Mr Lamont announced earlier this month the extension of the Exchange Risk Guarantee Scheme to 31 December 1983. This scheme enables firms, particularly small ones, to take advantage of the loan finance available from the European Investment Bank and the European Coal and Steel Community.

6. The Government hopes to be able to reach agreement with Nissan on mutually satisfactory arrangements under which they will build a car plant in the UK.

7. 1982 will see the implementation of the final stage of the changes in Assisted Areas in July 1979. From 1 August 1982 around 26% of the working population will be in Assisted Areas as opposed to 44% when the Government came into office. In this way the Government's regional industrial policy will concentrate on the areas of greatest need. (Many of the AAs which will lose AA status will be designated Derelict Land Clearance Areas and thus retain eligibility for 100% grants for approved land reclamation schemes).



8. It is hoped that another public/private joint venture in the steel sector will emerge from discussions on rationalisation in the engineering steels field where there is substantial over-capacity. (Main participants are BSC and GKN.)

9. An order suspending Industrial Development Certificate control should come into effect on 9 January. This removes a burden on industry and enables staff savings of over £100,000 a year.

10. In 1982 the Department intends to press ahead with the liberalisation of a wide range of telecommunication subscribers' apparatus. We intend to licence a competing business telecommunication network (Project Mercury) and to reach agreement with British Telecommunications on the formulation of a bond to be floated on the market.