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Secretary of State for Trade and Industry

10 August 1984

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NLS

Dr

R. Nigel

CAPACITY CONSTRAINTS IN MANUFACTURING INDUSTRY

Thank you for your letter of 19 July with which you enclosed the useful Treasury paper on this subject which I have read with interest.

2 The paper's conclusion that manufacturing output could rise by perhaps a further 10% before capacity utilisation reached the levels associated with pre-1979 peaks is most welcome. However, I am very conscious that at a disaggregated level there is considerable variation in the degree of capacity utilisation between different industries. Moreover, although I agree that the availability of plant capacity is more likely to limit the present recovery than the usual shortages of skilled labour, there are undoubtedly industries where this may not be the case; you refer in your letter to the computer industry for example.

3 You will also be aware that one of industry's major concerns at the moment is the shortage of qualified engineers. The general consensus of last month's Cambridge Manufacturing Forum, which was addressed by Kenneth Baker, was that a major obstacle to the rapid uptake of new manufacturing systems was a shortage of well qualified manufacturing engineers to conduct the strategic planning and implementation of new systems.

4 Perhaps our officials should keep in touch on this subject. I am copying this letter to the Prime Minister, and to Tom King.

Norman Tebbit

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