

Subject

cc Hager

SUMMARY OF A MEETING TO DISCUSS THE EXPENDITURE PROGRAMME
OF DEPARTMENT OF INDUSTRY: 10 DOWNING STREET: 3 OCTOBER
AT 1830 HOURS

Present: Prime Minister
 Chancellor of the Exchequer
 Secretary of State for Trade
 and Industry
 Chief Secretary
 Mr. Butler
 Mr. Turnbull

The Prime Minister said she wished the Secretary of State for Trade and Industry to serve on Lord Whitelaw's group to examine those departmental programmes where agreement had not been reached with the Treasury. This would only be possible if the Secretary of State had himself settled his programme with the Chief Secretary. E(A) had reached agreement that morning on expenditure under regional policy. What was at issue was DTI's main line programme excluding regional policy and excluding support for nationalised industries.

The Secretary of State for Trade and Industry said baseline for this expenditure was:

	£ million		
	1985-86	1986-87	1987-88
1)	783	752	773

In discussion with the Chief Secretary there had been agreement that reduced requirements, savings offered and additional bids accepted had left the programme as follows:

	Net addition to baseline		
2)	+115	+110	+21

In addition the Chief Secretary was seeking further changes which would modify the position as follows:

	Net changes from baseline		
3)	+ 82	- 37	-228

leaving	4)	Gap between SS/TI and CST	
		(difference between lines 2 and 3)	
		33	147
			249

The Secretary of State for Trade and Industry said he could not achieve cuts of the extent sought by the Treasury. This would leave his programme for support of industrial R & D with no more than was adequate to cover existing commitments. It would mean accepting no new applications after Christmas. This would represent a major change in the Government's support for new technology which would be inconsistent with the Manifesto and which, given the changes on regional policy, he could not defend.

The Chancellor argued that, with rising profits and lower Corporation Tax, industry should be prepared to take responsibility for financing more of its own research.

After some discussion the Secretary of State for Trade and Industry said he would undertake to find additional savings of:

5)	10	43	50
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which would produce a position in relation to baseline of

6)	+105	+67	-29
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and new programme totals of:

7) 888 819 744

If E(A) decisions on regional policy were taken into account the Department's total programme moved from a baseline of

8) 1227 1184 1215 to

9) 1297 1284 1092

producing changes of

10) +70 +100 -123

The Chancellor suggested that if the Secretary of State for Trade and Industry could find further savings of £3.4 million in 1985-86, the excess of baseline would be £101.6 million or the amount attributable to the decision to offer launch aid to airbus and V2500. This would enable the Secretary of State for Trade and Industry to say that with the exception of this item which stemmed from a collective decision, he had absorbed all the Department's additional bids. The Secretary of State for Trade and Industry said he was prepared to accept this as part of a settlement on all three years.

The Chief Secretary said he could accept an increase over baseline in 1985-86 in view of the extent to which the programme was already committed. The Secretary of State for Trade and Industry's offer in years 2 and 3 would not be sufficient when taken with what could be achieved on other programmes for the planning total to be held. There would inevitably be a comparison with the savings made on industrial support with those offered on agricultural support.

The discussion then moved to the proposal, agreed with the Secretary of State for Employment that the Redundancy Fund rebate to employers should be reduced from 41 to 35 per cent. The Secretary of State for Trade and Industry said he was prepared to accept this proposal despite its adverse consequences particularly for smaller employers who were not topping up the statutory redundancy payments. He commented that the benefit would be short-lived as a lower payment would bring forward a time when the Fund was moved into surplus. At this point contributions would have to be cut.

Summing up the discussion, the Prime Minister said it had not been possible to agree figures for the DTI programme in years 2 and 3 and agreement on year 1 was provisional on a settlement of the rest. She invited the Secretary of State for Trade and Industry to consider whether he could offer further savings. Meanwhile those present should reflect on the position overnight.

The meeting ended at 2000 hours.

AT

3 October 1984

JKRAHE