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CHIEF SECRETARY TO THE TREASURY

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Sir Keith Joseph Bt MP
Secretary of State
Department of Industry
Ashdown House
123 Victoria Street
London SW1

R 6/10

6 October 1980

Dear Keith,

INDUSTRY BILL: FINANCE FOR FINNISTON CHARTERED BODY AND INDUSTRY/EDUCATION ACTIVITIES

In your letter of 29 September to Geoffrey Howe you asked for agreement to include in the next Industry Bill a clause to cover funding for the new Finniston Chartered body and for various other educational activities carried out for industrial purposes.

We agree that you need specific legislative cover for the continuing but modest educational/industrial expenditures which in the past have been covered under the Appropriation Act. But the main policy issue which we did not discuss at E in August is whether powers should be taken to permit the Government to provide grants and loans for the Finniston body. You make no mention of savings to offset any additional expenditure for this purpose, but I presume that if you had to make any payments these would be financed within your programme. On this assumption and in view of our announced commitment to an Engineering Authority, I would not wish to make an issue of your request for new powers if other members of E are content.

There is an argument that your proposals require two separate clauses on the grounds that grants or loans to finance the Chartered body and the educational activities are separate purposes. On this argument the "Finniston purpose" would be dealt with in a separate clause, and should in my view be time-limited to a maximum of 3 years.

The alternative is a single clause, if it could be drafted in such a way as to give general authority for making grants and loans for educational and industrial purposes as well as for "Finniston administration". One advantage would be that there would be no need to make any specific reference to the Engineering Authority.

This might make it easier to avoid a commitment to make any payments at all for its administrative costs. But you would have to make it clear to Parliament that if the power was to be used at all for the purpose of supporting the Authority's initial administrative costs, this would depend on the private sector's failure to provide funds, and that public funds would only be used as a substitute for private finance for a maximum of 3 years. Like you I hope that any public finance can be avoided.

I am content for you to proceed along the lines of a single general clause, if colleagues in E agree.

I am copying this letter to colleagues in E and E(EA) Committees, to Mark Carlisle, Norman St.John Stevas and to Sir Robert Armstrong.

John Biffen

JOHN BIFFEN

cc AD

PRIVY COUNCIL OFFICE
WHITEHALL. LONDON SW1A 2AT

Chancellor of the Duchy of Lancaster

2 October 1980

Dear Keith

You wrote to Geoffrey Howe on 29 September seeking agreement to the addition of a further clause to next Session's Industry Bill to cover funding for the new Finniston chartered body and other industry/education activities of the Department of Industry. Provided that our colleagues are content to give you policy approval for these new proposals, I am willing to give drafting authority on the understanding that the addition will not delay the preparation of the Bill, which we still expect to be ready for introduction at the beginning of the Session.

The Bill as originally envisaged was to be a 'very short' one, and I should perhaps sound a warning that I should find it difficult to agree to any further extension of its scope.

I am copying this letter to the recipients of yours.

Yours ever
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The Rt Hon Sir Keith Joseph, Bt, MP
Secretary of State for Industry
Department of Industry
Ashdown House
123 Victoria Street
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cc A. Duguid

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Secretary of State for Industry

29 September 1980

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
The Treasury
Parliament Street
London SW1P 3HE

R 30/9

Dear Geoffrey.

INDUSTRY BILL: FINANCE FOR FINNISTON CHARTERED BODY
AND INDUSTRY/EDUCATION ACTIVITIES

1 In earlier correspondence we have agreed to the introduction of an Industry Bill early in the next session to provide for the increased financial limits which will be required for BL and Rolls Royce. In this letter I seek colleagues' agreement to the inclusion of a clause in the Bill to cover funding for the new Finniston chartered body and for the other industry/education activities carried out by the Department of Industry.

2 As I explained in my paper to E Committee I intend the Government's involvement in setting up the new chartered body to be restricted to guaranteeing loans from the private sector. I have started consultations on that basis and have made it clear that the Government will restrict its commitment to the minimum necessary, both because of expenditure constraints and my wish that the body should be independent of Government involvement. However, I cannot be certain that the chartered body will be entirely self-financing over the initial period and I do not think the Government could stand by and see the new body fail simply because we were not prepared to support its initial funding. I therefore think that, despite the pressing expenditure constraints under which you are operating, we shall have to make contingency arrangements for possible direct Government funding. I envisage that, if needed, this funding would be limited to topping up any amount by which subscriptions (and loans raised under guarantees) fell short of the chartered body's necessary expenditure during the initial three year period during which the Government will nominate the membership of the body. The maximum sum involved would be £2-3 million but it is my firm intention that no expenditure would actually be incurred.

3 I seek agreement therefore to instruct Parliamentary Counsel to draft a clause which gives the Government power to make grants to the new chartered body, as well as loans or guarantees for private sector loans. The legislation itself would not commit us to any particular type of finance.

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4 Since we shall be legislating in the general area I think we should also provide specific cover for the grants etc. which we provide for industry /education activities more generally. These at present depend on the authority of the Appropriation Act and we will be open to criticism by the PAC if we failed to take this opportunity to legislate. I hope the funding of our industry/education activities can be covered in the same clause. Indeed some of the assistance we now give for pump priming course support might be given in future through the new chartered body.

5 Instructions for Parliamentary Counsel are needed urgently if we are not to delay the Industry Bill itself and I should be grateful for your and colleagues' agreement to proceed in this way by 5 October.

6 I am copying this letter to colleagues in E and E(EA) Committees, to Mark Carlisle, Norman St John Stevas and to Sir Robert Armstrong.

Yours.

Keith