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10 DOWNING STREET

From the Private Secretary

8 January 1981

BF 20-1-81

The Prime Minister recently had a discussion with Sir John Boreham about some aspects of the work of the Central Statistical Office. In the course of that meeting, she asked about the use made of CSO input-output tables. She would like to have some idea of the extent to which this material is drawn on in preparation of papers which come to her. I understand that the Treasury is the main customer for input-output information. It would be helpful if you could let me have a note giving some idea of the extent to which this information is used - without commissioning any extensive new work. Until the end of February, it would be helpful if papers which do draw heavily on this information are annotated to that effect.

I am copying this letter to Geoffrey Dart (Department of Energy), Catherine Bell (Department of Industry), Nicholas McInnes (Department of Trade) with a request for similar responses. I am also sending copies to David Jones (MAFF), John Anderson (Department of Employment) and Barbara Riddell (Department of Transport), and would welcome responses from them if they feel they can usefully contribute. Copies also go to Mr. Unwin in the Central Statistical Office and David Wright in the Cabinet Office.

M. A. PATTISON

Peter Jenkins, Esq.,
H.M. Treasury.

JS



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

19 January 1981

M Pattison, Esq.,
No.10 Downing Street

BF ide

Dear Mike,

You wrote to me on 8 January about the Treasury's use of CSO input-output tables. // We will let you have a note in due course, but I should point out that the Treasury does not regard itself as the main customer in this particular area.

Yours ever

Peter

P.S. JENKINS

P.S. I understand that the main customers are in fact industry, energy and NEDO.

20 JAN 1981



Await further Tsy letter. MRJ

DEPARTMENT OF INDUSTRY
 ASHDOWN HOUSE
 123 VICTORIA STREET
 LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 3301
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PS/ *Secretary of State for Industry*

22 January 1981

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

Dear Mike

INPUT-OUTPUT TABLES

Thank you for sending us a copy of your letter of 8 January to Peter Jenkins about the use of input-output tables. I am replying on behalf of both the Secretaries of State for Industry and Trade, as they receive a common statistical and economic advisory service.

2 Some examples of recent work which has drawn on these tables are attached. A number of these items are continuing projects where the quality of the advice depends on the continued availability of input-output tables. However, in some cases, other sources of information are available but the tables have been preferred because they present the data in a more convenient or consistent manner.

3 The Director of Statistics here has pointed out that almost all the basic data used in compiling the 5-yearly detailed input-output tables is collected by the Business Statistics Office for other purposes; for example, the provision of "weights" for compiling the Index of Industrial Production and the wholesale price indices. The extra cost of compiling the input-output tables once every 5 years is small in relation to the cost at the BSO of collecting and compiling the basic data. Moreover, because of confidentiality restrictions on the basic data, it is more efficient for the tables to be compiled within the Government Statistical Service than outside (eg at research institutions).

4 I note the request that until the end of February papers which draw heavily on input-output material should be annotated as such.

*Yours ever
 Richard*

RICHARD RILEY
 Private Secretary

LIST OF PROJECTS WHICH HAVE DRAWN ON THE INPUT/OUTPUT TABLES

1. Assessment of the direct and indirect effects of possible closures at British Leyland, British Steel Corporation and the shipbuilding industry.
2. Ongoing exercises to monitor the energy intensity in the manufacturing sector to advise on energy pricing policy.
3. A study of the impact of exchange rate movements at a detailed industrial level.
4. A continuing assessment of the take up of petroleum derivatives by the petrochemicals industry to assist the formulation of pricing policies for North Sea output.
5. An analysis of the industrial incidence of public sector expenditure to help formulate advice on public sector purchasing policy.
6. Evaluation of the importance of exports to UK industry both directly and indirectly.
7. An analysis of the use of steel by industry during the BSC strike.
8. As a response to a ministerial query on the percentage of total employment dependent directly and indirectly on manufacturing industry.
9. Briefing on prospects for individual industries.

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23 JAN 1981





NBPM get-

SECRETARY OF STATE FOR ENERGY
THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ

01-211-6402

M A Pattison
10 Downing Street
SW1

16 January 1981

Dear Mike

CSO INPUT-OUTPUT TABLES

Your letter of 8 January asks for a note on the extent to which the CSO input-output information is used in the Department of Energy.

The input-output tables and data drawn directly from one of their main sources, the Industrial Purchases Inquiry, have been used in the Department for assessing the importance of energy and of individual fuels as inputs to particular industries. The proportion of total costs which is accounted for by energy costs gives a measure of the energy intensity of any industry and this in turn facilitates calculations of the impact of prospective fuel price increases on particular industries. Results of calculations of this nature were embodied in the recent Cabinet E Committee paper E(80)12Q, Industrial Energy Pricing.

The tables also facilitate calculations of the indirect impact of fuel price increases on final consumer prices through fuel using industries. Such calculations are made in the Department, particularly in respect of oil price increases.

The changing structure of industry is one of the major determinants of the possible future growth of UK energy demand. Input-output tables provide a method for analysing the way in which the structure of industry has developed in the recent past and for studying the likely effects of Government policies on industrial structure in the future. Cambridge Econometrics have constructed a model of the UK economy employing CSO input-output tables which is used by the Department in their analyses of energy policy options in the longer term and the likely development of (and hence investment requirements of) the energy industries.



A further use which the Department is making of the input-output tables is in connection with a project currently being conducted by the Statistical Office of the European Communities (SOEC). This is aiming to produce input-output tables with a particular emphasis on energy; that is the energy part of the tables will contain more detail than the tables for the Community which are normally produced by the SOEC. The purpose of the project is to facilitate calculations of the energy intensiveness (direct and indirect) of different goods and services and hence, through analysis of the impact of possible changes in final demand or external trade on the energy system, to improve energy demand forecasts.

Yours ever,

Geoff Dart

G S Dart
Private Secretary

CONQUEROR

Gov Min



MR PATTISON (10 Downing Street)

A22/45

c Mr Lockyer

Following the Prime Minister's meeting with Sir John Boreham to discuss the Rayner Report on the CSO you wrote to departments on 8 January asking for contributions to a note about the use of input-output tables. I have now also written to the appropriate economists or statisticians in those departments asking them to assist the people to whom you have written.

In addition, because I believe there are a number of important government uses in other departments or public service bodies, I have written to the people on the attached list asking them to let me know whether they wish to have their use of input-output tables drawn to the Prime Minister's attention. I shall, of course, let you know the outcome as soon as they have replied.

J HIBBERT

Central Statistical Office

16 January 1981

Enc:

R A Husain Esq	NEDO
R M Gibbs Esq	NEDO
C M Glennie Esq	Scottish Office
R G L McCrone Esq	Scottish Office
O T Hooker Esq	Welsh Office
M S Bradbury Esq	Office of Fair Trading
J D Gribbin Esq	Monopolies and Mergers Commission
B M Nonhebel Esq	Monopolies and Mergers Commission
H J D Cole Esq	DoE
K F Glover Esq	MOD
R F Haselden Esq	MOD
A R Smith Esq	DHSS
D A Walker Esq	Bank of England
B F Middleton Esq	Customs and Excise

MAPPEN

MR PATTISON

cc Mr Wright
Mr Priestley
Mr Hibbert

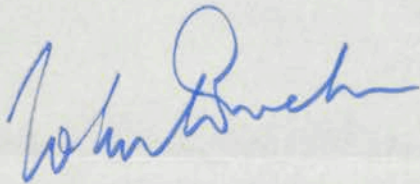
RAYNER REPORT ON THE CSO

At the meeting which Sir Robert Armstrong, Sir Derek Rayner and I had with the Prime Minister on 31 December she asked that a note should be prepared showing how much the input-output tables were used in the preparation of papers coming to her.

I cannot take an initiative on this as I see only a small proportion of the papers going to the Prime Minister. I suggest that you write to the departments who are likely to use input-output material in papers going to the Prime Minister and ask them for some notes about their use.

The Treasury is the main department which makes use of input-output information; others are Energy, Industry and Trade and just possibly Agriculture, Fisheries and Food, Employment and Transport.

Of course I, or Jack Hibbert the under secretary in the CSO in charge of producing input-output tables, will be glad to help them and you in any way we can.



JOHN BOREHAM

7 January 1981

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