

PRIME MINISTER

NEDC, 3 February

You are chairing NEDC on 3 February.

The agenda is:

1. The outcome of the Cancun Summit
2. Inward and outward investment
3. The electronics industry
4. The small firms sector.

I am attaching briefing which the Treasury has provided. We have set up two preliminary briefing meetings for you: one on 2 February at 1645 at which Geoffrey Howe, Patrick Jenkin and Kenneth Baker will be present. There will be an audio-visual presentation at this meeting on the electronics industry paper. I have also pencilled in your diary a short meeting with Geoffrey Chandler. Both of these briefing meetings are set up on a provisional basis. Are you content?

John Hoskyns and Bernard Ingham have both asked whether they can accompany you. Content?

Yes. ms

ms

29 January 1982

Restricted

National Economic Development Council



NEDC (82) 1
2nd Meeting

MEETING to be held at the
National Economic Development Office
on WEDNESDAY 3 FEBRUARY, at 10.00 am

(Luncheon will be available in the Office)

A G E N D A

1. THE OUTCOME OF THE CANCUN SUMMIT

30 min

Oral report by the Prime Minister

2. INWARD AND OUTWARD INVESTMENT

1 hr

OVERSEAS INVESTMENT AND CAPITAL FLOWS

Memorandum by the Chancellor of the Exchequer
(NEDC(82)9, already circulated)

OVERSEAS INVESTMENT

Memorandum by the TUC (NEDC(82)11, already circulated)

DIRECT INWARD INVESTMENT

Memorandum by the Secretary of State for Industry
(NEDC(82)7, already circulated)

3. RESPONSE TO ELECTRONICS EDC PAPER ON POLICY FOR UK
ELECTRONICS INDUSTRY: A PROGRAMME OF ACTION

35 min

Follow-up

Memorandum by the Minister for Industry and Information
Technology (NEDC(82)12, circulated herewith)

Index of new
technology in
civil service...

4. THE SMALL FIRMS SECTOR

Sir Henry Chilver

1/2 hour

SMALL FIRMS

Memorandum by the Secretary of State for Industry
(NEDC(82)10, already circulated)

SMALLER FIRMS IN THE ECONOMY: POSITION, PROBLEMS AND
POLICY

Memorandum by the Confederation of British Industry
(NEDC(82)8, already circulated)

5. ANY OTHER BUSINESS

- ? Energy Prices -

NB. The TUC's Annual Economic Review for 1982,
'Programme for Recovery', will be circulated shortly
(Council members only) for information.

National Economic Development Office
Millbank Tower, Millbank.
London SW1P 4QX

27 January 1982

Restricted

T.U.C. introduced
- 1/12?

Extracts from Mr Jenkin's Brief on
Inward Investment

NEDC MEETING 3 FEBRUARY 1982: INWARD INVESTMENT

BRIEF FOR SECRETARY OF STATE

Objectives

Although we do not expect any positive outcome from the meeting in respect of inward investment, it will provide an opportunity to emphasise publicly our belief in freedom of international investment and to stress the important contribution that such investment makes to the UK economy.

2. In addition the Secretary of State will be able to:-
- (a) rebut claims that inward investment has an adverse effect on indigenous companies, explain the difficulties that would be involved in operating a more selective approach to inward investment, while explaining what is already done to monitor the performance of inward investors who receive Government aid;
 - (b) emphasise the relatively small part that investment by Japanese companies plays in the overall context of foreign investment, and the benefits that such investment has brought;
 - (c) acknowledge the concern expressed by the GBI and others about the apparently large number of competing promotional agencies in the UK and explain what is being done to co-ordinate their efforts.

Line to Take/Points to Make

1. A liberal approach to inward investment is part of our belief in free market economic policies: freedom of investment has benefitted the UK economy and will continue to do so. We want to make sure that whatever new investment by multinational companies is now being made comes here rather than elsewhere. Our policy on non-discrimination in taxation, on promotion and financial assistance is designed to achieve this.

2. Britain's membership of the EC has been an important factor in attracting US and Japanese investors in particular. The UK's share of US direct investment in Europe has been rising rapidly since our accession to the Community. In 1980 we attracted nearly 60%* of all the US direct investment in the EC countries. A survey published in a technical magazine recently showed the UK in top place as a location for overseas investment by US electronics companies and that Britain's

* the paper, para.5, says 40% - this was an under-estimate



FLAG A presence within the EC is a major attraction (Annex 1 - Flag A)

3. Unemployment black spots such as Northern Ireland and Scotland have benefitted noticeably from the employment brought by inward investors. In Northern Ireland 22% of employment in manufacturing is in US firms and in Scotland such companies have provided 70,000 jobs. Overall, foreign firms currently employ over a million people, equivalent to 14% of the workforce in manufacturing. The IBB expects more than 37,000 jobs to be created in the UK as a result of manufacturing projects firmly decided upon by overseas companies during 1980 and 1981 (see table and examples of recent inward investment successes

FLAG B at Annex 1 - Flag B).

4. Although the UK accounts for about half of the Japanese investment in the EC, the volume of such investment in terms both of projects established and numbers of jobs is still small. At the moment there are only 22 fully fledged manufacturing enterprises in the UK with Japanese owners, with a further 3 about to start. We believe that suitable inward investment from Japan can play an important part in reducing balance of trade deficits, through import substitution, and in introducing modern, highly efficient production units.

5. By and large, foreign owned manufacturing plants perform better than average in terms of investment and exports as well as employment. In 1977, foreign ownership accounted for less than 3% of all manufacturing establishments but provided 14% of employment, 16% of wages and salaries, 19% of capital expenditure. In 1979, foreign controlled enterprises accounted for 29% of all UK exports (excluding diamonds), compared with 23% in 1977.

6. There are therefore plenty of good reasons why we should aim to attract as big a share as possible of international investment. We do so by the vigorous promotion of the UK carried out by the Invest in Britain Bureau, our diplomatic Posts overseas, the various territorial and regional agencies. But most of all, as the paper says, it is this country's economic performance - lower inflation, higher productivity, a more realistic approach to industrial relations - plus our membership of the European Community which will attract the growing high technology companies we want to site their new projects in Britain.



(Background)

INWARD INVESTMENT

In 1977, the latest year for which figures are available from the census of production, overseas controlled establishments (ie establishments more than 50% of whose ownership lies outside the UK) accounted for 2.5% of all manufacturing establishments in the UK, ^{14%} of employment in manufacturing; 16% of wages and salaries; 19% of net capital expenditure.

2. Between 1973 and 1977 employment in foreign owned establishments increased by 192,000 compared with an overall decrease of 385,000 in manufacturing employment in general. While much of the growth was due to the acquisition of existing UK companies, some came from the creation of jobs in new projects and expansions.

FLAG B Attached at Annex 1 are tables showing manufacturing project investment decisions by foreign owned companies, known to IBB in 1980/81, some examples of recent inward investment successes and the most recently published figures on inward direct investment in the UK.

Inward investment from Japan

in 3. It is only the last ten years that there has been any significant Japanese interest in investing in manufacturing in Europe and the volume of actual investment is still very small with only 25 Japanese manufacturing subsidiaries here compared to about 1000 US and 180 German companies. The number of people currently employed in Japanese factories in Britain is under 7000 and is thus too tiny to have any major effect on current levels of unemployment. The significance of Japanese investment so far seems to lie more in the introduction of modern, highly efficient production units, which increase competition, usually within sectors which have been particularly vulnerable to imports. Most also contribute to British exports by seeking markets throughout Europe and sometimes beyond, for their products. As a result of this success, Sony were awarded a Queen's Award for Exports Achievement in 1980.

4. Japanese manufacturing investment in the UK has so far been concentrated on consumer electronics, in particular on TV and audio equipment - and it has been located mainly in the assisted areas of South Wales, the North West and Scotland. Most of these factories are very new, but as they expand, they build up exports, encourage our component manufacturers to improve their standards and, we hope, will use their UK factories as the basis for making, and eventually designing new products for the European market.

Sourcing of components

5. The CBI argue that the government should maintain firm control over Japanese investment projects in particular by establishing guidelines that require the company (inter alia) to maintain high levels of local sourcing of components and services, to be monitored by the DoI. Where such undertakings form part of an offer of selective financial assistance the mechanism for formal monitoring already exists though we are criticised in OECD for attaching performance requirements to offers of this kind.



Nissan

6. Concern has been expressed by UK motor manufacturers and automobile component manufacturers that the arrival of Nissan could herald a new form of attack on the UK industry. Discussions with Nissan on their proposed project to manufacture motor cars in this country are continuing. If the project does go ahead, Nissan will aim to achieve a high level of local content. This has been a key consideration in the government's welcome for the project, and will continue to be so in future discussions with the company.

Recent Inward Investment Successes

Hewlett Packard, (U.S.A), Bristol

New project. Initially 450 jobs, long term 1,300. Manufacture of Disc Memory equipment.

Mitel Telecommunications Ltd (Canada) Caldicot

New project. Initially 870 jobs, long term 1,700. Manufacture of telecommunication equipment.

Yuasa Batteries Ltd, (Japan) Ebbw Vale

New project. Initially 140 jobs, long term 270. Manufacture of Sealed lead acid batteries.

Sanyo Ltd, (Japan) Lowestoft

New project, in old Pye T.V. factory. Initially 400. Manufacture of colour T.V's.

Harris Corporation Ltd (U.S.A) Glenrothes

New project. Initially 150 long term 1,700. Manufacture of high technology communication and information processing systems equipment and components.

U.I.E. Shipbuilding (France) Clydebank

Expansion. Extra 225 jobs on top of current 750. Manufacture of jack up drilling rigs.

(This company was formerly Marathon Shipyards, taken over in 1980 by U.I.E, saving 750 jobs).

IBB

January 1982



INWARD DIRECT INVESTMENT IN THE UK

	Annual Flows of Direct Investment excluding oil					Book Value of Level of Direct Investment excluding insurance including oil at end 1978
	1960-67	1967-74	1975-77	1978	1979	
	£m	£m	£m	£m	£m	£m
Value of Inward Direct Investment	173	486	913	1292	1818	17754
Distribution of Direct Investment as Percentage of Total						
	%	%	%	%	%	%
Western Europe	18	21	33	34	29	31
European Community	10	11	20	24	15	23
France	2	2	7	12	3	
West Germany	1	3	3	5	4	
Netherlands	5	3	2	1	5	
Other EC	2	3	7	6	4	
Rest of Western Europe	9	10	13	10	14	8
North America	78	63	54	65	61	63
USA	71	59	55	62	55	60
Canada	7	4	-1	3	7	3
Other Developed Countries	1	6	8	1	3	3
Japan	-	1	-3	-2	2	0.3
Other Countries	1	6	11	2	1	3
Rest of World	3	10	5	-	7	2
Total	100	100	100	100	100	100
of which manufacturing	77	65	66	71	58	46

- (a) EC consists in all years of original six plus Denmark and Irish Republic. Greece is included in 'Rest of Western Europe'
- (b) Complete figures are not available of the book value of investment by individual EC countries but at the end of 1978 of the total inward direct investment France held 3%, West Germany 1%, and the Netherlands 3% before including their investment in oil and banking.



ANNEX E

EXTRACTS FROM MR BAKER'S
BRIEF ON THE ELECTRONICS
INDUSTRY

BRIEF FOR MR BAKER

GOVERNMENT RESPONSE TO EEDC PAPER

The Prime Minister will be chairing the meeting. Mr Baker will be invited to present the Government response: a speaking note is attached. (Not attached).

Sir Henry Chilver will be attending for this item. The Prime Minister will wish to draw him into the discussion following the presentation.

1 Aims

The aim of the discussion on this item is to get:-

- (a) general agreement on the fundamental importance of information technology to the UK economy and on the commitment of the Council to tackle the difficult problems inherent in increasing the use and application of information technology in the UK; and
- (b) acceptance of the necessity for the UK supply industry to improve its competitive position and increase its share of world IT markets.

2 Background

The Electronics EDC paper has two themes:-

- (a) the need for the UK to be internationally competitive in the IT markets, in order to benefit employment and profitability; and



- (b) the need for a selective approach in order to achieve this.

The emphasis in the EEDC paper however is on the way in which Government can act to promote a more selective approach within the industry. There are few recommendations aimed solely at industry initiatives and none at the unions. The EEDC's main recommendations are:-

- (i) over the next year, the major firms in the UK and Government should collaborate through the EDC and SWPs to identify selective business strategies;
- (ii) the identification and co-ordination of industrial priorities across the public sectors; and
- (iii) examination of the roles and objectives of public sector bodies so that investment assistance, public purchasing and R & D spending are best used to promote these priorities.

The EEDC paper was discussed by the Council on 11 November. Mr Baker will recall that it was well received and Mr Murray, Mr Utiger and Sir P Parker in particular welcomed it as an important paper which raised difficult problems which needed to be faced. Mr Baker was invited to prepare a "checklist for action" to be discussed at the Council's February meeting. This is attached.

3 The response which has been submitted to the Council is not a bare checklist for action: it presents Government policy on IT and the programme of action based on that policy. It stresses that international competitiveness is vital and accepts the concept of selectivity. It points out how action



is already being taken in the broad 'selected areas' identified by the EEDC (teletext/viewdata, IT systems, radio communications, civil applications of defence technology) as well as putting forward a number of other key areas (cable and satellite systems, computing research, databases). The response also stresses that the UK's success will depend ultimately on the efforts which the IT industry and the private sector make to remedy the weaknesses identified and capitalise on the strengths.

Briefing notes follow on some of the main issues raised in the EEDC paper and the Government response. Notes on issues raised in the EEDC paper to which no specific reference is made in the response are appended at Annex A. (Not attached)

4 Government Policy

The EEDC paper calls for better co-ordination and communication of Government policy, with adequate provision for consultation with industry. Council members may take up this point, citing Citizen's Band radio as an example where Government could have given a clearer and speedier policy lead. CB radio is a complex issue. A fair response would be to comment that there is no room for complacency on either side: the private sector too has to take stock of developments with long-term implications. Cable and satellite systems are a case in point: the Government is ready to listen to industry's and investors' views on the 'broad band into the home.'

Government Programme of Action

5 Awareness

The EEDC paper gave very little place to awareness, although it is an integral part of Government policy. It would be useful to make the point that:-



- (a) awareness campaigns are the way to make sure that everyone - and not just the suppliers - benefits from the increased efficiency that IT can offer;
- (b) awareness is not just the responsibility of Government. IT Year is a joint initiative, a partnership between Government and all branches of the private sector. We all need to devote effort, resources, patience and imagination to make IT Year a success;
- (c) awareness campaigns do not just use shotgun tactics: the Government's awareness campaigns are directed at specific sectors (teletext and viewdata, telecoms liberalisation, CAD/CAM, robotics). The IT Year activities will help focus the minds of suppliers and users on specific and new uses for IT - IT and the disabled, IT in the home and so on.

Infrastructure

6(a) Liberalisation

The EEDC paper expressed worries about the effect of telecoms liberalisation. Yet here there is an adequate 'mechanism' for consultation with the industry, through the Consultative Committee on Telecommunications (CCT). The Department is maintaining continual pressure in the CCT and the British Standards Institution to progress and resolve outstanding issues as quickly as possible.

(b) Education, training and employment

On employment: it is impossible to predict what effect



the advent of IT will have on employment, independent of all other factors affecting employment. Two things seem clear however: first, the employment consequences of not utilising the technology as quickly as possible are ^{were} greater than the negative consequences of doing so; second, there will be an increased need for manpower trained in IT skills. MSC training initiatives and IT Centres are practical responses to this: what are management and trade unions doing to ensure that more people are trained in the skills they need?

Support Measures and Public Purchasing

7(a) Support measures

The Minister can offer to take note of any comments the Council has regarding the level of funding provided for specific areas such as robotics or fibre optics.

(b) Public purchasing

The EEDC paper argues that the Government should carry further the principles of the public purchasing initiative, placing greater weight on the longer term interests of the indigenous supply industry.

The paper underestimates the degree to which a longer term view of "value for money" has already been adopted by public sector organisations. The Treasury guidance issued in March 1981 clearly states that value for money is not to be interpreted as "lowest initial cost", but is to take into account the broader issues of industrial viability and competitiveness. Maintaining a close dialogue with the supply industry in order to build up a long term picture of product development and



requirements is a basic element of the new public purchasing initiative.

However both sides have to bear in mind (a) the necessary constraints on public expenditure and (b) our international obligations under GATT and EEC regulations, with which UK policy must comply.

The success of the initiative will also depend on renewed efforts by the supply industry: it is not a one-way process.

Selectivity

8 Discussion of the concept and application of selectivity should not lose sight of the following:

(i) the constraints on public expenditure, essential to the overall economic framework needed to encourage business enterprise. This implies deciding priorities for support on two levels: the priority given to IT compared with the traditional industries; and the priority given to different products and services within the IT sector;

/is (ii) the existing support measure/in the Government's programme of action;

(iii) selectivity implies acceptance that the UK cannot maintain an across the board presence in IT. This leads to the conclusion that some products made by some company(ies) will be selectively supported; others will not. There are difficult employment and company profitability aspects to this concept which cannot be avoided.



Government is prepared to consider with industry this question. But a positive response from industry is essential if the exercise is to be a serious one.

9 BT

With an annual investment programme of £2000M and its R & D spend on telecommunications of £150M, BT is placed to have potentially a massive influence on the rate and direction of development of the UK's information technology industry. It would be misleading however to imply that Government itself can play the "BT procurement fiddle" to extract whatever tune it wished. Clearly the right to discuss BT's research and investment programme enables Government to exercise an influence over broad areas of development but the exercise of this influence in the 'selected' areas called for by the EEDC would inevitably be an indirect and uncertain one.

Role of BT

BT's investment constitutes the largest single civilian investment programme in the country. The way it is deployed and exploited has an important role to play in developing the UK IT industries. Competition will make BT a more competitive buyer and a more cost effective developer. Suppliers will have to adjust, and in adjusting become more competitive themselves. Since the passing of the BT Act, BT has taken many initiatives conducive to providing a spur to British industry -- the Britsat programme, the TXE enhancement, System orders, the Monarch cost reductions, the Herald, new fibre optics orders, new microwave orders, new telephones, Viewdata mailbox etc. I also welcome the establishment of Martlesham enterprises, a BT joint venture with the City to translate some of



Martlesham's inventions into marketable products. At the same time, our liberalisation programme has created opportunities for new market entrants bringing new jobs - ICL/Mitel, GTE/Ferranti - and new export prospects."

Key areas identified by the EEDC

10(a) IT Systems

The areas chosen by the EEDC are so broad as to exclude almost nothing in the IT field: "IT Systems" in particular embraces peripherals and mainframe (as well as micro) computers which are two areas of weakness as far as the UK supply industry is concerned. Further definition is needed: office systems - with the emphasis on local area networks and the linking of processes which is at the heart of IT - and software products are the areas singled out in the Government response.

(b) Teletext/Viewdata

This is a useful illustration of the way in which selectivity can also mean the careful choice of the most appropriate business strategy and support measures. Marketing is a key issue in this area: manufacturers have got together to identify their marketing problems and solutions, and Government is supporting their efforts through awareness measures. Capital allowances to boost teletext set sales are also being considered.

(c) Radio Communications

This is an area where there is rapidly developing market potential - for example in the civilian use of mobile radio. There is an opportunity for transfer of defence technology to commercial products here.



(d) Transfer of defence technology

The response outlines measures which MoD is taking to increase the potential for commercial application of the results of defence-related research and for higher export sales of equipment developed with MoD funds.

The EEDC has agreed to appoint Sir Iuan Maddock to conduct a study of the ways in which the commercial potential of defence technology could be more fully exploited. He has undertaken to report back to the EEDC in April.

Locked in Marconi, Plessey, Thorn-EMI, etc are storehouses of advanced technology, much of which is capable of being applied in non-military sectors. This is not being done. And while it is not being done the technology is becoming out-dated. Industry must do more to use this already-funded technology. Government is willing to discuss what might be done to promote greater use of this technology but it is really a matter for industry.

Further key areas (not exhaustive) suggested by Government

11(a) Cable and satellite systems

The ITAP paper on cable systems is to be produced and may be circulated for discussion within the next few weeks. Key issues will be the availability of private sector finance - the Advisers believe that this should be forthcoming - and the choice between co-axial and



fibre optic cables.

(b) Fifth Generation Computers

Fifth Generation computing is perhaps best explained in terms of the identification of each successive 'generation' with a technological change eg valves, transistors, integrated circuits, large scale integrated circuits. The key features of the fifth-generation of computers which will come into use in the late 1980s will include:

- (i) in hardware: distributed intelligence, VLSI, use of non-silicon technologies;
- (ii) in software: improved productivity, simplified user programming;
- (iii) in applications: artificial intelligence applications, CAI, robotics, interpreting/translation.

A UK mission attended a seminar in Japan in October 1981 which outlined Japanese plans for an ambitious and major programme for the development of fifth generation computers. The UK team reported that for the UK to maintain a presence in this technology, more effective organisation of the national effort was required and resources concentrated on key areas. A seminar to discuss the findings of the mission is being held 29/30 January when ideas about a national and collaborative effort in certain project areas is to be discussed.

(c) Databases/Information systems

This is an area where the UK has great potential. What



is lacking is the entrepreneurial approach to identify and grasp the opportunities available. The finance sector can help by looking favourably on good proposals to develop databases. Support can be found within existing DoI measures to help in the establishment of new databases.

Implementation

- 12 The response suggests as further action that Government is prepared to discuss with major UK electronics companies the areas proposed and their implications for the use of public sector resources.

ing Council members may argue that Government should involve fully in these discussions the EDCs and SWPs/the CBI/the Trades Unions, and it should use a clearly defined method, such as report/regularly to the EEDC, to do so.

Our discussions suggest that there is little enthusiasm in the industry for continued recourse to the EEDC. It remains even to be seen what level of commitment there is from industry to explore further the issues raised in this exchange. In reply the Minister could suggest that the first step is for Government to see what level of response there is from the industry by talking directly to companies: this is a sine qua non of further action. Where there is scope for direct action by the EEDC -- such as the commissioning of a study on defence spin-offs -- this is already in hand.

Conclusion

Discussion of this subject at Council is not intended to be a detailed examination of the ways to apply a selective approach



to each of the 'key areas': this is something which can only be done over a longer time span, and in direct consultation with industry. What is needed at this stage is an indication of the level of interest and commitment from bodies other than Government on a selective approach to the IT industry. More broadly, the discussion should serve to highlight the fundamental importance of IT to the UK economy.

Mr Jenkin's Brief on Small Firms

NATIONAL ECONOMIC DEVELOPMENT COUNCIL - 3 FEBRUARY

Secretary of State's Memorandum on Small Firms

1 The objective of the meeting should be:

a) to reach a rounded consensus with both sides of industry on the importance of small firms' contribution to the economy, taking account of their direct contribution to employment but also their capacity to innovate, to provide competition and react flexibly to changes in demand, to improve the structure of local economies away from over-dependence on large firms, and the part they can play in improving labour relations.

b) To seek endorsement of:

i) Government policy - with the control of inflation the main priority for small firms, as well as the economy as a whole, at the same time acting to remove particular obstacles to growth of the small firms sector.

ii) The areas for further development of policy.


Memorandum
Paras 6-10

MEMORANDUM
PARAS 13 to 22

Memorandum
Paras 23 to 27

CBI Memorandum

2 The CBI will also submit a memorandum (flag A) which is broadly consistent with the Secretary of State's memorandum. They recognise a large degree of common interest between large and small firms in which improvement of general economic conditions and the control of inflation are the main priorities. They also recognise that small firms have special needs and that objectives should be to remove or reduce their inherent disadvantages without positive discrimination.



Particular Issues

3 The following issues may arise:

- Finance

a) The CBI argue for more emphasis on improving small firms' equity base. Relevant background is in a minute of 7 January from Mr Green - IC(A) Division (flag B) about related arguments expressed in the FFI document "The Capital Structure of Industry in Europe."

Line to take

The Secretary of State can refer to the Business Start up Scheme and the Loan Guarantee Scheme as measures which stimulate provision of both equity (for new business) and loan finance.

b) The CBI have argued for extension of the Business Start up Scheme to facilitate Small Firms Investment companies and investments in existing small companies; and for relaxation of Capital Gains and Capital Transfer Taxes.


Line to take

These are questions for the Chancellor of the Exchequer but the Secretary of State will be aware that it has been decided to include re-examination of some restrictions in the Business Start up Scheme in final Budget representations to the Chancellor.

On capital taxation the Secretary of State made representations to the Chancellor in his letter of 11 December (flag C).

- Company Law

c) Commenting ^{on} future scope for easing the burdens of legislation the CBI have commented that consolidation of company law gives the Government the opportunity to make life simpler



for the smaller company by clearly distinguishing which rules apply to public companies and which to private companies.

Line to take

A consultative document on consolidation of company law was issued in 1981 and specifically raised the question of a split up of the law for public and private companies. No decision on this will be made until the consultations are concluded.

- Public Purchasing

d) The CBI have pointed to the major impact of public purchasing on the structure of industry and the fortunes of firms and ask Government purchasers to be especially aware of what small firms can do and to treat them flexibly as far as commercially possible.

Line to take

Small firms should have equal opportunity to compete for public contracts where their competitiveness and flexibility will stand them in good stead. A booklet has been published (a year ago) by Department of Industry to give the sort of information small firms need to gain easier access to Purchasing Departments. Possible needs for further action to improve their access are under review by this Department.

- Information and Advisory Services

e) The CBI urge that Government measures of benefit to small firms and other sources of help for them should be organised and publicised as simply as possible for best effect.

Line to take

The Small Firms Service serves the information and advisory function and now employs 170 counsellors. The Service readily cooperates with other sources of information and advice



which serve important needs. There is plenty of scope for help to come from different sources (public and private sectors) but the scope for greater cooperation is being examined. As an example the Small Firms Service and the Council for Small Industries in Rural Areas are operating an experimental arrangement in a few parts of the country to bring together the information and advisory functions of the two services.


The Secretary of State can also point to the success of the Business Opportunities Programme in publicising Government measures.

A handwritten signature in cursive script, appearing to read 'B C Rayner'.

B C Rayner
Small Firms Division
28 January 1982

PM has seen
MUS 5/2
Prime Minister
Just arrived this p.m.
MUS 2/2

National Economic Development Council



Econ Pol

NEDC(82)13
(For information)

FEBRUARY 1982 COUNCIL: TUC ECONOMIC REVIEW 1982

The TUC's Economic Review for 1982, 'Programme for Recovery', is circulated herewith - to members of the Council only - for information.

P G Davies

Secretary to the Council

National Economic Development Office
Millbank Tower
Millbank
London SW1P 4QX

2 February 1982

[Handwritten signature]