PREM 19/810

MT

Confidential Filing

The Impact of Government on Industry.

~~State of Industry~~

INDUSTRIAL POLICY

JULY 1979

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
~~9.7.79~~							
~~23.12.80~~							
~~13.1.81~~							
~~16.1.81~~							
~~3.11.81~~							
~~16.1.81~~							
~~16.12.81~~							
~~17.8.82~~							
~~10.9.82~~							
10.11.82							

PREM 19/810

Dd 533270 5M 2/78 8362633 JET

010

NBPM
MCS 11/11

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

Michael Scholar Esq.
Private Secretary
No. 10 Downing Street
London SW1

10 November 1982

Dear Michael,

The Chancellor thought that the Prime Minister and other Cabinet colleagues might be interested to read the full text of Sir Terence Beckett's speech to the CBI Conference in Eastbourne, if they have not already seen it. He would like to draw their attention in particular to the passage on pay on pages 9 and 10 which he considers most helpful.

I am copying this letter to the Private Secretaries of all other members of the Cabinet.

Yours sincerely,

Margaret O'Mara

MISS M O'MARA

NOT TO BE PUBLISHED OR
QUOTED BEFORE 1200 HOURS
ON TUESDAY 2 NOVEMBER
1982

P.184.82

CBI'S SIXTH NATIONAL CONFERENCE,EASTBOURNE 1982

TEXT OF CLOSING SPEECH BY SIR TERENCE BECKETT, DIRECTOR GENERAL OF THE CONFEDERATION OF BRITISH INDUSTRY

AS CHECKED AGAINST DELIVERY

President, Ladies and Gentlemen:

We've come almost, as you just said President, to the end of our sixth Conference. This is the opportunity we have during the year to review and discuss our policies as a whole. And I hope like me you've found it useful and informative. It's a vital guide to us in assessing your opinion. It's proved its worth again.

To me, the chief value of yesterday morning, in our debate on economic policy, was the strong support you continued to give to the basic policy on the need for better competitiveness.

As far as the Resolution on the value of the pound was concerned, opinion has always been divided in the CBI on this issue. The differences are not due entirely to where a member's company finds itself as primarily an exporter or an importer.

There is a genuine concern as I know in some importers' minds that unless industry in this country becomes more competitive they will lose customers for their imports. Some exporters doubt whether a devaluation would give them a lasting advantage in competitiveness. Because it hasn't in the past.

And in the particular Resolution chosen there was genuine scepticism on the practicality of asking the Government to lower the value of the pound.

Yesterday's debate, if I may say so, certainly indicated the CBI has, as we have claimed for some years now, a much broader membership than manufacturing. It does represent industry and commerce as a whole.

Standing back, if I may say so, from the immediate pros and cons on this complex issue, the message I think we ought to be sending from this Conference, which everyone in the CBI would support, is we do not want a soft option.

i the afternoon debate on unemployment and training, your concern came through clearly. We need to continue that discussion, as we said, in the months ahead; both to determine how we carry out your proposals and whether you have any additional ideas on bringing them to fruition. I'm encouraged by your response. We have got a strategy that you've endorsed for doing something about unemployment and training and you have demonstrated your commitment.

This morning, on our discussion on pay and the future we re-emphasised the all-important need to improve your competitiveness, which lies at the heart of everything you are doing - on this need and the difficulty we all have of looking into the future and the need for innovation. When the Wright brothers got their first plane off the ground, one forward looking chap said that if the Lord had intended us to fly he wouldn't have given us the railway train.

Now thinking over all that has happened during this Conference, how do we form an overall view of where we are?

Industry has had a turbulent time over the last few years. Murphy's Law has seemed to many of us to be almost as universally applicable as the law of gravity and you will remember O'Toole's commentary on Murphy's Law: "Murphy was an optimist".

We can sympathise with the man who said: "When you're up to your armpits in alligators, it's sometimes difficult to remember that your original priority was to drain the swamp!"

What I should like to do, if I may, this morning is to try to determine where our priorities should be at three different levels:

1. Internationally;

2. At national level; and thirdly

3. At the company or individual level.

I want first of all to lift your eyes from the domestic to the world scene, to deal with international trade because this has now become the greatest problem we all face.

You know where we are on getting orders overseas. Your counterparts in other countries are now fighting harder than ever for their share of world business. You have not left it to your salesmen. You have travelled the world yourselves in recent months and some of you have come home with less new work and all of it at lower profit margins.

This doesn't only bite exporters, of course. Indirectly it will come home to the whole of industry and commerce, because we can't live in this country just by taking in one another's washing. The level of world trade matters more to us in the United Kingdom than it does to other countries, as was said yesterday, because 30 per cent of our GDP is in world trade. No other country is so dependent on world trade.

For that reason, we, above all other countries, cannot afford to encourage or foster protectionism, although we certainly must resist unfair trading practices by others. To break the world up into protectionist blocks would further reduce the available volume of trade.

But protectionism is not the only reason why world trade is contracting. It is due also to low overall demand, to high interest rates - and these are still too high - weak non-oil commodity prices and concern about financial stability in some countries and institutions.

The fact that we in Britain are less competitive than we were in the seventies makes our job a lot harder, but I will deal with that, if I may, in a minute or two when we come to our national and company objectives.

We in Britain cannot be complacent about the level of world trade. We have got to do everything in our power to promote it and lift it.

ome hope that America will be the locomotive to pull the world out of this recession. They point to mid-term elections and Mr Volker's promise of a little more flexibility in monetary policy. But America's number one priority is still the conquest of inflation. It is worried about its imports and its competitiveness. Its growth in productivity, you know, is poor and its saving rate is low.

With a fall in interest rates, most authorities in America forecast some modest growth in 1983 but we do have to question whether a turnaround in activity in America will be strong enough, or quick enough, to reverse a world trend, which is moving towards stagnation or worse at the present time.

If America is not likely to restore much real growth to trade in 1983, what other international co-operation should we look for?

The Versailles Summit in June was not a success.

If only we could get America, Japan, Britain, France and Germany together. And if we all had the <u>will</u>, we could do something about world trade and world demand. We would also need to look at interest rates, exchange parities, the provision of more development loans to the Third World, and the restructuring and the partial forgiving of loans to the Third World. The difficulties in practice are immense but the need is there.

Welcome this – foothold on our push

The CBI has taken the initiative in recent weeks with our sister organisations in Europe and in OECD to see whether some progress could be made in this direction.

An act of imaginative statesmanship is called for on the scale of the new deal in America in the early thirties, the setting up of Bretton Woods and the World Bank at the end of the last war or the Marshall Plan which reconstructed Europe after the war. I am not, of course, suggesting that these are the forms we should follow, because these initiatives were shaped to meet the needs of their time. But this is the kind of creative approach we need. We all exaggerate at times the power of governments to bring about change, but occasionally initiatives are proposed which catch the imagination and the hopes of their people. Governments are then effective.

To the extent we feel sceptical about the major countries' abilities to co-operate in this way, and I have got to confess I am not very hopeful that this will happen in the immediate future, to that extent that we have to reconcile ourselves to a much slower world rate of growth for several years at least. If we accept this as probably being the case it must strengthen us in our belief that our progress as a country and at company level depends crucially and ineluctably on the policies that we in the CBI have advocated consistently for a long time now: lower inflation and better competitiveness.

Turning to the national scene, when I spoke at this conference two years ago I stressed CBI concern that industry had been bearing the whole brunt of bringing inflation down. Government spending was too high, even allowing for the costs of the recession.

In particular, following the 1980 Clegg awards and 25 per cent settlements, pay in the public services was threatening to eat up industry's seed corn when it was already fighting for its life.

I don't think that anyone now would claim that our warnings of two years ago were wrong.

The differences of emphasis this last summer on whether there would be an upturn in the second half of the year were more trivial than the public were led to suppose from what they saw or read. The CBI said - because you told us so - that the economy looked flat for the rest of the year. This touched a nerve, but it was true. We and the Government were disappcinted that the export-led recovery was not there as we had both anticipated earlier, to lift the economy off in the second half. Their forecasts and ours, if you like, were just a bit out of synch. We don't disagree on the position today.

hen you think of it, it is a bit of a problem to some people who aren't in industry when we publish our Trends forecasts. They tell us it can't be as bad as we say and then they have to pretend to be more cheerful than they feel to try to counteract our message. We, for our part, insist it is as we say and because we don't think they believe it, and we are actually knee-deep in it, we have to be very insistent that this is the way it is.

I am reminded of the exchange between S J Perelman and his taxi driver who had just dropped him off at his office in New York. The taxi driver gave him the customary enthusiastic farewell, a bit like some of our well wishers do, by declaring in ringing tones: "Hev a nice day". Perelman looked at him with distaste and said: "You keep your nose out of it. I'll decide what kind of a day I'm going to have."

The fact of the matter is that 90 per cent of our survey is concerned with actual production and actual sales in the last four months, and so on. Because it is concerned mainly with facts, not opinions, it has achieved an enviable reputation for accuracy.

But on both the appreciation of the situation we are in, and on policy proposals for the future, our position is genuinely close to that of Government. As Sir Geoffrey Howe said, the differences between Goverment and the CBI have been exaggerated. And I would agree with that.

Government has got its spending down. It has cut its pay increases, taking two very difficult strikes in the process.

Only those of us who have taken long strikes know exactly what they have experienced, by the way. We don't want to get Government spending down just to achieve equality of misery with the productive end of the economy. It is much more fundamental than that. We want public spending down because unless there is a better balance between Government and enterprise, between spending and earning, then industry's capacity to improve standards of living and provide jobs will be hopelessly impaired. Our enterprise system, and in the end, our personal freedoms, are at stake.

Because Government has cut its spending and borrowing it has been able to reduce the burdens it imposes on industry. In the Budget we did get a response to CBI requests for a reduction in the National Insurance Surcharge, amounting to £800 million a year, reductions in energy prices of £200 million to make them more competitive with prices in Europe, and there were a large number of other concessions to help smaller firms, the building and engineering industries.

Since the Budget, bank interest rates have come down from 13 per cent to 9.5 per cent. Hire purchase restrictions have been removed. Only last week a programme of 21 by-passes has been approved as a contribution towards a roads programme and to make the heavier lorry more acceptable. The Government has assured us incidentally of their support for the heavier lorry which will enable our road transport system to move goods at costs comparable with those on the continent to improve our overall competitiveness and provide more jobs. So we are making progress.

The Chancellor told us in his Mansion House speech two weeks ago that he is prepared to be flexible in his monetary policy, without a drift into laxity. We warmly welcome the first part of that proposition and we promise our complete support for the second.

Well said

His statement is not a change in policy. It arises first of all from the successful prosecution of that policy by getting inflation down to 5 per cent by next Spring. Secondly we do have in this country a lower Government deficit now - as a share of GDP - than any other major industrialised country. Thirdly, borrowing is substantially undershooting the Government's objectives this year, in the same way it did last year.

The Chancellor is anxious that his monetary policies should not be too restrictive. There is room to move. The need is there. We must use the flexibility we now have where it will do most good.

'ow on income tax, most of us would certainly agree, and it did come out very fully in the debate yesterday, that we want thresholds indexed for inflation anyhow.

Beyond that, Government must quickly make its mind up on the balance between increased consumption-spending versus the competitiveness of British industry; in particular, National Insurance Surcharge versus income tax. It would be a pity if the stance in the Budget over-encouraged imports, and did not support industry in the Government's previously avowed aim of making British industry more competitive.

Let us examine, once again, the National Insurance Surcharge.

The National Insurance Surcharge reduces our exports in a desperately difficult competitive world. Our competitors overseas don't pay this tax. The National Insurance Surcharge increases imports. This tax is not paid on imports. The National Insurance Surcharge is a tax on jobs when we've got three and a third million unemployed and rising.

It was a cynical impost added by Mr Healey to satisfy the IMF. This Government doesn't have to kow-tow to the IMF. The National Insurance Surcharge is prejudicial to the national interest. It is a perversely bad tax. It should not be reduced. It should be abolished.

Let's now turn to the company and personal scene:

The prime problem you face at company level is how to tackle your remaining lack of competitiveness. If this continues, you will lose share.

But to lose share in a stagnant or contracting world market is a miserable and unacceptable prospect. You must resist it. It is your job at company level to get this competitiveness right, once and for all.

The Government can help. But in the final analysis the greatest part of the rememdy is in your hands. And I get tremendous encouragement from the way that debate went yesterday. It reinforces this at every point of the way.

In the 'Will to Win' and 'Agenda for Recovery' that the CBI published just over twelve months ago, two thirds of all the action points listed to get the country going again were in your companies' own hands, not in the hands of Government, Trade Unions or employees, although of course we need all of their help.

Self help is paying off. Your labour cost per unit in industry only increased by 5 per cent last year. This is well below the average for the OECD, which is a very considerable achievement, but you can't relax. The Germans and the Japanese have done even better and Britain is still 35 per cent uncompetitive in unit labour costs versus the rest of OECD which is completely unsatisfactory.

Our CBI pay conferences, as Lord Pennock said this morning, have done a very useful job in reviewing the competitive situation and indicating ways in which you should handle your pay negotiations.

There is a dangerous new philosophy on wages, and perhaps this is not so new, that I would ask you to examine, to make your minds up on it, and then thoroughly to take it on board with your people.

This philosophy says and you come across it every day of the week: "We can understand industry can't make large wage increases now, because you are in such trouble, but if only you would increase your wages, this would increase demand, provide more jobs and we could be back in the happy days we used to know". Now this view is already held by trade unions, many local authorities, a large part of the general public and even by people in your middle management, people of good will and muddled heads.

It took seventy years from the first brush stroke to make impressionism a popular school of painting and it took thirty years for Keynes' general theory to be accepted finally as popular dogma. And it happened just at a time when it became clear that general theory was not general enough to cater for an inflationary age.

Boosting wages to cure our unemployment problem is a dangerous doctrine today - when we are fighting off a 35 per cent burden of uncompetitiveness and also potentially when things begin to improve.

Unless we have eradicated that uncompetitiveness, our pay increases have to be less than those of our competitors overseas, and our most impressive competitors pay very low increases, year in, year out.

We have got to get the message down the line on pay, and once and for all remove the illusion that the Emperor's clothes can be woven out of fresh air. ✓

✓✓

Zero general wage settlements should be seriously considered now that inflation is coming down to 5 per cent and lower.

To provide more jobs we have in some cases to price people back into work. Austerity is philanthropy in Britain today. What we did with pay in the seventies, you know, as Lord Pennock said, did no-one any favours.

The responsibility for wages is inescapably yours.

We must continue an unremitting drive to improve our cost and non-cost competitiveness and our profitability.

The products and services we plan to provide have to be ceaselessly re-examined to make sure they are what the customer will want in the years ahead.

You remember the President of Doggo Dog Food Inc. addressing his national sales force. He had just got to the point in his flip-over chart presentation where the sales curve had fallen off the bottom of the sheet when he said: "Fellas, I am real worried. We've gotten the most nutritious dawg food in the business. It's attractively packaged and priced. You men are the most capable dawg food merchandisers in the country. You are backed by the biggest coast to coast television advertising campaign in dawg food history. What I want to know is why ain't we sellin' more dawg food?". There was a terrible pause, then a young inexperienced salesman stood up and he said: "Somebody's just got to tell you boss, da dawgs don't like it." ✓✓✓!

Ladies and Gentlemen, unless you've got your product right you've got nothing.

And the pressure's on.

We are not in a recession, we are in a revolution. Technology won't be the constraint, but people. People's acceptance of change. Sharp in Japan has six people producing 6 million calculators a year, and robots there are making robots. I will repeat that because that's what the robots are doing, robots are making robots.

We have to be quicker on our toes in this country and we can only move more quickly, as was said so well this morning, by involving our people.

If we want to bring about the kind of change we need in our economy we must involve our people. Jim McFarlane I thought put it extremely well this morning, certainly if we don't, unworkable schemes will be imposed on us, in a way we won't want, by Westminster or Brussels.

Above all each company must try to buck today's trend. There are marvellous examples all over Britain. We need more of them. This is the way trends are reversed. Let me give you just three out of hundreds:

Boxmore Ltd in Northern Ireland is in packaging. Twenty per cent of its costs are for energy which is priced to them as high as the highest in the United Kingdom and that is saying something. This company has invested a great deal of money in the past few years. This year its sales volume is up 11 per cent and its turnover is up 17 per cent over last, and that's in that troubled part of the United Kingdom.

Sinclair is making more home computers than anyone else in the world. More than any companies in America or Japan.

As we heard this morning, Lord Sieff is selling Marks and Spencer shirts, made 100 per cent in Britain. In Hong Kong above all places. They are selling very well and Marks and Spencer you know, never sell anything unless it's profitable. The reason? They make good shirts. And I think what is important to remember is that we are forecasting growth next year.

The CBI is forecasting growth next year, nothing very spectacular but it will be there and with good management in Government and industry we can build on it.

Summing up and looking on the three areas of priority I described at the beginning: at international, national and company levels - the needs are more demand internationally and with greater flexibility at national level we need Government to join companies in a drive for greater competitiveness.

In conclusion, there are three things - three specific things - I would ask you to do:

1) Invest in our youth. Make the Youth Training Scheme work. You must be able to look young people in the eye and say: " I am doing everything I can to help" and mean it.

2) Get the message down the line that you have to continue to get your labour costs down by good management and more productive activity, because that's the way to beat the competition and to provide jobs and security for the future.

3) There is hope! There will be growth next year, modest overall and patchy. Don't be too sceptical about it. I know you will run with it but over and above what immediately presents itself, what should be done. Sir Kenneth Corfield this morning quoted Sir Francis Bacon, and I thought he was using the same quote, but it was another one - and the quotation I would like to give you this morning from Sir Francis Bacon is "A wise man will make more opportunities than he finds".

To return to the basic theme of this Conference: "Work for Britain". If you will work for Britain, and I know you will, we can and will provide work for Britain. This will then begin to lift the shadows to make this country once again a prosperous and happy land. That's very well worth working for.

Published Papers

The following published paper(s) enclosed on this file have been removed and destroyed. Copies may be found elsewhere in The National Archives.

Industry Act 1972: Annual Report by Secretaries of State for Industry, Scotland and Wales for year ended 31 March 1982
HMSO, 30 July 1982

Signed OWayland Date 13 September 2012

PREM Records Team

Ind Policy

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB
TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

JU
Secretary of State for Industry

22 September 1982

Tim Flesher Esq
Private Secretary to the
  Prime Minister
10 Downing Street
London SW1

23/9.

Dear Tim,

INDUSTRY ACT 1972: ANNUAL REPORT 1981/82

... I am enclosing an advance copy of the Industry Act Annual Report for 1981/82 which will be published on Tuesday 23 September.

Yours ever,

Caroline Varley

CAROLINE VARLEY
Private Secretary

Fnd Pol

cc AW

Prime Minister (2)

A pity that this was necessary.

MCS 10/9

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

Jonathan Spencer Esq
PS/Industry Secretary
Department of Industry
Ashdown House
123 Victoria Street
LONDON
SW1E 6RB

10 September 1982

MT

Dear Jonathon,

Your Secretary of State will be keenly aware of the tension between various recent statements of the CBI (notably Sir Terence Beckett) and the views of Ministers on the condition of industry.

The Chancellor took the opportunity of speaking to Sir Terence Beckett about this on the telephone at the beginning of this week, and they agreed that a special effort should be made to cool matters. This was satisfactorily reflected (or so the Chancellor understands) in the terms of Sir Terence's subsequent appearance on Panorama, and will be similarly reflected on our side in the tone of a letter about to go to the CBI's Deputy Director-General in reply to representations he had made about the remarks by Mr Wakeham at Maldon on 19 August.

The Chancellor believes that though we cannot expect to dissolve entirely differences of perspective and interest between the Government and CBI in current circumstances, this agreement to lower the public temperature is bound to be helpful. He hopes his colleagues agree, and will be bearing the matter in mind in framing any public remarks on the condition of industry and of the economy in general.

I am sending copies of this letter to No.10 and the Private Secretaries to other Cabinet members, as well as to Richard Hatfield and Gerry Spence.

Yours ever
Peter

P S JENKINS

Ind Pol

MINISTRY OF DEFENCE
WHITEHALL LONDON SW1A 2HB
Telephone 01-218 6621 (Direct Dialling)
01-218 9000 (Switchboard)

Minister of State
for Defence Procurement

cc. Defence: Defence Sales: Pt 2.

D/MIN/TT/27/1

19th August 1982

Personal

Dear Prime Minister

RECESS WORRIES — STATE OF INDUSTRY

For the first three years of office I wrote memoranda to Keith Joseph under the above heading, and I think for the past two years I have sent a copy to you. This year I am simply writing it direct to you.

I hope you had a little rest in Switzerland after all the burdens you have been and are carrying so well and courageously.

Last year I told you in essence that I had moved from being 'wet' to being 'dry' but being very worried as to whether industry would react any quicker to a position in which they were becoming competitive than they had done to a position of hopeless uncompetitiveness brought about by the movements of the exchange rate in 1979. In this connection their speed of reaction can be hastened or slowed to a degree by the statements of leaders of industry and the line taken by the media.

/ I said ...

The Rt Hon Margaret Thatcher MP

I said last year that with the exchange rate returning to a reasonable level for British manufacturing industry large sections of industry whose prices were hopelessly uncompetitive should be competitive again. I fear too many of them are waiting to be absolutely sure and we go on announcing in our bulletins based on the Central Statistical Office, that compared with 1975 we are still 30% non-competitive. This is not true, and the fact that in volume terms we have clearly bottomed out is evidence that it is not true. I believe among the factors which have not been built into this very broad statement are first that we have lost the most non-competitive part of our industry and the rest is well above the old average. Secondly, that our reliability and quality have improved enormously and they now command or can command a higher price relative to other countries than they could three years ago.

I have sufficient of the old Department of Industry data in my mind to know that at current exchange rates and current much improved productivity figures larger sections of industry could and should be growing again than are. Even parts of textiles and newsprint should be growing. I am privately trying to influence industrial leaders on the vital importance to us and to them of changing the message being issued by leaders of industry from one of "we see no evidence of recovery" to one of "we are now competitive and it should be possible to bring about an upturn".

The industrial and economic war is a longer one and a harder one than the Falklands has been. We can win it but we do need to bring about a change in the message from quarters other than Ministers.

/ I hope ...

I hope these thoughts have not wasted your time.

I have sent John Nott a copy of this note.

Yours
Tom

Trenchard

P.S.

I have asked to see you for 10 minutes before you go to Japan to add a point or two about Defence sales to Japan.

T.T.

[Record of meeting on Japan: PM's visit to Japan in September 1982 - Policy: July 82]

1. MR. BUTLER

The postscript to the attached letter indicates what he wants to talk about.

FERB
19.8.

2. PRIME MINISTER

Lord Trenchard would like 10 minutes with you between 13 and 16 September on a "sensitive" matter on which he cannot write to you.

This is just before you go overseas and you will be very busy but I have put him in the diary at 1800 hours on Tuesday 14 September.

19 August 1982

Press Notice

Department of Industry

123 Victoria Street, London SW1E 6RB TEL: 01·212 5494 Ref:

Prime Minister (4)

Of interest MCS 26/1

December 16, 1981

PATRICK JENKIN LAUNCHES 'EPIC' AWARD SCHEME

Mr Patrick Jenkin MP, Secretary of State for Industry, today announced a new Government Award Scheme - EPIC - for stimulating improvement in the competitive performance of UK industry and commerce through successful participation between higher education and industry or commerce.

EPIC (Education in Partnership with Industry or Commerce) will reward and encourage active, close and sustained co-operation between universities, polytechnics and colleges of higher education and industrial or commercial companies as a means of applying technological knowledge and expertise in education for the benefit of industry and the national economy.

A panel of judges chaired by Sir Henry Chilver, Vice-Chancellor of the Cranfield Institute of Technology, will assess the benefits accruing to companies participating in the Scheme, such as improvement in a product, process or service, or in the development of the company and its personnel. They will also take account of benefits to the higher education establishment, education as a whole and the community.

Besides the tangible rewards that a company involved in a co-operative venture will reap, two cash grants of £25,000 each will go to the most successful higher education teams for the purpose of helping to develop the joint venture. Individual members of the two joint teams will each receive a Diploma to mark their personal achievement. Plaques will be awarded to the winning establishments and companies.

NOTES TO EDITORS

Entry forms and further details are available from:

Industry/Education Unit, Department of Industry, Room 354,
Ashdown House, 123 Victoria Street, London SW1E 6RB.
Tel: 01-212 0458

Entries should be submitted with supporting material by April 30, 1982. Winners will be notified by July 31, 1982.

ENTRY FORM AND DETAILS OF THE AWARD SCHEME

Education in Partnership with Industry or Commerce

Wanted: Successful ventures that have built a bridge between academic and industrial or commercial organisations.

THE EPIC AWARD

**Department of Industry,
Ashdown House,
Victoria Street, London SW1**

CONDITIONS FOR ENTRY AND CRITERIA FOR ASSESSMENT

Aims and Objectives

The EPIC Award has been established by the Government to reward and encourage active, close and sustained co-operation between universities, polytechnics or colleges of higher education and industrial or commercial companies with the aim of stimulating improvement in the competitive performance of UK industry and commerce.

Such co-operation should improve the effective use by industry or commerce of the resources in higher education, and encourage efforts on the part of those in education to become actively involved in projects which have a direct impact on, and lasting benefit to, industrial and commercial competitiveness.

The Award, therefore, will be given to proven examples of successful participation between industry and higher education which can also serve to encourage others.

It is intended that the Award should create recognition for such activities comparable to that given in higher education to published academic work. It will emphasise the importance of building bridges between academia and industry or commerce, and the demonstrable benefits which derive from a close association between them, such as in a process, product or service, or in the development of the organisation and its personnel.

The Award will also take account of the benefits which accrue to the institution of higher education involved in the partnership, together with the more general benefits attributable to the co-operative venture by other companies, higher education as a whole and the community at large.

Type of Awards

The EPIC Award will comprise two cash grants of £25,000 each for the most successful higher education establishment teams who, in the opinion of the judges, best satisfy the aims of the Award. In both cases the grant will be awarded for the express purpose of assisting the further development of the educational side of the partnership. It is envisaged that the industrial partner will benefit through the 'profit and loss' account.

Individual members of the two joint teams, representing higher education and industry or commerce, will each receive a Diploma to mark their personal achievement. Plaques will be awarded to the winning establishments and companies.

Recognition will also be given to a maximum of five 'runners-up', depending on the overall standard of entries, in the form of a Certificate of Commendation plus a smaller cash award of £2,000 to the higher education team to assist in developing the co-operative venture.

Cash awards, therefore, will not be made to individual members of the team, but to the parent institution, and all submissions entered for the Award must include a statement on how the grant will be used in the event of success in the scheme.

The Department of Industry reserves the right to withhold one or more of the awards in the event that entries are not of a sufficient standard to justify selection.

Eligibility

Entries will be eligible from any area of engineering, technology, science, marketing, business studies or commerce and must be presented in the form of a businesslike proposal. They must be submitted by the higher education partner of the joint team in collaboration with their industrial or commercial counterpart, and list, where appropriate, the demonstrable benefits shown in the section headed — 'Criteria for Assessment' — with tangible evidence of achievement.

The proposal must also state when the joint venture was started and what plans for further development are anticipated.

A Diploma or Certificate of Commendation will only be awarded to the team of individuals whose involvement in the partnership is clearly shown, since it is important that the Award should primarily recognise those directly concerned.

Entries

Entries must be made on the official entry form and supplemented by material evidence of the joint venture and the benefits achieved.

All entries must be received by 30 April 1982, and only copies of supporting material should be sent as no responsibility can be accepted for returning documents.

The Department of Industry, acting as Sponsor, and the panel of judges will receive all information concerning entries in confidence, but will not be liable for any loss or damage resulting from the disclosure of any information in the course of assessing the merits of a proposal. Entrants are advised, therefore, to consult their parent institution and industrial or commercial partner about any implications on confidentiality of entering for the Award.

All submissions entered for the Award must state whether they have been entered for any other award scheme.

Decisions by the Sponsor on the interpretation of the rules and conditions affecting the award of cash grants, and on any other matter concerning the scheme, shall be final. The outcome of the Award will be notified to all entrants by 31 July 1982.

Judges and Assessment Procedure

A panel of judges drawn from higher education, industry and commerce will operate under the Chairmanship of Sir Henry Chilver, M.A., D.Sc., Vice Chancellor of the Cranfield Institute of Technology. The judges' assessments will be based on the criteria listed in the section headed 'Criteria for Assessment'.

Criteria for Assessment based on Demonstrable Benefits arising from Joint Participation.

The kind of benefits on which the EPIC Award will be based can be listed under five main categories. It is recognised that no single project would score in all categories, but contenders for the Award must give evidence of benefits in some of the categories, *and* show that these are attributable to the joint venture . . .

In what follows, the term 'industry' is used to cover either industry *or* commerce.

1. Benefits to the specific company involved in the joint effort.

- The development of a new product, process or service — this could be an innovative response to an existing need, or might be either an incremental or 'quantum leap' innovation. The improvement of an existing product, process or service — the evidence might be reduced costs, reduction of risks, measures to prevent or minimise possible loss, or improvements to company decision-taking procedures. Improvements to marketing or distribution — evidence could include new orders or statistics showing improved product availability and mobility.
- Commercial success — demonstrated short-term or judged long-term commercial success.
- Organisation and personnel development — evidence of improved motivation, human relations, social systems, organisation structure, training, individual marketability, desirable attitude change, improved productivity, etc.
- Potential for continuing or further co-operation — this could be with the same higher education establishment or with others.
- Attraction of high calibre graduates — evidence that the joint effort itself has been instrumental in raising the quality of graduates to the company.

2. Benefits to Industry in general.

- Improved technology — evidence of improvements to machine and equipment technology, materials technology or intellectual technology (statistics, operations research, decision analysis etc.).
- Technology transfer — provision of means for transferring technology either from higher education to industry, industry to industry, or industry to higher education.
- Training — evidence that training materials, courses or schemes that originated from the co-operative effort are being used, further developed or evaluated elsewhere in industry.
- New entrepreneurial activity — formation of new companies or divisions of existing ones; creation of new markets either at home or abroad.

3. Benefits to the specific higher education establishment involved in the joint effort.

- Teaching developments — changes and improvements to undergraduate or postgraduate teaching involving applications of knowledge and problem orientation, with examples provided by the joint effort.
- Personal development. For students — increased awareness of industrial and commercial activity, project experience, development of judgement in problem definition and solution, and career opportunities. For staff — increased awareness of industrial and commercial activity, project experience, improved judgement in problem definition and solution, retraining and exchange of personnel with the company.
- Institutional development — increased inter-disciplinary co-operation, increased commitment to joint effort (evidence must include demonstrable change such as the provision of new consultancy services, the setting up of an Industrial Liaison Bureau, altering promotion criteria to include success in fostering and initiating joint participation with industry), improved use or enhancement of resources (plant, equipment, income and staff), innovation (evidence of fresh thinking and initiative beyond that normally expected).
- Potential for continuing or further co-operation — this could be either with the same company or with other companies.
- Attraction of high quality intake — evidence that the co-operative venture has improved the quality of new undergraduates, post-graduates or staff.

4. Benefits to Higher Education in general.

- Contribution to knowledge — evidence would consist of lists of papers, books and other publications, with special note taken of those that are jointly authored by contributors from both higher education and industry; and of lists of talks given at conferences, seminars and symposia.
- Training — provision of audio-visual materials, tutorial papers and computer programs for use in higher education.
- Potential for co-operation — evidence that the project has facilitated or provided direct encouragement for *other* higher education establishments to engage in co-operative ventures with industry.
- Co-operation between institutions — evidence of increased co-operation between education establishments directly attributable to this activity.

5. Benefit to the Community — Jobs, Education and Environment.

- New jobs — the creation of new jobs, directly or indirectly (e.g. increased service or support activities).
- Labour marketability — improvements in the marketability of individuals (e.g. through provision of retraining schemes) directly attributable to the project.
- Teaching — evidence that the project has had a favourable impact on school teaching, or has made available training materials, skills or knowledge for use in further education or adult re-training.
- Awareness and attitudes to technology — evidence that the public are more aware of, and receptive to, technology, possibly through the co-operative venture being featured on a TV programme or written about in a newspaper or magazine.
- Improving the physical and/or social environment of the community.
- Improving the work environment of individuals in the community.

EDUCATION IN PARTNERSHIP WITH INDUSTRY OR COMMERCE

THE EPIC AWARD

ENTRY FORM (PLEASE WRITE IN BLOCK LETTERS)

Name of person submitting the entry:

Name(s) of other member(s) of the higher education team:

Higher Education establishment:

Postal address:

Telephone number: Extension:

Name of the industrial or commercial company involved in the partnership:

Address of the company:

Name(s) of the member(s) of the industrial or commercial team:

Date when the partnership was started:

Brief description of the joint venture:

Material evidence, in the form of a businesslike proposal and listing the benefits achieved, must be attached to this entry form (see section on Criteria for Assessment based on Demonstrable Benefits arising from Joint Participation).
Briefly describe the use to which the award of a cash grant will be placed in developing the joint venture, in the event of success in the award scheme.

We accept the rules and conditions of the EPIC Award, and hereby undertake that any cash grant received will be used in accordance with purposes described above for developing the joint venture in association with our industrial/commercial* partners (* delete whichever is not appropriate).

Signed (to be signed by each member of the higher education team):

Date:

This entry form together with supporting material is to be sent to:—

The Department of Industry
EPIC Award
Room 354
Ashdown House
123 Victoria Street
London SW1E 6RB

The closing date for receipt of entries is 30 April 1982

Prepared for the Department of Industry by the Central Office of Information 1981.
Printed in England for Her Majesty's Stationery Office by Brightman & Stratton Ltd.
Dd. 8298392 Pro 16791

Prime Minister
Follow up to your talk with Lord Trenchard
MP 16/1

HOUSE OF LORDS

Jan 16

2.

MT

Ind Pol

Dear Prime Minister

Thankyou for seeing me.

1. Malaysian trip objectives attached.

2. Thames Board at Washington (Unilever's £90m. investment) are on Natural Gas. They believe that they have the most advanced mill in Europe. It is currently in the red to a small degree. Thames Board as a whole will lose aprox £7 million this year. They will I think close most plants except Washington this year

David Orr gave me the above in strictest confidence.

yours

Tom. T.

MALAYSIA

1. The main sales possibilities are:

a. Air Base Developments.

The Malaysian Air Force intend to expand their bases at Subang and Gong Kedak at a cost of some £300m. IMS Limited, supported by Halcrow and Wimpey, have submitted bids for these projects.

b. Lumut Naval Dockyard.

Overall plans for the Lumut base are in the hands of German consultants. Two British consortia are interested in the dockyard construction element with a possible value of £50m. The consortia are Vickers/Taylor Woodrow/International Aeradio and Wimpey/Appledore Shipyard/Racal. Both face German competition.

c. Armoured Vehicles.

(1) Tenders for 50 Scorpion light tanks have been submitted.

(2) The Malaysian Army and Police Force are interested in Panga, a variant of the Fox reconnaissance vehicle. 150 vehicles are required totalling £150m. IMS Limited have a price proposal in hand.

d. Artillery.

Prospects exist for FH 70 and its associated equipment. An offer for 30 units has been submitted by IMS Limited. The Malaysians are also interested in perhaps 100 light guns and in the Cymbeline radar.

2. In addition to these main items, there is some interest in up to 10 other items including Hawk.

3. I am calling at Jakarta on the way back where Hawk and helicopters are possibilities.

SUBJECT

CONFIDENTIAL

cc Mr. Duguid
Mr. Lankester

Industrial Policy

NOTE OF A MEETING BETWEEN THE PRIME MINISTER AND LORD TRENCHARD HELD AT 10 DOWNING STREET AT 1715 HOURS ON TUESDAY 13 JANUARY 1981

Lord Trenchard said that he was grateful for an opportunity to report to the Prime Minister at the end of his assignment at the Department of Industry. There was no room for dispute about the good news - on inflation and on much improved management throughout industry, with the possible exception of Ford. Taking his 30 year experience of manufacturing industry with his 18 months as Minister, he was asking himself about the seriousness of current problems. The strength of the pound was at the top of his list. Lord Trenchard knew of the CBI President's discussions with the Prime Minister. His company benefited from special products where markets were buoyant, and some other major manufacturers were in relatively good shape. But he estimated that half of the private sector companies covered by his part of DOI would not be able to cope if current circumstances persisted over time. About half British exports were already undertaken at a loss. The underlying problem was a backlog of non-competitiveness - perhaps 40% against major competitors - which could not be handled with an unrealistic exchange rate. He personally believed that, given the new realism, we could hope to improve productivity at up to 5% per annum if we could stabilize our volume of output. But if volume continued to fall, it would be extremely difficult to retrieve this backlog. The problem could not be handled by any sort of crash programme over a one, two or three year timescale. We needed to use every available trick to protect existing markets. We needed to consider carefully, for instance, non-tariff barriers elsewhere. An upturn in world trade might help some industries, but such growth would be unlikely to disguise our relative decline, as had happened in the past. The best assumption might be that our volume held whilst our share declined in growing markets. In 1979, productivity had risen 2% over the previous year, but this had been lost again in 1980.

Lord Trenchard had invited officials in DOI and elsewhere to fault his analysis, but no-one had yet successfully done so. He concluded that exports must fall sometime within the next couple

CONFIDENTIAL

/of

of years, given the negative margins in many areas. This would inevitably weaken our balance of payments by comparison with competitors. In turn, the enormous external confidence in our prospects could collapse, with a result that the pound would fall far too fast. It was to avoid this scenario that he was still keen to impress on the Prime Minister the advantages of taking steps to weaken the pound now, against our current balance of payments strength. It should be possible to prevent the process going too far. He had been frequently told that it was impossible to bring down or talk down the pound but he felt the search for methods was still worthwhile. If we could not tackle this at present, there was a real risk of sterling falling out of control in the run up to the next election.

The Prime Minister asked how much our loss of competitiveness related to pay rather than currency movements. Lord Trenchard said that this was wholly true in relation to Japan, but in relation to the United States, the pound was responsible for about half the change. The Prime Minister asked how Lord Trenchard saw the prospects for regenerating the volume of manufacturing output. Lord Trenchard said that Government would have to help create the conditions to stabilize output before it could start to improve. Productivity was crucial. Government would need to make some contribution, whether through energy pricing, NIS, or reform of local authority financing.

Turning to his new responsibilities, Lord Trenchard noted that the UK's world market share had dropped from 20% in 1960 to 8% in 1980. We now tended to be small in all spheres instead of being large in all spheres. We had to identify areas where we still had a lead, so that we could select and concentrate. Internal MOD advice suggested that we could no longer see ourselves as innovators, except, in part, in electronics and chemicals. The advice was particularly gloomy about Rolls Royce (and its management) and the aircraft side of British Aerospace.

Lord Trenchard was questioning whether MOD's present commitment timescale was necessary. There were enormous staffs involved in forward procurement. If the size and timescale of the operation could be cut back, there might be more scope for discussing with industry what they should be producing in the future.

Touching on nationalised industries, Lord Trenchard commented that if the pound had not passed $2.20, there would have been only a minor requirement for Government funding of BL. But some of the more reliable parts of the group had major long term problems. The Land Rover premium over the Toyota competitor ranged from 70-90% depending on the market. Land Rover had some product pluses, but they could not sustain such premiums beyond a year or two. BL must have a Chairman and a Board who would wind it up if it was not moving in the right direction. He would strongly advise that early steps be taken to retain Michael Edwardes for a further three years.

Returning to the general industrial picture, Lord Trenchard said that there was quite a close correlation between the industries with highest energy costs and those hardest hit by current circumstances. The UK tended to support its capital goods sector more than other manufacturing areas. In his assessment, over half our service industries depended on manufacturing, and would shrink as the manufacturing base did. The Prime Minister said she had never seen the future in terms of service industry replacing manufacturing.

Lord Trenchard said that he would be visiting Malaysia and Indonesia soon, and he undertook to let the Prime Minister have a note of the sales prospects that he would be following up. He commented that the new textile arrangements with Indonesia would set a precedent with 20 or 30 other developing countries. The United States applied the MFA ruthlessly, and never attracted retaliation. The exporters knew that they would achieve nothing. The UK was different. We would need to make it clear that we were not a pushover and it might be necessary to take a loss of exports to one country to demonstrate this. He added that ICI now found their US textile wage costs 82% of those prevailing in the UK.

MAP

14 January 1981

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

15 January 1981

The Rt. Hon. Sir Keith Joseph, MP.,
Secretary of State for Industry

cc Mr Hoskyns
Mr Walters

Dear Keith

STATE OF INDUSTRY

I am sorry not to have replied earlier to your letter of 23 December about the State of Industry. I was also grateful for Tom Trenchard's analysis, which you sent me on 16 December and on which you commented in your later letter. I have been giving these problems some thought, and they will loom large in the pre-Budget work of the next few weeks.

But I should like, meanwhile, to comment briefly on the three topics which you raised at the end of your letter of 23 December.

First, you wonder if we should try "talking down the pound a shade". Experience suggests that any explicit attempt to do so runs the risk either of over-reaction in the market and being blamed for the result, or, if there is no reaction, of being drawn into more costly measures to validate the original talk. The right approach, I think is to stress our policy of leaving the exchange rate to be determined in the market. We should certainly avoid any statements that could be construed as talking the rate up. I also agree that we should point out fairly when opportunity arises some of the reasons why the market might have got it wrong, and the temporary nature of some of the factors behind sterling's current strength, as I did in my Mansion House speech.

Secondly, you mention industrial energy prices. Here the key problem is to establish the facts about international comparisons and we have made progress in the NEDC context since you wrote. You will also have seen the No.10 letter of 13 January, reporting the Prime Minister's meeting with David Howell and myself, when we agreed to pursue three of the options on energy prices referred to in his minute of 31 December.

Third, you raise the question of industrial derating. Here I agree that it would be useful to explore - without commitment - what this would involve, although there are obvious political

/difficulties.

difficulties. I have asked my officials to look at the possibilities and suggest that they should get together with your officials and Michael Heseltine's to let us have a considered view.

I am not at this stage reaching any conclusions on whether, in a budgetary context or otherwise, there is scope, beyond what we have already done, to tilt the balance in favour of that part of the company sector which is most pinched at present. But it does seem to me worthwhile to carry forward studies on these and other lines so that there are concrete choices available should further measures seem feasible and desirable.

I am copying this to the recipients of your letter.

GEOFFREY HOWE

15 JAN 1981

Jan 8th

HOUSE OF LORDS

Arranged for: Tuesday 13th January at 15.30 HC Office

Dear Prime Minister

Thankyou for giving me the M.O.D. job which provides a challenge and I will look urgently for opportunities in the overlapping areas of defence sales and procurement costs.

We had a hurried conversation on industry, exchange rates and competitivity and I asked you whether you could spare another $\frac{1}{4}$ hour.

I would like to do this and to give you my outgoing views and rough quantifications of the future trends of exports and imports for manufacturing industry as a whole.

I know you are well informed but contact with private industry was my full time job since you appointed me and I would welcome such an opportunity.

I dont think that I shall waste your very precious time.

Thankyou again for giving me the opportunity to continue to try to help the cause

Yours

Tom Shenchard

CONFIDENTIAL

lnd Pol

TL

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB
TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

Secretary of State for Industry

cc Mr Hoskyns

23 December 1980

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
London SW1

Prime Minister

Major companies not as gloomy about the immediate future as the media portray.

TL 31/12

Dear Geoffrey.

STATE OF INDUSTRY

1 In my letter of 16 December, with which I enclosed Tom Trenchard's note on the state of industry, I mentioned that I was having an informal survey carried out of the intentions of industry over the next three to six months. We have now completed this, and I enclose as background to this letter the notes made by officials here of conversations they have had with the various companies they approached. I should perhaps emphasise that, given the time available, the survey has no claims to being comprehensive but the individual reports will give you the flavour of what was said.

2 The purpose of the enquiry was not so much to assess the effect on companies of our present policies in the long-term but to see whether short-term pressures were seriously distorting longer-term objectives and causing companies to close factories, pull out of markets or abandon products which in the longer-term they regarded as viable. As you might expect the picture we got was mixed. The survey certainly seems to confirm the impression that, although the effects of macro-economic policies are to some extent indiscriminate, little real damage has yet been done to larger industry - with serious exceptions in some fields. But for the future, expectations differ. Barclays Bank were fairly relaxed; they did not expect any significant change of pattern over the next three to six months, although the Bank of England's view in general tends to be more gloomy. Courtaulds, whom we expected to be fairly depressed said that the closures made so far had been planned for industrial policy reasons some time ago and that they were not expecting to take any more decisions of this sort within the next six months.x Vickers gave a similar impression. ICI and the three paper companies had all done their slimming and expected to survive more or less as they were. Northern Engineering Industries were surprisingly bullish. But many companies, whilst avoiding closures or withdrawals from markets, were doing so at the expense of R & D and capital investment, or by calling in work normally sub-contracted, to the detriment of the smaller companies in their sector. Tube Investments in particular were faced with the dilemma of letting /a ...

x though they would expect to have to keep cutting back in the hope of keeping the kernel of the business from which the company could grow again.

CONFIDENTIAL

a valued supplier go out of business or of giving him orders they did not at present need.

3 The engineering sector and particularly the automotive industry, seemed to be under more immediate pressure than others. Lucas, who have so far not cut into muscle, expect early in the Near Year to take decisions which would have that effect. They could well be pulling out of some overseas markets before long. GKN are similarly, possibly more seriously, placed. Tube Investments (who are currently preparing their annual plan) have told the managers of two subsidiaries to prepare plans to withdraw from activities that are part of their longer-term strategy largely because the short-term risks now outweight the long-term benefits. IMI would stop manufacturing an important product in February; many of their sub-contractors and suppliers were also likely to face closures at about that time.

4 I must emphasise that we were seeking information about the immediate future. Many of the companies spoken to said that they would have replied much more gloomily (in the manner of Lucas, T.I and IMI) if the questions we put to them had been set in the context of unchanged conditions on a 9-12 month time-scale rather than a 3-6 month.

5 It is almost impossible to generalise from an impressionistic survey such as this one. In so far as one can, I would say that the proportion of muscle to flab affected will begin to increase in some sectors over the next three to six months but that generally the increase will be more gradual and the crucial period for such decisions will be in the second half of 1981 rather than the first.

6 In general terms it was quite clear from the responses that all companies are facing severe pressure on their cash and on their profits and the general view was that 1981 would be worse than 1980. One has always to take into account the tendency of businessmen to place the crunch for difficult decisions some months ahead of the present, but we got the overwhelming impression that by the end of 1982 industry would be facing some fairly desperate decisions.

7 The factor which mostly concerns industry, either because of its direct effects or its indirect, is the exchange rate. As we know many companies find the present rate uncomfortably high; and if the recent OPEC increases result in an immediately higher exchange rate, the discomfort will increase. The range of exchange rates assumed in corporate planning varied from between $2.20 and $2.40 but rather more were at the upper end. The weakness of the Deutchmark is also causing increasing concern. Ronnie Utiger (of Tube Investments and the sensible Chairman of the CBI Economic Committee) stresses that management is now having to make a judgement about the duration of present pressures.

/8 ...

8 This raises the question of whether there is anything that can or should be done to alleviate the short-term pressures on industry. In his note Tom Trenchard argues that our balance of trade will weaken sharply as industry decides to cut unprofitable exports and as import penetration rises after de-stocking. He believes that much of the service and the public sector depends upon manufacturing and must decline also. The crux of the issue is whether the price of alleviating the distortion of industrial decisions is worth the consequential effects on our anti-inflationary objectives. I think the recent OPEC price rise implies that we should at least consider the scope for talking down the pound a shade - I know that you have tried once - or imposing inflow controls on capital if only to counteract a short-term upward pressure on the pound resulting from the OPEC decision. But I have not the knowledge to judge the potential costs - and the effect on inflation has, as I say, to be weighed seriously.

9 The other suggestion - that we should relieve industry significantly on energy prices - is already in play; you will have seen my letter to David Howell of 27 November suggesting a self-balancing adjustment in favour of manufacturing and you will have seen his reply.

10 I wonder whether it is worth considering - as an effective use of limited resources - a degree of industrial derating? Just in case the idea is worth pursuing I am asking officials here to get in touch with Michael Heseltine's to see what it involves.

11 I am sending a copy of this to the Prime Minister, to Michael Heseltine, John Nott and Sir Robert Armstrong.

Yours ever,

Keith

INDUSTRIALISTS APPROACHED

D Henderson	ICI
D McDonald	Northern Engineering Industries
C Hogg	Courtaulds
E Swainson	IMI
D Plastow	Vickers
J Wilkinson	Lucas
R Utiger	T.I.
J Raisman	Shell
J Quinton	Barclays
D Croxon	Kimberley Clark
Sir R Hunt	Dowty
W Morgan	GEC
Sir F Braithwaite	Baker Perkins
R J Bailey	Royal Doulton Tableware

Extracts from reports of discussions with Fisons Fertilizers and Turner & Newall

CONFIDENTIAL

COMMERCIAL IN CONFIDENCE

IC 7676

NOTE FOR THE RECORD

State of Industry: Discussion with Mr D Henderson (ICI) 19 December 1980

Mr Manzie and I called on Mr Henderson on 19 December 1980.

Summary

2. Mr Henderson said 1981 would be a very difficult year for ICI, particularly in the UK. Their investment programme would be reduced to barely more than one third of its average level in the 1970's. The level of the exchange rate (particularly against the DM) was hitting export prices and volume. But, apart from decisions already taken on fibres, he did not give an impression that decisions to withdraw from markets were imminent. Nor did he point to any examples of suppliers facing such decisions.

Detail

3. ICI realised that the best they could hope for was a broadly neutral budget. The 24 November measures had been adverse for their cash flow (extra oil tax and further depression of demand caused by NI increases).

4. Faced with a squeeze on profitability and liquidity ICI had been forced to reduce their investment. The average level of sanctioned investment in the '70s had been about £700m. For 1980 they had originally expected to sanction £500m, but this was now reduced to £350m. In 1981 they now expected £250m. Projects were being sacrificed. They were trying to maintain the more profitable overseas investment.

5. Exports were dropping in volume and profitability. From a 9% profit in 1979 exports were now losing 15p on every £1. Export prices had improved in 1980 Q1, but had since fallen. Volume had dropped

from an index of 125 in Q2 to 103 in Q3 (1978=100). In Europe, prices tended to be DM-based, and the £/DM rate had hardly dropped at all.

6. Volume (home + export) was down 12% on 1979. UK Chemical sales now stood at an index of 75 (1978 = 100). Domestic prices had been flat since Q2 1980, while costs (particularly nationalised industry prices) continued to mount. They were at a severe disadvantage from energy prices.

7. Their large capital investments (eg crackers) needed to be run at 80% capacity. In 1980 they had been running at 55-60%.

8. Agricultural products, pharmaceuticals, Mond and paint were not too bad. But fibres, plastics and petrochemicals were seriously hit. Fibres could lost £100m in 1980. Decisions had already been taken to withdraw from certain areas.

9. Overall, the 1980 Q3 results would have been worse but for good performance in Australia, S Africa and to some extent the USA. But the poor Q3 results were probably <u>not</u> an aberration.

10. As to suppliers, textile mills were already closing. In the plastics area, many fabricators were likely to be in difficulties, as were suppliers in the general engineering field.

ICA/1
19 December 1980

cc. Mr Manzie
Mr Steele
Mr I Lightman

CONFIDENTIAL
COMMERCIAL IN CONFIDENCE

NOTE FOR THE RECORD

STATE OF INDUSTRY: DISCUSSION WITH MR DUNCAN MCDONALD, CHAIRMAN AND CHIEF EXECUTIVE OF NEI, ON 18 DECEMBER 1980

I spoke to Mr McDonald on the telephone on 18 December 1980.

Summary

2 Mr McDonald said that NEI had not yet had to cut any real muscle, although they were having difficulty in one or two areas, particularly at Reyrolle on switchgear and at Bruce Peebles on power transformers. He had made a special check with the coordinator of their sub - contract work, and he told me that NEI were not really concerned about either suppliers or customers. Some suppliers were in difficulties but they did not know of any that would go into liquidation. As far as customers were concerned it was clear that some of them were delaying ordering at the present time.

Detail

3 The company had had to make cuts of 25 to 35% in jobs at Reyrolle in the last year but this was essential to streamline the business. The main problem with Reyrolle had been due to the specifications of the Electricity Boards for power switchgear, which sought much too heavy and complicated equipment for overseas markets. CEGB have, however, been changing their specifications and Reyrolle have been redesigning their equipment, although the order position was still difficult.

4 On the high voltage switchgear side and distribution switchgear, 80% still went for export. There was no home ordering at the present time and the company were looking forward to the cross-channel link as the next main domestic order. The company had decided, however, that they would not cut R & D in this area and had just authorised the expenditure of £1½ to 2M.

5 On power transformers, there had been a very difficult situation on orders being placed for the Edinburgh factory, but business had now been obtained in Austrlia which would keep the factory going for one year at least.

A G MANZIE

22 December 1980

cc Mr Steele
Mr Lightman
Mr Michell

CONFIDENTIAL
COMMERCIAL IN CONFIDENCE

CONFIDENTIAL
COMMERCIAL IN CONFIDENCE

NOTE FOR THE RECORD

STATE OF INDUSTRY: DISCUSSION WITH MR CHRISTOPHER HOGG, CHAIRMAN AND CHIEF EXECUTIVE OF COURTAULDS, 18 DECEMBER 1980

Mr Steele and I had a discussion with Mr Hogg on Thursday afternoon 18 December.

<u>Summary</u>

2 Mr Hogg said that he did not really think in terms of fat and muscle but in terms of viability and non-viability. At the moment he was running the business for cash since he saw survival as the main aim, and if the depressed conditions continued he would keep cutting back with the hope of leaving a kernel of the business from which the company could grow again. The most important problem in his view was the exchange rate, and he did not see any relief in the next six months or so either from an improvement in the exchange rate, an up-turn in demand or a reduction in UK overall capacity.

<u>Detail</u>

3 The business which had been most severely hit was fibres, although cuts had also been made in other parts of the business. He had already cut this year 25,000 people out of a total of 101,000 in the UK. Of that 25,000, 15,000 were connected with operations which will never restart again. The other 10,000 were in areas designed to improve productivity, and a 15/20% improvement in productivity had been achieved. His aim was to cut by a further 10/20,000 in the next year (this is highly confidential of course) in the same 40/60 mix as for the past year.

4 As for customers, he was surprised at how well many of them have stood up to the depressed conditions. He was not as familiar with the detail as he used to be but he knew that there were a fair number of bad debts around and particular emphasis was being put on credit control.

5 Mr Hogg said that he had already set out his views more fully in the letter which he sent to the Secretary of State.

For
A G MANZIE D Martin (Personal Secretary)
22 December 1980

cc Mr Steele
Mr Lightman
Mr Michell

CONFIDENTIAL
COMMERCIAL IN CONFIDENCE

NOTE FOR THE RECORD

STATE OF INDUSTRY: DISCUSSION WITH MR ERIC SWAINSON, MANAGING DIRECTOR OF IMI LTD, ON 20 DECEMBER 1980

I had a long discussion with Mr Swainson on the telephone on 20 December.

Summary

2 Mr Swainson said that the general situation for his company was pretty miserable. It was not too bad on work for the aircraft industry, specialist valve activities, heat exchange and engineering tube, but most other commodities - copper, building products, central heating and zip fasteners were all very depressed indeed. He did not see any signs of early recovery. His forecast was much nearer that of the Bank of England than that of Mr Nott, Secretary of State for Trade. He saw nothing but gloom for the first six months of next year at the least. He expected a great reduction in export volume, since at the present time it was only being maintained by their accepting reductions in export profitability. It would only be a matter of time before the company had to stop exporting and withdrawing from markets. He already knew that in February he would have to close the manufacturing of one very important product. The situation was very much worse for products with high export content and which were relatively labour intensive.

3 The main difficulty with the company was the exchange rate. Interest rate was not really a problem except in so far as it affected the exchange rate, since the company was not at all highly geared.

Detail

4 As far as sub-contractors and customers were concerned, he believed that there were many companies which were hanging on until the end of the year and that January and February would see a large increase in closures. He did not believe that companies were waiting for the Budget since most of them had given up any hope of relief from the Government.

5 The major customer failure so far had been Fodens, but he was apprehensive about a number of other companies. The zip fastener business had been particularly bad.

6 As an illustration he said that he had been in Australia four weeks ago. Exports from his company to Australia were all losing money on full cost yet the Australians told him that his products had now become 30% more uncompetitive in Australia and it would not be long before he had to withdraw from the market.

7 Mr Swainson summed up by saying that he was absolutely convinced that 1981 would be a far worse year than 1980, since at least the first quarter of 1980 had been good, whereas the prospects for as far as he could see for 1981 were bad.

for
A G MANZIE DMartin (Personal Secretary)

22 December 1980

cc Mr Steele
Mr Lightman
Mr Michell

STATE OF INDUSTRY

Report of Discussion with Mr David Plastow - Vickers

Mr Plastow said that Vickers diesel business had been seriously affected by Iran and by its dependence on the truck business which was still in decline. All capital expenditure had been halted. Their subsidiary in Mexico (which assembled trucks out of components exported from UK) had suffered from North American competition, based on the relative position of the dollar and the pound. They had a rolling programme of redundancies which they reviewed every month in the light in particular of changes in the exchange rate. Their work was, however, underpinned by Ministry of Defence orders which secured their R & D. Mr Plastow thought that there was no danger of their pulling out of the diesel business though if the present situation continued throughout 1981 they might well think again.

2 Even the Rolls Royce Motor Company was suffering in that its overseas sales were not making the sort of profit to which they had become accustomed. I got the impression, however, that they were losing the gilt rather than the gingerbread itself.

3 The Vickers Group comprised a host (about 50) smaller companies. The automotive sector was doing badly. More generally, the direct exports of all these companies were of growing concern. He could, however, think of only one small unit and another half unit (as he described it) which they were thinking of closing in the near future and they had been problems for some time.

4 Vickers over the past year had done all the productivity slimming they wanted to do. He said their general business was safe for the next 3-6 months but added that if I had posed the questions in the context of a 9-12 months timescale he would have given a very much more depressing answer.

J R Steele
Deputy Secretary
717 Ashdown ex 6797
19/12/80

cc Mr Manzie
Mr Mountfield V
Mr Dell MEE
Mr Lightman IC(A)
Mr Michell IC(A)1

STATE OF INDUSTRY

Report of Discussion with Mr Jeffrey Wilkinson, Lucas Industries

Mr Wilkinson said that so far Lucas had been shedding people at a greater rate than their reduced volume would justify and thus achieving productivity gains. They have closed two old and inefficient factories and have, during the last few days, announced the future closure of a third (Bromborough) which was again an old factory with, apart from the past 12 months, unsatisfactory labour practices. The work would be transferred to other sites to increase the loading there.

2 On car components de-stocking was no longer a problem and they saw some slight uplift on account of that. Taken over all they saw some bottoming out during the winter but no significant upturn.

3 The commercial vehicles market was, however, still going down. Girling, for example, were facing depressed volumes and most of their UK factories were working 40-50% below the forecast rate. 60% of the work force was on short time working which would, in some cases, turn into redundancies quite soon. They were currently examining groupings of factories to see if one could be closed and the loading of others improved. Mr Wilkinson thought that they might by this process have 9-10,000 redundancies by July. Most factories supplying the automotive business were running well below break-even but were still making a small contribution to overheads.

4 Mr Wilkinson said that Lucas were substantial exporters but because of the value of the Pound almost all their export business was unprofitable (but again contributing something to overheads). They were considering now whether there were any particular foreign markets that they would have to shed. Because of existing contracts a decision now to shed a particular market would not feed through, in less than 6-9 months and they would try to handle things so that the decision became irreversible at the latest possible stage.

5 Mr Wilkinson said that even the after-market showed a severe drop which they did not understand. De-stocking was over and the low market did not show the usual relationship to petrol sales. They were still trying to work out what caused this.

6 Of their main customers Mr Wilkinson said that he expected Talbot to collapse before the summer (he asked that this expression of view be protected), that Ford would obviously survive but were forcing down the prices they paid to their suppliers. The next 12 months in the automotive industry looked very gloomy and he was studying forecasts by Economic Models, indicating that car production in the UK in 1981 would be down to 800,000 cars. If this happened the component industry would have to contract by 20-30%. Decisions on this contraction would begin to be taken in the New Year but clearly spread well into the next financial year.

7 Of other companies in the same sector he mentioned that GKN were closing factories and that Wilmot Breedon were talking about transferring activities abroad. Many of Lucas' sub-contractors were going out largely because Lucas themselves were pulling in work to try and maintain their own output.

8 . On aerospace Lucas had an order book full for the next 18 months, though current additions to the book were beginning to tail off.

J R Steele

J R Steele
Deputy Secretary
717 Ashdown ex 6797
17/12/80

cc Mr Manzie
Mr Mountfield V
Mr Lightman IC(A)
Mr Michell IC(A)1

CONFIDENTIAL
AND
COMMERCIAL IN CONFIDENCE

IC 7676

Note for the Record

Mr Steele and I called on Mr R Utiger on 17 December 1980.

2. Mr Utiger said he was greatly concerned that decisions affecting industrial "muscle" could be taken during the next few months. The exchange rate was the crucial factor. The present rate was not only making exports unprofitable, it was also affecting the domestic markets.

3. Decisions to cut "muscle" were not simple and would depend on different factors according to circumstances. In TI itself, if the exchange rate stayed at $2.30 (76 effective) about £100m worth of their exports of £250m would be seriously loss-making. Exports were already losing £16-20m at an annual rate and this would get worse. This had already been the position for 9 months. No responsible Board could contemplate allowing losses to continue at this level for another 12 months: 6 might be tolerable if they could be confident of improvement at the end of that time. The perceived trend of the exchange rate was the crucial factor. But there was no particular level at which business could operate profitably. The requirements of businesses might be markedly different. In aluminium, for example, the £/DM rate was the important one, and this had not fallen at all.

4. He gave two examples within the T.I. group. The first was in machine tools. One of their companies had had a good range of conventional tools which was now running down faster than expected. This was not "muscle". But a plan to build up a range of NC tools to take over had been seriously sent awry by present conditions. It now looked as if this operation could not be profitable for 3 or 4 years. On this basis TI would be forced to consider withdrawal in January. This would be "muscle". Any decision might become irrevocable within three months.

5. The second example was bicycles. For some time TI's strategy had been a gradual withdrawal from labour-intensive assembly and a concentration on component manufacture. Again this strategy of smooth transition had been seriously hit. It now looked as if the run-down on assembly might have to be much more rapid with a long period before components could be profitable in their own right.

6. Poor profitability and general shortage of liquidity could lead to decisions to slow down or stop investment in expansion (eg micro-processor control of the smelter at Invergordon). This was not a direct effect of the high exchange rate but it was an indirect result.

7. Turning to suppliers, Mr Utiger said he was very concerned. He knew of one very good company which had said it would be forced to liquidate if orders were cut off. This would be a loss of "muscle". It was doubtful that the capacity could be restored when the upturn came, so the result would be more imports. TI was concerned about its suppliers from the point of view of its own interests, but could not support them indefinitely. He did not feel that flexibility/generosity by the banks would be enough in many cases. Expanding companies were the worst hit. The typical case was a company employing 200/300, well run by 2 or 3 key people with no labour troubles. Such companies were often highly efficient and very difficult to rebuild once they had gone.

8. Many companies, like TI, were engaged at this time in planning their budgets for their next operating year. This could therefore be a crucial period for major decisions.

9. Mr Utiger emphasised that a Board must act prudently. It would be irresponsible to carry on as normal in the knowledge that if circumstances had not improved within say 12 months, there would have to be a sudden chop. A Board would tend to look for evidence of improvement (especially in the trend of the exchange rate) or would probably take prudent decisions to keep losses and expenditure to a minimum and make plans for withdrawal.

ICA/1

STATE OF INDUSTRY

Note of conversation with Mr John Raisman, Managing Director, Shell UK

I explained that I was interested not so much in the state of the oil industry but in Shell's non-oil activities, and in any insight Shell had obtained of the state of health of their various customers.

Mr Raisman said that their main non-oil activity was chemicals. They had carried out some rationalisation in this area, which he categorised as having been necessary regardless of the rate of exchange etc. It had made them more efficient. He was not expecting any further closures during the foreseeable future.

Mr Raisman confirmed that his marketing divisions would be able to give an impressionistic picture of the state of their customers and said he would ring me back when he had consulted them, which he would do without revealing the reason.

[At the time of going to press Mr Raisman had not rung back]

J R Steele
Deputy Secretary
717 Ashdown ex 6797
22/12/80

STATE OF INDUSTRY

Report of Discussion with Mr John Quinton, General Manager, Corporate Finance, Barclays Bank

Mr Quinton said that the Bank were trying to answer the same sort of questions as I was putting to him in order to decide which of their clients were survivors, and thus qualified for being lent more money. The Bank were adopting the policy that they should lend beyond their normal prudential limits in order to keep going those companies that they thought were efficient and viable in the longer term. They were doing this, not out of altruism, but because their future business lay there. He thought Sir Terence Beckett's reaction at the CBI conference was much over done. In their experience the MLR at 16% was not all that disastrous; it had been critical to the survival of a company in only a few cases. They had more complaints about the exchange rate than any other aspect of macro-economic policy, but many companies were in fact looking in the US for companies to buy whilst the exchange rate was still high. The debate on the level of Sterling tended to be set in the context of the next 12-15 months rather than that of the next few. Many of their clients had slimmed their work force but not many were saying that they had closed down operations that ideally they ought not to have closed. Mr Quinton thought that most well-managed companies would survive at least through next year. Although the effect of macro-economic policy was obviously indiscriminate and some good companies had gone, he did not see the proportion of good to bad, or of muscle to flab, changing significantly in the period up to, say, Easter.

2 There is one qualification which ought to be made to Mr Quinton's views. Being based in London he deals with the larger companies (ie those big enough to use London for their banking rather than local banks) and thought that the picture amongst small companies was probably more depressing.

JRSteele

J R Steele
Deputy Secretary
717 Ashdown ex 6797
17/12/80

cc Mr Manzie
Mr Dell MEE
Mr Mountfield V
Mr I Lightman IC(A)
Mr Michel IC(A)1

CONFIDENTIAL

CONSULTATION WITH INDUSTRIALISTS

Views of Mr D Croxon, Chief Executive of Kimberly Clark

Kimberly Clark had a long-term strategy of orderly expansion in Europe. The next major tranche of new UK capacity, the £30m Prudhoe project, would come on stream early in 1982.

They were on course in the UK and elsewhere. The market for their main product, tissue paper, was still growing but the rate of growth was expected to be only 1/2% next year. They were a little more pessimistic than 6 months ago, but there was no question of closures or redundancies.

Their capacity was working flat out which had enabled them to stay competitive with imports. They were looking for a wages settlement this year that would not increase unit costs in real terms.

The main concern was the "massive increase" in energy costs. This was the one major discordant note. Precise data was available from Kimberly Clark's own companies world wide showing that UK energy costs were now 3 times higher than Canada, twice as high as in the US and between 35% and 50% higher than on the Continent.

Mr Croxon said they had first-rate suppliers who were generally in good shape. Cost cutting was making selling to industrial customers very tough. Domestic sales were increasingly to the supermarket chains.

As regards the Budget, Mr Croxon noted that the stock relief proposals would cost them money. The measure Kimberly Clark want is abolition of the Fuel Oil Tax.

D. M. Dell.

COMMERCIAL IN CONFIDENCE

MR STEELE

cc Mr Michell ICA

CONSULTATION WITH INDUSTRIALISTS

Sir Robert Hunt - Dowty

Sir Robert said that Dowty's aerospace and defence business was prospering but they were concerned about possible future MOD cuts which could force them permanently to lay off skilled engineers. This could lead to a permanent loss of capability. Mining equipment (35%) was seriously affected by the NCB cuts and 200 semi-skilled men had been laid off.

2 Sir Robert said that it was however in their remaining hydraulics and industual seals business that the best industrial barometer lay. In seals, which spanned the whole of industry, demand had begun to fall in March, were down 40% in September and were now running at a constant 50% down. However this fall in demand appeared to have bottomed out. There was however no sign of an up-turn and feedback from the sales force suggested that this would not come about until the end of 1981. Experience on seals in the US had been similar but an up-turn was expected in late Spring 1981. In Germany the down-turn had only come in September and in France only very recently. He implied however that by far the most serious situation remained the British one.

3 He asked nothing of the budget. Dowty were a high invester in new equipment and paid little tax. He would however like to see the £ down to 2.20.

4 Subcontractors were suffering but none had closed.

I H James

pp C C W ADAMS
HD/MEE1
Room 414 Ext 0696
Ashdown House
18 December 1980

COMMERCIAL IN CONFIDENCE

CONSULTATION WITH INDUSTRIALISTS

Mr Bill Morgan GEC

Mr Morgan said that GEC were basically confident about prospects for the company. The immediate issues of level of demand and exchange rate were unlikely in themselves to cause any change in GEC's product or market pattern but they would sharpen the continuing examination GEC were making of product and market areas to meet changes in technology, eg from electrical items to electronics, and thence into systems (a particular example was office machinery). Some lower technology areas were on the other hand likely to continue to be profitable, eg transportation. There the company would aim to make the most of existing technologies while these were profitable, but there were no immediate areas at risk.

2 Mr Morgan's chief worry about suppliers was on the state of BSC. GEC would prefer to take from foreign sources at cheaper prices rather than see the Government artificially maintain BSC capacity. Over the very wide range of GEC's activities it was difficult to be specific about other suppliers, but the company did not expect any major difficulty with sub-contractors. They thought that most of them would continue in business. The same applied to customers.

3 As to the Budget, Mr Morgan had no specific suggestions to make. GEC had lived with Budgets of every type before and would live with next April's also. The basic philosophy of the company was to make a success of the situation as they found it rather than to worry too much about events that might not occur.

4 Mr Morgan was unwilling to hazard a guess as to the length of the recession. So far he saw no sign of improvement.

Dtr Dell

MEE
17 December 1980

COMMERCIAL IN CONFIDENCE

CONSULTATION WITH INDUSTRIALISTS

Sir Franklin Braithwaite, Baker Perkins

Sir Franklin Braithwaite said that Baker Perkins's first half-year figures just published showed a loss but he was confident that the second half should be better, giving a profit at the end of the year, though he would not estimate how much. He expected to maintain the dividend. In spite of difficult conditions, Baker Perkins had been maintaining their investment in machinery and R&D. R&D expenditure would be kept up this year, but they were towards the end of their machinery investment programme so that this could cause difficulties for, for example, machine tool suppliers. His own guess was that there would be a turn around in the market visible by June.

2 Among suppliers his chief worry was with BSC, and Baker Perkins were increasingly placing orders for steel abroad both on grounds of quality and price. This went against their overall "buy British" policy, eg in purchases of motor cars.

3 In the case of other suppliers and customers Baker Perkins foresaw no major difficulty and were not expecting firms, except perhaps their small sub-contractors, to go out of business or reduce product ranges in a damaging fashion. The smaller sub-contractors could be easily replaced when the market turned.

4 As to the Budget, Sir Franklin Braithwaite had no special requests or suggestions to make. He did not regard it as of particular significance this year.

D. M. Dell

MEE
17 December 1980

CONFIDENTIAL

CONSULTATION WITH INDUSTRIALISTS

Views of Mr R J Bailey, Chairman of Royal Doulton Tableware Ltd

Royal Doulton have anticipated the continuation of hard times next year. They have already closed 4 works which were somewhat peripheral. No further closures or redundancies are foreseen - unless the situation turns out to be much worse than they expect. Their expectation in fact is that they will be working at about 75% of capacity next year.

The pattern of trading is highly seasonal and the pottery sector generally will not be well placed to assess prospects for next year until the major stores start placing their orders after Christmas. Mr Bailey is not yet sure whether the stores will have reduced inventories sufficiently to start ordering again at more normal rates. He thinks the recession may have bottomed out.

The three key factors are inflation, the high cost of borrowing and the exchange rate. Mr Bailey noted some recent improvement in all three factors.

Royal Doulton have not abandoned any export markets or any major product lines and they have no intention so doing. Essential investment has been sustained, but on a restricted basis. A modest wage settlement is on the cards, provided there are no "silly settlements" elsewhere in the public or the private sector.

STATE OF INDUSTRY

Extract from report of discussion Mr P G Hudson/Fisons Fertilizer Division

The main news I was given in extreme confidence was that in January 1981 Mr Blackboro expects to declare redundancies of 800 throughout the Division. This will involve the shut down of the smaller uneconomic production plants and amount to 25% of the Fertilizer Division's capacity. The details are still confidential and no mention should be made of the pending closure outside CT Division. Mr Blackboro explained that in his view the Division had become too production-oriented. Product had been made even when it was not being sold. Fisons have been losing market share for the last 20 years, in fact ever since the Monopoly Commission's report of 1956, after which Fisons started to diversify their activities. The market share in fertilizers has been lost in the main to the small companies. In Mr Blackboro's view Fertilizer Division has become too conservative and inflexible and its marketing has been neglected. No real attempt has been made to project its brand image and more attention in future needed to be paid to service to farmers. Fisons for production reasons had tended to sell in the June and December each year - quite the wrong times.

22 December 1980

STATE OF INDUSTRY

Extract from note of meeting CT Division/Turner & Newall Ltd

The effect of all these factors was to produce a break-even situation in the first ten months of this year in comparison with a £15m operating profit before interest charges in the same period of 1979. (As this implies losses likely to be substantially worse). Corrective action had been taken to reduce both capital expenditure and R & D, a low pay settlement of 5.2% had been negotiated 2 months ago, the work force was being cut by 1300, a factory in N Ireland shut, market research activities were being contracted and systems developments projects with 3 year paybacks were having to be shelved. Despite this there was extensive short-time working within the Division.

The company's economists were forecasting a further decline in gnp of 3% in 1981 and prospects in the individual sectors apart from minor areas varied from poor to extremely bad. As margins have already been reduced at home and overseas (in some cases prices had been reduced by 14/15% despite input prices dropping by only 7%) and there is no further employment fat to cut, only radical restructuring of the business would contain the losses if an early upturn did not materialise. This would reduce the manufacturing base of its operations. The export front did not offer any solace because the company was just managing to hold on to some markets and was being forced to take account of redundancy cost in deciding whether to stay in the market. It was easier to fund marginal export business when the overall tempo of activity was in steep decline than when it approached equilibrium or increased.

22 December 1980

SUBJECT

cc Cabinet
LOD
D Transport
Ch. Whip
Cab. Off
Master
Ops + Spares

Ind Pol

10 DOWNING STREET

THE PRIME MINISTER

Personal Minute
No. M6/79T

MINISTERS IN CHARGE OF DEPARTMENTS

If our general economic and industrial policy is to be a success, we need to look carefully at the impact of Government on industry. We have already put in hand many measures to reduce unnecessary Government intervention, but we must be careful in the development of our own policies to ensure that the industrial implications are fully taken into account at the earliest possible stage of policy making. Government can have a damaging impact on industry in various ways:

(a) By imposing new direct costs which reduce international competitiveness.

(b) By giving, unnecessarily, new responsibilities and duties to employers and managers.

(c) By making unnecessary changes or changes of marginal benefit only, which involve difficult transitional arrangements.

I should like all Ministers to ensure that the Chancellor and the Secretary of State for Industry are fully consulted about the development of all policies which have an impact on industry. Interdepartmental arrangements at official level already exist, under the Chairmanship of the Treasury, to co-ordinate the work. I should like all Ministers to ensure that their departments give high priority to industrial considerations and co-operate fully with the interdepartmental arrangements.

/ This applies

This applies not only to policy proposals emanating from ourselves, but to EEC proposals, and where possible to proposals deriving from other public bodies.

I am sending a copy of this minute to Sir John Hunt.

Margaret Thatcher

9 July 1979

Prime Minister
I think it would be helpful if you could send the attached minute. The inter-departmental machinery needs a Prime Ministerial push.
TL
6/7

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

PRIME MINISTER

Syed red.

THE IMPACT OF GOVERNMENT ON INDUSTRY

In recent years business has been distracted and business costs have been increased by a torrent of no doubt well-intentioned requirements, many based on sound purposes, but in aggregate and in action far in excess of what could be absorbed without damage to our competitive position. There has been "overkill" in many fields - and the utopian impulse is still at work.

2. We seek the co-operation of colleagues in reviewing and pruning overkill where it exists and in preventing new manifestations when proposed. There is inter-departmental machinery already. We would be much helped if you would consider circulating a minute along the lines of the attached draft.

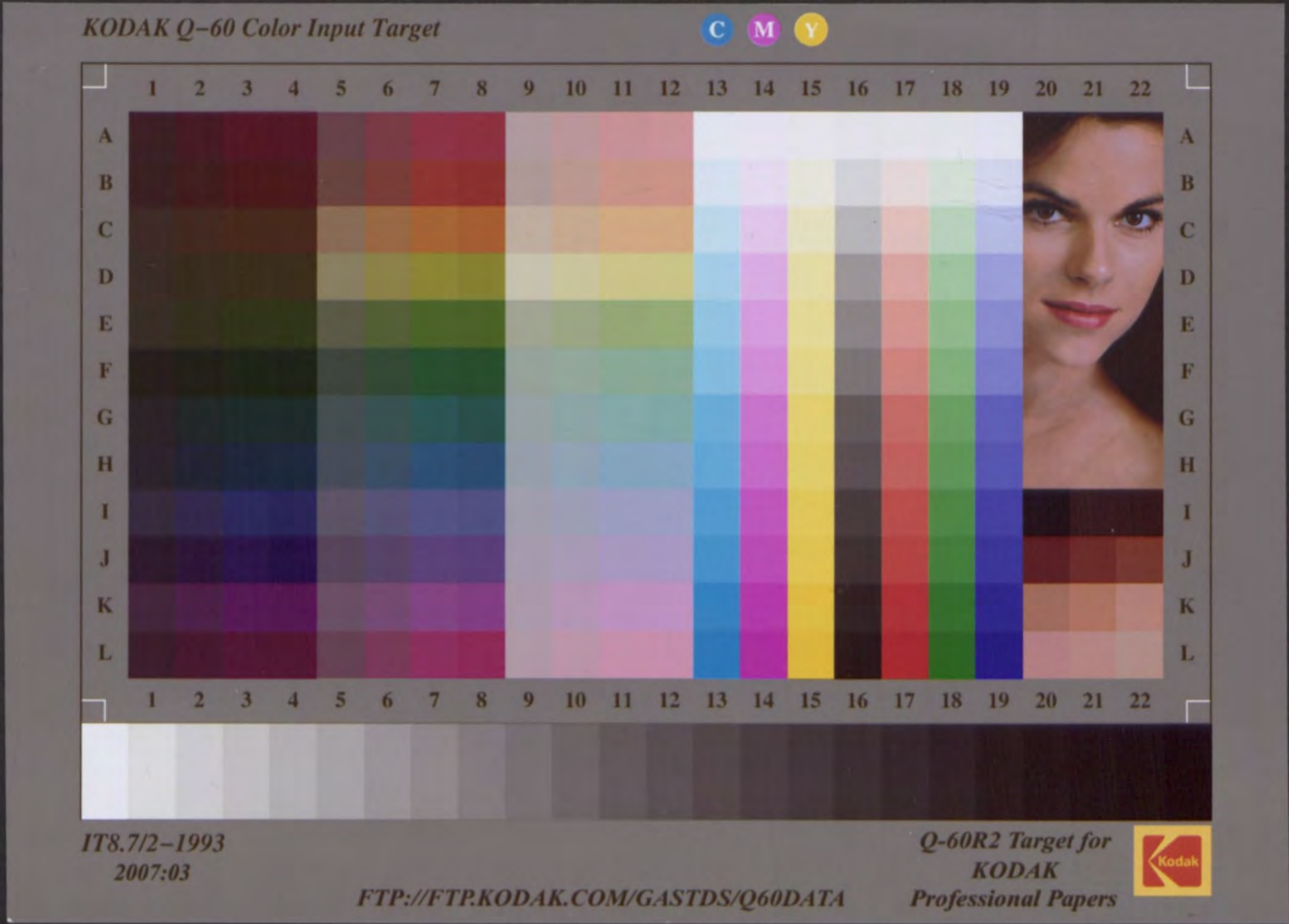
(G.H.)

KJ

(K.J.)

6 July, 1979

6 JUL 1979


KODAK Q–60 Color Input Target
C
M
Y
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22
A B C D E F G H I J K L
IT8.7/2–1993
2007:03
FTP://FTP.KODAK.COM/GASTDS/Q60DATA
Q-60R2 Target for
KODAK
Professional Papers
Kodak