MT.

Confidential filing.

Private finance for Trunk Road Construction.

TRANSPORT.

Febuary 1982.

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
~~10-3-82~~							
~~11-3-82~~							
~~1-4-82~~							
~~5-4-82~~							
~~8-4-82~~							
~~27-4-82~~							
25-5-82							

PREM 19/935

Dd 533270 5M 2/78 8362633 JET

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
E (82) 24	4. 3 82
E (82) 25	8. 3. 82
E (82) 8th Mtg Min 2	11. 3. 82

The documents listed above, which were enclosed on this file, have been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate **CAB** (CABINET OFFICE) CLASSES

Signed R. Ponman Date 31 Oct 2012

PREM Records Team

Gov Transport

NBPM

MS 26/5

Treasury Chambers, Parliament Street, SW1P 3AG

Michael Scholar Esq
No.10 Downing Street
London SW1

25 May 1982

Dear Michael,

I have recently written to Mayer at the Department of Transport about recent press reports of proposals to use private capital for building roads. I enclose a copy for your information.

I am copying this letter to the Private Secretaries to E Committee Members, to David Wright and to Bernard Ingham.

Yours sincerely

Terry Matthews

T F MATHEWS
Private Secretary

Treasury Chambers, Parliament Street, SW1P 3AG

R A J Mayer Esq
Private Secretary to the
Rt Hon David Howell MP
Secretary of State
Department of Transport
2 Marsham Street
London SW1

24 May 1982

Dear Anthony,

PRIVATE FINANCE FOR ROADS

The Chief Secretary has seen some of the recent press reports about proposals to use private capital for building roads. An article in the "Daily Telegraph" on 17 May seemed to suggest that the principle had been approved by your Department and the Treasury. Because this is, of course, not so, the Chief Secretary has asked me to write setting down the position as he understands it.

So far as motorways and trunk roads are concerned, the position rests with the Chief Secretary's letter of 19 April to your Secretary of State in which he agreed that officials should hold discussions with the construction industry and other interests. The purpose of these talks is purely exploratory, and they are being held with a view to identifying the efficiency savings, if any, that might compensate for the additional cost. The results will need to be carefully appraised by Ministers, and there can of course be no commitment to the eventual outcome.

Turning to local authority schemes, to which the "Daily Telegraph" article mainly related, the Chief Secretary understands that proposals have been put to your Department by the West Midlands County Council, and that your officials are discussing their implications with the Treasury and other Departments concerned. Any question of agreement, explicit or tacit, to local authorities financing their share of local roads expenditure by payment of royalties is thus entirely premature.

The Chief Secretary hopes that an opportunity will be found to make it clear that the Government has not het formed a view on any particular scheme or, indeed, on the use of private finance

for building of roads. Otherwise, as he said in his letter to your Secretary of State, there is risk that expectations may be raised, and outsiders' resources committed unnecessarily.

Yours ever

Terry Mathews

T F MATHEWS
Private Secretary

Transport

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

Prime Minister (2)

HUS 27/4

The Rt Hon Leon Brittan QC MP
Chief Secretary to the Treasury
Treasury Chambers
Parliament Street
LONDON
SW1

27 April 1982

Dear Leon

PRIVATE FINANCE FOR ROADS CONSTRUCTION

Thank you for your letter of 19 April.

I shall now put the consultations in hand. As you ask, we will make it clear that they are exploratory and without commitment. I shall also try and keep them low-key, but - as you appreciate - there is very widespread interest in the subject in the serious press as well as in the industry; as some publicity is inevitable, it will be better to seek recognition in such quarters of a genuine attempt to find ways of involving private funds, rather than to appear to be reacting grudgingly to the initiatives of others.

I shall, of course, let you know how our consultations progress and discuss the outcome with you before reporting back to E Committee as required by E(82)8th Meeting, Item 2.

I am copying this letter to the Prime Minister, to other members of 'E' and to Sir Robert Armstrong.

Yours ever

David

DAVID HOWELL

cc JV

Prime Minister (4)

MCS 20/4

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon David Howell MP
Secretary of State
Department of Transport
2 Marsham Street
London SW1P 3EB

19 April 1982

MS.

Dear David.

PRIVATE FINANCE FOR ROAD CONSTRUCTION

Thank you for your letter of 29 March. I have seen, too, the letter from the Prime Minister's Private Secretary to yours of 1 April and his reply of 5 April.

I remain very sceptical about the prospects for our devising an acceptable scheme whereby finance would be raised privately for road construction and repaid by Government in the form of vehicle royalties. It seems that such a scheme would be significantly more expensive in discounted terms than conventional public expenditure, and that the additional costs would considerably outweigh the possible benefits. In our discussion on 11 March, colleagues saw, I believe, the difficulties that could arise in accepting the future liabilities that would result. This risk, I think, would not be lessened by likely changes in the size of particular programmes after the current planning period.

Nevertheless, I recognise that there may still be possibilities for efficiency savings from private financing. Taking, for example, the points you make about responsibility for maintenance and a fixed terminal date for royalty payments, it might be possible to build in an incentive to complete the road quickly and, in particular, to maintain it in ways that cause as little inconvenience as possible to road-users. I am therefore prepared to agree that your officials should hold further talks with the construction industry and other interests.

I must naturally make clear (as no doubt your officials will make clear to the industry) that these talks cannot involve any commitments whatsoever to the eventual outcome. It is important that they should be presented as purely exploratory, and conducted in as low-key a manner as possible. Otherwise expectations may be raised and outsiders' resources committed

unnecessarily. It will also be absolutely essential to take steps to ensure that alternative terms suggested by companies for conventional financing are realistic and are not pitched unrealistically high. I should say, too, that I believe that we cannot, in considering PES, exclude from our minds any expenditure on roads that is financed in the way you envisage.

I look forward to hearing about the conclusions of the report on tolls. While I accept what you say, it may be that in the longer-term their introduction is a better prospect than the use of unconventional forms of financing.

I am sending copies of this letter to the Prime Minister, to other members of 'E', and to Sir Robert Armstrong.

Yours Leon

LEON BRITTAN

YD

Transport.

cc JV

MAP

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref: H/PSO/12520/82

Your ref:

CONFIDENTIAL

8 APR 82

PRIVATE FINANCE FOR ROAD CONSTRUCTION

David Howell sent me a copy of his letter of 29 March to you.

Given that there is no possibility of immediate action on the subject of tolls, I strongly support David's suggestion that he should now start detailed discussions with the construction industry on his proposal to attract private finance into road construction through a scheme based on royalty payments. As he says, there is a debate in progress within the industry on the general subject of private finance for construction projects, and I agree that the Government should not stand aloof from it. As agreed at the meeting on 11 March, the outcome of consultations on this subject could be further considered by E Committee.

I am sending a copy of this letter to the Prime Minister, to the other members of E and to Sir Robert Armstrong.

Yours ever

MICHAEL HESELTINE

The Rt Hon Leon Brittan QC MP

Transport
cc SV

CONFIDENTIAL

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

(2)

Prime Minister

But if they bring the programme forward will they really accept a smaller programme later?

They will have to! MT

MCS 6/4

Michael Scholar Esq
Private Secretary to
the Prime Minister
10 Downing Street
LONDON
SW1

5 April 1982

Dear Michael

PRIVATE FINANCE FOR ROAD CONSTRUCTION

"how can there be additional spending on roads without additional public expenditure?"

In your letter of 1 April you set out the Prime Minister's comments on my Secretary of State's letter of 29 March to the Chief Secretary.

I have shown your letter to my Secretary of State.

He has asked me to explain that building a road on the royalty basis will release public funds in the immediate future that can be used to bring forward bypass schemes from later in the programme. It is a means of speeding up work, not of increasing the total programme. My Department's spending on schemes built under the normal method is concentrated in the period of construction. Spending under the royalty system will start two to three years later and be spread over fifteen years.

The royalty payments as they are made will certainly be public expenditure and will have to be accommodated within my programme. And to the extent that in the long run they prove more expensive than traditional financing (which will depend on the rate of traffic growth) that extra cost will have to be so covered. But in the meantime we will have been able to get ahead more quickly, and much of the cost will fall at the end of the decade, or beyond, when our present trunk road construction programme will be nearing completion.

I am copying this letter to the recipients of yours.

Yours sincerely

Sean Bakhir

pp T JOHNS
Private Secretary

CONFIDENTIAL

File

cc: E Cttee
CO
bc: John Vereker

10 DOWNING STREET

From the Private Secretary

1 April 1982

PRIVATE FINANCE FOR ROAD CONSTRUCTION

The Prime Minister has seen a copy of your Secretary of State's letter of 29 March to the Chief Secretary.

She has commented that she does not understand how, on the royalty method, there can be additional spending on the roads without any addition to the total of public expenditure.

I am sending copies of this letter to the Private Secretaries to the other members of E Committee and to David Wright (Cabinet Office).

MS

Anthony Mayer, Esq.,
Department of Transport.

CONFIDENTIAL

cc JV

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

(2)

Prime Minister

I don't understand how there can be additional spending on roads on the royalty method without adding to the total of public expenditure.

MCS 30/3

The Rt Hon Leon Brittan QC, MP
Chief Secretary to the Treasury
HM Treasury
Parliament Street
LONDON SW1

29 March 1982

Dear Leon

I agree MT.

PRIVATE FINANCE FOR ROAD CONSTRUCTION

At their meeting on 11 March, E Committee invited us to consider the proposals in our respective memoranda on this topic, and any other alternatives, against the criteria set out in Annex B of Michael Heseltine's memorandum (E(82)22), with a view to reaching agreement by early in the week of 22 March. I think it was clear from the Committee's discussion that colleagues see the case for additional spending on roads, provided this can be privately financed and therefore would not add to the total of public expenditure. Our officials have had a full discussion and I am writing now to set out my own position.

You are, as I am, interested in the possibilities of tolls. I have commissioned a study of the feasibility and implications of tolling new motorways, the results of which I expect to reach me very soon. When the report is available we shall, of course, let you see it, but I understand that the results emerging do not support great initiatives. In any event, you will know that QL Committee have concluded that there is no Parliamentary time for legislation on tolls next Session, so there is nothing we could do to get a tolls scheme off the ground in this Parliament.

CONFIDENTIAL

For the present my objective as put to E Committee, is to get on with consultations, without commitment, on a much more limited experiment, by way of royalty payments, which seems to me fully consistent with the criteria in Annex B of Michael Heseltine's paper, and therefore would not add to the total of public expenditure.

I can see a number of ways in which my original proposal might with advantage be modified to increase the degree of risk which the contractor would bear. I have already agreed to consider making the contractor responsible for repairs and maintenance throughout the concession period and to work to a fixed termination date for royalty payments related to the start, rather than the completion of work, to encourage speedier construction; I am certainly willing to consider requiring contractors to bid on a fixed price basis, i.e. with no allowance for variations in costs during the construction period (as is of course normal under conventional contracts). But the implications of all of these factors for the cost of road-building can only be established, first, by talking to the industry and ultimately by putting the matter to the test.

Important firms in the construction industry have been showing considerable interest in the possibility of using private finance for road construction. There is now a public debate in progress on this subject involving the industry, including the civil engineering EDC, financial interests and local authorities who are interested in the possibility of using private finance for their own schemes. The only party not actively involved in these discussions is the Government. I do not believe that our continuing to stand aloof is acceptable. If we are to retain any credibility for our claimed

interest in involving private finance in an area that has hitherto been entirely funded by the Exchequer, I believe it is essential that we should now join in that debate by starting detailed consultations on the basis I have proposed.

I am sending copies of this letter to the Prime Minister, to the other members of 'E' and to Sir Robert Armstrong.

Yours ever

David

DAVID HOWELL

Trans pack.

CONFIDENTIAL

P.0676

PRIME MINISTER

MT

Private Finance for Trunk Road Construction
(E(82)24 and 25)

BACKGROUND

In E(82)24 the Secretary of State for Transport asks the Committee to endorse the development of a scheme for private sector financing of trunk roads with a view to inviting, on a trial basis, competitive tenders under the present and the proposed systems. The Chief Secretary, Treasury records his reservations in E(82)25 and recommends that the ideas should be remitted for further study by officials.

2. The Secretary of State for Transport proposes that contractors should bid competitively for a road scheme with their payments based on a royalty per vehicle using the road rather than on progress payments of capital sums as under the present tendering procedure. The contractor would be at risk in that his returns would depend on whether traffic grew faster or slower than expected. On the assumption that the capital expenditure incurred by the private sector did not count as part of the trunk road programme for public expenditure purposes, the public expenditure (on royalty payments) would be spread over a long period and construction companies are said to be interested in the possibility of such an approach which might offer a way of advancing road schemes and taking up slack in the industry.

3. The Secretary of State for Transport recognises that if traffic grew as expected the financing costs would be higher in the long term because the cost of borrowing would be greater than borrowing from the National Loans Fund and the contractor would be looking for a cushion against risk. He argues, however, that the only way to find out whether these costs would be more than offset by benefits is to put the scheme to the test by inviting tenders for one or two roads on the conventional and the proposed basis.

CONFIDENTIAL

4. The Chief Secretary clearly believes that the advantages of private sector financing on these lines are illusory. The Secretary of State for Transport has acknowledged that this scheme would not bring significant advantages by way of improved efficiency and the Chief Secretary sees it primarily as an alternative way of paying for roads out of public expenditure. He argues there is no virtue in holding down public spending in the short term while building up potentially greater commitments (because of the higher costs of private sector financing) for the future. Although public expenditure as defined would not be increased noticeably in the present Survey period the economic effect would be the same since resources would be used just as if the schemes had been financed directly by public expenditure under present methods. The Chief Secretary may also point out that the present road programme is underspent and so there is scope for further activity within existing programmes.

5. The Chief Secretary further proposes consideration of letting the private sector recoup construction costs not from royalties paid by the Government but from tolls (his paragraph 7) and alternatively trying to devise a new tendering system for all road schemes whereby road priorities were judged against the willingness of road builders to tender on the basis of royalties paid on the traffic flow (his paragraphs 8 and 9).

MAIN ISSUES

The Secretary of State for Transport's scheme

6. It should be common ground that some further work by officials will be necessary before a scheme on the lines proposed by the Secretary of State for Transport could be launched. It will be necessary to prepare a 'prospectus' for the scheme which would set out, for example, the level of royalties on offer and the period over which they would be paid, and the liability of the contractor to payments for maintenance work.

7. The first question is how long this further work should take and what impetus the Committee wish to give to it. The Secretary of State for Transport is clearly looking for action fairly soon. He will accept that the costs of his scheme might not justify the benefits but he will argue that the only way of

finding out whether this is so is to put the scheme to a practical test on the lines he has proposed. In particular it is necessary to find out whether the financial institutions would be willing to support the construction industry in tenders of this sort and, if so, on what terms. This seems reasonable provided it is accepted that if tenders on the proposed 'royalty' basis turn out in practice to offer no advantage over tender on the present basis, then this particular form of private sector financing would not be pursued. The Committee will wish to guard against the risk that expectations of the possibilities for the royalty scheme should be aroused to such an extent that it would be difficult to drop it even if the advantages were not clear.

8. The Committee will also wish to consider whether the Chief Secretary's proposals deserve further consideration and whether they are a potential substitute for the approach proposed by the Secretary of State for Transport or a supplement to it. The Chief Secretary seems to have three possibilities in mind: to strengthen existing contracting procedures in order to secure the possible benefits envisaged in the Secretary of State for Transport's scheme without the disadvantages; to explore further the possibility of letting the private sector recoup construction costs not from royalties paid by the Government but from tolls; and to develop a new tendering system, based on royalties, and applying to all road schemes.

Present Tendering Procedures

9. The Chief Secretary suggests, in paragraph 3 of E(82)25, that some of the benefits envisaged could be gained by strengthening existing contract procedures. If this were practicable it would not necessarily rule out consideration of the Secretary of State for Transport's scheme: the right course would be to compare tenders on the basis of that scheme with tenders on the basis of the existing contract procedures as amended. The Secretary of State for Transport may, however, say that since the standard tendering procedures are agreed with the construction industry they cannot be amended quickly and he might be reluctant to see the first trial of his proposals deferred while revision was taking place. This would not, however, rule out the possibility of revision at a later date.

Tolls

10. In paragraph 7 of E(82)25 the Chief Secretary proposes consideration of the effect of letting the private sector recoup construction costs from tolls. The Secretary of State for Transport will argue that the tolls are at best a longer term possibility which could be introduced only after legislation. The disadvantage of tolls is that traffic would be diverted in practice from the toll road to other roads and this might not be desirable. Insofar as such a scheme is a possibility in the longer term, the Secretary of State for Transport will probably argue that it should be additional to, rather than in replacement of, the scheme he is now proposing.

A New Tendering Scheme

11. The Chief Secretary further proposes, in paragraphs 8 and 9 of E(82)25, consideration of devising a new tendering system applying to all road schemes and based on royalties. The Government would assess the overall economic return required on the road and insofar as the private sector required royalties less than this the road would be in principle worth building and insofar as they required more the road would be dropped from the programme. It is not very clear why such a general scheme would not have the disadvantages which the Chief Secretary sees as applying to the limited scheme proposed by the Secretary of State for Transport; but no doubt he will elaborate in the discussion what he has in mind. The Secretary of State for Transport will probably point out that this would not be a satisfactory basis for determining the size and composition of the road programme because the Government might well be willing to go ahead with a road scheme carrying a modest amount of traffic (on which the private sector return would be based) for environmental reasons (eg a bypass) or to provide a necessary link in a much wider network in which the private sector was not involved. Insofar as the idea is worth exploring further it does not seem to be a reason for delaying a trial of the Secretary of State for Transport's scheme, of which the Chief Secretary's proposal would be a development.

HANDLING

12. After the Secretary of State for Transport and the Chief Secretary, Treasury have spoken to their papers the Committee will wish to hear in particular the

views of the Secretaries of State for the Environment, Industry and Wales.

13. The main questions before the Committee are:

(i) Should Transport and Treasury officials be instructed to work out urgently the details of a scheme to be tried out as proposed by the Secretary of State for Transport?

(ii) Is there scope for improving present contract procedures and could this be done in time for the basis of comparison, in the proposed trial, to be existing contract procedures as amended and the Secretary of State for Transport's scheme?

(iii) Should further work be done on a private sector scheme remunerated by tolls in addition to, rather than instead of, the scheme proposed by the Secretary of State for Transport?

(iv) Should the proposal for a general tendering scheme, as sketched out in paragraphs 8 and 9 of the Chief Secretary's paper, be developed further with a view to building it on to the Secretary of State for Transport's scheme?

CONCLUSIONS

14. You will wish to record conclusions with reference to the four questions listed above.

PLG

P L GREGSON
Cabinet Office
10 March 1982

HL
bcc John Vereker

8 March 1982

Private finance for the M20

Many thanks for your letter of 4 March which I have shown to the Prime Minister.

She is content to carry forward the discussion of this general issue in the context of your Secretary of State's E paper on private finance for trunk road construction.

MICHAEL SCHOLAR

Anthony Mayer, Esq.,
Department of Transport.

GC.

(1)

10 DOWNING STREET

Prime Minister

You asked about a proposal by Tarmac for private finance for the M 20 — which we had discussed at a media meeting several weeks ago.

Here is the Department's response — best handled in the general context of Mr Howell's E paper (attached).

MCS 5/3

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

Michael Scholar Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON SW1

4 March 1982

Dear Michael,

PRIVATE FINANCE FOR THE M20

Thank you for your letter of 22nd February.

The Tarmac proposal is one of several versions they have publicly announced. They are all related to discussions which have been going on about the "royalty" system for obtaining private finance for trunk road schemes devised by this Department, but to which neither Mr Fowler nor Mr Howell have yet managed to obtain the Treasury's agreement. My Secretary of State is circulating a paper to "E" Committee colleagues about this system today. If agreement is reached on an experiment, he will develop the idea further in association with the industry (several other firms are interested as well as Tarmac) and the Treasury.

There would, however, be better road schemes to start with than the gap in the M20 between Ashford and Folkestone. Detailed design and all the statutory procedures for land acquisition for the scheme have still to be undertaken. And even if we agreed to take it up immediately, construction would not start for 3 years. Moreover, unless or until firm commitments have been made not only about whether to build a Fixed Channel Link but about the nature and timing of any provision for carrying road vehicles through it, the prospects for traffic on the M20 (and hence the level of royalty needed to finance it) will remain uncertain. All in all we would prefer to try this approach to financing on one of the other trunk road schemes which will be ready to go to tender in the next year or so.

Lastly, tolls. Neither the Tarmac scheme nor our immediate proposals involve tolls on traffic using the new road. Mr Howell is, however, also considering whether there is any scope for

imposing tolls on new roads other than the estuarial crossings to which they have traditionally been applied.

As soon as we are ready with a draft substantive reply to send back to Tarmac, we will send you across the draft. Meanwhile Mr Howell thought it might be helpful to you to have this background.

I am copying this letter to Terry Mathews (Chief Secretary's Office).

Yours Sincerely,

Anthony Mayer

R A J MAYER
Private Secretary

MFJ

22 February 1982

Private Finance for the M20

The Prime Minister saw a report in the press this morning that Tarmac have offered to complete the M20 by raising £45m. privately, provided that the Government will allow tolls to be levied on users of the road.

The Prime Minister has asked to be consulted before your Department responds to this offer from Tarmac.

I am sending a copy of this letter to Terry Mathews (Chief Secretary's Office).

MS

Anthony Mayer Esq
Department of Transport

HL

PRIME MINISTER

THIS WEEK - HIGHLIGHTS

Potentially quieter than last week, but with The Times, BR, unemployment figures and EC Council on Mandate there to try us.

INDUSTRY

Times Newspapers - ? closure.
British Rail.

ECONOMY

Your speech to Engineering Employers (tomorrow).
ICI results (Thurs).
Young Socialists' lobby of Parliament - and YOPs strike (Thurs).

INDICATORS

Cyclical indicators and retail sale for Jan (today).
Unemployment and vacancy figures (tomorrow).
Strike figures for Jan (Thurs).
January vehicle registrations and production (Thurs).
November sales and orders in engineering (Fri).

STATEMENTS, etc

Overseas visitors to pay hospital charges (today).
EC aid for blizzard/flood regions (today).
Computer data bank for council house swaps (today).
Mercury telecommunications project.
MoD's unemployed youth adventure scheme (Thurs).
Gibson report on Scrubs disturbance (Wed).

INTERNATIONAL

? new Irish Prime Minister.
EC Foreign Ministers (Mandate etc) -(today and tomorrow).
EC Textile Council - (Thurs).
Greenland referendum on EC membership (tomorrow).
Third World Conference, Delhi - (Wed to Friday).
Lord Carrington off to Zimbabwe (Wed).
Falkland Islands talks, New York - (start Fri).

MINISTERS/BROADCASTS

Today - Home Secretary and Lord Chancellor on Panorama on prisons and sentencing.
Mr Nott on BBC Newsnight - Trident.
Granada "World in Action" on US gun running to NI and Noraid.

Mr Tebbit at Industrial Society (tomorrow); and Cambridge Union (Fri).
Sir Keith Joseph opens University and Industry exhibition (tomorrow)
Thames TV Eye on Poland (Thurs).

B. INGHAM
22 February 1982

PRIME MINISTER

DIARY

Statement on arrangements for overseas visitors to pay hospital charges.

EC: Foreign Affairs Council, Brussels.
Times management and unions meet on future.
EC and for weather-hit regions announcement.

Computer Databank for council house tenants wishing to swap announcement

Tobacconists and Newsagents petition No 100 on tax on cigarettes.

Boat and Caravan Show, National Exhibition Centre, Birmingham.

Psychics and Mystics Fair, Bingley Hall, Birmingham.

National Knitting and Sewing Trades Exhibition, Belle Vue, Manchester.

BA baggage handlers vote on return to work.

BL bus and truck resumes work.

TUC Employment Policy Committee.

Briton in Boston (US) Court for illegally exporting high technology to Poland.

Statistics:

Cyclical indicators for the UK economy (Jan).
Retail sales (Jan-prov).
Agriculture Land Census (final table).

Pay:

Further Education Teachers, England and Wales; Burnham Committee considers claim.

Parliament:

Commons:

Questions: Industry, Trade.

Business: Supply (13th allotted day): There will be a debate on The Arts, when the Third Report of the Select Committee on Educaiton, Science and Arts, in Session 1980-81 will be relevant.

The Chairman of Ways and Means has names Opposed Private Business for consideration at 7.00.

Select Committees: ENERGY: Combined Heat and Power. (Witnesses: GLC, Newcastle City Council; Southwark Council; The Watt Committee).

FOREIGN AFFAIRS: Caribbean and Central America: British approach to stability, security and development. (Witnesses: Mr D Gay; Dr E Thomas-Hope, Liverpool University).

PUBLIC ACCOUNT: Court Fees. (Witnesses: Lord Chancellor's Department, Sir Wilfred Bourne and Mr A L Green).

TREASURY AND CIVIL SERVICE: Budgetary Reform in the United Kingdom. (Witnesses: MOD Officials).

Lords: New Towns Bill: Committee (to be discharged).
Transport (Finance) Bill: Third Reading.
Legal Aid Bill (HL):Secodn Reading.
Marriage (Step-parents and step-children) Bill (HL): Second Reading.
Constitutional Referendum Bill (HL): Committee.

Ministers - see Annex

PRESS DIGEST

Times

- 24-hour stay of execution because there has been someprogress in negotiation; unions believe Murdoch may be prepared to move from 600 redundancies but he makes it clear he wants equivalent cash savings.
- Harold Evans hopes unions will see sense - present staffing levels are gross overmanning.
- Positive deadline is Thursday beyond which Murdoch says he can't rely on bankers.

Rail

- BR sources continue to insist that Government intervention led to settlement; Mirror says there were no precise instructions but Ministers felt it was wrong issue at wrong time.
- Downing Street strongly denies Government intervention led to settlement.
- Meanwhile, speculation that strike will lead to 10% fares increase, closure of stations and 16,000 redundancies - Sun says bill for strike is now coming in fast - another victory like this for ASLEF and they will be ruined.
- Gordon Wilson MP wants no drinking compartments on trains.
- Jo Grimond, Telegraph, says he reads some people are claiming BR is starved of investment, in spite of £1bn capital injection over last 3 years - reasonably generous considering it is being systematically wrecked by some of those working for it.

British Airways

- Losses likely to soar to £200m this financial year.
- Confusion over whether baggage handlers will vote to go back to work today; some reports say shop stewards won't put issue to vote.

De Lorean

- Express says he is still a hero to Catholics in Belfast - 5000 jobs could be lost in supplying firms.

Unions/Pay

- Sun and Express have pics of TUC leaders frolicing in Miami sea; they and US union leaders agree that Reaganomics and Thatcherism have caused economic problems.
- Posts may be delayed because of dispute over manning of new sorting machines, 36 of which are idle in London.
- CPSA objects to use of unemployed actresses to sell B/Telecoms at Ideal Homes exhibition because they don't belong to recognised BT union.
- Incomes Data Services says wage settlements are beginning to edge up from 5 to 6-8%.

Economy

- Belgium (8.5%) and Denmark (3%) devalue in EC crisis compromise; Belgium also introduces austerity package, with wage curbs, which could cause trouble.
- Sam Brittan, FT, says shift to positive real interest rates stems from increase in demand for capital and not central bank policies; Europeans could do more for world harmony and prosperity by putting their house in order than be lecturing Americans.
- Saudis deny they have cut back oil production; fears that North Sea oil price may be cut again to lower our revenue.
- Israel Cabinet cuts education and welfare subsidies to fight inflation.
- Lomax, economic adviser to Natwest, says abolition of exchange control has been a substantial success.
- Minford, in Telegraph, says financial policies are now bearing fruit and much of return of domestic confidence to credit of Govt which has refused to rush into electoral reflation.
- National savings likely to overshoot target of £3.5bn for this year.

Budget

- FT says there will be changes in structure of NS oil taxes but they are likely to fall short of industry's requirements.
- Jack Straw attacks different tax treatment of low and high paid since Govt came to office.
- RAC wants cut in motor taxes or more spent on roads which need £100m repairs.
- Messts Patten and Eggar, in Times, want four things out of budget - no squeeze at very least; help private enterprise to build on foundations painfully laid; give people hope and reassurance and help industry and least well off.

Unemployment

- Times says Whitehall so miscalculated rise in long-term unemployed that Parliament is to be asked to spend £400m more on Supplementary benefit.

- Low Pay Unit says Govt is putting youngsters to work at sweat shop wages and encouraging employers to break law by Young Workers Scheme.
- Merseyside CC wants to open trade union, community and employment research centre with licensed non-profit bar; cost to ratepayers about £130,000; Tories says it will become drinking club.

Industry

- Talbot to introduce below £3000 Samba car with 61 mpg.
- John Biffen warns Japaneses of retaliation if they continue to flood us with imports.
- D/Industry has plans for spending another £150m on high technology aid.
- Cheque for £53m will be handed to Mr Howell today to compelte biggest staff buy-out of National Freight.
- BL's share of domestic sales rises 6% to near 20% in Feb.

Media

- Sun sells bikini photos of Princess of Wales; appeared in Germany magazine yesterday.
- Press Council rejects complaint against Mirror's Pilger and photographer from Liverpool Health Authority for entering hospital without permission; says it was reasonable for Pilger to believe he would have been refused access in view of previous incident.

Local Authorities

- Livingstone applauds LT staff plan not to collect fates on certain days in protest against GLC decision to double fares.
- Local authority debt in UK increased 8% in 91 financial year, £39bn - £705 per citizen.

Education

- Nicholas Winterton campaign against NUStudents after two students banned from courses because they fail to carry union cards.

Housing

- Tenants of Prince Charles on Dartmoor face 75% rent increase; pensioners up in arms.

Transport

- Tarmas offers to complete M20 by raising £45m privately, provided Govt will allow tolls.

Welfare

- Thousands of families cannot afford to pay fuel bills but are still being cut off because industries ignore Govt advice; Michael Latham wants gas price rise cancelled; Electricity Consumers' Council says industry should offer coin meters to those who can't pay bills.
- COHSE says country's 104 phychiatric hospitals need 2000 more staff
- £25m now in bank on behalf of thousands of long stay patients because they can't use Welfare State benefits.

Sport

- Denis Howell behind campaign to raise money to save Grand National - likely to come to Govt for cash.

Law and Order

- Nicholas Winterton leads charbe against case of Irishmen let off burglary charge in Republic on condition he moves to England; Irish Welfare authorities pay fare; unrepentant judge says his concern was to unite family of wife and 3 children.

- D/Star idea that UK is penal colony for Irish riff raff an affront; Sun: there will be public anger over this - howling scandal; Express: Irish have quite some nerve - but 2 can play at Botany Bay and we can swamp them.

- Govt expected to come in for strong criticism in Lords today for failing to reform legal aid system.

- Mirror says remand prisoners in Pentonville are on verge of rioting because of de-humanising conditions; Sun reveals plans of Frankland gaol, with maps, are available in £75 UN book.

- Chief Constable Anderton, Manchester, says PC son of chairman of council should resign or be sacked on third disciplinary offence.

- Home Secretary plans experimental scheme for legal advice scheme for prisoners.

- 2 prisoners released from gaol after investigation into South Yorks police corruption.

- Arthur Lewis MP criticises big brother tactics of camera monitoring Dartford tunnel for suspicious.

- Row developing over allegations that police have identified sensitive clubs which could cause a riot if raided; Mail says this is bad administration.

Ireland

- Haughey looks like next PM to mixed - very mixed - welcome from press; Express thinks Republic will slide into inflation and recession but North and South could be prosperous and pleasant land but for religious, history and ancestral politics; Telegraph says if Haughey returns to power would not be wise for Mr Prior to proceed with plans for early election; Times thinks his election will harden Uninists; Guardian says its hunch is that politicians North and South will be too preoccupied over coming months for much cross-Sea talking; FT doubts whether outcome will make much difference but wants next PM to be bold.

- Ellis, detained in Buffalo wants asylum in USA.

Politics

- Stan Cohen not re-selected in Leeds but says sonstituency will soon disappear.

- Mirror says militants programmed to speak in unrelenting bawl; most of them couldn't organise a jumble sale.

- 29 of them, including Tatchell, sign declaration in support of exrra-Parliamentart action and bring doubts about continuation of truce.

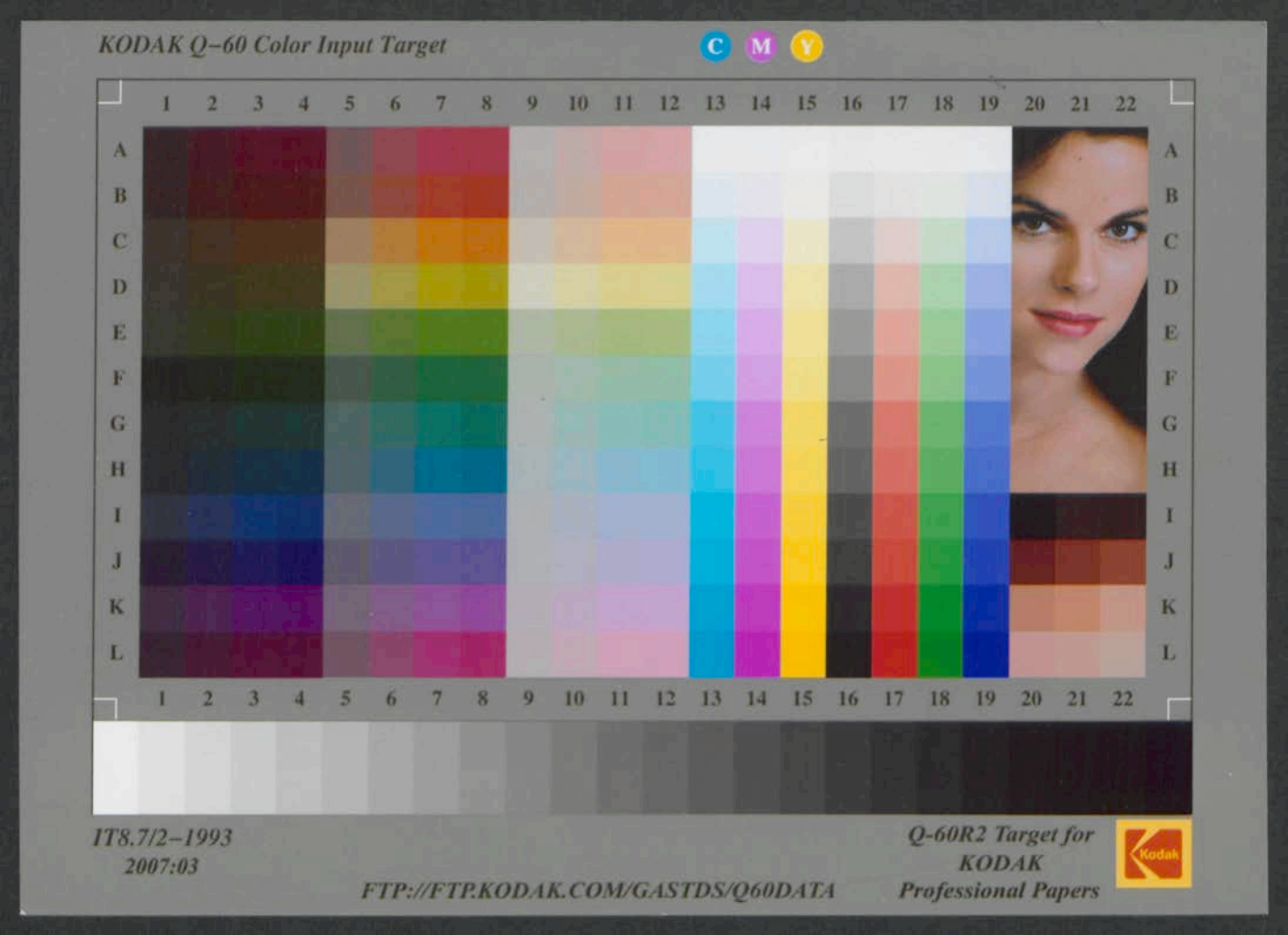
ANNEX

Ministers:

Sir Keith Joseph visits Cranfield Institute of Technology. (11.00 am).
Mr Walker attends "Communicator of the Year Award" luncheon, Savoy Hotel.
Mr Whitelaw visits G Division of Metropolitan Police.
Mr Tebbit meets British Association of Industrial Editors and presents Communicator of the Year Award.
Mr Heseltine visits Merseyside.
Mr Howell attends the NFC compeltion of sale ceremony, Fashion flow Depot, Camden. (11.00 am).
Mr Edwards meets the Wales TUC, Cathays Park, Cardiff.
Mr Nott and Lord Trenchard see Senator John Tower (US Armed forces Committee) and US Ambassador.
Mr Nott and Lord Trenchard lunch with Chairman of GEC, Lord Weinstock.
Mr Biffen attends EC Foreign Affairs Council, Brussels.
Lord Carrington and Mr Atkins attend EC Foreign Affairs Council, Brussels.
Mr Waldegrave visits Strathclude and Glasgow universities.
Mrs Fenner addresses the Ordinary Members' meeting of the Food Manufacturers Association, followed by a reception.
Mr Baker presents prizes at Philips Office of the Future Design Competition.
Mr Sproat opens RNLI exhibition, House of Commons.
Mr W Roberts speaks and presents the keys to the first buyers taking part in the Secondary Housing Association's Improvement for Sales Scheme. (11.00 am).
Mr M Roberts addresses HM Inspectorate of Schools conference, West Wales.
Mr Rifkind meets Scottish Industry Group, Edinburgh.
Mr Blaker calls on Norwegian Defence Ministry, then attends Exercise Hardfall in Norway (until 25 March).
Mr Marten visits Swaziland (until 25 February).

TV/Radio:

Mr Nott, BBC2 'Newsnight', interview on Trident.
Mr Tebbit, LBC Radio, Brian Hayes Show. (10-11.00 am).
Mr Whitelaw and Lord Hailsham, BBC1 'Panorama', prisons and sentencing.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