

Gov. MACH

(2)

Prime Minister

X is worth noting.

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

John Rhodes Esq.
PS/Secretary of State for Trade
Department of Trade
1 Victoria Street
London SW1

8 November 1982

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Dear John,

STANDARDS: MEETING EDC/SWP CHAIRMEN ON 19 OCTOBER

--- You may like to see the enclosed copy of the minutes of the Chancellor's meeting with EDC/SWP Chairmen on 19 October. As you are aware, the Chancellor is always very keen that points made by the Chairmen are considered carefully by officials and followed up where appropriate.

One of the main points that was discussed at the meeting concerns standards. You will see that a number of the Chairmen talked about industry's anxiety for greater speed in devising a more effective policy on standards, and a greater emphasis on industrial rather than consumer needs. The Chancellor was particularly interested in these remarks, and thought that your Secretary of State would like to know about them. He expressed the hope that the Department of Trade would place the maximum possible emphasis on them in the work they are doing.

I am copying this letter to Michael Scholar in No. 10, Jonathan Spencer in the Department of Industry, and David Edmonds in the Department of the Environment.

Yours sincerely,

Margaret O'Mara

MISS M O'MARA



NOTE OF A MEETING HELD IN No.12 DOWNING STREET ON TUESDAY, 19 OCTOBER
AT 5.45 P.M.

Present:-

Chancellor of the Exchequer
Mr. Traynor
Mr. Mortimer

Secretary of State for the Environment
Mr. Routh

Minister of State for Industry
Mr. Wright

Mr. Chandler)
Mr. McGregor) NEDO

Mr. D. Alan-Jones - Electronic Capital Equipment SWP

Mr. E. Booth - Heavy Electrical Machinery SWP

Mr. G.C. Brunton - Civil Engineering EDC

Sir Henry Chilver - Electronics EDC

Mr. T. Tuchfeld - Industrial Electrical Equipment SWP

REGULAR MEETING WITH EDC/SWP CHAIRMEN

The Chancellor welcomed the Chairmen, saying that Ministers were glad to have an opportunity to discuss how the SWP/EDC system was working and whether it provided an effective framework for getting messages from industry through to the Government.

2. Mr. Brunton said that one of the chief values of the SWP/EDC system was that it provided an opportunity for groups with common interests to come together, thus acting very much as an NEDC resource. He cited the way in which the Civil Engineering sector had worked together in the case of airports. The formation of SWPs had enabled industry to take a much more strategic view of the problems it faced. Nevertheless, he believed that plenty of expertise within Government and the nationalised industries remained to be unlocked, particularly in



relation to the UK's export effort. Mr. Brunton also raised the subject of planning delays. He felt that this was an area in which the Government was accepting the present unsatisfactory situation too readily.

3. The Chancellor said that the Government was very concerned at the capital shortfall on local authority expenditure, as the Prime Minister had indicated in her meeting with the Group of Eight the previous week. The Secretary of State for the Environment explained that local authority Treasurers were now facing what was for them a completely new situation. They were acquiring substantial capital receipts, but instead of investing them in capital programmes, were choosing to hold large sums on deposit and using the interest income to finance current expenditure. Moreover, the authorities were now less ready to embark on large capital projects in view of their implications for manpower and future current expenditure. Nevertheless he agreed that the current position was deeply disappointing. As far as planning delays were concerned, the Secretary of State said that on the published evidence, a material improvement had been achieved which had earned the CBI's praise. He questioned whether the situation in the UK was worse than overseas. He suspected that delays occurred abroad before construction work had started on site. However, problems clearly still existed but he believed that many of the difficulties experienced in the UK could be attributed to our archaic professional system. Mr. Brunton said that the facts of the situation were not clear. He suggested that a task force might investigate the position but undertook to pursue this proposal separately with the Secretary of State.

4. Mr. Tuchfeld pointed out that there was no widely representative trade association in his sector. The SWP thus filled a gap in drawing together industry's interests. He referred to the need for British firms to present a common front externally, on the Japanese pattern, however vigorously they might compete domestically. He also stressed how necessary it was that the principles of public purchasing policy, which were fully accepted at the prime contractor level, should cascade down to sub-contractors. MOD contracts seemed to be



the chief offenders in this respect but problems had also arisen to a lesser extent on DOE contracts. In his experience, manufacturers were unwilling to quote specific examples of contractors flouting the code, lest they be regarded as levelling accusations at potential future customers. Nevertheless, genuine difficulties existed. He enquired whether it would be possible to disseminate the public purchasing principles more widely.

5. The Chancellor pointed out that it was not possible to issue a written directive on public purchasing, since this would contravene our EC and GATT obligations, but he acknowledged that the present informal procedures were clearly unsatisfactory. Mr. Alan-Jones commented that the quality of statistics in this area was poor. Moreover, practices seemed to differ amongst different departments. Even within the NHS there appeared to be no central policy on public purchasing and a lack of co-ordination amongst the various Area Health Authorities. Sir Henry Chilver endorsed this plea for greater co-ordination. Mr. Alan-Jones thought it should not be impossible to devise a set of general guidelines and the Chancellor agreed that there would be some value in re-examining the position. Mr. Chandler suggested it might be best to move product group by product group but Sir Henry Chilver stressed that there was also a need to establish a general set of principles. Mr. Brunton accepted that the marketing effort of British industry was often inadequate. This suggested that purchasers should take the initiative in pressing their suppliers to provide the right goods at the right time.

6. Mr. Booth said that the heavy electrical machinery sector was now being sustained entirely by exports but in the current climate it could not get further business without Government help. Thus Government sponsorship of large export contracts was crucial to the future survival of the industry. The Chancellor pointed out that some element of Government support had been incorporated in almost every significant export order for this sector. The Secretary of State for the Environment added that Sir Archie Lamb's initiative had certainly had some effect but he acknowledged it had been small. Exporters had to deal with the vested interest of contractors and



their consultants and the Government had no power to force these groups into taking rational action at the international levels.

7. Sir Henry Chilver referred to the importance of bringing British standards into line with those overseas. He acknowledged the efforts the Department of Trade were making in this area but he felt that the present allocation of Departmental responsibility was misconceived. He believed that responsibility for standards should rest with those Government Departments concerned with production and manufacture. Mr. Tuchfeld and Mr. Booth endorsed that view. Other governments were only too prepared to bend the rules, but the UK, under the tutelage of the Department of Trade, remained firmly committed to the principle of free trade. Mr. Chandler added that NEDO also hoped that a close connection could be maintained between the interests of industry and trade in this area. Mr. McGregor pointed out that standards could be either an effective marketing tool or act as a non-tariff barrier. It was necessary to decide which approach was in the best interests of industry. Where a decision was taken to abandon a British standard which had no marketing value, industry should be given time to adapt. He commended the DIN approach.

8. The Secretary of State for the Environment referred to the CBI's presentation to the NEDC which had shown that up to 1½ million of those currently unemployed could attribute the loss of their jobs to import penetration. He thought it important for UK industry to re-establish its position in the products of the future such as leisure goods and consumer durables. Mr. Alan-Jones commented that Mr. Clive Sinclair had demonstrated what could be done and Mr. Chandler added that food and drink machinery provided another success story. Sir Henry Chilver commented that, in contrast to earlier experience, British industry was now losing markets at the top rather than the bottom end of the product range. Thought needed to be given to ways in which the UK might regain a firm hold in the market for sophisticated products. The Chancellor also voiced his concern about import penetration, pointing in particular to the high level of imports associated with purchases and the Small Engineering Firms Investment Scheme.



9. In conclusion, the Chancellor stressed the value to the Government of meetings such as these. He urged that the Chairmen should not hesitate to contact Departments directly if they encountered any difficulties. He mentioned in particular the problems which Mr. Tuchfeld had experienced over the import statistics for electric motors. He suggested that Mr. Tuchfeld should talk to Customs and Excise direct.

10. The meeting closed at 6.45 p.m.

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MISS M. O'MARA
29 October 1982

Distribution:-

Ministers and Officials present
PS/Secretary of State for Industry
Mr. Chandler (NEDO)
Chief Secretary
Minister of State (R)
Sir Douglas Wass
Mr. Quinlan
Mr. Lovell
Mr. Traynor
Mr. Mortimer