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Note by the Secretary of State for Foreign and Commonwealth Affairs

Attached for the information of my colleagues is a pre-publication copy of the six monthly report on Developments in the European Communities. The report is to be published on 24 November.

L J C

Foreign and Commonwealth Office

17 November 1975
Developments in the European Communities
April–October 1975
# DEVELOPMENTS IN THE EUROPEAN COMMUNITIES
## APRIL-OCTOBER 1975

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A. Statement by the Prime Minister on 9 June 1975.  
B. Statement by the Foreign and Commonwealth Secretary on 24 June 1975.  
DEVELOPMENTS IN THE EUROPEAN COMMUNITIES
APRIL-OCTOBER 1975

Section I. Introduction

The Select Committee on European Community Secondary Legislation in its second report of the 1972–73 session asked the Government to make a report to Parliament each six months on EEC matters. The Government accepted this recommendation and the first report was presented to Parliament in November 1974(1). The report on renegotiation(2) presented to Parliament in March 1975 covered developments between November and the end of March. This present report records developments during the period April to October 1975 and in addition supplements the report on renegotiation in certain respects. It deals with developments in the three European Communities—the European Economic Community, the European Coal and Steel Community and the European Atomic Energy Community. Major developments in the process of political co-operation between the Governments of the Nine are described and an account is given of the handling of EEC affairs in Parliament. The aim is to cover decisions reached by the European Communities during the period and give an account of major work in progress. There are other topics under discussion which will find their place in future reports when they have reached an appropriate stage.

2. For the United Kingdom the most important occurrence was the vote in the Referendum on 5 June 1975 throughout the United Kingdom in favour of remaining in the European Communities. 17.4 million votes (67 per cent) were cast in favour: 8.5 million were against. On 9 June the Prime Minister made a statement in the House of Commons in which he said that the Government intended to play a full and constructive part in all Community policies and activities. The full text of the statement is at Annex A.

3. At the first meeting of the Council of Ministers after the referendum, the Foreign and Commonwealth Secretary explained the Government’s approach to the Community. He stated that the British aim would be to strengthen the Community and to use it as an instrument for good for the Member States and for the world. The full text of his statement is at Annex B.

4. Following the Referendum verdict the Parliamentary Labour Party decided to nominate Members to the European Assembly who took up their places for the first time at the Plenary Session of the Assembly on 7–11 July. In September following consultation with the TUC, candidates were put forward to fill the eight vacancies for employees’ representatives on the Economic and Social Committee of the Communities and the Council confirmed their appointment on 15 September. The two vacancies on the Economic and Social Committee for employers’ representatives and the one vacancy for a representative of other interests have also now been filled.

(1) Cmnd. 5790.
(2) Cmnd. 6003.
Section II. Political Co-operation

5. At their meeting in Paris in December 1974, Heads of Community Governments "reaffirmed their determination gradually to adopt common positions and co-ordinate their diplomatic action in all areas of international affairs which affect the interests of the European Community"; and at the meeting of the Council of Ministers on 24 June 1975, the Secretary of State for Foreign and Commonwealth Affairs expressed the hope that the Nine Countries would increasingly act as one in their relations with the outside world. Action to achieve this aim continues to be carried out in the framework for "political co-operation" amongst the Nine.

6. A long-standing and effective exercise in political co-operation was brought to completion with the third and final stage of the Conference on Security and Co-operation in Europe held in Helsinki from 30 July to 1 August. The common strategy and day-to-day tactics developed among the Nine made a substantial contribution to the success of the Conference and to the quality and importance of the Final Act(3). The Nine Member Governments intend to continue to co-ordinate their approach to the implementation and monitoring of the decisions of the Conference and the preparations for the review meeting to be held in Belgrade in 1977.

7. The Nine increasingly adopt common positions at the United Nations on political and economic matters. Co-ordination between Member States at the Seventh Special Session of the United Nations General Assembly in September 1975 was one of the most elaborate exercises of its kind ever undertaken for a major international meeting—see paragraph 20 below.

8. The Nine Governments aim to build a constructive relationship with the Arab States by increasing co-operation in a wide range of fields through the "Euro-Arab dialogue". Experts from the two sides met in Cairo in June 1975 and in Rome in July, and discussions have begun in the fields of industrialisation; infrastructure; agriculture and rural development; financial co-operation; trade; scientific and technological co-operation; cultural co-operation and labour and social questions.

9. The Nine Governments have kept in close touch on the situation in Cyprus and have made several collective demarches in Athens, Nicosia and Ankara. Developments in the Middle East have also been kept under constant review; and Member States exchange views on a wide variety of day-to-day foreign policy problems.

Section III. External Relations: Trade and Aid

Multilateral Trade Negotiations

10. The Community represented by the Commission negotiates as a single unit in the GATT multilateral trade negotiations, which are aimed at the expansion and liberalisation of world trade. The Commission acts within the mandate agreed by the Council of Ministers in February 1975(4);
in addition there are regular co-ordination meetings among Member States to consider and determine the Community position on particular issues.

11. The negotiations got effectively under way in the Spring following the passage of the United States Trade Act at the beginning of 1975. Initial discussions have been taking place in Geneva in a number of groups dealing with different types of barriers to trade. It has been agreed that particular attention should be paid to problems facing the developing countries. Tropical products are being treated as a priority area and proposals from the developing countries are currently being examined.

Mediterranean Countries

12. On 11 May 1975 the Community signed a new trade agreement with Israel, the first to be completed since the Community decided to adopt an "overall approach" to relations with the countries of the Mediterranean basin. The new agreement came into force on 1 July. It will improve the opportunities for United Kingdom exports to Israel and reduce Community tariffs on imports of certain Israeli foodstuffs which are of importance to the United Kingdom and other Community countries. Negotiations are continuing for the conclusion of the agreements with Algeria, Morocco, Tunisia, and Malta; and Member States are considering the content of a mandate for negotiations with Egypt, Syria, Lebanon and Jordan.

13. At its meeting on 6 October 1975, the Council of Ministers considered the implications of recent events in Spain for the Community's negotiations with that country for a new trade agreement, and noted that for the time being negotiations could not be resumed.

Greece

14. Greece has applied for full membership of the European Communities. The United Kingdom, like other Member States, has welcomed this application. In accordance with Article 237 of the EEC Treaty, which provides that any European State may apply to become a member of the Community, the Commission will prepare an opinion on the application on which it is now at work.

Portugal

15. Considerable progress has been made during the last six months in negotiating a new and wider trade agreement between the Community and Portugal. In October 1975, the Council of Ministers decided in principle that the Community should provide emergency financial aid to Portugal for development projects. The necessary interest rate subsidies and guarantees will be borne on the Community budget.

Canada

16. Member States are currently considering proposals from the Commission for the negotiation of a framework agreement for economic and commercial co-operation between the Community and Canada.
State Trading Countries

17. In November 1974 the Community transmitted to the Governments of Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, Romania and the Soviet Union, as a proposed basis for negotiation, the outlines of the type of trade agreement which might be concluded between them and the Community. Formal replies are awaited from the Governments concerned. It is the intention that new trade agreements negotiated by the Community as a whole will in due course replace the bilateral agreements negotiated by individual Member States which have virtually all been terminated. Individual Member States are still free to negotiate bilateral agreements on industrial co-operation subject only to a consultation procedure.

World Trade in Commodities

18. Recent Community work on trade in commodities has been strongly influenced by the ideas on world economic interdependence put forward by the United Kingdom at the Conference of Commonwealth Heads of Government at Kingston in May 1975(5).

19. In July the Council of Ministers agreed to a common Community position for its guidance at international meetings, with a view to making a constructive contribution to the international dialogue on development co-operation. This included a number of guidelines for international trade, and gave evidence of the Community's readiness to look at individual commodities case by case to see what measures, such as commodity agreements, could be applied in order to limit excessive price fluctuations. The Community also expressed its willingness to promote, and participate in, international action to deal with the problem of instability in the export earnings of developing countries.

20. As a result of this preparatory work, the Community was able to make a major contribution to the discussion on development and international economic co-operation at the Seventh Special Session of the United Nations General Assembly from 1-16 September. The Member States worked closely together at this meeting: their cohesion played an important part in ensuring that the Session ended with a consensus resolution on various subjects of concern to developing countries.

The Lomé Convention

21. The Lomé Convention(6) was signed in February 1975 between the Community and 46 developing countries (including 22 members of the Commonwealth) in Africa, the Caribbean and the Pacific (the ACP countries). Its trade provisions were brought into effect on 1 July, giving the 46 developing signatories better access to the markets of the Nine; similar benefits were extended to most of the United Kingdom's remaining dependent territories. In the context of the Convention, special measures have been taken in respect of beef from Botswana and other traditional

(5) Cmnd. 6061.
suppliers to the United Kingdom; measures have also been taken to safeguard access for Caribbean rum to the United Kingdom and to the other Member States, with opportunities for increased sales.

22. Aid to the ACP countries will be available from the new European Development Fund when the Convention comes into force on completion of the ratification procedures, probably in the first few months of 1976. The United Kingdom is expected to ratify in the near future. In the meantime preparatory work has begun—including visits by Commission experts to the ACP countries—to ensure that disbursements can commence swiftly once the Convention comes into effect. Discussions are being held to work out similar arrangements for dependent territories.

Other Aspects of Community Aid Policy

23. Development Ministers of the Nine met on 13 October 1975 to resume consideration of outstanding aid issues, including aid to developing countries other than the ACP countries, increased food aid and the Community's general follow-up to the World Food Conference, and the harmonisation and co-ordination of Community and Member States' policies. Agreement was not reached on these issues but discussion will continue.

Generalised Scheme of Preferences

24. The Community's Scheme on Generalised Preferences for imports from developing countries is an important instrument of policy for development co-operation; it is particularly significant for the developing Commonwealth countries of Asia. A number of important tropical products were included in the Scheme for the first time on 1 July 1975(7). In accordance with the Council of Ministers' resolution in March that steady improvements of the Scheme should continue, discussions are in progress on the arrangements for generalised preferences in 1976. The proposals put forward by the Commission lay emphasis on improvements of particular interest to the poorest developing countries, including the countries of the Indian sub-continent.

Textiles

25. The Community has concluded agreements under the GATT Multi-fibre Arrangement with India, Pakistan, Singapore, Hong Kong and Macao. Negotiations are under way or due to begin soon with all its other major suppliers of low cost textiles.

Trade and Economic Co-operation Agreements

26. Non-preferential trade and economic co-operation agreements were concluded in July 1975 with Sri Lanka and with Mexico. Their provisions are similar to those of the agreement signed by the Community with India in 1973.

(7) Cmnd. 6003, paragraph 89.
Iran

27. There are continuing discussions between the Community and Iran on how they should achieve their aim of a special relationship, most recently in talks between the Iranian Foreign Minister and the Commission on 9–10 October 1975.

Section IV. Agriculture and Fisheries

28. The United Kingdom has continued actively to seek improvements in the Common Agricultural Policy, in order in particular to discourage the production of surpluses and to keep down costs generally.

Stocktaking Report

29. At their meetings in March and April 1975, the Council of Ministers had preliminary discussions on a report from the Commission on the stocktaking of the Common Agricultural Policy(8). The report has since been under examination by officials and was considered again by Ministers at a special Council devoted entirely to the subject on 29–30 October, at which the United Kingdom was represented by both the Minister of Agriculture Fisheries and Food and the Secretary of State for Prices and Consumer Protection.

Milk Products

30. The Commission’s stocktaking report makes particular reference to the serious problem of over production in the milk sector in the Community. Discussions are continuing on longer-term measures for discouraging surplus production. Meanwhile the Council of Ministers in July agreed on certain short-term measures to facilitate sales of skimmed milk powder from intervention stocks to developing countries and on the granting of aids for private storage.

Cereals

31. The Commission’s stocktaking report refers to the need to improve the relationship between the support prices for different cereals. In July the Council of Ministers agreed on a recommendation on wheat which puts producers and users on notice that from the 1976–77 season producers of feed wheat should not expect support at the same price levels as for wheat of bread-making quality. The Commission have been asked by the Council to include proposals on this subject in their price proposals for 1976–77.

Wine

32. The Council has also been considering measures to tackle the Community’s surplus of wine. Discussions on longer-term measures to control production have been linked with consideration of measures to deal with the surplus which has already accumulated and with problems in trade between Italy and France.

(8) Cmnd. 6003, paragraph 29.
Green Pound

33. The Council of Ministers in July agreed to a downward adjustment of 5 per cent in the representative rate for the £ used for agricultural purposes (the green pound), and in October they agreed a further adjustment of 5·8 per cent. As a consequence, common support prices for British farmers were raised in sterling terms by about 5 per cent and 6 per cent respectively; and the effective guaranteed price for milk was raised by 2·2p per gallon with effect from September with a further 2·3p from 1 November.

New Zealand Dairy Products

34. At the Council of Ministers in June, the United Kingdom called for early action to follow up the Declaration of Principle on access for New Zealand dairy products issued by Heads of Government in Dublin in March(\(^\text{(*)}\)). The Commission has already produced recommendations on access for butter and has undertaken to make price proposals in the near future. There was a preliminary discussion at the Council of Ministers on 13–14 October.

Agricultural Decisions Linked to the Mediterranean Approach

35. In June the Council of Ministers reached agreement on common measures of protection for Community production of processed fruit and vegetables, on some further measures of support for fresh fruit and vegetables and on stricter observance of the existing reference price system for wine. These decisions have opened the way to concluding trade agreements between the Community and certain Mediterranean countries providing for a reduction in the Community tariff on their exports of agricultural produce.

Fisheries

36. At the Council meetings in April, the United Kingdom drew attention to the serious short-and long-term problems facing the Community fishing industry and emphasised the particular difficulties the United Kingdom Industry would have in the event of changes in national fishing limits. The Council agreed that the Common Fisheries Policy should be reappraised to take account of the new situation arising from likely extensions of limits. The Commission undertook to consider what measures would be appropriate and their report is expected to be available shortly. During April the Community adopted several measures to improve the stability of markets for fish.

Amendments to the Directive on Health and Hygiene Requirements for Poultry Meat

37. The Council of Ministers reached final agreement in June on various amendments to this directive. The main changes of interest to the United Kingdom were the postponement from February 1976 to August 1981 of the date from which sales of uneviscerated (New York dressed) poultry would be restricted to farm gate sales; and the provision of more time for adapting premises and introducing an inspection service to meet the directive's requirements.

(\(^*\)) Cmnd. 6003, paragraph 27.
Section V. Economic and Monetary Questions

Community Budgetary Arrangements

38. In July the Commission submitted to the Council of Ministers a proposal for a Regulation setting up a Budget Correcting Mechanism. This was designed to implement the agreement reached between Community Heads of Government in Dublin on 10–11 March 1975 on arrangements to provide a refund to any Member State if in any one year its contribution goes significantly beyond what is fair in relation to its share of Community GNP. Discussion of the draft Regulation is expected to commence shortly within the Council machinery.

Financial Control

39. On 26 September, in a speech in Liverpool, the Prime Minister drew attention to the need to improve control over expenditure from the Community Budget. After referring to the important role of the Public Accounts Committee and the Select Committee on Expenditure of the House of Commons, he welcomed the fact that the European Assembly had passed a resolution to give functions similar to those of the Public Accounts Committee to a Sub-Committee of the Assembly Committee on Budgets; he suggested that the Assembly backed by a new Court of Auditors, should win for itself a central role in monitoring expenditure over the whole range of Community Policies. The Prime Minister welcomed the German proposal for a Commissioner concerned purely with expenditure control, and suggested the designation of Accounting Officers at senior level within the Commission. Following other related suggestions, the Prime Minister said that acceptability of the Community Budget depended on confidence that waste or ill-considered expenditure is controlled, that policies are decided in relation to their expenditure implications, and that the machinery is there at Commission, Council or Assembly levels to ensure that these objectives become paramount. Financial control will be considered at the meeting of the European Council on 1–2 December.

The 1976 Budget

40. The preliminary draft budget containing estimates of expenditure for 1976 was forwarded to the Council of Ministers in September by the Commission, in accordance with the standard procedures of the Communities. The total expenditure proposed amounted to 8,058 million units of account (about £3,400 million) approximately 29 per cent above the budget for 1975 which, including two supplementary budgets already adopted and one approved by the Council but not yet finally adopted, totals 6,264 million units of account (about £2,600 million). Following discussion in two meetings of the Council of Ministers on 22 and 29 September, agreement was reached on cuts totalling 584 million units of account (about £240 million).

41. The budget provisionally approved for forwarding to the European Assembly amounts to 7,456 million units of account (about £3,100 million); this represents an increase of about 19 per cent over the 1975 budget total. The increase is partly due to inflation and partly to the expansion of existing Community policies. Expenditure on the guarantee section of the European
Agricultural Guidance and Guarantee Fund has been increased by some 920 mua (about £380 million), and expenditure on the Regional Development Fund by 150 mua (about £60 million); provision for the European Social Fund was also increased. The Assembly will return the budget with its observations and proposals for consideration by the Council in November.

Capital Movements

42. On 23 July the United Kingdom was authorised under Article 108 of the EEC Treaty to maintain restrictions on the capital movements that were due to be liberalised under the Treaty of Accession. As a result controls remain in force over direct investment in Member States (except Ireland) and various personal capital movements. The retention of these restrictions was necessitated by balance of payments considerations.

Loan Facility

43. A regulation adopted by the Council of Ministers on 17 February 1975 empowered the Community to raise loans from third countries for on-lending to one or more Member States in balance of payments difficulties caused by the increase in prices of petroleum products. Loans will be limited to a total of $3,000 million in principal and interest and have a life of at least five years. For the United Kingdom this facility could represent a useful addition to the various sources of credit that may be selected, if and when appropriate, according to the circumstances and conditions at the time.

Economic Co-operation

44. At the regular meetings of the Council of Ministers on economic and monetary policy, the United Kingdom has continued to point to the need for concerted action in the face of the deep and persistent economic recession and resulting unemployment. On 10 July the Council of Ministers agreed upon a number of constructive suggestions, to serve as the basis for further discussion of the problems by the European Council (Heads of Government) at its meeting in Brussels on 16–17 July. Thereafter, Finance Ministers decided in August to undertake a co-ordinated action to ensure support for economic activity, to continue the fight against inflation and to improve growth perspectives in the longer term taking into account measures already adopted by some Member States. Subsequently, additional reflationary measures were undertaken by those member countries whose economic situation allowed them to do so.

45. Other matters decided by the Council of Ministers included agreement to subscribe to the International Monetary Fund’s Oil Facility interest subsidy account for poor countries hit by the rise in oil prices.

Value Added Tax

46. Discussions have continued on the draft sixth directive on Value Added Tax. This is designed to establish a uniform structure and coverage for the tax. It is not concerned with rates of tax. No decisions have been reached on the final shape of the directive.
Section VI. Regional and Industrial Affairs

Regional Development Fund

47. The first applications for assistance under the Fund have now been put forward and the United Kingdom has submitted applications designed to take up an appropriate share of the Fund for 1975. Some applications for assistance have been approved including applications submitted by the United Kingdom. These applications involve projects in all parts of the United Kingdom. The United Kingdom expects to benefit from commitments of £150 million over the first three years of the Fund’s operation.

Steel: Control of Private Investment

48. The Government has been examining ways of fulfilling the objective of regaining effective control over private investment in the steel industry. The practices of other Member Governments are being studied. The Government will decide on the measures which would be most appropriate for the United Kingdom, taking account of these studies.

Industrial Questions

49. The Commission have submitted to the Council of Ministers a preliminary report on the aircraft construction industry following on the Council resolution of 4 March calling for concerted action and consultation between Member States on industrial policy in this sector. The Council of Ministers have still to consider this Commission report.

50. The Council adopted on 10 July a third directive on aids to shipbuilding providing inter alia for the exchange of information on aids for shipyard investment.

51. The Commission’s first proposals to the Council of Ministers, following the Council resolution on data processing, for five projects in the field of the application of data processing are now under discussion. The Commission has recently submitted a communication to the Council which sets out their preliminary thoughts on a medium-term programme relating to a broader strategic approach and leading to a second series of priority projects.

State Aid

52. An underlying purpose of the Community’s policy on the regulation of State aids is to prevent unfair competition between Member States. The Treaty of Rome requires that Member Governments should notify the Commission in advance of their plan to grant or alter aid to industry. The Government has informed the Commission of a number of cases, including that of British Leyland.

Removal of Barriers to Trade

53. The Council of Ministers adopted in May two directives relating to proprietary medicinal products, as a further step towards harmonising the conditions under which the manufacture of such products is licensed in the

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various Member States. The Council also decided to set up a pharmaceutical committee of senior Government experts from Member States to examine as necessary any questions in the field of proprietary medicinal products. Other directives adopted by the Council of Ministers were in respect of tractor equipment, aerosols and belt weighers together with a fifth amending directive on dangerous substances.

**European Investment Bank and ECSC Loans**

54. The European Investment Bank has since April 1975 approved loans in the United Kingdom to the value of £93·9 million. In May a loan of £12 million was approved to the Distillers Company. In June one of £7·8 million was approved to the South of Scotland Electricity Board and one of £7·2 million to the National Coal Board. Two loans have been approved to the British Gas Corporation for North Sea gas projects, one of £24·2 million in June and one of £23·6 million in July. Finally, in September loans were approved of £1·6 million for Howard Glucose Company Limited of the Tate and Lyle group and £17·5 million to the Post Office for telecommunications in Wales and the Marches. Both loans and grants may be made available in Member States under the financial provisions of the ECSC Treaty. Loans totalling £94 million have been approved for the United Kingdom steel industry since April 1975, and loans to the value of £40·5 million have been approved for the coal industry.

**Section VII. Environment and Transport**

Environment

55. The Council of Ministers adopted directives at a meeting in November 1974 on the quality of surface waters intended for the abstraction of drinking water and on the treatment and storage of waste oils. A recommendation on the application of the “Polluter Pays Principle” and a resolution on “Energy and the Environment” were also adopted. Since then the Council of Ministers have adopted a directive on waste in general, (July 1975); resolutions on a list of second category pollutants to be studied (June 1975) and on Community participation in the Convention for the prevention of marine pollution from land based sources (March 1975); and a decision on a common procedure for the exchange of monitoring information on atmospheric pollution (July 1975).

56. At a Council of Ministers on 16 October directives were adopted to control the sulphur content of gas oils and to set quality standards for bathing water. Agreement was also reached on decisions to allow the Commission to participate in the Barcelona Convention on Pollution in the Mediterranean, and to establish a European inventory on sources of information on the environment. Ministers discussed the Commission’s preliminary views on a second environment programme and there was broad agreement on its general aim. The United Kingdom explained its objections to the draft directive on dangerous substances in the aquatic environment which incorporated proposals for uniform emission limits for a “black-list” of certain substances. There followed a discussion of the principles involved. Further consideration of this subject was proposed for a Council of Environment Ministers in December.
Transport

57. In December 1974 the Council of Ministers reached agreement on the substance of a number of proposals. A decision establishing guidelines for the financial relations between Governments and railway undertakings in Member States was approved in principle and formerly adopted on 20 May 1975. A further increase, of 20 per cent, in the Community quota for the carriage of goods by road was agreed. The Council agreed to continue the experimental bracket tariff system for road transport between Member States until the end of 1975 but in such a way as to exclude traffic with new Member States including the United Kingdom from its operation. A Directive to free road/rail transport from quota and permit restrictions was accepted; this has now been brought into effect from 1 October 1975 and should help British road hauliers using the piggy-back system on the Continent.

58. The Commission and other Member States were informed in September of the difficulties facing the United Kingdom road transport industry over the implementation of regulations dealing with drivers' hours and tachographs. The drivers' hours regulation is due to apply to journeys within new Member States from 1 January 1976 and the tachograph regulation would start to apply from the same date. Following discussions with both sides of industry a deferment of application of the regulation on drivers' hours has been sought, and representations have been made to the Commission in order to find means of overcoming the difficulties posed by the tachograph regulation. At the Council of Ministers meeting on 15 October 1975 United Kingdom difficulties over drivers' hours were explained to the other Member States and this subject will be discussed at a later meeting.

Section VIII. Social Affairs

Social Action Programme

59. A number of further measures in the Community's Social Action Programme have been adopted. In December 1974 the Council of Ministers approved directives applying the principle of equal pay for men and women and providing protection for workers in the event of collective redundancies. Proposals were also agreed on the setting up of a European Centre for vocational training and a foundation to contribute to the planning and establishment of better living and working conditions.

60. In June 1975 the Council of Ministers approved a recommendation on the application of the principle of the 40 hour week and four weeks annual paid holiday to be achieved by 31 December 1978 and agreed a limited programme of pilot schemes and studies to combat poverty. The United Kingdom have agreed to take part in this programme and a number of potentially suitable projects are being discussed with the Commission. At the same meeting agreement was reached on a new scheme under Article 4 of the Social Fund to help deal with the employment problems of young workers. Allocations to the United Kingdom from the Social Fund in 1974 amounted to £25·9 million; applications totalling £73·3 million have been made on the Fund for 1975.
Freedom of Movement

61. Work has continued on the mutual recognition of qualifications and the co-ordination of other measures to enable professional people to be employed or to practise anywhere within the Community. The Council of Ministers adopted in June two directives on the free movement of doctors. It also decided to set up an advisory committee on medical training and a Committee of senior officials on public health from all Member Countries, to assist in the implementation of the directives. Similar directives relating to other professions including nursing and architecture are under discussion.

Section IX. Education

62. The Education Committee, set up by the Ministers of Education of the Nine in 1974, has continued to meet and is expected to report to Ministers by the end of the year.

Section X. Energy

63. The Council of Ministers agreed last winter on Community objectives for energy production and consumption, aimed at reducing dependence on imported oil and on outline measures to achieve these objectives. At its first subsequent meeting on energy, on 26 June 1975, the Council devoted much of its discussion to Commission proposals on financing the development of Community energy resources. At its next meeting on energy the Council will be continuing discussions of this topic and, at the suggestion of the United Kingdom, will be taking existing national energy plans as the starting point. The United Kingdom, with the largest indigenous energy potential of any Member State, would expect to play a major part in these discussions and any programme agreed upon.

64. Meanwhile the Community is continuing to examine other aspects of common energy policy, such as emergency arrangements, and has agreed to undertake a joint research and development programme.

Consumer/Producer Dialogue

65. In April the Community took an active part in the meeting in Paris of the ten-member preparatory group for the consumer/producer dialogue in which it was represented by the Commission and the Irish Presidency. This meeting failed to reach agreement on the agenda for an expanded Conference to be held at Ministerial level.

66. Following extensive informal soundings a further meeting of the preparatory group was held in Paris from 13–16 October. This meeting reached agreement on arrangements for a 27-member conference on international economic co-operation to be held in Paris from 16 December. The Conference will establish four commissions to cover energy and raw materials, development and related financial questions. The United Kingdom has been playing an active role in the continuing discussions in the Community to establish an agreed policy on substantive issues in the dialogue. The United Kingdom has in addition claimed separate representation at the Conference.
Section XI. Institutional Matters


The European Council

68. The Heads of Government decided that in future they would hold regular meetings at least three times a year. These meetings, of which the first was held in Dublin on 10–11 March and the second in Brussels on 16–17 July, have already provided a valuable forum for consultation between Heads of Government and enable them to give broad political direction to the activities of the Nine, both in the Community framework and in that of political co-operation. The next meeting of the European Council, as these meetings are now called, will take place in Rome on 1–2 December under Italian Presidency.

Mr. Tindemans' Mission

69. At their Paris meeting, the Heads of Government invited Mr. Tindemans, the Belgian Prime Minister, to prepare a report designed to clarify the concept of European Union. During 1975 Mr. Tindemans has had consultations in EEC capitals with Governments, parliamentarians and other representatives of public opinion. He has also received reports from the Commission and the European Assembly. Mr. Tindemans visited London, Edinburgh and Cardiff from 29 June to 2 July. During the visit Ministers explained to him the views of the Government as set out in the report on renegotiation(11). They made it clear that they welcomed the opportunity to discuss with him without commitment ways in which the Communities might develop. The Government will examine carefully any proposals in Mr. Tindemans' report, which is expected to be completed towards the end of the year.

Direct Elections

70. At the Paris Heads of Government Meeting in December 1974 there was support for the view that elections to the European Assembly by direct universal suffrage, one of the objectives laid down in the EEC Treaty, should be achieved as soon as possible. The Prime Minister made it clear that the United Kingdom could not take up a position on this proposal before the process of renegotiation had been completed and the results of renegotiation submitted to the people. Subsequently, the European Council at its meeting on 16–17 July invited the Council of Ministers to examine the problem, taking into account the draft Convention submitted by the European Assembly itself and any factors which might emerge during the examination and to report back to it by the end of the year. A Council working group was set up to explore the implications of this question. As the report on renegotiation(12) made clear, any scheme for direct elections to the European Assembly would require an Act of Parliament in the United Kingdom.

(11) Cmd. 6003, paragraph 130.
(12) Cmd. 6003.
Passport Union

71. At their meeting in Paris in December 1974, Heads of Government also agreed on the setting up of a working party to study the possibility of establishing a passport union, and in anticipation of this, the introduction of a uniform passport. At its July meeting the European Council invited the Council of Ministers to ensure that further progress is made on the setting up of a passport union and to submit a report on this question, if possible by the end of the year. A Council working group has been set up to consider this question.

Budgetary Powers of the European Assembly

72. A Treaty providing for certain changes in the procedures for establishing the Community Budget and also setting up a Community Audit Court was signed by a Conference of Representatives of the Governments of the Member States in Brussels on 22 July 1975. The Treaty has now been transmitted to Member Governments for ratification in accordance with their respective constitutional procedures. This Treaty gives legal form to certain of the measures provisionally agreed upon by the Council of Ministers in June 1974. The other element in those measures, the establishment of a procedure whereby differences of view between the Council and the Assembly over policy matters with important financial implications can be discussed and reconciled, was introduced in March 1975.

European Court of Justice

73. On 4 December 1974 the European Court of Justice gave its ruling in the case of *Van Duyn v. the Home Office*, the first case referred to it by any Court in the United Kingdom. On the substance of the case the European Court’s ruling upheld the view advanced by the Government that there was no Community obligation on the British Government to admit to this country a Community national who wished to take up employment in the United Kingdom with an organisation whose activities were considered contrary to the public good. The ruling has, however, attracted attention in legal circles because it marked a limited extension of the circumstances in which particular provisions of a Community directive might be held to be directly applicable in the Member States. This point was debated in the House of Lords on 15 April 1975. During the period under review, the Government have submitted observations to the European Court in a number of other cases which involved United Kingdom interests.

Section XII. Parliament and the European Communities

74. Proposals for secondary legislation by the Council of Ministers and other documents published by the Commission for submission to the Council have continued to be deposited in Parliament. From 21 March 1975 (the last date up to which figures were given in Cmnd. 6003) to 31 October 1975 the House of Commons Scrutiny Committee considered and reported on 346 Community documents and the House of Lords Committee on 289. Of these the House of Commons Committee identified 14 documents as raising issues
of sufficient importance to warrant their being debated by the House and the Lords Committee correspondingly identified 19 documents. Over the same period a total of 20 documents were debated by the Commons and 12 by the Lords.

75. The House of Commons Scrutiny Committee published on 27 August 1975 its Third Special Report of the 1974–75 Session on the difficulties experienced in connection with the examination of the preliminary draft Community Budget for 1976. The Government brought this report to the attention of the Council of Ministers at the meeting on 22 September. The House of Lords Committee also published on 18 July 1975 a Special Report, its second of the Session, on the scope and working of the Committee after a year's experience. This report was debated in the House on 22 July.

76. The Select Committee on Procedure of the House of Commons published their First Report on European Secondary Legislation on 25 April 1975. The Select Committee's principal recommendations concern the establishment of a new Standing Committee procedure for the debate of Community documents recommended by the Scrutiny Committee or given notice of by individual Members.

77. There have been regular monthly Ministerial statements on business in the Council of Ministers for the following month to accompany the written forecast deposited in the House and on two occasions Ministerial statements have been made on the outcome of meetings of the Council of Ministers. Further information on Council decisions and other Community matters has been given in answer to Parliamentary Questions.

31 October 1975
STATEMENT BY THE PRIME MINISTER TO THE
HOUSE OF COMMONS ON 9 JUNE 1975

With permission, Mr. Speaker, I should like to make a statement.

As the House knows, last Thursday the British people voted to stay in the
European Community.

What has impressed all of us, and no less our friends in Europe, the
Commonwealth and more widely, has been not only the high turn-out and
the clear and unmistakable nature of the decision, but also the consistent
pattern of positive voting over almost every county and region of the United
Kingdom.

It is now almost 14 years since the British Government first applied in
July 1961 for negotiations to join the Community.

The issue of membership has cut across party lines, and the Government
recognise the deep sincerity with which views have been held on both sides.
The debate is now over. The two tests set out in our manifesto of successful
renegotiation and the expressed approval of the majority of the British
people have been met. The historic decision has been made. I hope that
this House and the country as a whole will follow the lead which the
Government intend to give in placing past divisions behind us, and in working
together to play a full and constructive part in all Community policies and
activities.

I am well aware that the period of renegotiation and the Referendum has
been difficult for other members of the Community. I pay tribute again to
the constructive spirit in which they have dealt with our renegotiation pro­
aposals. In his statement to the Council of Ministers in Luxembourg on
1 April last year, at the outset of renegotiation, my right honourable Friend
the Foreign and Commonwealth Secretary said that, if we were successful,
there would be a firm basis for continuing British membership of a
strengthened Community.

I now say to our partners in the Community that we look forward to
continuing to work with them in promoting the Community’s wider interests
and in fostering a greater sense of purpose among the Member States.

I would also wish to say to our friends and allies in the Commonwealth
who made clear their hope that we would remain within the Community—
and to all the developing countries—that we shall hope to bring even more
to our relationship with them following the clear decision of the British
electorate last Thursday.

I have already made clear the Government’s general approach to Com­
munity policies. But it also follows from the decision to remain in the
Community that this country should be fully represented in all the
Community’s institutions. I have said that if renegotiation succeeded and if
our recommendation was endorsed by the country we should feel it right that
this House should be fully represented in the European Assembly. A
recommendation to this end will now be made to the Parliamentary Labour
Party.
The House will have noted the statements by the General Secretary of the TUC and the Chairman of the TUC International Committee making clear that the TUC is now likely to enter fully into the work of the Economic and Social Committee of the EEC and to work with the European Industrial Labour Movement in a way which can only mean strengthening the trade union movement throughout the Community and here in Britain.

What we can achieve in our attack on both the economic problems we face at home and wider world economic problems depends basically on the efforts which we ourselves make. But, with the uncertainty over our membership of the European Community at an end, we can continue our efforts with greater confidence to find solutions to the great problems, both domestic and international, which confront us.

The decision will also, I am sure, give confidence to those overseas who have been considering plans for investment in Britain. There are signs that this is already happening.

The improvement of our own economic situation and our contribution to a more equitable world economic order can best be made from a settled position within the Community. We now have that settled position, and we are determined to make a success of it. But our future will continue to depend on what we are prepared to do by our own efforts, our skill, our technology—and our restraint, a restraint which demonstrates our concern for the interests of those members of our national community least able to help themselves.
STATEMENT BY THE RIGHT HON. JAMES CALLAGHAN, M.P., SECRETARY OF STATE FOR FOREIGN AND COMMONWEALTH AFFAIRS, AT THE MEETING OF THE COUNCIL OF MINISTERS (FOREIGN AFFAIRS) AT LUXEMBOURG ON 24 JUNE 1975

I would like to express my thanks on behalf of the British Government for the way in which all my colleagues around the table and the Member States accepted the propositions that I put forward in this room just over a year ago; and with good humour and understanding examined them. I place on record both my Government’s thanks and my personal thanks to the Member States and to all who contributed to the solution of all our problems.

Secondly, you may have seen that the Referendum resulted in a decisive vote. It is a vote that has been accepted by all the people of the United Kingdom whether they were originally pro or anti and our legislators have accepted it. Last night for example I attended a meeting of a large group of the Parliamentary Labour Party where there were both pro and anti-Marketeers present. The anti-Marketeers were quite clear that they accepted the verdict of the British people in these matters and that they would work now to make a success of the enterprise they were engaged in.

But there is no doubt of what I said on 4 June last: that a successful outcome would provide a basis for continuing British membership of a strengthened Community. It was particularly gratifying for us that all parts of the United Kingdom, that is England, Wales, Scotland and Northern Ireland with the small exception of the outlying islands, gave a resounding affirmation of their support for British membership of the Community and we can now regard this issue as settled.

We can look forward with some confidence; and our concern will be to make the Community work more effectively for the benefit of all its members and of its peoples. There is a great deal of work for us to do as we have seen today. But it is my hope and my intention, as far as I have responsibility in this matter, that we shall increasingly see the Nine countries acting as one in their relations with the outside world.

We have succeeded in doing this in our efforts to promote détente through the CSCE. We have made a good beginning in the preparation for the Euro/Arab dialogue. We must, in the period immediately ahead, concentrate on reaching common positions on relations between developed and developing countries in order to move the world away from confrontation towards constructive dialogue.

The Community also has a major role to play in the preparation for the seventh Special Session of the United Nations General Assembly in September. One major aspect of this is the current dialogue about commodities and raw materials. We want to build a new basis for co-operation between the developed and the developing world. The discussion is continuing in the Commonwealth context. But I have studied with very great care and interest the Commission’s paper on this subject and we are convinced that an indispensable element in making progress must be agreement on a Community
policy and I hope that the Council will be able to make substantial progress towards that agreement. We would endeavour to dovetail with the Commonwealth approach. There is another important and related field whereby acting together we can promote our common interests in relations between producers and consumers of energy. In considering relations between developed and developing countries, we must also keep in mind the importance of giving effect to our decisions on aid to non-associated states. A further area in which the Community could work together is that of social policy.

Within the Community we shall be seeking more effective consultation and co-ordination in matters of economic policy in order to reduce the impact of the current recession and to pave the way for the renewed expansion of economic activity. We shall be looking for progressive improvement of the Common Agricultural Policy in line with the proposals which have already been made during the current stocktaking. Such changes which can reduce the cost to the Community and to consumers will be of benefit to all of the Member States. Now I acknowledge that in referring to these economic and agricultural questions, I am trespassing on fields which are normally dealt with by economic and agricultural colleagues, but in this Council we should maintain a broad oversight of all the activities of the Community.

Then there is the question of the development of Community institutions. I am very glad to confirm to you that the British Labour Party will shortly be sending representatives to the European Assembly and they will play their full part in that body. I have had conversations with the trade unions and I hope and believe that following our conversations the British trade unions will before long take up their places in the Economic and Social Committee and in other organisations of the Community. They have not yet taken decisions but I understand that the minds of the leaders are moving in that direction.

We must have assent if we are to make progress. There are questions in this whole field, for example the proposals which the Assembly has made for direct elections. I have asked that these should be studied. There are difficulties for us as for others. I cannot promise we shall be able to put forward an answer in July. Matters are complicated by devolution of powers to Scotland and to Wales and I cannot promise that we will have an early reply but I do not intend to hold this up. We will try to be ready in the autumn. I hope you will consider this is reasonable in view of the complex issues involved.

We are looking forward with pleasure to the visit of Mr. Tindemans to London next week. We shall await with great interest the report that he is due to present at the end of the year. I have asked him if he has time to not only talk to members of the Government but talk to many other people in Britain. The minority felt passionately about sovereignty and other problems and in drawing up his report he ought to have regard to that section of opinion.

All these Community institution questions we will examine with good faith, with genuine desire to promote practical proposals for strengthening the Community. We shall consider practical proposals against the background of our own people and our own people's aspirations. That does not mean that
we shall fail to look after our own interests or to defend our point of view any more than other members. My colleagues will know that there are some outstanding issues of concern to us, for instance on the import of New Zealand dairy produce, the question of steel and so on. We shall pursue these questions and try to arrive at constructive solutions.

I would like to say that my experience of this Council has confirmed my conviction that the best road towards closer partnership among all of us who are Member States is that we tackle the real problems of the world in common. That is the main thing that our work together is about.

We have established a system of Heads of Government meetings three times a year in the European Council. We have overcome the difficulties previously experienced in running the Council and the political co-operation machinery in harmony. We have set up the Regional Development Fund. We have made progress with the budgetary powers of the European Assembly and set up the conciliation procedure between the Council and the Assembly.

In our relations with other countries and groups of countries we have even more significant achievements to our credit. There is no doubt in my mind that the Community has become a powerful pole of attraction to other countries and I look to it becoming even more a force for peace and progress in the world.

We shall seize any opportunities which present themselves, taking account of what is and what is not politically and economically possible for each of us, to approach greater unity of thought and policy in all spheres among our countries.

Mr. President, the British aim is to strengthen the Community and to use it as an instrument for good for Member States and the world. You can count on the United Kingdom to do our best to find ways of making contributions towards that end.
### MEETINGS OF THE HEADS OF GOVERNMENT OF THE NINE EEC MEMBER STATES

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<td>The Right Hon. James Callaghan, M.P. Secretary of State for Foreign and Commonwealth Affairs</td>
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### MEETINGS OF THE COUNCIL OF MINISTERS

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<td>The Right Hon. Peter Shore, M.P. Secretary of State for Trade</td>
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<td>Mr. Roy Hattersley, M.P. Minister of State for Foreign and Commonwealth Affairs</td>
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<td>The Right Hon. Lord Elwyn Jones, Lord Chancellor</td>
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<td>The Right Hon. Ronald King Murray, Q.C., M.P. Lord Advocate</td>
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|                |                  | The Right Hon. Peter Shore, M.P. Secretary of State for Trade                        |
|                |                  | Mr. Roy Hattersley, M.P. Minister of State for Foreign and Commonwealth Affairs       |
| 9–10 December  | Agriculture      | The Right Hon. Fred Peart, M.P. Minister of Agriculture, Fisheries and Food           |
|                |                  | Mr. Edward Bishop, M.P. Parliamentary Under-Secretary of State, Ministry of Agriculture, Fisheries and Food |
| 11 December    | Transport        | The Right Hon. Fred Mulley, M.P. Minister of Transport                                |
| 17 December    | Social Affairs   | Mr. John Fraser, M.P. Parliamentary Under-Secretary of State Department of Employment |
| 17 December    | Energy           | The Right Hon. Eric Varley, M.P. Secretary of State for Energy                       |
| 19 December    | Economic Affairs | The Right Hon. Denis Healey, M.P. Chancellor of the Exchequer                        |
|                 | Finance          | The Right Hon. Peter Shore, M.P. Secretary of State for Trade                        |
| 13 January     | Foreign Affairs  | The Right Hon. Judith Hart, M.P. Minister for Overseas Development                   |
|                 |                  | Mr. Roy Hattersley, M.P. Minister of State for Foreign and Commonwealth Affairs       |
| 13–14 January  | Agriculture      | The Right Hon. Fred Peart, M.P. Minister of Agriculture, Fisheries and Food           |
| 20 January     | Foreign Affairs  | The Right Hon. James Callaghan, M.P. Secretary of State for Foreign and Commonwealth Affairs  
<p>|                |                  | The Right Hon. Peter Shore, M.P. Secretary of State for Trade                        |
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<td>Mr. Alec Jones, M.P. Parliamentary Under-Secretary of State, Department of Health and Social Security</td>
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<td>Sir Douglas Wass, Treasury</td>
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<td>The Right Hon. Denis Healey, M.P. Chancellor of the Exchequer</td>
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<td>Social</td>
<td>The Right Hon. Barbara Castle, M.P. Secretary of State for Social Services</td>
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<td>Mr. John Fraser, M.P. Parliamentary Under-Secretary of State, Department of Employment</td>
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<td>The Right Hon. Fred Peart, M.P. Minister of Agriculture, Fisheries and Food</td>
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<td>Dr. Gavin Strang, M.P. Parliamentary Secretary, Ministry of Agriculture, Fisheries and Food</td>
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<tr>
<td>22 July</td>
<td>Foreign Affairs</td>
<td>The Right Hon. Roy Hattersley, M.P. Minister of State for Foreign and Commonwealth Affairs</td>
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<td>9–10 September</td>
<td>Agriculture</td>
<td>The Right Hon. Fred Peart, M.P. Minister of Agriculture, Fisheries and Food</td>
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<td>15–16 September</td>
<td>Foreign Affairs</td>
<td>The Right Hon. Roy Hattersley, M.P. Minister of State for Foreign and Commonwealth Affairs</td>
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<td>22 September</td>
<td>Budget</td>
<td>The Right Hon. Joel Barnett, M.P. Chief Secretary, Treasury</td>
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<td>Date of Council</td>
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<tr>
<td>22 September</td>
<td>Finance</td>
<td>The Right Hon. Edmund Dell, M.P. Paymaster General</td>
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<td>29 September</td>
<td>Budget</td>
<td>The Right Hon. Joel Barnett, M.P. Chief Secretary, Treasury</td>
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<td>29–30 September</td>
<td>Agriculture</td>
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<td>6–7 October</td>
<td>Foreign Affairs</td>
<td>The Right Hon. Roy Hattersley, M.P. Minister of State for Foreign and Commonwealth Affairs</td>
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<tr>
<td>13 October</td>
<td>Development</td>
<td>The Right Hon. Reginald Prentice, M.P. Minister for Overseas Development</td>
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<td>13–14 October</td>
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<td>The Right Hon. Fred Peart, M.P. Minister of Agriculture, Fisheries and Food</td>
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<td>15 October</td>
<td>Transport</td>
<td>Dr. John Gilbert, M.P. Minister for Transport</td>
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<td>16 October</td>
<td>Environment</td>
<td>Mr. Dennis Howell, M.P. Minister of State (Sport) Department of the Environment</td>
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<td>29–30 October</td>
<td>Agriculture</td>
<td>The Right Hon. Fred Peart, M.P. Minister of Agriculture, Fisheries and Food</td>
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<td></td>
<td>The Right Hon. Shirley Williams, M.P. Secretary of State for Prices and Consumer Protection</td>
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18 November 1975

CABINET

THE DEVELOPMENT OF NATIONAL GIRO

Note by the Secretary of State for Industry

I attach, for the information of my colleagues, a copy of the White Paper "The Development of National Giro". It is my intention to publish it on Monday 24 November simultaneously with the Post Office (Banking Services) Bill.

EGV

Department of Industry

18 November 1975
CONFIDENTIAL—FINAL REVISE
[to be published as Command 6344 by Her Majesty's Stationery Office
Price 20p net]

DEPARTMENT OF INDUSTRY

The Development of National Giro
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CORRIGENDUM

Paragraph 5 - Delete [ ] around 0.1 in bottom right hand corner of table.

Paragraph 12 - Interchange * and /
The Development of National Giro

Introduction

1. In his statement of 12th March 1975, the then Secretary of State for Industry told the House of Commons that the Government had decided upon a number of measures designed to set Giro on a surer foundation. These included the provision of a more extended banking service and a reconstruction of its capital, including the introduction of public dividend capital, so as to better suit it to Giro’s present and future needs and earning capacity. (Official Report, Cols. 522-523.)

2. The National Giro service opened in October 1968. In November 1970, the Minister of Posts and Telecommunications announced in the course of a debate on Post Office affairs that the Government of the day had instituted a review of Giro. This was carried out in consultation with the Post Office Board and with the assistance of Cooper Brothers. Obviously, the fact that the review was taking place made the future of Giro uncertain; and indeed, the Minister recognised the need to reach a decision as soon as possible. A year later, in November 1971, the Government announced its conclusion that Giro should continue and that new targets would be set for the service.

3. The targets were announced in March 1972, when the Minister of Posts and Telecommunications informed the House that the following financial objectives had been set for Giro:

(a) to make a positive contribution to Post Office finances within a year of introducing new tariffs. (These were introduced in July 1972);

and

(b) to cover its overheads, including depreciation and interest on both assets and losses, within five years, ie by July 1977.

In any discussion of the future of Giro it is worth noting that both of these objectives were achieved ahead of target.

Achievement to date

4. Despite the restraint on its growth due to the review and to its inability to provide wider banking services, Giro has established a role of considerable value. Its annual transactions now number some 180 million and turnover has reached some £25 billion a year. There are some 460,000 personal account holders. In other fields there has been a growth of business not foreseen when the service was launched which is both profitable to Giro and also provides considerable social advantages. The development of the business deposit service has resulted in the growth of business accounts to some 30,000 and in the value of cash deposits rising nearly six-fold in the last three years to about £3,500 million a year by March 1975. In addition over 100 local authorities now use Giro’s rent collection service.
This generates about 20 million transactions annually, to a total value of about £200 million.

5. The financial results for Giro for the last four financial years are as follows:

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<tbody>
<tr>
<td><strong>Trading profit [loss] before charging interest payable</strong></td>
<td>[5.6]</td>
<td>[3.3]</td>
<td>0.2</td>
<td>1.3</td>
</tr>
<tr>
<td><strong>Provision [charged] or released for unrealised losses on investments</strong></td>
<td>—</td>
<td>[1.0]</td>
<td>[3.1]</td>
<td>2.6</td>
</tr>
<tr>
<td></td>
<td>[5.6]</td>
<td>[4.3]</td>
<td>[2.9]</td>
<td>3.9</td>
</tr>
<tr>
<td><strong>Compensation for price restraint</strong></td>
<td>—</td>
<td>—</td>
<td>1.4</td>
<td>—</td>
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<tr>
<td>(a) to finance losses</td>
<td>[1.6]</td>
<td>[2.2]</td>
<td>[2.7]</td>
<td>[3.0]</td>
</tr>
<tr>
<td>(b) to finance net assets</td>
<td>[0.6]</td>
<td>[0.6]</td>
<td>[0.9]</td>
<td>[0.8]</td>
</tr>
<tr>
<td><strong>[Deficit] or surplus for year</strong></td>
<td>[7.8]</td>
<td>[7.1]</td>
<td>[5.1]</td>
<td>[0.1]</td>
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The table shows:

(a) a progressive improvement in the trading results before the deduction of interest charges and provision for unrealised losses on investments. The loss in the second year was less than that in the first; and in the third and fourth years the service more than recouped its operational costs;

(b) that, despite the improvement in trading profit Giro has been faced with an increasing burden of interest charges mainly attributable to the need to finance the losses it has sustained.

Nevertheless the first financial objective set by the Government of the day in 1972 was achieved ahead of target by March 1973. The second was achieved also ahead of target, in 1974-75, due in no small part to favourable movements in the stock market which permitted a release from the provision for unrealised losses on investments.

### Cancellation of debt

6. By the end of the last financial year 1974-75 Giro’s outstanding debt had amounted to £42.5 million\(^1\), financing net assets of £9.1 million\(^2\), and an accumulated deficit of £33.4 million. The amount of the debt is such that the interest payable on it will continue for some years to exceed the trading profits and so will add to the amount of debt to be serviced. While this

\(^1\) and \(^2\) These figures represent an adjustment to the actual figures of £50.2 million and £16.8 million as published in the Post Office Accounts for 1974-75. They exclude for the purposes of the capital reconstruction £7.7 million of borrowings made by Giro on behalf of the Remittance Services. This amount was included in debtors in the Giro Balance Sheet at 31 March 1975. Giro and Remittance Services together constitute a single business within the Post Office and the cancellation of debt (and the legislation giving effect to it) relate only to Giro.
remains so there is no prospect of Giro's achieving lasting viability for a long time to come. Accordingly the Government proposes that £16.7 million is half of the past losses, should be written-off. A write-off of this amount would leave Giro with loans totalling some £25.8 million required to finance the remaining £16.7 million of losses and net assets of some £9.1 million, a total which in the Government's view Giro should be able to service.

7. The total amount to be written off in relation to losses during the nine-year period 1966–67 to 1974–75 will be £16.7 million. In order to allow for the incidence of differing interest rates over the period, the £16.7 million write-off will be distributed over borrowings made during the nine years in the same proportion as the borrowings used to finance the losses.

**Public dividend capital**

8. Public dividend capital (PDC) was first introduced in 1966 and currently forms part of the capital structure of the British Steel Corporation and the British Airways Board: it is appropriate for nationalised industries which are basically profitable and are set financial objectives but are subject to fluctuations from year to year in their financial results. It is appropriate for Giro because short-term changes in monetary conditions have a significant effect on its profitability.

9. The Government concluded that an appropriate amount to convert into PDC would be £13 million or half of Giro’s indebtedness remaining after the write-off of half its losses: the resulting ratio of National Loans Fund (NLF) in indebtedness to PDC is broadly in line with that for the two other industries referred to above. It therefore proposes to invest this sum from the Consolidated Fund and to authorise the consequential adjustment to the loans to the Post Office from the NLF. Dividends will be paid into the Consolidated Fund. As the PDC is being provided solely to finance the activities of Giro, the amount of dividend payments will be determined irrespective of the trading results of the Post Office as a whole. This reflects the fact that Giro's operations are financially independent of the rest of the Post Office, by which it is not cross-subsidised and for the use of whose services it pays properly assessed charges on a commercial basis.

10. The total amount to be converted to PDC will be £13 million. There will be a consequential deduction of this amount from the advances as already written down in accordance with paragraph 6. Like the write-off this deduction will also be distributed over the nine years, by reference to the written down advances for each year.

11. The overall reduction in Giro's liability to pay interest is expected to be of the order of £20 million over the five years 1975–76 to 1979–80. Against this, dividend payments on the £13 million PDC are expected to be not less than the interest which otherwise would have been paid on that sum over that period.
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12. The following table illustrates the proposals:

<table>
<thead>
<tr>
<th></th>
<th>Actual*</th>
<th>Adjusted Actual†</th>
<th>After Reconstruction</th>
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</thead>
<tbody>
<tr>
<td>PDC</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans from NLF</td>
<td>50.2</td>
<td>42.5</td>
<td>13.0</td>
</tr>
<tr>
<td>Accumulated Deficit</td>
<td>[33.4]</td>
<td>[33.4]</td>
<td>[16.7]</td>
</tr>
<tr>
<td>Net Assets</td>
<td>16.8</td>
<td>9.1</td>
<td>9.1</td>
</tr>
</tbody>
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*After deducting loans raised to finance Remittance Services
†As in Post Office published Accounts

**Financial objective**

13. Given access to the new types of business described below and the capital structure described above, Giro will be placed on a firm footing. It will be required to meet a new financial objective reflecting its new circumstances. This objective will be realistic and sufficiently demanding to ensure fair competition with other institutions. In addition, the Secretary of State will determine each year, after consultation with the Post Office, the amount of dividend to be paid by it in respect of Giro. In practice Giro will be expected to pay by way of dividend all its profits except those that are agreed to be required for the development of the business.

**Giro accounts**

14. So that the performance and financial situation of Giro will show up clearly in isolation from other Post Office activities, the Government will require the Post Office to publish separate Giro Profit and Loss accounts and Balance Sheets. (This has already been done in respect of 1974–75.)

**Wider banking services**

15. The Government consider that Giro must be able to offer both its personal and corporate customers a fuller range of banking services to complement its money transmission service. It has hitherto been handicapped because it has not been able to offer a full enough range of normal banking services. That inability has put Giro at a disadvantage in competing with the banks for the custom of people to whom the opening of a bank account would be the normal expectation, while prospective corporate customers have seen it as an obstacle to more extended use of Giro. To the extent that Giro can attract personal account holders who are weekly paid and might not otherwise open bank accounts, it will be promoting the socially desirable aim of spreading the banking habit more widely and thus of
reducing the costly and insecure use of cash for wages. Giro is able to provide its services through 21,000 post offices, which the general public commonly use for other purposes, and is well placed to provide banking services to people who have not hitherto opened current bank accounts or used National Savings Bank services.

16. The Government is therefore authorising, under existing legislation, the phased expansion of Giro's banking facilities to include the provision of personal loans (introduced on 2 June 1975) and personal overdrafts; and overdrafts for local authorities, nationalised industries and business customers, on terms that will offer fair competition to other lenders. It is also accepted in principle that Giro should be authorised to provide other banking services such as credit cards, cheque guarantee cards and bridging loans, subject to detailed discussions with the Government.

17. Commercial prudence and the need to build up financial and administrative resources and expertise to handle the new business dictate that the expansion of Giro's services should be gradual. Wherever this seems desirable the Post Office will undertake a pilot service with a view to establishing whether to proceed to a general and permanent service. The timing of the introduction and scope of the new facilities would be for the Post Office to consider in consultation with the Government and the monetary authorities; and would be fully subject to the prudential and credit controls applied to banks generally.

18. At present Giro is required to maintain a liquidity of 20 per cent. But as Giro develops its banking activities it is intended that it should become subject to the instruments of monetary policy, eg reserve asset ratios on the same basis as other banks.

Legislation

19. The changes to be effected in the capital structure of Giro require legislation and the opportunity will be taken to remove any doubt over the powers of the Post Office to introduce certain of the new facilities. A Post Office (Banking Services) Bill is being introduced whereby, subject to the approval of Parliament, the capital reconstruction will take effect from 1 April 1975.

Conclusion

20. The Government believes that the new arrangements will establish Giro with a sound financial basis on which to develop its full potential to the social and economic benefit of the community.
CABINET

CHRYSLER UK

Memorandum by the Secretary of State for Industry

1. Chrysler Corporation have effectively confronted us with either taking over Chrysler UK, and the Government assuming responsibility for funding future development and future losses, or they will begin to run it down from 30 November over the following 3 months. Because they want to exploit the United States tax position (for which 31 December is a critical date) and to stem losses, no extension of this period is likely to be negotiable. Taking it over as a going concern could mean having to provide some £140 million over the next 4 years and probably much more; by scaling down operations and closing one plant in the Midlands this might be reduced to some £100 million or more. But closures would lose some 25,000 jobs in Coventry, Dunstable and Linwood, with perhaps something of the same order in components firms and dealers. Details of the various schemes considered are given in the Annex; amongst these was the possibility of pulling out of volume car assembly and concentrating the other activities at Linwood.

2. Extensive probing has failed to disclose any material change in the Chrysler position; but I am putting to them now a direct question whether they are prepared after the end of November to meet a share of the costs of continuing production and the financing of future losses, and if so what share and towards what production scheme. I shall report their reply to my colleagues. I shall need to meet Chrysler Corporation again next week before we announce a decision.

3. The Industrial Development Advisory Board concluded that none of the schemes considered held prospects of viability, though Board members were equally divided about how social and other wider considerations affected the recommendation on support. The report of the Central Policy Review Staff (CPRS) on cars points to a large continuing surplus of capacity. All the schemes we have considered would be unviable even on paper; in most of them Chrysler Corporation would have power without responsibility and in practice we should be taking on an open ended commitment. In my view the case against putting these substantial funds into this ailing company is quite overwhelming.
4. If no support is given and Chrysler UK close down we can expect Chrysler dealers in this country to seek to go over to foreign car makers who would be likely to penetrate our market further. I consider it essential to announce temporary import restrictions taking effect immediately on the lines of the scheme developed by the Secretary of State for Trade. There is however a possibility of the more profitable commercial vehicle operation of Chrysler UK being taken over, and for example Volvo have mentioned to me a possible interest.

5. The gravest consequence will be the loss of jobs. Although the Employment Services Agency will help I see no immediate prospects of new employment in the areas affected and the direct consequences of a Chrysler shut down would be that male unemployment would double and treble respectively in Coventry (to 14 per cent) and Paisley (Linwood) (to 17 per cent) and there would be a significant effect for the West Midlands and West Central Scotland. There are likely to be powerful reactions from Trades Unions and Members of Parliament. I consider it essential for us to announce the special scheme for redundancy payments prepared by the Secretary of State for Employment.

6. Public presentation will need great care and should be linked with publication of the CPRS report. Before a statement is made I must meet the trades unions concerned. We shall need to ensure that the inevitably harsh exchanges with Chrysler do not repercuss on other international activities in this country.

7. I invite my colleagues to agree -

a. we should not take over Chrysler UK and should place firmly on the Chrysler Corporation responsibility and odium for closing it down;

b. in announcing our decision I should say we are forthwith restricting imports of cars to the same level as last year, taking as a base period for the 12th April 1974-March 1975;

c. we should also introduce the redundancy scheme prepared by the Secretary of State for Employment and put in force arrangements for co-ordinating local actions which he has suggested;

d. the CPRS report should be published at the same time as the Chrysler statement is made.

EGV

Department of Industry

21 November 1975
SCHEMES DISCUSSED WITH THE CHRYSLER CORPORATION

SCHEME A - Taking over Chrysler UK as a going concern

In their first discussions with Ministers, Mr Riccardo (Chairman of Chrysler Corporation) and his team suggested HM Government took over Chrysler UK as a going concern. To meet continuing losses and to provide for capital needs which could not be met from internal sources, Mr Riccardo put the initial commitments at £140-£150 millions up to 1979 without allowing for capital needs for new developments and models coming to fruition after that date. HM Government would take majority ownership but Chrysler Corporation might be prepared to continue with a minority interest of less than 20%, but they said explicitly they would not meet any part of continuing losses. No major works would close but there would be some 6,000 redundancies. The Iran contract would continue as at present and Chrysler Corporation would provide some technical and marketing support.

SCHEME B - Streamlined Chrysler UK

2 Chrysler Corporation put forward as an alternative a scheme which would preserve some 15,000 jobs including 4,000 of the present 6,400 at Linwood (rising later to 5,600 or more); it would mean concentrating car assembly at Linwood and reducing /the model ..
the model range. The Ryton (Coventry) (with over 4,000 workers) plant would close completely and there would be substantial redundancies throughout the Midlands and elsewhere. Assembly of the Avenger would be moved from Ryton to Linwood; this would almost certainly be opposed by the Ryton workers.

3 The resulting car operation at Linwood would be substantially smaller than the size suggested in the CPRS report as the minimum competitive size for an assembly plant (250,000 units), and would involve only a very small share of the UK market.

After losses of about £40 million in 1975 and 1976, Chrysler foresaw a marginal profit in 1977. This turn round is most unlikely to be achieved, but even if their assumed results up to 1979 are achievable, the future of the Iranian contract after 1980 must be very doubtful and the level of profits is in any case inadequate to finance the introduction of new models beyond 1979.

SCHEME C - Concentrating on Linwood

4 The Chrysler Corporation have, estimated that the capital cost of moving the commercial vehicle, spares and parts and the Iranian contract work (which expires in 1980) to Linwood would be some £49 million, volume car production would be discontinued and revenue losses of the operation would be some £61 million up to 1979. It would eventually provide some 6,000 jobs at Linwood.
SECRET

at Linwood, but to a large extent different engineering skills would be needed from those of the present workforce. At the very least (and assuming no disrupting industrial action in the Midlands, etc.,) the transfer would take 6 months and meanwhile there would be no employment. Putting the commercial vehicle work in Scotland would involve serious cost penalties.

5 It is clear that, even if it could be achieved against serious opposition from the Coventry and Dunstable workers, the result of attempting to concentrate these operations at Linwood would be a totally unviable operation, which at a cost in the next 4 years of over £80 million would provide only 6,000 jobs at best. Its prospects of long term survival would be poor, and it would need indefinite subvention from the Government.

SCHEME D - Retaining Iranian Contract at Stoke (Coventry)

6 Because of the significance of this contract to Anglo-Iranian trade relations and the balance of payments, Chrysler Corporation examined the possibility of HMG taking over this contract if Chrysler UK's other operations are closed down. The capital cost would be only some £2 million, and the resulting operation at Stoke would employ some 2,000 people in 1976 and 3,000 from 1977 to 1980 (when the present contract expires). It is estimated that it would lose £10 million in 1976 and £5 million - £7 million a year thereafter.

/7
The turnover would be £91 million a year, all earned from Iran; but since if Chrysler Corporation sourced the contract from outside the UK (which would otherwise be their plan) they would still expect to buy in initially at least some 35% of the contract from UK firms, the net foreign earnings preserved would be some £60 million a year at first.

The contract would be of some value to Chrysler Corporation who would have to be paid something for it - in addition to the £32 million which HMG would have to spend. It is not clear whether Chrysler Corporation would be prepared to manage it and provide the necessary technical back-up; they have suggested that it might be better for British Leyland to take over this role. In any event the co-operation of Chrysler Corporation in arranging the transfer of the contract to HMG would be needed (despite the obscurity of the contractual position) - as well as that of the Iranians which may be harder to get.

The proposal to move to Linwood the Iranian work, commercial vehicles and spares and service and close down all Chrysler UK's plants other than at Linwood is unlikely to be feasible in practice taking account of resistance by workers in the Midlands, and could not conceivably be viable.

**Summary**

To sum up, the options appear to be as follows:
(i) to take over Chrysler UK at a cost of some £140 million or more for the period up to 1979 (with continuing commitments thereafter) and some 6,000 redundancies in Chrysler UK;

(ii) to support a stream-lined Chrysler UK, assuming that it is practicable in the face of resistance by redundant workers to work transfer, at a likely cost of £100 million or more and some 10,000 redundancies;

(iii) to transfer work to Linwood and close down Chrysler UK's other activities at a cost over the next 4 years of £80 million, against certain opposition from 19,000 redundant workers in Coventry and elsewhere;

(iv) to maintain the Iranian contract sourced from Coventry at a cost of over £32 million, with 22,000 redundancies;

(v) to let Chrysler Corporation liquidate its UK operations, starting from the end of November, with ultimately 25,000 redundancies.
CABINET

CHRYSLER

Note by the Secretary of State for Scotland

I attach a note setting out a possible scheme for a scaled-down continuation of production by Chrysler which I have previously circulated to the Ministerial Group. In view of the disastrous employment consequences of closure for Linwood and for other areas with major Chrysler factories, and the wider political considerations which arise, I consider it to be most important that this proposition be formally put to Chrysler and clear answer sought on whether it could be negotiable on acceptable terms. I consider therefore that this paper should be taken into account by the Cabinet in reaching a conclusion.

W R

Scottish Office

21 November 1975
1. The Secretary of State for Industry in his paper MISC59(75)24 lists five options (paragraph 17). I agree that these are the options at present but I do not agree with his conclusion that we should accept option (v) - complete closure.

2. In my view the social and political consequences of complete closure are so severe indeed disastrous that they should be avoided if at all possible. On the other hand, a complete takeover on the previous Chrysler proposals, option (i), would be very expensive and have serious disadvantages. A solution involving only the maintenance of the Iranian contract, option (iv), seems to me to be virtually impossible to achieve and also very expensive.

3. From my point of view, the Linwood rescue solution - option (iii) - has obvious attractions. But Chrysler say that it makes little industrial sense, it would involve considerable disruption and the prospects of obtaining the necessary cooperation of the English workforce must be poor. While I would be prepared to argue, and do argue, the special problems of the Linwood area, there would clearly be political difficulties in so patently sacrificing the interests of part of the English workforce.
in favour of Linwood and in the current political context of devolution. The dangers of an English backlash could go well beyond the Chrysler situation.

4. My strong preference is for a wider solution and I believe that the new Chrysler proposals - option (ii) - provide a basis for that.

5. This scheme is much less costly than Chrysler's original proposals; it is a coherent scheme worked out by Chrysler themselves and believed by them to be viable; it reduces the number of redundancies to a more manageable level but involves a substantial slimming down of the Chrysler operation. It is sufficiently attractive for IDAB to have divided evenly on it, 4-4, at their meeting on 19 November.

6. A basic question is whether Chrysler Corporation would be willing to participate by contributing financially. If they were, the scheme would of course be much more attractive, including to IDAB who I assume must have taken their decision on the basis that there was no Chrysler financial commitment to the scheme.

7. The Secretary of State for Industry admits (paragraph 6 of his paper) that the extent to which Chrysler Corporation might be willing to contribute has not been fully explored with them, but that they have not ruled out a financial contribution. I suggest that this matter should now be explored urgently. The most likely basis of an agreement would be that Chrysler Corporation retained a 20 per cent interest.

8. I believe that there is a very good chance of Chrysler Corporation cooperating on that basis. I take this view because, although Mr Riccardo in his initial meetings with Ministers gave the impression that a Chrysler withdrawal from the UK would cost the Chrysler Corporation virtually nothing because of US tax reliefs among other factors, later information suggests that that is not so. For example, Chrysler Corporation have guaranteed bank facilities to Chrysler UK to the extent of £45m. There will be need for new money for redundancy payments which they have said they would honour, and for the payment of creditors in full, which again they have committed themselves to. All this must represent a substantial net cost to Chrysler Corporation.
9. The essentials of a scheme would be:

(a) That the Government did not pay off in any way the losses already incurred by Chrysler UK.

(b) That there was a continuing commitment by Chrysler Corporation so that the UK company would have access to their wider international operations and

(c) That the Government would have effective control of Chrysler UK consistent with its 80 per cent stake.

10. In the Annex, I have sketched out what a scheme on this basis might look like. It involves capitalising Chrysler Corporation loans and advances to Chrysler UK, the Government buying 80 per cent of the increased capital for the nominal sum of £1, a further capital issue of £95m to be contributed as to 80 per cent by the Government and 20 per cent by the Chrysler Corporation.

11. From the Chrysler Corporation point of view, the unattractive feature of the scheme would be the new capital contribution of £19m, but on the other hand there would be a saving of the new money they are likely to have to bring in to meet redundancy payments etc. in the event of a complete closure and they would retain the tax advantages which they say would flow to them in the United States from a reduction in their stake in Chrysler UK to 20 per cent.

12. From the Government's point of view, the financial contribution is reduced to £71m. (£76m share capital loss £5m Department of Industry loan repaid), so that this would be a much less costly package than the original Chrysler Corporation proposals. Moreover, even if in the new circumstances we proceeded with a special redundancy scheme, the number of workers involved would be much less and the cost considerably reduced. Taking account of savings in unemployment pay etc the net cost to the Government would be very much less than £71m.

13. A solution of this sort would

(a) avoid the worst social and political consequences that would arise from a complete closure.

(b) maintain Chrysler UK as a 'net earner of foreign currency at balance of payments benefits ranging from £131m in 1976 to £207m in 1979.
(c) Avoid the danger that the loss of Chrysler car production would mean an increase in foreign imports if only because Chrysler dealers who lost their business would have nowhere else to turn but foreign importers. (A scheme of import controls could of course still be introduced as there are strong arguments for that even with a reduced Chrysler rundown).

14. The cooperation of the workforce would be essential both in the immediate period of redundancies and in the longer term but I believe that we would have an excellent prospect of Trade Union cooperation. The scheme would involve public ownership, the existing shares would have been taken over for a nominal sum, the Unions are in any case expecting larger redundancies and they will accept that the alternative to a scheme such as that now proposed would be complete closure.

15. Many details would have to be worked out in negotiation, and I would wish us to enter into the negotiations with Chrysler Corporation with the determination to get the best bargain possible for the Government. On that basis, I recommend that we should urgently discuss with Chrysler Corporation a scheme on the lines I have described in this paper, which I believe would be viable and is by far the best solution in all the circumstances.
ANNEX

CHRYSLER UK

Possible HMG Negotiating Position

A. Issued Share Capital
   £33.7m
   Capitalisation of parent company subordinated loan £11.1m
   Capitalisation of parent company advances £5.2m
   £50.0m

B. HMG to purchase £40,000,000 of this capital for a total of £1 (thereby giving HMG 80% of the equity).

C. HMG and Chrysler Corporation to subscribe pro rata (ie 80/20) for £95m ordinary capital - that is HMG £76m Chrysler £19m subject to:

   (i) Chrysler Corporation agreeing that, for 10 years, Chrysler UK will for management and trading purposes be treated as part of the Chrysler world wide organisation and will make available the services and technical knowledge of that organisation on an arms length commercial basis;

   (ii) Chrysler Corporation having the right and the obligation to appoint up to half of the directors of Chrysler UK from time to time, except that the Chairman will be appointed by HMG;

   (iii) The DI loans of £5.4m to be repaid, thus reducing the net cost to HMG to about £70m;

   (iv) Chrysler UK's bankers and loan creditors confirming that they will continue to extend to the company existing facilities of approximately £45m plus ECGD facilities of £25m and suitable arrangements being made for securing these facilities (which are guaranteed by Chrysler Corporation) and if possible without involving a guarantee by the Government;

   (v) The relevant Trade Unions agreeing to the satisfaction of the management and HMG to enter into improved work practices designed to reduce substantially the dispute factor and to increase productivity;

   (vi) The management, trade unions and HMG agreeing to implement the plan for the company as outlined at meetings this week between the management and HMG; and

   (vii) The company and Chrysler Corporation agreeing with HMG a policy on the import of Chrysler cars and commercial vehicles into the UK and on dealer arrangements.
D. The forecast profits will then be:

<table>
<thead>
<tr>
<th>Year</th>
<th>Profit/Loss</th>
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<tbody>
<tr>
<td>1976</td>
<td>£(38)m</td>
</tr>
<tr>
<td>1977</td>
<td>6.8m</td>
</tr>
<tr>
<td>1978</td>
<td>7.2m</td>
</tr>
<tr>
<td>1979</td>
<td>7.1m</td>
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<tr>
<td></td>
<td>£(16.9)m</td>
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Note: These figures have been increased (the 1976 loss reduced) compared with the figures in the Department of Industry paper by adding back interest charged on part of the new capital.

E. The total capital requirement will then be:

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital expenditure 1976/79</td>
<td>£63.4m</td>
</tr>
<tr>
<td>Losses 1976/79</td>
<td>16.9m</td>
</tr>
<tr>
<td></td>
<td>£80.3m</td>
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This would be more than adequately covered by the share issue of £95m plus the sale proceeds, if any, of Eyton.
CABINET

CHRYSLER: REDUNDANCY ARRANGEMENTS

Note by the Secretary of State for Employment

I attach a memorandum on redundancy arrangements which I have previously circulated to the Ministerial Group.

M F

Department of Employment

24 November 1975
Memorandum by the Secretary of State for Employment

The Group invited me at its meeting on 12 November to prepare a further report developing the proposals in my memorandum of 11 November (MISC 59(75)17) and taking account of the points made in the Group's discussion.

The case for a redundancy scheme

2. In my earlier memorandum I suggested that we should be prepared to put £30 million into a redundancy scheme. This figure was my estimate of what was needed to reconcile workers, unions and opinion generally to a redundancy affecting 26,000 workers and a refusal by the Government to provide finance to keep the whole or a part of the company in business.

3. Where we would be most vulnerable to criticism is in allowing the Linwood plant to close. That is essentially the case for a redundancy scheme. Redundancies are not welcome in Coventry at the present time but we may expect jobs to be reasonably plentiful when the upturn comes. This is even more true of Dunstable and Luton. It is not, however, true of West Central Scotland. If we were to come to some arrangement with the company to keep Linwood open with the help of public money, then I believe the Government's obligation to Chrysler's workers would be largely discharged. I doubt in that case that we need offer a publicly financed redundancy scheme for workers in Coventry and other centres outside Scotland.

4. On the other hand, if the whole business is closed down, I do not think it is practical politics to offer a redundancy scheme for Linwood only. We must then make it available to all Chrysler's employees.

Possible types of benefit under a scheme and costs

5. I suggested in my earlier memorandum that, to the extent possible, payments should be made in supplementation of unemployment pay according to the length of unemployment suffered and in supplementation of earnings in new jobs where such earnings fall below the level of previous earnings with Chrysler. Workers with less than one year's service with the company might be excluded. Thus, unemployment pay
might be brought up to the level of 75% of previous earnings during the period of unemployment. A higher figure, bearing in mind the lower tax liability and the need to retain an incentive to take up work could only be justified for the older workers, many of whom could be expected to remain unemployed until they retired. The cost of such an arrangement, depending on average length of unemployment suffered might be up to £10 million. (There is a fair possibility that the majority of the redundant workers, even in Scotland, would find alternative work within 6 months).

6. It is the common experience that redundant workers have to accept alternative employment at a lower level of earnings than they enjoyed before. The cost of supplementing earnings would depend on the period of supplementation decided upon and on whether the new earnings were brought up fully or only in part to the level of the old earnings. An average payment of £5 a week for 2 years to 20,000 workers would cost around £10 million.

7. That leaves £10 million (if £30 million in all were to be provided) and this would enable a lump sum geared to length of service with Chrysler (and perhaps also to age) to be provided - including a small payment to those with less than one year's service. The average amount of such a lump sum would be £400.

Options

8. It is clear from these figures that schemes costing £10 million or £20 million as well as £30 million would be feasible. If economy were the over-riding criterion we could have a perfectly useful and helpful scheme for £10-£20 million. However, I have taken the view, as I think I have made clear, that we are not looking for the cheapest scheme it is possible to devise, but for a sum of money which will provide adequate compensation and be seen to provide adequate compensation by those concerned in a situation which we shall be held partly responsible for having created by our refusal to subsidise Chrysler. Looked at from that point of view it is my judgment that we need a scheme providing benefits up to a total cost of £30 million, which is rather more than £1,000 per head of all the redundant workers.

9. If we are going to spend £30 million on a scheme it will probably be necessary to spend some of it on lump sums. Much of the attraction of schemes for making up unemployment pay and earnings arises from the fact that they can be made quite inexpensive. Another argument in their favour is that they are better geared to the post-redundancy situation. However, they have their drawbacks. It is very difficult to estimate their cost in advance and this is awkward in the Chrysler circumstances. They invite criticisms from other workers who do not get their unemployment benefit or their earnings made up. (This is also true of enhanced lump sums). They are administratively complex and would require a number of civil servants to run them for several years.
10. On the other hand, a scheme confined to lump sums could easily be administered by Chrysler which has to make the statutory lump sum payments to its employees as part of the closing-down process. Such an arrangement might conceivably be financed under the Appropriation Act without the need to seek new legal powers. New powers would be needed for a scheme to make up unemployment pay and earnings. It is desirable to avoid having the details of a scheme debated in Parliament because most of the pressures are bound to be in the direction of making improvements and, therefore, additions to the cost of whatever we propose.

11. The details of a scheme need to be negotiated with the unions. We cannot, therefore, take final decisions about the content of a scheme at this stage. I think we should go into the negotiations with all our options open and not put ourselves into any strait jackets at this stage.

Points raised in the last MISC 59 discussion

12. A number of points were raised in our last discussion:

(i) It was suggested that devising a redundancy scheme for the motor industry would be difficult because the workforce was less stable. It is true that an industry with a high degree of labour turnover has less need of a redundancy scheme. If there is a scheme it can and ought to be tailored so as to exclude from benefit, or at any rate to give very small benefits to, workers who have been with the company a short time only.

(ii) The point was made that a special scheme for the motor industry would be a precedent for other industries such as aerospace and shipbuilding. I think it is a precedent that should be welcomed. If we can run down the shipbuilding industry to an economic size at the expense of a redundancy scheme that would be a price well worth paying. I think we have got to face the need for Government to finance additional redundancy payments in certain limited circumstances. That would be when there is declining industry where the employer is unable to pay and when the number of redundancies involved is exceptionally large. Additional arguments are available when the redundancies are in assisted areas and when there is Government involvement in the fact of the redundancies.

The greater difficulty arises if comparisons are drawn between what is done for Chrysler or shipbuilding and what is the general run of redundant workers. I believe the distinction can be justified, using the kind of arguments I have just mentioned. In the case of Chrysler there is the question of the workers made redundant in the components industry. These are spread about in different places and in different firms and I do not consider they have the same case for special treatment as the large numbers of Chrysler workers who will be made redundant at Linwood and in Coventry. Another kind of comparison will be with workers made redundant in Coventry from Alfred Herbert as a result of the Government-supported reorganisation. However, in that case, Government finance went into keeping the firm in business, which is not the case we are envisaging at Chrysler.
It was suggested that public opinion might be critical of favourable treatment for workers in the motor car industry who had been particularly highly paid and whose industrial relations record was bad. This is a valid point. Although I believe there is a sufficient case for a redundancy scheme for Chrysler workers, a much better case could undoubtedly be made out in a number of other industries, eg shipbuilding.

A point was made that the money for a redundancy scheme would have to be considered further, if money was put into Chrysler in order to preserve the jobs at Linwood. I have dealt with this point in paragraph 3 above.

Legal position

13. I do not administer any legislation under which it would be possible to finance a special redundancy scheme for Chrysler workers and I am not aware of any other legislation which would serve the purpose - with the possible exception of the Industry Act, under which expenditure can be incurred "to encourage arrangements for ensuring that any contraction of an industry proceeds in an orderly way." I understand, however, that the Department of Industry are doubtful if this can be used to finance a redundancy scheme even if this were operated through the company.

14. The Redundancy Scheme in the London Docks following the Jones/Aldington Report was financed from public funds and this was done under cover of the Appropriation Act without special powers being taken. It would presumably be easier to copy this precedent in the Chrysler case if we gave the money to the Company to pay out in supplementation of statutory redundancy payments. As I have mentioned earlier this may be an argument in favour of a scheme for lump sum payments. On the other hand, a continuing scheme for the payment of different amounts to different individuals over different periods of time would presumably be very difficult to introduce under the Appropriation Act. I mention these points in some detail because it seems to me desirable that we should avoid a debate in Parliament about the details of the scheme and about why we were taking action in favour of one particular group of workers.

15. An alternative approach would be to recognise that we are going to have to face situations like that at Chrysler from time to time in the future. The shipbuilding industry may be the next. We could amend the Redundancy Payments Act so as to make it possible for me to introduce a special scheme in circumstances which would be indicated in general terms in the legislation. Such a power might be made subject to a negative resolution in Parliament. Provided the legal conditions were tightly enough drawn I do not think it would put us under pressure to take action in many cases. Such a step would fit in well with our developing industrial strategy.
Task Forces

16. In paragraph 9(ii) of my earlier memorandum I suggested some kind of task force involving Government Departments and Agencies, employers, trade unions and local interests to co-ordinate action on the provision of alternative work, retraining, redeployment, mobility grants, etc. I suggest that such task forces should be set up in both Linwood and Coventry. In Linwood, particularly, it might, with advantage, be headed by a Minister, but in any case there would be presentational advantages in saying that the working out of the redundancy scheme and the activities of the task forces would be subject to the oversight of a specially-appointed group of Ministers from the Departments mainly concerned. This could be announced in general terms when the main Government decision is announced.

Conclusions

17. I recommend to my colleagues that:

(i) if no money is put into Chrysler to keep the whole or part of the operation going, we should say that the Government is ready to provide finance for a special redundancy scheme and that the details will be negotiated with the unions concerned. It is for consideration whether the announcement should name the amount of £30 million.

(ii) there should be further study by officials of the best way of providing legal cover, including the possibility of taking powers to cover future situations.

(iii) we should announce that task forces to co-ordinate action on the redeployment of redundant workers are to be set up in Linwood and in Coventry under Ministerial direction.

MF

Department of Employment
SW1

19 November 1975
CABINET

CHRYSLER UK LTD

Note by the Secretary of State for Trade

I attach 2 memoranda which I have previously circulated to the Ministerial Group. The note by officials was circulated as MISC 59(75) 20 and is referred to as such in the other memorandum.

PS

Department of Trade

24 November 1975
CHRYSLER (UK) : SCHEME FOR IMPORT RESTRICTIONS

Note by Officials

1. The table at Annex 1 shows the existing pattern of imports of passenger cars. This reflects the fact that very competitive smaller cars are available from a wide range of countries. It is clear therefore that any scheme designed to transfer lost Chrysler (UK) production to other British makers will have to cover imports from all sources, including the EEC. In formulating this scheme we have taken account of our international obligations and the likely reactions of competitor countries. Clearly the closer the scheme is tailored to the announced objective of the restrictions the more chance there is of avoiding undesirable international repercussions.

OUTLINE OF THE SCHEME

2. We are still working out the details of the scheme but the main issues that arise are as follows:

a. The period of the scheme

From the point of view of inducing British customers to buy British, the longer the period of restraint the greater the incentive - because more British made models (e.g. the Ford Bobcat) will become available and, because the scope for postponing a purchase altogether until foreign cars are freely available once again is reduced. Another objective of the scheme discussed by Ministers is that the dealer network that will be left unemployed by withdrawal of Chrysler should either go out of business or be taken up by British manufacturers. In practice British manufacturers themselves are trying to reduce their dealer network so that there is little chance of many of the existing Chrysler distributors being taken up by British manufacturers. It is difficult to assess how long a period of restraint would be necessary to deter foreign manufacturers from taking them over, especially as motor makers take a long view in building their dealer networks. But clearly the longer period during which the restraints at least appear possible, the greater the deterrent.

It is however unrealistic to think that the scheme could last beyond the end of 1977 when the possibility of action against Community countries ceases to exist under the Treaty of Accession. At the other extreme the period of restraint should clearly as a minimum cover the 1976 Spring and Summer sales season. Since we shall in any case need the authority of the European Commission (see para 5 below) the best course seems to be to go for a period of restraint terminating at the end of 1977 but to be prepared to accept a scheme terminating in the middle of that year or, at worst, at the end of 1976.
Coverage

Chrysler's range of motor cars does not go above those with an engine capacity of 1725 cc. Given the objectives of the scheme it would be sensible and internationally more defensible to tailor the scheme to roughly the range which Chrysler produces. The tendency of the market at the moment is to trade down into smaller cars and it is in smaller cars that the British industry is most uncompetitive. For administrative reasons, it would be far simpler to define the area restricted in terms of existing tariff subheadings. This would mean including all cars with an engine capacity of up to 2200 cc (the next lower cut off is at 1500 cc). This solution, which should be internationally defensible would in fact cover all but 20,000 (about 5%) of imported cars.

Chrysler's proportion of UK production of commercial vehicles is about the same as in passenger cars. But the UK commercial vehicle industry is generally much more competitive and supplies getting on for 90% of the market, and could be expected in large measure to fill the gap left by Chrysler. Chrysler's do not generally make a car derived van - the area of commercial vehicle production that is most subject to growing competition from imports. In this situation we do not think that there is a good case for restricting imports of commercial vehicles.

Arrangements would need to be made to exempt imports of cars which form part of personal effects. Customs and Excise are confident that it should be possible to prevent any significant abuse.

Level of Quotas

We have not been able to complete a full examination of the statistics but, given the stated objectives of the scheme, it would seem sensible to choose a relatively recent 12 months base period and make it clear that importers will be allowed to import 100% of the imports made during the 12 months base period but with some control to prevent importers loading too much of their quotas into the main sales season. If we chose a period from say mid 1974 to mid 1975 (which could be presented internationally as reasonable) this would produce total annual imports of 430,000 cars, rather more than the low 1974 total but probably below the 1975 total. In practice, individual
concessionaires for each make would get a quota based on their mid 1974 - mid 1975 imports and we cannot rule out that if this is especially unfavourable to a particular make, we shall be pressed to adopt a different base and we are almost certainly to be pressed at some stage to allow a higher total of imports anyway. This particular period would have most restrictive effects on Italy and to a lesser extent on Japan.

3 One problem which will have to be considered is whether, given that Ford and Vauxhall are part of an European system of manufacture, they can in fact operate with quotas. It seems impossible in practice to consult UK makers in advance about whether they can live with our scheme but it may prove necessary during the course of the scheme to make adjustments to meet their particular requirements.

4 A scheme along these lines would require up to about 15 staff at a total cost of about £5,000 and could be introduced within 4 days of a firm and final Ministerial decision on the nature of the scheme (though a longer period would be needed if controls on cars were part of a wider package of import controls).

INTERNATIONAL CONSIDERATIONS

5 The most immediate and most difficult problem would be with the Community. The only provision under which we could impose restrictions on other Member States is Article 135 of the Treaty of Accession. This provides that "If, before 31 December 1977, difficulties arise which are serious and liable to persist in any sector of the economy or which could bring about serious deterioration in the economic situation of a given area, a new Member-State may apply for authorisation to take protective measures in order to rectify the situation and adjust the sector concerned to the economy of the common market." There are two significant points about this provision. The first is that it would appear to set a final limit of end 1977 to any action taken. Secondly, we could only act with Commission authorisation and it is clear that this has to be advance authority; there is no provision (as there is for measures to protect the balance of payments under Articles 108 and 109) under which we could act first and seek authority afterwards. If the Commission refuse authority and we nonetheless impose restrictions, a very difficult situation could arise. The Commission could take us to the European Court and, if there were a ruling against us, our legal advice is that we would cease to have any basis under UK domestic law to maintain the restrictions. The full proceedings of the European Court would take at least 6 months but there is a provision under which they could issue an interim judgment which would require us to abandon the licensing measures until the final judgment was reached. All this suggests first that the
Commission should be given as much advance warning as possible (they are required under paragraph 2 of Article 135 to give their determination "without delay") - we believe that, if they were given four days, this would be sufficient to enable them to take a decision; secondly that a scheme should not be presented to them as an unalterable plan and that we should be prepared to agree to modifications.

6 In the very special circumstances created by the withdrawal of Chrysler, we would expect difficulties with, but probably grudging acquiescence from, the Commission. The points on which we would expect them to concentrate are first the duration of the scheme (see para 2a above) and secondly the need to keep the scheme only restrictive enough to achieve the declared objective of preventing an increase in imports.

7 One advantage of action under Article 135 is that, if the Commission did authorise action by us, we should be secure against retaliation by other Member States. It is true that under paragraph 4 of Article 135 the Commission can authorise "any original Member State" to take protective measures against any new Member State; but it is hardly conceivable that the Commission could authorise action which was in retaliation against measures which they had themselves authorised.

8 The other important area internationally is the GATT. Here we would have to invoke the provisions of Article XIX for "emergency action on imports of particular products" (the Community would have to invoke the provision on our behalf; on the assumption that we had the necessary Article 135 clearance this should not be a problem). Under this Article we have the right to take restrictive action if "any product is being imported ...... in such increased quantities and under such conditions as to cause or threaten serious injury to domestic producers". In contra-distinction to the position under the Treaty of Accession, we can under the GATT act first and talk afterwards. The Article is not a perfect fit for the circumstances. Although imports this year are running at a higher rate than last year, they are still substantially below the 1973 level. We would need to make as much as we could of the very special nature of the circumstances involved, but we would still have a difficult time and the possibility of direct retaliation by other countries (in effect only Japan and Sweden since Community retaliation is probably ruled out - see paragraph 7 above) cannot be excluded. There is also a strong danger of encouraging protectionist action by the United States on cars (on which the US Treasury is currently investigating an anti-dumping application), or on other products.

9 Two other international operations would be necessary. First, as a result of the new loan application it would be highly desirable to give the Fund 2 or 3 days advance notice. If the Commission have agreed to the scheme, with the implication of acquiescence by other Member States representing a strong combined vote in the Fund, then the scheme would probably not jeopardise our borrowing application when it is
taken by the Fund Board, probably in December. Secondly, as regards action against Sweden, the Community would need to invoke the relevant escape clause provision of the Sweden/EEC Agreement. Under the latter, if the Swedes are not satisfied, they can take retaliatory action.

10 It would finally be strongly desirable to give the main individual Governments (including the US) advance warning. To minimise risks of leakage this should only be done a half day before the announcement.

TIMING

11 On the international front, the main timing problems arise from Community considerations. We have already suggested that 4 days should be allowed for discussion of, and agreement with, the Commission on the nature of the scheme. Once this is agreed, and Ministers have confirmed it, we need, as we have said, up to a further 4 days. And, as already noted, the timing would be different if the scheme was combined with other selective restraints.

CONCLUSION

12 While more work is needed on the details (we have this in hand), the preceding paragraphs set out the broad lines of a scheme which would meet the remit set by Ministers. Any scheme to restrict imports of cars would be strongly resisted internationally and we cannot guarantee that what is proposed would secure the necessary degree of acceptance or would avoid retaliation. Looking at it, however, as a special single case, we would expect that we would get this acceptance, though we might find it necessary to agree to significant modifications, eg on the period for which the restrictions would be maintained.

Department of Trade
1 Victoria Street

11 November 1975
IMPORTS OF PASSENGER CARS OF ALL TYPES

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<td>Total</td>
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<td>503</td>
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FOOTNOTE: The above figures include cars of more than 2,200 cc. These would not be covered by the scheme. The numbers are significant only in the case of the German Federal Republic. For July 1974/June 1975 the figure in the case of Germany was 15,000
Memorandum by the Secretary of State for Trade

1. In MISC 59(75)20 officials outline a scheme for restricting imports of foreign cars designed to ensure that the share of the British motor vehicles market currently held by Chrysler (UK) would be met by other British production. At MISC 59(75)26th officials were instructed to develop the scheme further.

2. In the course of working out the scheme we have made estimates of the stocks available to British manufacturers and importers. The situation as we understand it is as follows. At the end of October BLMC had 30,000 finished cars available for sale compared with an ideal figure of 80,000-90,000 - they hope to reach a more desirable stock level by January. Ford's stock levels of cars within Chrysler's range are also low in particular of the Escort, for which there is an 8-week waiting period; they hope to clear the backlog by Christmas. Vauxhall have reasonable stocks. Importers, we estimate, have a total of at least 150,000 cars in stock; this is roughly equivalent to 4 months imports. We do not know whether this is abnormally high. We suspect that it may be. But the comparison with the stocks of British cars causes us to fear that however we restrict imports the stock already in the country will enable foreign manufacturers at least to get a head start in the competition for Chrysler's market.

3. In addition, although it is difficult to forecast the market for 1976, it is to be expected that the market will improve as the year goes on. There is thus a case for amending the scheme to provide, as far as possible, for a substantial early impact with some relaxation later in the year.

4. I have examined the possibilities of basing a scheme on undertakings by the concessionaires of the various manufacturers that they would restrict their sales in this country each quarter to 25% of their sales during the base period. This would ensure that they did not use their more favourable stock position to preempt the market before British manufacturers were ready. Such a scheme would, however, depend almost entirely on the voluntary cooperation of foreign manufacturers. It would not be enforceable and any breaches of the undertaking given could not be corrected until the damage had been done. I have therefore concluded that we must stick with a quota restriction of imports along traditional lines.
I propose therefore to retain the sort of scheme proposed in MISC 59(75)20 but to amend it in the following ways:

i) I propose to take as the base period for the quota April 1974-March 1975. This pushes the base period back one quarter. The result is to reduce the total of imported cars from 430,000 to 395,000. The difference of 35,000 is largely accounted for by reductions in the quotas of Japan (15,000), France (8,000), West Germany (8,000) and Italy (5,000). On the other hand the Dutch gain somewhat (4,000). I would defend this choice internationally by reference to the deterioration in the position of the British car industry which resulted earlier in 1975 in an uncertainty about the future of BLMC which affected its market, and which had now been compounded by the collapse of Chrysler.

ii) The normal pattern of imports is for 53% to come in during the first half of the year and 47% in the second. I propose that in our scheme the quota for the first 6 monthly period should be 40% of the base period; and that for the second 6 monthly period 60%. This will mean that importers will be deprived of some 40,000 cars for the Spring sales season. This, together with the effect of reducing the total quota, should go some way towards counteracting the imbalance of stocks between British manufacturers and importers.

The changes I have suggested above will undoubtedly make the scheme more difficult to get through the Commission and to defend in GATT. I think however that we have a reasonable public case for acting in this way.

There is one caveat which I should make. Even with the reductions I have suggested above, it is still possible that, even if import controls are introduced, the foreign registrations during the first few months of next year will continue to rise. This is because any import restriction scheme takes some time to have effect. We should, I think, guard against public disappointment by stating quite frankly at the beginning of the scheme that its impact may well not be immediately apparent but that later in the year it will become more obvious.

Conclusion

If my colleagues agree, I will put in hand the final preparation of the scheme incorporating the changes I have suggested above.

Department of Trade
19 November 1975
CABINET

SEPARATION OF PRIVATE PRACTICE FROM
NATIONAL HEALTH SERVICE HOSPITALS

Memorandum by the Lord President of the Council

At their meeting on 20 November, the Social Services Committee (SS) considered proposals by the Secretary of State for Social Services for legislation on the separation of private practice from National Health Service (NHS) hospitals. They took the view that the subject was of such importance that their conclusions should be reported to the Cabinet and endorsed by them before any action was taken.

The Secretary of State is caught between two fires. On the one hand there are the doctors, who are in a highly militant mood and, since SS Committee met, are reported to have threatened to take industrial action unless the whole question of pay beds and private practice is referred to the Royal Commission on the NHS. The Secretary of State argued to SS Committee that the doctors were unlikely to accept the principle of phasing out pay beds or to engage in meaningful discussions about methods of controlling the private sector until legislation had reached the Statute Book. On the other hand there are the NHS trade unions, amongst whose members feelings against pay beds is running high. The danger is that, in the absence of early legislation, they will take the law into their own hands and bring about phasing out de facto by industrial action.

In these circumstances the Secretary of State argued, and SS Committee endorsed her view, that the best course would be to introduce and enact as soon as possible a short bill containing four main provisions:

i. The establishment beyond doubt of the power of the Secretary of State to phase out pay beds from NHS hospitals.
ii. The fixing of a timetable for phasing out. The basic requirement would be for completion within one year of the enactment of the Bill, but with a discretion for the Secretary of State to allow private practice to continue for a further two years where exceptional circumstances could be established.

iii. Reaffirmation of the right of an NHS consultant who wished to do so to engage in private practice outside the NHS.

iv. A simple control power under which anyone who wished to provide a private hospital of more than 75 beds would have to obtain a licence from the Secretary of State. This would be only a stopgap measure and would not be a substitute for the much more thorough and flexible controls outlined in the consultative document on which consultants are now proceeding. But it would in the interim period give the NHS the essential protection it needs, bearing in mind that there are known to be a number of proposals for major new private hospitals, some of which, if they came to fruition, could do serious harm to the NHS.

It was the fourth of these proposals which SS Committee regarded as most open to argument. They were very conscious that while on phasing out pay beds The Queen's Speech indicated that legislation would be introduced in the course of the Session, on the question of powers for controlling the private sector it merely said that consultations would continue on the proposals in the consultative document. It is arguable that if early legislation is introduced dealing with controls as well as phasing out, the doctors will say that the Government is acting in bad faith by anticipating the outcome of the discussions arising from the consultative document.

There are two answers to this. The first is that the Secretary of State will not announce her intention to legislate, still less introduce the Bill, until she has offered the doctors consultations and - assuming they take up the offer - has informed them of her proposals and listened to, and taken account of, their views. Thus there will have been consultations. Secondly, this is only a stopgap measure. The discussions on the control proposals in the consultative document will go on and will - as the Cabinet envisaged when they
discussed the matter on 23 October (CC(75) 44th Conclusions, Minute 2) –
lead to the introduction of a later Bill, perhaps next Session, which will
replace the rough-and-ready stopgap provision with a much more sophisticated
control regime.

On this basis SS Committee concluded that the balance of advantage favoured
acceptance of the Secretary of State's proposals and that a Bill should be
introduced and enacted as soon as possible. It was made clear to the
Committee that, since this Bill is at present only in the priority reserve
category, it will probably be necessary, in order to accommodate it, to
drop some other Bill now in the programme.

I invite the Cabinet to consider the conclusions reached by SS Committee.
The Secretary of State for Social Services will no doubt be able to report
on the latest developments on the doctors' side, particularly in relation
to their demand that the whole matter should be referred to the Royal
Commission.

ES

Privy Council Office
24 November 1975
CABINET

SELECTIVE IMPORT CONTROLS
COLOUR TELEVISION TUBES

Memorandum by the Secretary of State for Industry

1. I dissented from the conclusion of MES(75) 14th Meeting that no action should be taken to restrict imports of colour television tubes pending clarification of the future of the Thorn plant at Skelmersdale and of the possibility of a restructuring of the industry. I now ask Cabinet to agree that colour television tubes should be included in the proposed announcement of import restrictions.

2. The two United Kingdom colour television tube manufacturers - Thorn Colour Tubes (51 per cent Thorn, 49 per cent RCA) and Mullard (Philips) - have been hit hard by the fall in consumer demand for colour sets, coupled with a continuing high level of low-priced imports of tubes.

3. Because of the heavy losses of Thorn Colour Tubes at Skelmersdale RCA have decided to pull out and Thorn will not continue on their own. These decisions will not be affected by the relaxations to be made to hire purchase and other credit controls. Over 1,000 jobs at Skelmersdale are at risk. My Department, as agreed at IDV, is providing financial support to keep the factory open for a few weeks while the possibility of a restructuring of the colour tube industry is explored. A restructuring could only be achieved with the co-operation of Philips and we are discussing the possibilities with the Chairman of Philips (UK).

4. My anxiety is to prevent if at all possible the closure of the modern plant at Skelmersdale. It represents an investment of over £15 million and provides jobs in an area of high male unemployment.

5. The preliminary report we have received from Philips indicates that there is significant structural over capacity in domestic tube manufacture. We shall put to Philips that the best means of dealing with the over capacity while securing a viable industry for the future is that they should implement the plans they had to retire their older plant at Simonstone (near Burnley) and bring other work into this factory. Production would thus be divided between Skelmersdale and the new Philips factory at Durham.
6. If Philips are to go along with this we shall have both to consider some financial help, eg in re-tooling where necessary and also some means of ensuring that the domestic set makers shift their tube purchases from imports to home produced tubes sufficiently to provide adequate loading for the United Kingdom tube factories. Costs in this industry are particularly responsive to volume, and without a high throughput the United Kingdom plants could be at a cost disadvantage.

7. In the course of the negotiations leading up to our arrangements with the Japanese the set makers agreed to purchase the bulk of their tube requirements from domestic sources by January 1977. But at that time the future of Skelmersdale was not seriously in question. In the changed circumstances this agreement can hardly be relied upon.

8. The negotiations with Philips will not be easy. I shall need to be able to show them that we mean to give every support to a viable United Kingdom capability. They have plans to extend the range of their production to cover the bulk of the tube sizes now imported. It would make all the difference in securing the implementation of these plans if they could be backed up by import control covering the period of reorganisation.

9. We are about to announce import restrictions on certain items at the very time at which our negotiations about the future of Skelmersdale will become known. In these circumstances it would be quite incomprehensible to both sides of the industry if control on imports of colour television tubes were not to figure in our announcement.

10. I ask my colleagues to agree, therefore, that colour television tubes should be included in the selective list of items for import control.

EGV

Department of Industry

25 November 1975
CABINET

WHITE PAPER ON COMPUTERS AND PRIVACY

Note by the Secretary of State for the Home Department

1. I am circulating for the information of my colleagues the attached draft of a White Paper and supplementary report on computers and privacy. These represent the first instalment of our proposals to increase the protection for personal privacy, following the report of the Younger Committee in 1972. The text is that approved by the Home Affairs Committee with two modifications. I have added words to paragraph 4 to indicate that in the timing and content of the legislation envisaged in the paper account will have to be taken of finance and manpower considerations. This is to meet a point made by the Chancellor of the Exchequer, the Secretary of State for the Environment and the Lord Privy Seal. Secondly, for reasons of security I have deleted from the supplementary report statements of the geographical location of Government computer installations.

2. The White Paper is long overdue and I propose to send the text to the printer at the end of the week.

R H J

Home Office

25 November 1975
For some years now there has been increasing concern — in this country as in others — about actual or potential threats to the privacy of the individual. Part of this concern has arisen from the rapid growth in the use of computers, with their capacity for the swift processing and collation of information, including personal information. The Committee on Privacy under the chairmanship of Sir Kenneth Younger, which reported in 1972, had this to say about computers:

"We cannot on the evidence before us conclude that the computer as used in the private sector is at present a threat to privacy, but we recognise that there is a possibility of such a threat becoming a reality in the future." (Paragraph 619)

In parallel with the Younger Committee's inquiry into the private sector, the Government reviewed the categories of information held, or likely to be held, in the computer systems of Government Departments, and the rules governing its storage and use. The results of this review, complemented by comparable information obtained about the use of computers in other parts of the public sector, are given in a Report published as a supplement to this White Paper. That Report discloses no evidence to suggest that fears about the improper use of computers in the public sector are justified by present practice. These systems are operated in accordance with administrative rules and procedures which provide substantial safeguards against the realisation of any such fears.

These findings, covering both the private and public sectors, should go a long way towards reassuring the public about the past, the present, and the immediate future. But the capabilities of computers are undoubtedly such as to give grounds for concern, and the potential threat which they pose to privacy could be transformed into a real one. It was the potential rather than the actual threat that led the Younger Committee to recommend:

Cmd 5012

The Report also contains details of the number of computers in use in Great Britain, and discusses studies and regulations abroad.
The Government should legislate to provide itself with machinery for keeping under review the growth in and techniques of gathering personal information and processing it with the help of computers. Such machinery should take the form of an independent body with members drawn from both the computer world and outside. For the sake of convenience, we call it here a Standing Commission" (Paragraph 621)

The Committee added that their investigation was limited to the private sector, but that the Government should consider including both the public and private sectors within the purview of the Standing Commission.

The Government have concluded that there is need for legislation to be introduced to set up machinery, not only to keep the situation under review, but also to seek to ensure that all existing and future computer systems in which personal information is held, in both the private and public sectors, are operated with appropriate safeguards for the privacy of the subject of that information. Their wish would be to introduce this legislation as soon as the preparatory work is completed and the Parliamentary timetable allows, although clearly considerations of finance and manpower must enter into the calculation of the timing and content of the measure.

THE PROBLEM

What is special about computers?

5. None of the functions carried out by computers within an information system is different in kind from those which are, or could in principle be, carried out by traditional methods. But there are important differences in the way, and the speed at which, those functions can be performed by computer systems on the one hand, and by traditional systems on the other.

6. The speed of computers, their capacity to store, combine, retrieve and transfer data, their flexibility, and the low unit cost of the work which they can do have the following practical implications for privacy:

1. They facilitate the maintenance of extensive record systems and the retention of data in those systems;
2. They can make data easily and quickly accessible from many distant points;
3. They make it possible for data to be transferred quickly from one information system to another;
(4) They make it possible for data to be combined in ways which might not otherwise be practicable;

(5) Because the data are stored, processed and often transmitted in a form which is not directly intelligible, few people may know what is in the records, or what is happening to them.

Benefits and dangers

7. How computers affect people's lives depends on how they are used - or abused. Their actual and potential benefits are great: in the saving of routine clerical work; in the economy, accuracy and speed with which information can be processed; in forecasting, planning, or matching supply to demand; and, in the service of central and local government, in making public administration more responsive to the needs of the individual citizen and his family. It is clearly of the first importance that we should exploit to the full the benefits which computers can offer. It is against those benefits that we must weigh the possible threats. For, like other powerful tools that man has devised, computers have the capacity to do harm if they are misused.

8. The principal potential dangers to privacy come from three main sources:

(1) inaccurate, incomplete or irrelevant information;

(2) the possibility of access to information by people who should not or need not have it;

(3) the use of information in a context or for a purpose other than that for which it was collected.

Any of these dangers can come about either intentionally, or by accident, and properly designed safeguards must therefore provide against both eventualities.

Accuracy, completeness and relevance

9. A competently designed computer system imposes disciplines on every stage in the processing of data which help to reduce mistakes and to ensure that those errors which do occur are detected and corrected. This does not mean that computers
will not make mistakes, but when they do, it will almost always be because some human being has made a mistake in the first place – perhaps by feeding the wrong data into the system, or by making an error in the instructions (the "program") given to the computer. If the mistake is in the program, it will not recur once the program has been corrected.

10. It is equally important that information should be complete. In one sense, all information is incomplete since there are always other facts and circumstances which may be relevant to it. But information can be so incomplete as to be positively misleading; for example, to say that a bankruptcy petition was presented against a given individual on a given day may be perfectly accurate, but it would be misleading if the computer record did not show that the petition was dismissed with costs a fortnight later.

11. The capacity of computers to store data in quantity could encourage the collection and storage of more data than is strictly necessary for the task in hand. Long term storage is cheap, whereas updating and selective erasure may be expensive. However, it is possible to build into the system procedures which will remove out of date or unnecessary data.

12. In many cases, the best way of ensuring the accuracy, completeness and relevance of personal information would be to give the people concerned the opportunity of checking and correcting the records held about them. But there are difficulties to be overcome. First, the people must know that the information system exists, and that it holds information about them. Secondly, there must be some verification procedure to ensure that the information is given only to the people concerned, and to nobody else. The cost of providing these facilities may be high, particularly if the system was not originally designed to provide them.

Access to, and use of, information

13. Access to information should be restricted to what is necessary. Restricting access to information stored in a computer is a matter of security procedures.
These should be designed to ensure that access is only possible for authorised persons, and that they can process data only in an authorised way. Safeguarding privacy also requires, however, that those who do have authorised access to information do not breach the confidence in which it was obtained.

Security

14. The very complexity of computers and their operations creates problems for anyone who tries to gain unauthorised access to them. In practice, the person making the attempt would need access to the machine or its associated punchcards, tapes, discs or other forms of memory store; in addition, he would need either himself to be an experienced computer technician, or to have the help of one or more experts, probably from within the system he is trying to penetrate. Unauthorised entry to the information store of a computer by someone who is not himself an expert is a far more complicated, difficult and expensive exercise than raiding a file of papers.

15. Where data are printed out in human readable form, computer based systems share the security weaknesses of manual systems. But the use of computers allows those in charge of the system to decide how much information should be made available in this way - an option which is less directly available to the manager of a traditional system. Also, the physical concentration of a computer print-out in a small area can increase the opportunity for its effective protection.

Confidentiality

16. Where someone with authorised access to information uses that information for an improper purpose, it is a breach of confidence. This is a risk which is as old as information itself; it applies both to computer and traditional systems, and our law already provides a number of remedies for it, some of which are currently being considered by the Law Commissions following a recommendation of the Younger Committee*. The additional fear that arises from the development of computers is that someone will make improper use of the computer's capacity for storing, processing

*See Breach of Confidence, Law Commission Working Paper No 58; HMSO 1974
and transferring data so as to combine information from a number of sources about individuals without their knowledge and consent.

17. As the Supplementary Report to this White Paper makes clear, personal information held on Government computers is not misused in this way; and the Younger Committee found no evidence of improper combination of information about individuals in the private sector. Steps must be taken to ensure that this continues to be so throughout the public and private sectors. However, some limited linkage of data from different systems for administrative or statistical purposes (or both) may be justified subject to proper safeguards, and the Supplementary Report to this White Paper gives details of cases where this happens within central government. Measures to protect privacy must seek to ensure that operations of that kind are not authorised or undertaken unless they are expressly sanctioned by law or agreement, or are subject to the scrutiny and control of some independent body which has a duty to safeguard the privacy of the individual.

18. The confidentiality of personal information held in a computer system can of course also be put at risk through accident, carelessness or sheer lack of foresight. In practice, that is the way in which confidentiality - and also accuracy - are most likely to be compromised in the foreseeable future. Any computer system which is properly designed and operated must therefore ensure that risks of this kind have been foreseen, and that adequate safeguards are maintained to obviate them.

Statistics

19. One of the areas where great benefits can be derived from the use of computers is statistics. These are of great importance to industry (public and private) and to central and local government. Compared with a traditional system, the computer can greatly enhance the quality of statistics, thereby improving one of the bases upon which most planning for the future must rest.

20. Statistical work carries few risks for privacy because it gives information about groups of people, even though the original data related to identifiable
individuals. There need be no risk to privacy in allowing information originally collected for some other purpose to be used for the compilation of statistics. This can be justified because information is efficiently used without jeopardising the confidence in which it was supplied. What is important, however, is that the output of statistics should guard against revealing information about identified or identifiable individuals. In many cases it may well be appropriate for the identifier in a computerised statistical data system to be a code number which can only be related to the particular individual by reference to an index which is kept secure outside the computer system.

21. Statistics play an essential part in research, particularly in such fields as medicine, personal social services, education and economics. For example, the predisposing factors of a disease can sometimes only be found by discovering what else those who suffer from it have in common. To find or confirm the correlations on which much research of this kind is based, it will often be necessary to combine data about the same people which are held in different systems. In this kind of statistical data processing it is necessary to take special precautions against risks for the privacy of the individual, especially as the data may be very sensitive indeed.

22. The Government believe that their own rules and procedures for statistical operations adequately meet the need to protect privacy, and are working on a set of guidelines to codify them.

Safeguards for privacy

23. The earlier part of this White Paper has outlined the potential dangers to privacy arising from the increasing use of computers. Given proper safeguards, there is no reason why these dangers should become a reality. Information about the safeguards which are already in force in the public sector is set out in the Supplementary Report to this White Paper; and many of these can be - and are - applied in the private sector too. Safeguards for security begin with traditional and obvious
ones, such as the physical security of computer centres, limiting access to them, locks and keys (physical or electronic) for terminals, and so on. Confidentiality can be protected by managerial methods, such as limiting the information flow through the system, and deciding in advance who shall have access to which data. Increasingly, however, the computer itself can be used to protect the security of the system of which it forms part, and the confidentiality of the information which it contains. It can be programmed so as to limit access to certain data, or to require the use of a special password, or knowledge of a secret code, before the system can be entered. It can be programmed so that certain operations are forbidden and the system gives an alarm if anyone attempts to carry them out. It can also be programmed to provide audit information, logging all operations - or all operations of certain kinds - for subsequent inspection. In short, the computer itself can be used to help to protect the system of which it forms part.

The level of protection is limited only by the expense - in design effort, equipment costs and machine time - of installing and maintaining the security safeguards. The ultimate safeguard lies in the fact that it is nearly always possible to make a system so expensive to break into that the cost of penetrating it will be greater than the value of the information which it holds. At the same time, the security systems which are most expensive to break tend also to be those which are most expensive to instal. The cost of providing the highest level of security for all personal information systems would be enormous. Fortunately, there is no need to do this: the need is only to provide protection proportionate to the degree of sensitivity of the information within the system. In the long run some of the best protection lies in collecting only the minimum amount of information which the system needs to carry out its designed task efficiently, in erasing it when it is no longer needed, in keeping different information systems segregated from each other, and above all in dealing honestly and openly with the subjects of the information.

Provided that there are adequate safeguards, the introduction of computers into information systems need not therefore entail any dangers to privacy. On
the contrary, computer systems which are designed and operated with a proper regard for the privacy of personal information can have many advantages over comparable manual systems, not only in speed, cheapness, accuracy, flexibility and efficiency, but in the very protection which they can themselves provide against careless or unauthorised disclosures.

But all this will only be so if proper safeguards are provided, and continue to be provided in the future. Much of the information now going into computers - because it is eminently suitable for processing by computer - is regarded by most people as particularly sensitive: medical records, criminal records, personal social services, education and work records, financial information and so on. The public is therefore entitled to have satisfactory assurances that its data - and especially those which are sensitive - are held and used responsibly, with due regard to accuracy, completeness, relevance, security and confidentiality.

ACTION FOR THE FUTURE

27. It is against this background that the Government have considered what form the necessary safeguards against the misuse of computers should take. In formulating their proposals, the Government have also taken account of the various studies which have been made of this subject in other countries, and which are described in the Supplementary Report to this White Paper.

28. The Government have concluded that it would not be desirable, or practicable, to lay down by law detailed regulations for the operation of all computer systems. The best safeguards will vary between systems, and computer technology is still young, and is advancing all the time. As the Younger Committee said, "Legislation cannot be expected to spell out every detail, and many details will be beyond the manageable scope even of subordinate legislation." (paragraph 609). An attempt to legislate in too much detail might well produce a statute which would be out of date as soon as it came into force.
29. Nor would it be enough merely to set up another non-statutory committee, even if it included experts in the field, to keep developments under review and advise whether legislation might be required in due course - and if so when and of what kind.

30. In the Government's view the time has come when those who use computers to handle personal information, however responsible they are, can no longer remain the sole judges of whether their own systems adequately safeguard privacy. The safeguards must become subject to independent scrutiny; and independent scrutiny connotes a declaration by law of the standards according to which the adequacy of safeguards in particular systems is to be judged. The Government have therefore decided that the right course is to introduce legislation involving two elements: first the establishment of a set of objectives, to set standards governing the use of computers that handle personal information; and second the establishment of a permanent statutory agency to oversee the use of computers, in both the public and private sectors, to ensure that they are operated with proper regard for privacy and with the necessary safeguards for the personal information which they contain.

31. Legislation to establish this permanent machinery will inevitably take some time, both to prepare and to enact. The Government believe that it would be wrong to leave things as they are until this legislative process can be completed. It will therefore appoint, at once, a non-statutory body whose function it will be to prepare the way for the setting up of the permanent machinery. This interim body will be referred to here as the Data Protection Committee.

Statutory Objectives

32. The objectives which the legislation will declare need not be enforceable by civil or criminal processes. But they must provide the standards by which the adequacy of safeguards for the privacy of the individual should be judged. Therefore, they must be more than mere declarations of broad principle and must set the standards with a sufficient degree of particularity. The range of computers holding personal information, and the types of information held, are wide and varied, and no set of
objectives could be formulated which would be universally applicable. For good and
bad reasons, particular systems will not be able to satisfy every objective, but
each case of divergence should be a matter for independent appraisal. The objectives
which the Government regard as desirable are set out in paragraph 34, but one of the
tasks of the Data Protection Committee will be to refine these further if it considers
that more precise standards should be set. In doing this the Committee will have
to balance the risk to the privacy of the individual in particular features of computer
operation against practical considerations, including considerations of cost, in
order that the obligations on computer users should be no more than proportionate
to the degree of risk. One important purpose of these objectives will be to supply
guidelines for the design of future systems.

33. The general requirements for these statutory objectives are already apparent,
and the ten principles recommended by the Younger Committee for the private sector,
and set out in Table 1, provide the starting point. As the discussion in the
Supplementary Report on the studies carried out in other countries shows, the general
tendency has been to recommend sets of principles broadly in line with those formulated
by the Younger Committee. The objectives to be declared in the statute should,
therefore, cover very much the same ground.

34. There can be no doubt that those responsible for holding personal information in
computers must be under an obligation to take all reasonable protective measures to
ensure that the information cannot fall into the wrong hands, whether by design,
 inadvertence or deliberate penetration. It is obviously desirable that those who hold
personal information in computers should not conceal the scope of their operations -
particularly from those to whom the information relates. The existence and purpose of
such information systems should therefore be publicly known, as well as the categories
of data which they handle, what they do with data, and which interests have access to
data. People asked to provide information should have a right to know for what purposes
it will be used, and who is likely to have access to it. The information should
not be used for a purpose other than one for which it was given or obtained without either the consent of the person whom it concerns, or some other authorised justification. Only personal information which is necessary for declared purposes should be collected. The operator of the system should be responsible for ensuring its accuracy and relevance, and the subject of the information should be able to satisfy himself about this, which in many cases will best be achieved by giving him the opportunity to see it, check it and, if necessary, have it corrected. The subject should also be able to find out what has been done with the information and to whom it has been given. The information should be kept only for as long as it is needed. Safeguards are needed to ensure that statistics are presented in a way which does not reveal details of an identified or identifiable individual. Some of these objectives will apply to all systems, others may need modification in the light of particular circumstances.

55. Each of these objectives however raises the question how far those responsible for a computer system must go in supplying information. Ideally the purpose and method of operation of the system, the rules about access, and the length of time for which information is stored (to take only a few examples) should be known at least to the subjects of the information and to those who are called upon to supply information. How far can these ideals be realised without disproportionate costs and without creating undue elaboration in administrative processes which computers are meant to render simpler and more speedy? What information can employers reasonably be expected to disclose to employees from personnel records held on computers and what may they reasonably withhold on management grounds? And should computer users (and perhaps their informants) be entitled to the defence of qualified privilege in defamation proceedings at the suit of a person who has been given access to information held about him? Questions like these require further study and consultation before a set of statutory objectives can be stated with the degree of particularity that the situation demands.
A Statutory Agency

34. The second element in the legislation will be the establishment of a permanent agency to oversee the use of computers that handle personal information. This agency, which it will be convenient here to call the Data Protection Authority, will consist of people with knowledge and experience of computers, and of representatives of the other interests most closely affected by the Government's proposals, including the general public. Such a permanent and independent agency, with the necessary expertise and continuous commitment to the subject, will have the required flexibility, the ability to learn from experience, and the ability to evolve and (where necessary) to change its policies about the safeguards most suitable for different circumstances at different times.

37. Such an Authority will need powers to carry out its tasks effectively. There are at least two possible approaches:

(1) The Authority could be a registration and licensing agency, able to enforce registration of relevant details of the personal information systems within its jurisdiction, to prescribe safeguards for them, and to ensure (as a condition of the grant and renewal of licences which would be necessary before the systems could be maintained and operated) that those safeguards are instituted and observed.

(2) The Authority could be a body with power to call for information on what systems are being operated, by whom, how, and subject to what safeguards; to make and publicise its own recommendations about those systems; to investigate complaints and suspected malpractices; and to publish its findings.
There are arguments for both of these choices. Before the Government come to a final decision they need further advice about the detailed implications of the possible arrangements. The Data Protection Committee will be asked to give this advice. Its recommendations will be published, and the Government will announce their conclusions after a sufficient time to allow scope for public debate. There are a number of other points to which the Data Protection Committee will be asked to give their attention: how far, for example, the protection for privacy that the statute will provide for individuals should extend to bodies and associations; what is to be regarded, for the purpose of the statutory control, as a "computer" and how personal information should be defined; and what special arrangements are necessary to deal with information supplied for computer records, not by the subject of the information, but by a third party such as an employer, or from published material.

**Costs**

38. Clearly, the measures needed to protect the confidentiality of personal information will entail some costs for society; but equally clearly, it is essential that such expenditure should be kept to the minimum which will achieve the desired results. In considering the organisation and powers of the proposed Authority, the Data Protection Committee will therefore be asked to pay particular attention to the costs of the various alternatives. The objective, whatever choice is finally adopted, will be to make the Authority financially self-supporting, and the Committee will be asked to advise on how this can best be done. It might, for example, be desirable to seek to recoup costs by levying certain fees and charges. The Committee will also need to bear in mind the additional expenditure which might be required by computer users in both the public and private sectors to ensure that their systems incorporate the necessary safeguards. In reaching its final decision on the content of the proposed legislation, the Government will take these matters fully into account.
39. While the general principle will be that the purview of the Authority should extend throughout both the public and private sectors, there will need to be certain exceptions. These will be as narrow as is consistent with the public interest. There must, for example, be a procedure for exempting any computerised information system which is kept for the strict purposes of national security, since that security would be jeopardised if the means of maintaining it were made public. Exemptions on these grounds will require the personal certificate of the Home Secretary.

40. Exceptions will also be needed for some at least of the computer systems which facilitate the work of the police in the prevention and detection of crime. Their purpose could well be defeated if details about them were known to those against whose activities they are aimed, and it would certainly be defeated if the subjects of the information were entitled to know what data were held about them. Such exemptions will, however, require the certificate of the Home Secretary, the Secretary of State for Scotland or the Secretary of State for Northern Ireland, who will have the power to specify any additional safeguards which need to be observed in the system concerned.

41. Medical records present a problem of a different kind. As well as details supplied by the patient, medical records contain clinical information about the patient's treatment and care. The doctor may not always consider it to be in the patient's best interest to have access to this information. This factor should not affect the decision on what information is held in the computer but must be taken into account when applying principles about the disclosure of information.

42. The Data Protection Committee will be asked to take full account of these considerations in framing its recommendations, and will be free to make recommendations about other professional records, including social work records.

Transitional measures

43. The work of the Data Protection Committee should aim to ensure that the
necessary interval before legislation can be introduced and come into force will
not be one of doubt and uncertainty for the computer industry, computer users, and
the public. These interests will be consulted to the fullest extent possible while
the legislation is being planned, bearing in mind that particular responsibility
for implementing the safeguards proposed will fall upon the professional analysts,
programmers and consultants. The profession is still young, but they have already
begun, through the British Computer Society, to devise appropriate codes, and full
advantage should be taken of their expertise.

The Government will also, pending legislation, ensure that the administrative
rules under which its own computer systems are operated will continue to provide
safeguards for the accuracy and relevance of personal information, and for the
privacy of the subjects of that information. The Government trust that other computer
users, in both the public and private sectors, will follow this lead.
Table 1

THE YOUNGER COMMITTEE'S PRINCIPLES*

1. Information should be regarded as held for a specific purpose and not be used, without appropriate authorisation, for other purposes.

2. Access to information should be confined to those authorised to have it for the purpose for which it was supplied.

3. The amount of information collected and held should be the minimum necessary for the achievement of a specified purpose.

4. In computerised systems handling information for statistical purposes, adequate provision should be made in their design and programmes for separating identities from the rest of the data.

5. There should be arrangements whereby the subject could be told about the information held concerning him.

6. The level of security to be achieved by a system should be specified in advance by the user and should include precautions against the deliberate abuse or misuse of information.

7. A monitoring system should be provided to facilitate the detection of any violation of the security system.

8. In the design of information systems, periods should be specified beyond which the information should not be retained.

9. Data held should be accurate. There should be machinery for the correction of inaccuracy and the updating of information.

10. Care should be taken in coding value judgements.

* Set out in paragraphs 592 to 599 of their Report, Cmd 5012.
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COMPUTERS: SAFEGUARDS FOR PRIVACY

INTRODUCTION

1. The Government are publishing this Report as a supplement to their White Paper on Computers and Privacy.*

2. The Committee on Privacy, chaired by Sir Kenneth Younger, reported that the total number of computers in use or on order in the United Kingdom for all purposes in April 1971 was 6,075.† More recent information from the National Computer Index shows that by April 1975 the number of computers actually operational in the United Kingdom had risen to 13,263. Although the figures are not strictly comparable, they indicate that the number has roughly doubled in only four years. Not all of these computers are used to store personal information. But undoubtedly, the use of computers to handle such information is increasing rapidly, in both the private and public sectors.

3. In parallel with the Younger Committee’s examination of the private sector, an interdepartmental working party carried out a review of the categories of information held, or likely to be held, in the computer systems of Government Departments, and the rules governing its storage and use.

4. The working party completed its investigation in 1972. The present Report summarises its findings, brings them up to date, and gives comparable information about computers in those parts of the public sector which do not form part of central government and which the working party did not therefore study. It also discusses the safeguards which operate to protect the privacy of personal information held in public sector computers.

5. The Report also gives some statistics of computer use in the United Kingdom, and outlines surveys which have been undertaken in the private sector since the Younger Committee reported; and it concludes with a discussion of studies carried out, and practices adopted or proposed, in other parts of the world.

* Cmd 5012
† Cmd 5012
6. This chapter describes how central government use computers for handling personal information, and the existing safeguards which protect the confidentiality of that information. The exceptions are computer systems kept for the strict purposes of national security; these are not described here, because security would be compromised if the means of maintaining it were publicly known.

7. The state provides, or gives financial help towards, a number of services for its citizens—for example, health, social services and education. To do this, it collects duties, taxes and contributions. These functions could not be carried out effectively without a good deal of information about the needs and circumstances of individuals. Such information is also required to provide the statistics needed for effective planning and the efficient allocation of resources.

Government computer tasks involving personal information

8. There are at present some 220 computer-based administrative "tasks" in central government, which use personal information about people other than the Government's own staff. These are listed in summary form in Table 1. They include the records of the National Health Service which are centrally held. The table also includes statistical tasks where the names of the individuals to whom the data relate are held in the computer system itself, or there, although the names are not held in the computer system, they are held in the same Department so that they could be linked (e.g. via a source document or an index) with the data. This chapter does not concern itself with information held about businesses or business statistics, but certain tasks are included in Table I because they contain entries for partnerships and one-man businesses from which information about individuals might be deduced.

* For details of other information on NHS computers, see Chapter 3.
9. The number of persons included in any task ranges from under 2,000 people to a maximum (in the case of the Census of Population) of the whole population of the country; the majority of tasks deal with between 10,000 and one million persons each.

10. The personal information held for the purposes of these different tasks varies widely. They include personal particulars (name, date of birth, marriage), address and changes of address, education background and qualifications, housing, possessions (cars and other property), occupation (current job, previous jobs, dangerous jobs, retirement), health (general practice records, hospital treatment and dental care), and money (pay, pension, social security, tax and savings). In total the list is formidable, but each task includes only a small part of all this information in its records. Moreover, the information is distributed amongst many different computers. The Government have no plans to construct a central data bank which would bring together in one computer system all the personal information available in government departments - the administrative advantages to be gained from such a course are debatable, and the practical difficulties and costs would be formidable - and they have no intention of allowing the computer systems under their control to be linked together to produce such a result.

Consequences for Privacy

11. The interdepartmental working party reported that the normal results of large-scale computerisation of records in Government Departments were these:

i. The computer-aided system needed fewer people to operate it than the manual system which it replaced and so the number of potential observers of the data was less than before.

ii. The computer took on so much of the clerical work (checking,
sorting, calculating, writing, and so on) that the total time
spent by human beings in examining the information in the
system was very much reduced.

iii. People employed in computer systems usually had fewer
opportunities than their clerical counterparts to examine or
copy the data they were handling. Computer operators seldom
saw in readable form more than a small fraction of the data
passing through the system.

iv. Many operations were carried out without any human
contact with the total record.

The working party therefore concluded that the introduction of computer systems
would in no way increase the threat to privacy by unauthorised disclosure of
personal information held in the systems.

12. The working party also considered threats to privacy other than
unauthorised disclosure - in particular the danger of inaccuracy or unnecessary
retention of information and the possible dangers involved in the authorised
transfer of information within, between or beyond departments.

Accuracy and retention of data

13. Inaccuracy in a personal record may result in dangers to privacy; a
conviction for dishonesty might, for instance, be attributed to the wrong
John Smith; a taxpayer might be listed as a defaulter when his assessment
was in fact still under appeal; or a confidential notice might be sent to
the wrong address. Information held in computers is no more prone to this
kind of error than information in manual records. Government Departments
make every effort to ensure that information entering a computer is
accurate, especially by the use of credibility and consistency checks to
detect certain errors which a human being might not notice. Moreover, accurate information is far less likely to be transferred incorrectly by a computer than by a human being. The quality of record keeping in a computer system is almost always higher than in a manual system.

Government Departments are also anxious to avoid holding information for too long – not only might this violate privacy, but it also reduces processing efficiency. The need to hold information is therefore regularly reviewed, and frequent updating (which includes the discarding and destruction of unnecessary information as well as the insertion of new material) is a normal routine.

**Table 2** lists all transfers of information about identifiable individuals from the computer branches of departments to recipients other than the user branch (that part of the Department which has managerial responsibility for performing the task*), the individual himself or his duly authorised agent (e.g., his accountant, solicitor or banker). It distinguishes human-readable output (e.g., printed page, microfilm, etc.) from machine-readable output (e.g., magnetic tape or disc).

It will be seen that only a small proportion of the tasks in Table 1 are involved in such transfers, all of which take place for specific and well-defined purposes. In these few cases, information about identifiable individuals is passed to third parties in accordance with the rules governing transfers of information generally (i.e., the rules which apply whether or not the information is held on computers). This means that, without exception, transfers of information may take place only if the user branch is satisfied that the third party has a need to know the particular information, and can be trusted to handle it responsibly.

* Exceptions are local employment offices which pay unemployment benefit on behalf of DHSS, police forces using the Police National Computer and Post Offices issuing broadcasting licences.
In all cases, the decision to transfer information to a third party is a matter of carefully considered policy, for which the responsible Minister is answerable to Parliament, and in many cases such disclosures may take place only under statutory authority.

18. These transfers of information take place for a number of reasons. They can reduce demands on the public to repeat information which they have already provided. They can expedite the process of Government: it is sometimes cheaper and quicker to obtain information from another Department or another part of the same Department than directly from the person concerned. They may make it easier to identify the needs of an individual by connecting relevant details about him. The Government fully recognise that the uncontrolled transfer of personal information, even within Government, is undesirable and that certain records, such as income tax returns, medical records, census returns and criminal records, merit a high degree of interdepartmental confidentiality — and this they receive.

19. Most of the tasks mentioned in paragraph (3) above are carried out on a computer within the Department which sponsors and controls the task. Some may be run in another Government Department. On rare occasions work has to be given to external organisations, including commercial bureaux. In all these cases, the sponsoring Department ensures that the safeguards for privacy conform with the standards which the Department would itself apply, and one means of ensuring this is to hand the records to the bureau in such a form that the individual to whom they refer cannot be identified.

Security

20. The Government use three main categories of physical and technical safeguards:—

   i. Control of physical access to the computer area (machines, tapes, discs, etc) and any terminals. This includes the issue
of official passes or badges to staff, the escorting of visitors, the locking of entry points, and the recording of entries and exits.

ii. Technical safeguards which can be built into the system. The computer can be programmed to allow access to particular files only in response to an authorised password, and to report successful and unsuccessful attempts at access. The data produced may also be "scrambled", so that only authorised personnel can interpret them.

iii. Organisational and procedural measures to guard against misuse of information. For example, the principle of "separation of duties" may be applied: that is, access to some data may be allowed only with the knowledge and consent of someone in a different part of the organisation.

The safeguards vary with the nature of the system and the information which it holds. For any given system, a decision on the most appropriate measures is the responsibility of the sponsoring Department and, ultimately, of its Ministers. These measures are subject to regular review, both within the Department concerned and by other Government authorities.

21. The arrangements for safeguarding information entrusted to the Government in confidence were tightened up in 1971, following publicity about the activities of certain private inquiry firms. Although allegations have been made from time to time about access by unauthorised persons to information held in Government computers, these have not been substantiated.

Confidentiality

22. In addition to the safeguards set out above, information held in computers is subject to the same stringent Departmental administrative rules as information held in manual files. In both cases the appropriate Minister is responsible to Parliament.
23. Some administrative rules are derived from statute or subordinate legislation. Certain statutes (for example, the Births and Deaths Registration Act 1953, the Marriage Act 1949 and the Land Charges Act 1925) impose a requirement to disclose specified information in specified cases, subject to specified procedures. There are also a number of statutes which prohibit the disclosure of information. The Taxes Management Act 1970, for example, requires Inland Revenue officials to make declarations that information received in the execution of their duties will not be disclosed except for the purposes of those duties, for a prosecution for an Inland Revenue offence, or in other cases required by law. Particulars of business dealings obtained for statistical purposes under the Statistics of Trade Act 1947 may not be used for assessing tax: they are not available even to the administrative side of the Department which has collected them. Information about identifiable individuals collected in the Census of Population under the provisions of the Census Act 1920, is not divulged by the Census Offices to third parties. Other examples are the Wireless Telegraphy Acts, and the Rehabilitation of Offenders Act 1974.

24. Not all statistical censuses and surveys are carried out on a statutory basis. Many are voluntary, but even for these strict confidentiality procedures apply. As an indication of their concern, the Government are now working on a set of guidelines covering the procedures for processing and safeguarding statistical data.

25. There is also some general legislation which restricts the use by Government of the information which it holds. Under Section 2 of the Official Secrets Act 1911 it is an offence for any person who has information which he has obtained or to which he has access, in the course of his official duties, to communicate it to anyone other than someone to whom it is his official duty to communicate it. It is also an offence for a civil servant
to retain such information longer than his official duties require or to fail to take all reasonable care of it, or so to conduct himself as to endanger its safety; and it is an offence for anyone to receive information which is passed to him in contravention of the Act.*

Accountability to Parliament

26. Ministers are accountable to Parliament for the administrative rules which protect the confidentiality of personal information within their Departments. This means that Ministers can be questioned in Parliament not only about the rules themselves but also about individual breaches, or alleged breaches, of confidentiality. It also means that specific complaints can be investigated by the Parliamentary Commissioner for Administration (the "Ombudsman"). At the request of a Member of Parliament, the Commissioner can investigate complaints about "any action taken by or on behalf of a Government Department, being action taken in the exercise of administrative functions", and the Government accept that the abuse or misuse of information held in Government computers comes under this definition. The Commissioner has confirmed that he would consider it appropriate for him to investigate complaints submitted to him about any alleged misuse of Government computers. Machinery therefore already exists for the investigation of such complaints. Moreover, the Commissioner can investigate not only the particular action complained of, but also the Departmental rule (if there was one) which led to the action. It is the present Commissioner's practice, where he considers that such a course would be appropriate, to ask Departments to review administrative rules and to let him know the results of that review.

* A Departmental Committee on section 2 of the Official Secrets Act 1911, under the Chairmanship of Lord Franks, recommended in its Report (Cmd 5704) the repeal of that section and its replacement by an Official Information Act. The Committee considered that it should be an offence under the new Act for a civil servant to disclose, contrary to his duty, information given to the Government by private individuals or concerns. The Government are considering the recommendation of the Franks Committee and intend to announce their conclusions as soon as possible.
Conclusions

27. In summary, then, the Government hold a good deal of information about individual citizens, which they require to meet the individuals' needs and those of the community as a whole. An increasing amount of this information is held in computers, because the Government must make use of the most advanced techniques if these can help to carry out necessary functions more efficiently and economically. But the Government also have a duty to each individual to ensure that the information which he or she imparted to them in confidence is not disclosed to anyone who does not need to know it, and that it is not used for the wrong purposes. This chapter has described the measures already in force to protect the privacy of the personal information held by the Government about individual citizens. But the Government recognise that the increasing computerisation of its records has given rise to concern in some areas, and they are determined that the highest standards of confidentiality should be maintained in the future. They have therefore decided that their proposals for safeguarding the privacy of personal information held in computers should apply not only to systems in the private sector and in other parts of the public sector, but to systems in Government Departments also. The details of those proposals are set out in the White Paper.
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**NOTES**

1. Information for task AG 02 is collected for statistical purposes but does include some personal data about one-man businesses. The conditions under which information may be disclosed are specified in Section 80 of the Agriculture Act, 1947 but published material from these censuses and surveys will ensure that it is impossible to identify any individual.

2. Information for tasks AG 03 to AG 07 could only be considered of a personal nature in the case of one-man businesses.
Mailing list for FCO publication "Commonwealth"
Mailing list for Treasury publication Economic Progress Report
Mailing list for MOD magazine "officer"
Mailing list for FCO sponsored distribution of NATO, SEATO, CENTO and Council of Europe Journals
Mailing list for DES publication "On Course" (now dormant)
Mailing list for DI publication "Project" (to be destroyed)
Mailing list for Treasury publication "Bradsheets"
Mailing list for DI publication "Project" (new list)
Mailing list for FCO sponsored NATO Journal

Civil Service Commission's large written examinations
Information system for management
Duty deferment
List of entries made by Traders with Customs Assigned Numbers (CAN)
Value Added Tax

Tasks CU 01, 02 and 03 have been included because they contain some information related to partnerships and one-man businesses.

Task CU 01 - Neither the department's Computer Branch nor its user Branch knows whether a
3. TASK

The trader is a one-man business or a small partnership: full records are held only by the Regional and Local Collectors Offices.

Task CU 02: The Department's Computer Branch cannot tell if a trader is a one-man business or a small partnership, but the User Branch does have this information.

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EN 16            Employment census

DEPARTMENT OF THE ENVIRONMENT

EN 01            New Towns - record of immigrants and emigrants
EN 02            Expanding Towns - records of immigrants and emigrants
EN 03            Driving test bookings in the Metropolitan Traffic Area
EN 04            Vehicle registration and licensing
EN 05            Driver licensing
EN 06            Goods vehicle list
EN 07            Goods vehicle operators list

NOTES
1. Information for task EN 07 has been included because it may contain data for one-man businesses and small partnerships.

FOREIGN AND COMMONWEALTH OFFICE
FN 01            Contacts and Reception package

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HE 02            Payment of Retirement pensions and Widow's Benefit
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4. Amputation and Prosthesis Statistics
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6. Evaluation of Community Centre Schools
7. Social Work Survey in Approved Schools

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2. Prison Index and Prison Indices
3. Statistics: Index of Offenders Index

Race Relations Board Complaints

1. Police National Computer Unit - Index of Vehicle Owners
2. Police National Computer Unit - Index of Wanted and Missing Persons
3. Police National Computer Unit - Index of Disqualified Drivers
4. Police National Computer Unit - Index of Persons Convicted of Criminal Offences
5. Police National Computer Unit - Fingerprints of convicted persons
6. Police National Computer Unit - Index of Persons subject to suspended sentences
7. Police National Computer Unit - Index of stolen vehicles
8. Experiments with methods of information analysis and retrieval for crime investigation
9. Broadcast Receiving Licensing
10. Frequency Assignment for Land Mobile Services

RESTRICTED
WARREN SPRINGS LABORATORY MAILING LISTS
National Computer Index
Company files
Export Intelligence Service
Regional list
Index of Trade Marks
Technology Reports Centre
Files of contacts made with the computer
Aided Design Centre

PAYE for Scotland and part of England
PAYE Income Tax Collection for London and Scotland
PAYE Income Tax Collection for United Kingdom
Schedule D tax for UK assessment
" " Tax for UK collection
Statistics - Capital Gains Tax
" Schedule D - trends
" Schedule E
Statistics - Wealth (Estate Duty)
Assessments Division Accounting
Capital Transfer Tax
Building Sub-contractors Scheme
Index of Employers (London and North West)

INDEX OF CHARGES
Index of Proprietors Names

National Savings Bank
Stock and Bond Office - dividend payments
RESTRICTED

DEPARTMENT FOR NATIONAL SAVINGS (continued)

TASK

Savings Certificate Repayments
SAYE
Stock and Bond Office - Premium Bonds

MINISTRY OF OVERSEAS DEVELOPMENT

OD 01 Overseas Service Aid Scheme - Direct Payments
OD 02 British Expatriates Supplementation Scheme - Direct Payments
OD 03 Technical Assistance Salaries
OD 04 Overseas Pensions Payments
OD 05 Overseas Pensions Records
OD 06 Overseas Manpower - Personnel Records
OD 07 " " Payroll
OD 08 Register of Available Personnel
OD 09 Book-keeping
NOTES: Task OD 07 will in due course replace tasks OD 01, 02, and 03

PAYMASTER GENERAL'S OFFICE

PA 01 Public Service Pensions - Issue and payment

OCEANIC SURVEY

OS 01 Customer Accounts

OFFICE OF POPULATION CENSUSES AND SURVEYS

PC 01 Census of Population
PC 02 Social Surveys*
PC 03 Registration Indexes
PC 04 Statistics - Births
PC 05 Deaths
PC 06 Divorce

RESTRICTED
There are three continuous surveys - General Household Survey, Family Expenditure Survey and National Food Survey - as well as ad hoc surveys which arise at the rate of about 15 per annum.

Scottish Office

S0 01 Dental Estimates Board
S0 02 Scottish Hospitals In-patients Records
S0 03 Scottish Mental Health Records
S0 04 Scottish Maternity Records
S0 05 Scottish Health Records
S0 06 Scottish Cancer Registration Scheme
S0 07 NHS (Scotland) Employees Superannuation etc records
S0 08 Scottish Certificate of Education
S0 09 Rent Registration Scheme
S0 10 Teachers' Pensions
S0 11 Statistics - Crime, Prison Receptions and Probation
S0 12 Further Education Records
S0 13 Students' Awards
S0 14 Statistics - Abortion
S0 15 Young Chronic Sick Census
S0 16 Nurse Staffing Survey
S0 17 Handicapped Children's Register
S0 18 Qualified School Leavers and Examination Results
Secondary Schools Staffing Survey
Central Institutions Staffing Survey
Children's Hearing
Land Commission Levy
Qualified School Leavers
Student/Pupil Nurse Census
Certificate of Sixth Year Studies
Local Authority Medical Staff Survey
Annuity payments of compensation to farmers
Costing and all amalgamations
Rent and Building Loan Annuities
Bail Research Project
Medical Record Linkage
List of General Practitioners
Register of Deeds Index
Brucellosis Register
Teachers' Family Benefits
Teachers' Superannuation Records
Teachers' Information System Records
Regional Medical Officers' Statistics
Blindness Register
Mass Radiography
Social Work Service Statistics
Legal Aid Records and Payments
Statistics - Hospital Medical and Dental Officers
Agricultural Census and related surveys
Beef Premium Scheme
Cereal Deficiency Payments
Direct Subsidy Scheme
Farm Capital Grants Scheme
Farm and Horticulture Development Scheme
Information for task SC44 is collected for statistical purposes but does include some personal data about one-man businesses. Normal statistical rules apply and the published material from these censuses and surveys will ensure that it is impossible to identify any individual.
<table>
<thead>
<tr>
<th>Task Code</th>
<th>Name</th>
<th>Own Department</th>
<th>Others Department</th>
<th>Outside Central Government</th>
<th>Own Department</th>
<th>Other Department</th>
<th>Outside Central Government</th>
<th>Remarks</th>
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<tr>
<td>AG 01</td>
<td>Annuity Payments to farmers losing land in farm amalgamations</td>
<td></td>
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<td></td>
<td></td>
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<td>Tax Details</td>
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<td>AG 03</td>
<td>Fatstock Guarantee scheme</td>
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<td>Information for calculation of payments due to agents</td>
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<td>AG 06</td>
<td>Beef Premium Scheme</td>
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<td>Payment/levy Details</td>
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<td>AG 08</td>
<td>All work done on behalf of the Intervention Board for Agricultural Produce</td>
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<td>Creditors details in cases of bankruptcy</td>
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<tr>
<td>AG 07</td>
<td>Cattle Breeding Centre Accounts</td>
<td>Local Office</td>
<td>Official Receiver</td>
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<td></td>
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<td>Names and addresses</td>
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<td>X 01</td>
<td>Mailing list for FCO publication 'Commonwealth'</td>
<td></td>
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<td>Names and addresses</td>
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<tr>
<td>CI 07</td>
<td>Mailing list for Treasury publication 'Economic Progress Report'</td>
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<td>Names and addresses</td>
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<td>CI 03</td>
<td>Mailing list for XII magazine 'Officer'</td>
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<td>Names and addresses</td>
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*A Distribution Agency under Contract to HMSO*
<table>
<thead>
<tr>
<th>Code</th>
<th>Mailing List</th>
<th>Description</th>
<th>Department</th>
<th>Other Departments</th>
<th>Current Control</th>
<th>Other Control</th>
<th>Comments</th>
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<tbody>
<tr>
<td>CI 04</td>
<td>Mailing list for FCO sponsored distribution of NATO, SEATO, CMO &amp; Council of Europe journals</td>
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<td></td>
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<td>Warners Mail Marketing Ltd*</td>
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<tr>
<td>CI 05</td>
<td>Mailing list for DBS publication 'On Course' (now dormant)</td>
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<td>Warners Mail Marketing Ltd*</td>
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<td>Warners Mail Marketing Ltd*</td>
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<td>CI 07</td>
<td>Mailing list for Treasury publication 'Breadloaf'</td>
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<td>CU 01</td>
<td>Duty Deferred</td>
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<tr>
<td>CU 02</td>
<td>List of Entries made by Traders with Customs Assigned Numbers (CMI)</td>
<td>HQ and Regional &amp; Local Offices</td>
<td>DT</td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

* A Distribution Agency under Contract to HM30

**Notes:**
- Bankers Automated Clearing Service:
  - a) Name of bank
  - b) Branch
  - c) Account Number
  - d) Abbreviated Name
  - e) Amount due to CMI

- Names of Traders with CMI numbers giving trouble to CMI by delaying dispatch of information
- To HQ only: details of entries causing trouble (i.e. details of goods exported)
<table>
<thead>
<tr>
<th>TASK CODE</th>
<th>NAME</th>
<th>OWN DEPARTMENT</th>
<th>OTHER DEPARTMENTS</th>
<th>OUTSIDE CENTRAL GOVERNMENT</th>
<th>OWN DEPARTMENT</th>
<th>OTHER DEPARTMENTS</th>
<th>OUTSIDE CENTRAL GOVERNMENT</th>
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<td>Value Added Tax</td>
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<td>ED 01</td>
<td>Teachers' Records</td>
<td>DHEC</td>
<td>DCO</td>
<td></td>
<td>LZA</td>
<td></td>
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<td>ED 02</td>
<td>Further Education Students</td>
<td></td>
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<td>EN 04</td>
<td>Vehicle Registration and Licensing</td>
<td>HQ Sections EDA TSE Regional &amp; Local Offices</td>
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<tr>
<td>EN 04</td>
<td>Vehicle Registration and Licensing</td>
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<td></td>
<td>Police or local authorities requiring information for investigation of offences and others having reasonable cause</td>
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<td></td>
</tr>
<tr>
<td>EN 05</td>
<td>Driver Licensing</td>
<td>IR</td>
<td></td>
<td>Police and N Ireland driving licensing authorities</td>
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<td></td>
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<tr>
<td>EN 07</td>
<td>Driver Licensing</td>
<td></td>
<td></td>
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</tbody>
</table>

Details of vehicle and its keeper's name and address, Police and local authorities given other details on request.

Credit transfer due for VAT.

Details of credit transfer due for VAT.

Kane Office fee paid to HM 07 for HM 05 and HM 01.

Outbids for investigation of offences and others having reasonable cause.

Outbids for investigation of offences and others having reasonable cause.

Outbids for investigation of offences and others having reasonable cause.

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Outbids for investigation of offences and others having reasonable cause.

Outbids for investigation of offences and others having reasonable cause.

Outbids for investigation of offences and others having reasonable cause.
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<th>Other Departments</th>
<th>Outside Control Government</th>
<th>Own Department</th>
<th>Other Departments</th>
<th>Outside Control Government</th>
<th>Data and Notes</th>
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<tr>
<td>N 01</td>
<td>Contacts and reception package</td>
<td>Yes</td>
<td>Civil Service</td>
<td></td>
<td>RAF Hendon for Computer Processing</td>
<td></td>
<td></td>
<td>Name, address, date of birth, position, interests, marital status</td>
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<td>E 01</td>
<td>Social Security Contribution records</td>
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<td></td>
<td></td>
<td>a) Tax deduction details which cannot be linked to an NI number</td>
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<td></td>
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<td></td>
<td></td>
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<td>b) Correct NI number</td>
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<td></td>
<td></td>
<td></td>
<td>c) Tax deduction details supplied direct from employees from April 1973</td>
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<td>E 03</td>
<td>Family Allowances</td>
<td>Welfare Foods</td>
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<td>Family allowance details</td>
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<td>04</td>
<td>Benefit Accounting</td>
<td>Regional &amp; local offices</td>
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<td>22</td>
<td>Statistics: Earnings</td>
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<td>25</td>
<td>Statistics: Powick Hospital Area</td>
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<td>31</td>
<td>NHS Superannuation</td>
<td>HQ</td>
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<td>33</td>
<td>Mental Health Enquiry</td>
<td>HQ</td>
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<td>37</td>
<td>Amputation and Prosthesis Statistics</td>
<td>HQ</td>
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<tr>
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<td>39</td>
<td>NHS Medical Manpower Statistics</td>
<td>NHS Family Practitioner Committees, EMA, Universities NHS Regional Health Authorities</td>
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</tbody>
</table>

Statistics:
- Forwick Hospital Area
- Worcester Area Health Authority

Payment details
- Full details
- Particulars of doctors and dentists name, Superannuation nos, HI nos, employing authority
- Medical details
- Manpower details
<table>
<thead>
<tr>
<th>No.</th>
<th>Description</th>
<th>Departments</th>
<th>Central Officers</th>
<th>Employers</th>
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<tr>
<td>00</td>
<td>Index of Vehicle Owners</td>
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<tr>
<td>01</td>
<td>Index of Stolen Vehicles</td>
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<tr>
<td>02</td>
<td>National Computer Files</td>
<td>HQ's</td>
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<tr>
<td>03</td>
<td>Company Files</td>
<td>HQ's</td>
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<td></td>
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<tr>
<td>04</td>
<td>Export Intelligence Service</td>
<td>HQ's</td>
<td></td>
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<td>05</td>
<td>Regional Lists</td>
<td>Regional Officers</td>
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<td>06</td>
<td>Trade Marks</td>
<td>HQ's</td>
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<td>07</td>
<td>Technology Reports Centre</td>
<td>Local Office</td>
<td></td>
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<td>08</td>
<td>PAYS for Scotland and part of England</td>
<td>Employers</td>
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<td>15</td>
<td>Index of Employers (London and North West)</td>
<td>HQ's, names, DCE, and HQ20 addresses for address plates</td>
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<td>Index of Land Charges</td>
<td>Local offices</td>
<td>Any enquirer</td>
<td>Any enquirer</td>
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</table>

To provide full access to details of vehicles and their keepers, details of vehicles stolen and reported to the Police must be requested from the Bureau for COM Reproduction. Printed names and addresses, coded for interest, are available. Name and addresses of those interested (as listed) is published in full. Library access for authors, names only (information not available) is available free of charge. Employers: taxpayer code numbers. List of charges registered against the current and previous names of any possessor of land (on request and on payment of a fee).
<table>
<thead>
<tr>
<th>Task Code</th>
<th>Task Description</th>
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<th>Other Departments</th>
<th>Other Control Government</th>
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<td>LR 02</td>
<td>Index of Proprietors' Names</td>
<td>HQ and local and regional offices</td>
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<td>Personal representative of deceased proprietor of the land or the Trustee in Bankruptcy or the company liquidator</td>
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<td>CD 01</td>
<td>Overseas Service Aid Scheme - Direct Payment</td>
<td>HQ</td>
<td>Foreign &amp; Commonwealth Office (High Commissioners in Uganda and Zambia)</td>
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<tr>
<td>CD 02</td>
<td>British Emigrants Supplementation Scheme - Direct Payments</td>
<td>HQ</td>
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<td>HQ - Payment details</td>
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<td>CD 03</td>
<td>Technical Assistance Salaries</td>
<td>HQ</td>
<td>DHSS</td>
<td>HQ/CA - Payment details</td>
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<td>IR</td>
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<td>OD 06</td>
<td>Overseas Manpower Personnel Records</td>
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<td>OD 07</td>
<td>Overseas Manpower Payroll</td>
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<td>OD 08</td>
<td>Register of Available Personnel</td>
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<tr>
<td>OD 09</td>
<td>Customer Accounts</td>
<td>Accounts Division (a)</td>
<td>Treasury Solicitor (b)</td>
<td>Commercial Collection Division Dun &amp; Bradstreet Ltd (b)</td>
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</tbody>
</table>

HQ – record details of pensions payable by CGs converged to capital account.
Government Actuary’s Department – full record of production for CDM use.
Government Actuary – details of pensions to be converted to a capital sum.
CGS – sufficient detail to compile pension payments.
Lowndes/ Ajax – full record of production for CDM use.

HQ/OD 09 – payment details.
HQ/OD 08/09 – P&O details.

Qualifications, etc.

(a) & (b) Information referred to these for collections of long-standing debts.

Names and addresses of customers stored in state of accounts.

(a) & (b) Information referred to these for collections of long-standing debts.
<table>
<thead>
<tr>
<th>Task Code</th>
<th>Name</th>
<th>Own Department</th>
<th>Other Departments</th>
<th>Outside Central Government</th>
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<td>Public Service Pensions</td>
<td>IR</td>
<td>Any enquirer</td>
<td>Banks</td>
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<td>Tax deductions to IR</td>
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<td>Registration Indexes</td>
<td>Any enquirer</td>
<td>Any enquirer</td>
<td>Any enquirer</td>
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<td>Payable Orders (Cheques) to Banks</td>
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<td>Cancer Registration Indexes</td>
<td>Any enquirer</td>
<td>Bona fide researchers</td>
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<td>Scottish Hospital Inpatiente Records</td>
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<td>Admission to hospital of children under 5 in Glasgow in 1967</td>
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<tr>
<td>SC 04</td>
<td>Scottish Maternity Records</td>
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<td>Scottish Cancer Registration Scheme</td>
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<td>Certificate of Sixth Year Students</td>
<td>Edinburgh University UCCA</td>
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<td>Names, dates of birth, schools attended and subjects entered for examination</td>
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<td>Country/Departments</td>
<td>Others Department</td>
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</tr>
<tr>
<td>SC 44</td>
<td>Agricultural Census &amp; Related Surveys</td>
<td>Finance Division</td>
<td>-</td>
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<td>-</td>
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<tr>
<td>SC 45</td>
<td>Beef Premium Scheme</td>
<td>Meat &amp; Livestock Commission</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>SC 50</td>
<td>Livestock Guarantee Scheme</td>
<td>Meat &amp; Livestock Commission</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>SC 51</td>
<td>Bill paying</td>
<td>Finance Division</td>
<td>PMO (b)</td>
<td>Payee (c)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>SC 52</td>
<td>Publications</td>
<td>Publications</td>
<td>-</td>
<td>Customer</td>
<td>-</td>
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</table>

numbers by age band of workers employed on each agricultural holding

Payment details for Agents

Payment details for Agents

Invoices, mailing lists with coded subject classification

As above except mailing lists
<table>
<thead>
<tr>
<th>Task Code</th>
<th>Name</th>
<th>Own Department</th>
<th>Others Department</th>
<th>Outside Central Government</th>
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</thead>
<tbody>
<tr>
<td>HO 01</td>
<td>Patient Registration</td>
<td></td>
<td></td>
<td>Medical records officers and hospital doctors responsible for individuals</td>
</tr>
</tbody>
</table>

Full record
National Health Service records contain personal information about nearly everyone in the country. The authorities and individuals using these records (whether maintained on computers or as most still are, manually) have the responsibility for safeguarding the information which they contain.

Lists of general practitioners' patients are held by Family Practitioner Committees established by Area Health Authorities; each general practitioner holds his own patients' records; and each Health Authority holds records about the health service which it administers. Information from these widely scattered records is collected for management or research purposes either regionally or centrally; and both manual and computer systems are used for this purpose.

There are two large central records: the National Health Service Central Register for England and Wales and similar Registers for Scotland. Both are manual systems. They contain a limited amount of non-medical information about everyone who has registered with a National Health Service general practitioner and about all the newly-born. The two registers help to control the issue of new NHS numbers and, by disseminating information about patients who have died, left the country or joined the Armed Forces, they assist Family Practitioner Committees to maintain the accuracy of doctors' lists. These lists are important in defining a doctor's obligations to the Service, and they provide the basis for a substantial part of his remuneration. Each Register also acts as a clearing house for the transmission of information between Family Practitioner Committees when patients change their doctor.

Consideration is now being given to putting Family Practitioner Committees' own records on computers, which could then handle some of the Committees' administrative tasks. A pilot scheme has proved successful and a second trial is planned. Further success could point the way to a general
computer system for Family Practitioner Committee records.

31. Most Regional Health Authorities have their own computers which perform various management tasks and a range of applications peculiar to health care. Computing facilities in Wales are provided by the Welsh Health Technical Services Organisation. In Scotland computing facilities are provided by Health Board consortia computers and by the Scottish Office Computer Service. One of the most important of these applications in England and Wales is Hospital Activity Analysis (HAA) in which computers are used to analyse the data about periods which people spend as hospital in-patients, in order to provide doctors and administrators with clinical, management and planning information. A number of NHS hospitals have computers and a list of typical computing tasks using personal information from which individuals can be identified is given in Table 3.

32. Department of Health and Social Security computers are used to process the Mental Health Enquiry (MHE), which records data for psychiatric patients similar to that covered by HAA for other patients. The MHE records include the identifiable data. The identifiable data are used in a limited way to assist bona fide medical research workers in special projects. DHSS computers are also used for the provision of other health service statistics and for NHS superannuation work. In Scotland, the Scottish Health Service Common Services Agency undertakes similar statistical processing work, so far using the facilities of the Scottish Office Computer Service and Area Health Board.

33. Computers are used by the Dental Estimates Board to handle NHS records and produce statistics; by universities, mainly for research purposes; and by the Office of Population Censuses and Surveys where a variety of morbidity data, some including the names of patients, is processed to produce statistics and to assist epidemiological studies.

34. The complex field of computing within the National Health Service was
reviewed in 1971 by representatives of the NII, DHSS and a firm of management consultants. This resulted in fresh guidance being given about safeguards for computer records including security measures, and about the need to restrict the use of medical records held on computers to the same purposes as the manual records which they replace.

35. The policy about the confidentiality of personal information stored in computers is the same as that which has always applied to other ways of storing it. The practices of the authorities responsible for the health services accord, by tradition and discipline, with the spirit of the Younger Committee's principles. These practices are influenced and assisted by the close involvement of several professions which have long been sensitive to the need to protect the privacy of their clients. The medical profession in particular has a well-known and old-established tradition of maintaining the confidentiality of information, and the statement by the Medical Research Council "Responsibility in the use of medical information for research" guides the profession about the uses of personal data for research.

* The report of the review "Using Computers to Improve Health Services - A Review for the National Health Service", is available from DHSS (CR3), 6-16 St Andrew Street, London WC1H 3AD.

+ See Table 1 in the White Paper Cmnd.
A. Current and Planned Statistical and Other Applications

Antenatal serology service
Blood transfusion service
Cancer registration
Cervical cytology records, statistics and recall system
Coronary care
Drug control system
Hospital activity analysis
Hospital information/management systems
  - In-patient and outpatient scheduling
  - Waiting list management
  - Management information
  - Medical speciality costing
  - Nurse scheduling
Kidney matching
Manpower planning
Maternity records and statistics
Pathology laboratory - Records
  - Statistics
  - Data management
  - Reporting
Patient follow-up
Patient moneys and private accounts
Patient statistics
Personnel management
Psychiatric admission and discharge records
Psychiatric case registers
Radiology reporting
Rapid mobilisation of myocardial infarction cases
Specialists', Locum and other medical salary analyses
Staff records
X-ray department records and statistics
Personal medical record systems
Health care statistics systems
Work systems
Hospital in-patient and out-patient organisation systems
Laboratory systems
Hospital patient servicing systems
Radiology systems
Pharmaceutical systems
Patient monitoring, clinical measurement and nuclear medicine systems
Radiotherapy planning and recording systems
Community health systems
Community health register and recall systems
Physiological signal analysis systems
Clinical decision-making systems
POLICE COMPUTERS

35. Computers are used for a variety of police administrative purposes such as pay, personnel records, crime and accident statistics and in a few instances the records of firearms and shotgun certificates. Computer services for these purposes are provided for the Metropolitan Police by a joint organisation which also serves the Home Office (where the safeguards described in Chapter 2 for central government computers apply); and for other forces by their local authorities (where the safeguards described in Chapter 5 for local government computers apply). Police operational purposes, especially in relation to criminal records and the detection of crime, are in part served by the Police National Computer and to a small but increasing extent by smaller computers used by individual forces. The use of computers for these purposes is described in paragraphs 42-46 below.

Police Records

37. The Central Criminal Record Office, which is the responsibility of the Commissioner of Police of the Metropolis, maintains a national record of persons convicted of serious offences and of wanted and missing persons, stolen vehicles and other property. Its records are compiled from information about convictions which all police forces and penal institutions send to New Scotland Yard. These records are available to all forces in the United Kingdom, and are essential to the prevention and detection of crime. Extracts are given to the courts when they need to know the previous criminal record of persons convicted of criminal offences.

38. Nine regional criminal record offices in England and Wales, and separate offices in Scotland and Northern Ireland, hold records about local crimes and criminals and supplement the service given to forces by the Central Criminal Record Office. Records are also held at individual force headquarters. The
security and confidentiality of regional and force records is the responsibility of the appropriate chief officer of police.

Chief officers of police have always taken great care to prevent unauthorized disclosure to persons outside the police service of information from record offices. Information about previous convictions must be provided for the courts and the prison service but otherwise the principle is that no record information is given to anyone, however responsible, unless considerations of public interest justify it. Since 1 July 1975, the reporting of many old convictions has been further restricted by the Rehabilitation of Offenders Act 1975.

The principles and procedures governing the supply of police information have been carefully reviewed since the Younger Committee reported, and were described in a statement in Parliament by the then Home Secretary on 14 June 1973. Briefly, reports about current convictions are made by the police to the relevant public or professional body about:

(a) doctors, dentists, nurses, persons employed in the care of children, and youth leaders, because they stand in a position of trust to vulnerable members of society,

(b) civil servants, atomic energy and Post Office permanent staff, in the interests of national security, and

(c) magistrates, justices of the peace, barristers, solicitors, and solicitors’ managing clerks, because they have a direct responsibility for the administration of the law.

Anyone about whom a current conviction is reported to a professional or public body is told that the report has been made.

Where the police are authorised by statute to provide evidence about the suitability of applicants for certain licences, they must discharge their duty to assist the courts or other statutory body. The applicants in these cases are told what evidence is given by the police. The police also maintain the practice, which does not have specific statutory authority, of helping Social Services Departments in considering applications from adoptive and
foster parents. The background of applicants to join police forces is also checked and the Criminal Injuries Compensation Board and the Gaming Board are assisted by reports from the police. In all these cases the applicants are told that checks are being made.

The Police National Computer

42. The Police National Computer, which began to operate in 1974, is the responsibility of the Home Office in consultation with the police service, who share the cost. Its purpose is to automate the storage and retrieval of certain of the records held by the central and regional criminal record offices and by police forces: these comprise indices to records of persons convicted of serious offences, wanted and missing persons, stolen vehicles, disqualified drivers and persons with suspended sentences. Information about keepers of motor vehicles, kept by the Department of the Environment at Swansea, will also be available.

43. The principles and procedures governing the disclosure of police record information outlined in paragraph 39 above are not affected by the Police National Computer. The computer replaces manual methods and speeds up access to the records in order to give forces better operational support, but the Chief Constable of the force which
receives the information remains responsible for ensuring that it is not passed outside the police service except in accordance with the arrangements described in paragraph 39. There are extensive safeguards for the security of the information stored on the computer; all computer terminals are in supervised premises, protected from unauthorized access and connected to the computer centre by private lines; information cannot be put into or obtained from the computer unless the police operator identifies his terminal and proves his authority.

Other Police Operational Computers

44. The smaller operational computers used by forces are designed primarily to speed up police response to calls for assistance; they are also to be used for other tasks previously done manually. A few forces obtain help from their local authority computer for some of these purposes.

45. A computer system is being planned to handle information held by the Metropolitan Police about crime, criminals and their associates. The system will be internal to those branches of the force who now use this information in manually held records, and it will not be connected to any other system. In the Thames Valley Police a force computer is being used experimentally to process and analyse the records of all the force's collators (who assemble and collate information required for the prevention and detection of crime). The object of the experiment is to see whether the use of a computer for these purposes could be of significant operational benefit in a typical police force.

46. The security and confidentiality of information relating to crime and criminals held on a local computer is the responsibility of the chief constable concerned. Special attention is given to safeguards against unauthorized access.
Since the last war an increasingly large proportion of total public expenditure has been devoted to local government. This reflects the widened range of services undertaken by local authorities. Even though certain functions in connection with gas, electricity, water (in England and Wales) and Health Services have been transferred to other authorities, these losses have been counterbalanced by the growth of new services and the expansion of others, notably those connected with education, housing and services for children, the elderly and the handicapped.

Emphasis is increasingly being placed on the interdependence of services, which are no longer regarded (as they tended to be in the past) as self-contained and separate functions, but rather as activities which are complementary to each other and which can be provided effectively only on this basis. The Royal Commission on Local Government in England, 1966-69, identified two main and related groups of services: the "environmental" and the "personal" groups; and it was one of the aims of local government reorganisation to ensure that, so far as is practicable, responsibility for each group is placed in the hands of the same authorities so that the full benefits of the integrated planning, organisation and management of these services can be obtained.

A significant effect of reorganisation, which took place in 1974 in England and Wales, and this year in Scotland, has been to reduce in all three countries the total number of authorities, with a consequent increase in the average size of each local authority, in terms of both population and resources.

In short, the increase in both the range and complexity of local government services has been accommodated by the creation of authorities which are not only responsible for related groups of services, but also better able to benefit from the use of computers as part of more sophisticated management techniques. The increase in the use of computers in local government since the mid-1960s is, therefore, certain to continue.
The Local Authorities Management Services and Computer Committee, which was set up by local government in 1967 to provide a national advisory service for local authorities on management matters, maintains a register of local authority computers and the uses to which they are put. That information is published periodically. In April 1975 the Department of the Environment published the report of the General Review of Local Authority Management Information Systems, which had been prepared for the Secretary of State for the Environment by McKinsey and Company Incorporated. The report surveyed current work and thinking on the development and use of computers by local authorities, and put forward recommendations as to how the very great potential benefits of computers could most effectively be exploited in local government in future.

Broadly, the main purposes for which computers were first used in local government were those involving the large-scale handling of financial data, such as rates and housing rents. Since then, they have been used by a number of local authorities for the storage and processing of data already kept by them in other forms; for instance, personnel records on local authority employees, electoral registers, and educational and social services records. The use of computers in local government for this sort of record-keeping and processing will continue to develop. In addition, computers are likely to be increasingly used as general aids to management in financial calculations, in the appraisal of alternative courses of action, and in the operation and planning of related services which involve data based on population, land, property, employment and traffic flows. As the McKinsey report emphasised, the use of computers for appropriate tasks brings significant advantages in terms of speed and efficiency, and can play a valuable role in enabling local authorities to make the optimum use of the resources available to them in meeting the needs of the communities they serve.

Need for Safeguards

Local authorities necessarily hold information about individuals, although much of it is anonymous or not confidential. Information which a local authority
collects for one service can be useful for another. For example, statistics derived from birth records held in health departments have been used to forecast school populations. The scope for using for one purpose information which has been collected for another is likely to increase as local authorities move towards corporate management and set up general information systems. In these circumstances it is clear that the need for confidentiality of personal information is, and must continue to be, an important consideration in the development of computerized information systems. This point has already been emphasised in advice to local authorities by the Department of the Environment.

Existing Safeguards

Local authorities have for long been used to holding personal information, and protecting its confidentiality. In particular, officers are charged in their rules and conditions of service not to communicate the contents of any document to the public unless required by law or explicitly authorised to do so. Local authorities are chosen by electorates and are accountable to them for standards of administration in their area. To help the members of local authorities to maintain such standards, the Local Government Acts 1974 (England and Wales) and 1975 (Scotland) provide for the appointment of local Commissioners for Administration, who have a role similar in local government to that of the Parliamentary Commissioner for Administration in central government. They have the power to investigate complaints about alleged maladministration by local authorities, including breaches of privacy in the handling of personal information, and they are able to report on their investigations.

The McKinsey report found that local authorities in general were very aware of their responsibility for protecting sensitive data, and that arrangements for preserving confidentiality and security had resulted in relatively few complaints of breaches. Nevertheless, policies and practices varied between local authorities, and the arrangements in some authorities would be regarded by others as abusing confidentiality or security. There was as yet little consensus...
to the extent to which the development of computerised management information systems should be limited to preserve confidentiality. The report concluded that unless agreement was reached on the guidelines needed to control developments, some authorities were likely to miss opportunities for realising significant benefits, while others would run the risk of releasing information improperly.

Some steps have been taken towards the achievement of a common approach to standards and safeguards through the advisory service given by the Local Authorities Management Services and Computer Committee which, among other publications, has issued "Computer Privacy: Notes of Guidance for Local Authorities." This covers, among other things, the collection, organisation and storage of data, the restriction of access to computers and terminals to guard against unauthorised use, and the safeguarding of printed output from computers. Local authorities generally have found this advice useful.

Conclusion

The processing and storage of information in local government computers are, therefore, already subject to a variety of safeguards and, as McKinsey and Company found, local authorities generally are well aware of their responsibilities in this field. But, as with computers used by central government and by other organisations, there can be no room for complacency. The proposals contained in the White Paper will reinforce the protection already available, and will help to ensure that the consistently increasing use of computers by local authorities, itself desirable in terms of efficient administration, will not result in any increased danger to privacy.
The nationalised industries hold billing details for some 90 million accounts in their computers. These may include licence details (as, for example, in the Post Office or British Waterways) as well as the details usually required for securing payment for services rendered and for credit control.

Individual industries also hold their own specialised types of personal records. For example, the gas industry holds personal records about the work of converting appliances to natural gas, the Post Office holds G.P.O. records, and British Airways holds airline booking details. In addition, those industries which own houses (e.g. the National Coal Board) either have or are developing computerised rent systems. It is normal for all nationalised industries to hold purchase and sales ledger information on computers.

According to the Nationalised Industries Computer Committee, one of the main effects of putting personal records on computers has been to allow authorisation procedures to be made stricter and easier to control, thus rendering access more difficult. In addition, the computer systems are designed to include built-in security codes and to provide for the maximum of anonymity at each stage. They also specify the periods beyond which information may not be retained.

Certain nationalised industries and other public authorities are subject to statutory restrictions on the disclosure of personal records. The Committee, which represents all the nationalised industries, provides a forum for discussion and advises on the use of computers in this part of the public sector. It superseded in 1970 the Nationalised Industries Electronic Data Processing Committee which had been established in 1959.
Information to third parties. In some cases — for example the Post Office Corporation, the Economic Energy Authority and the Civil Aviation Authority — the Officials Secrets Acts continue to apply as they did before these bodies ceased to be Government Departments. In the case of the Post Office Corporation there is also a specific provision in section 65 of the Post Office Act 1969 which imposes obligations of secrecy on all employees in its Processing Service. It provides specific penalties for infringements, which are made known to the employees. Other industries are subject to restrictions imposed by the legislation which created them.

Disclosure of information to the individual concerned is, of course, a regular (though only an incidental) feature of the operation of industries like gas, coal and electricity. In the course of a year a good deal of the information which these industries hold about a customer is copied to him in some form or other. The customer therefore has an opportunity to check its accuracy.

COMPUTER USE AND PROCEDURES IN UK

Published figures give some idea of the scale of computer use, but these give little direct evidence of implications for the privacy of personal information. Many of the computers used in the UK are small and either do not have the facilities or are used in such a way that the creation and maintenance of large personal files is unlikely. Nevertheless, there are several thousands of computer systems used for purposes which may impinge directly on privacy. There is no single source of complete statistics of all computers used in the UK. The National Computer Index contains detailed records of 1,263 computers operational in the UK in April 1975. Table 4 analyses this figure, classifies the industries using computers into very broad categories, and the conclusions which can be drawn from it are therefore limited. But the table does show that in the private sector, (outside the manufacturing and construction industries in which
personal information - apart from staff and pay records - will not 

officially be found) most computers are in S.I.C. "category XXIV - 

Insurance, Banking and Business Services" - where 4,499 computers 

are recorded. This is the category of computer use which, on the face 

of it, may be expected to have most implications for privacy, since 

business organisations in this field tend to hold financial informa-

tion about individuals which is usually regarded as sensitive, 

even though not all computers in this category will necessarily be 

used to handle personal information.

The National Computer Index also provides some information about 

the nature of the tasks for which computers are used. Table 5 is an 

analysis of this information by user industry, showing those appli-

cations which may be thought to have some relevance to the question 

of privacy. By far the largest single category of computer appli-

cations recorded in this table concerns wage, salary and pension 

records (2,758 out of some 10,862 applications recorded). Other 

sizeable uses are for sales statements (1,856) and credit-

control (1,342).

Any of these applications seem likely to involve the use of personal 

information to a greater or lesser extent, but, like table 4, this 

analysis also only has a rough and ready value.

SURVEYS OF COMPUTER USE

65. The Younger Committee was not able to attempt any factual 

analysis of computer use in the private sector; nor could it provide 

any assessment of the efficiency of the safeguards already in 

existence to protect the privacy of personal information. Since the 

Standard Industrial Classification.
Hoport was published, however, there have been two separate
1ics of computer use, both of which have provided some useful
formation. The first was a survey conducted by the British
rering Society of some 44 large organisations using computers; the
second was a wider study of security in computer systems carried out
ber the auspices of the National Computing Centre Limited.

The Privacy and Public Welfare Committee of the British Computer
Society was looking at the problem of privacy and the computer while
more younger Committee was 'sitting and, like the Younger Committee,
and itself short of "hard" information about computer use in the
1ines sector. To correct that situation, the B.C.S. Committee sent
questionnaire to 56 large organisations between August 1972 and
January 1973. An analysis of the 44 organisations which replied has
been published by the Society.\textsuperscript{1} Not surprisingly, the survey showed
hat the amount of personal information held about people is
creasing and that computers have made it easier to hold such infor-
mation. But it also showed that much of the information thought by
respondents to be sensitive was still held manually and there was
little evidence of the exchange or transfer of such information
etween organisations. The report also notes that "very few organi-
sations seem at the moment to be correlating information." Organi-
1ations varied a good deal in the amount of attention which they
oted to privacy (as distinct from security) questions, and the
Committee thought that there was a need for greater awareness in this
area. But the Report concluded that the results of the survey
indicated that organisations generally were aware of the potential
problems of security and that it was probable that they were taking
a good deal more care with computer-held information than they had
previously with manual filing systems.

\textsuperscript{1} Analysis of the questionnaire on Privacy, obtainable from the
British Computer Society, 29 Portland Place, London W1N 4AP. price
£1.50
The K.C.C. Survey of computer use was addressed to those who had use of computers in all parts of the private and public sectors. It was designed to consider all aspects of the security of computer systems from the point of view of financial control, commercial confidentiality and statutory requirements, as well as the privacy of personal information. Questionnaires were sent to organisations known or thought to be using computers and, in each case, the questionnaire was addressed to a "user" of computer services within the organisation, as well as to the head of the data-processing unit. Over 150 organisations agreed to take part in the survey. Some of the questionnaires were followed up by interviews, designed to elicit attitudes to security and privacy, as well as to provide factual information about the safeguards already in force. The results of the survey agree with the B.C.S. finding that those organisations which hold information which they regard as confidential go to a good deal of trouble to look after it. Indeed, this is often as much in their own interests as it is in the interests of those to whom the information relates.

As a result of recommendations put forward in that report, K.C.C. has initiated a series of projects designed to increase knowledge and understanding of security, and has established a central reference body to provide computer users and manufacturers with information and guidance about security measures. This central reference body is advised by a committee whose members represent, between them, all sections of the computer industry. The Government welcome this initiative, and are glad to note the efforts being made by both the N.C.C. and members of the industry themselves, to make computer systems increasingly secure, and therefore less vulnerable to threats which could endanger privacy.
<table>
<thead>
<tr>
<th>Order</th>
<th>April 1971</th>
<th>April 1975</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, forestry and fishing</td>
<td>7</td>
<td>14</td>
</tr>
<tr>
<td>Mining and quarrying</td>
<td>8</td>
<td>13</td>
</tr>
<tr>
<td>Food, drink and tobacco</td>
<td>217</td>
<td>352</td>
</tr>
<tr>
<td>Chemicals and petroleum products</td>
<td>29</td>
<td>42</td>
</tr>
<tr>
<td>Chemicals and allied industries</td>
<td>250</td>
<td>344</td>
</tr>
<tr>
<td>Metal manufacture</td>
<td>67</td>
<td>109</td>
</tr>
<tr>
<td>Mechanical engineering</td>
<td>301</td>
<td>409</td>
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<tr>
<td>Instrument engineering</td>
<td>72</td>
<td>123</td>
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<tr>
<td>Electrical engineering</td>
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<td>622</td>
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<tr>
<td>Shipbuilding and marine engineering</td>
<td>21</td>
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<tr>
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<tr>
<td>Metal goods not elsewhere specified</td>
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</tr>
<tr>
<td>Textiles</td>
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<td>136</td>
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<tr>
<td>Leather, leather goods and fur</td>
<td>7</td>
<td>12</td>
</tr>
<tr>
<td>Clothing and footwear</td>
<td>73</td>
<td>119</td>
</tr>
<tr>
<td>Bricks, pottery, glass, cement, etc</td>
<td>63</td>
<td>125</td>
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<tr>
<td>Tires, furniture etc</td>
<td>26</td>
<td>71</td>
</tr>
<tr>
<td>Paper, printing and publishing</td>
<td>155</td>
<td>328</td>
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<tr>
<td>Other manufacturing industries</td>
<td>62</td>
<td>117</td>
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<tr>
<td>Construction</td>
<td>84</td>
<td>155</td>
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<td>Gas, electricity and water - see also public sector</td>
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<td>4</td>
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<tr>
<td>Transport and communication</td>
<td>169</td>
<td>726</td>
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<tr>
<td>Distributive trades</td>
<td>360</td>
<td>761</td>
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<tr>
<td>Insurance, banking, finance and business services</td>
<td>931</td>
<td>4,499</td>
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<tr>
<td>Professional and scientific services</td>
<td>127</td>
<td>209</td>
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<tr>
<td>Miscellaneous services</td>
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<td>197</td>
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<tr>
<td><strong>Total Private Sector</strong></td>
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<tr>
<td>ORDER NUMBER</td>
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<td>APRIL 1975</td>
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<td>--------------</td>
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<tr>
<td>CENTRAL GOVERNMENT (includes armed services, Government departments and research establishments)</td>
<td>518</td>
<td>823</td>
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<tr>
<td>LOCAL GOVERNMENT</td>
<td>339</td>
<td>573</td>
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<td>NATIONALISED INDUSTRY AND OTHER PUBLIC SECTOR (not including transport):-</td>
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Notes:

1. The figures quoted in this table are extracted from the National Computer Index using information contained in the April 1975 updating. The National Computer Index does not claim to include all computers in the U.K. There may be 40,000 of these in total, but many of them will be small. It is believed that about 75% of capital investment in computers in the U.K. is represented by the installation included in the National Computer Index.

2. The accuracy of the Index is continually improving, so that the difference between current and previous figures may not be wholly due to growth, but may be the result of more accurate information being currently available.

3. For the purpose of this table, certain computer installations are regarded as being in the private sector, whereas they are in fact publicly owned - for example transport.
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SOURCE: NATIONAL COMPUTER INDEX June 1976
The threat to privacy from computers handling personal information has been recognised in many other countries. The solutions devised vary, for they must inevitably take account of local factors such as the constitutional and institutional structures of the country concerned, its history, its culture and its traditional public attitudes. Nevertheless, there is a great deal to be learned from all the work which has been done abroad; and the most important of the foreign studies, legislative proposals, and statutes in force are summarised below.

United States of America

70. In the United States, public anxiety about computers and privacy has been articulate and widespread for a number of years. It was investigated, in connection with a proposal for a National Data Centre, by a sub-committee of the House of Representatives Committee on Government Operations as long ago as 1966/67, and by a sub-committee on Administrative Practice and Procedure of the Senate Committee on the Judiciary in the following year. It has been investigated by many others since then.

71. Of these investigations, two in particular deserve mention here. Unlike the Younger Committee's enquiry, they were carried out by committees having
expert knowledge of computers; but like the Younger Committee, their investigations also resulted in proposals for action which included one or more sets of "principles" for the operation of computers to safeguard the accuracy and privacy of personal information stored in them.

72. The first of these was a Report (1) to the Committee on Scientific and Technical Information ("COSTI") of the U.S. Government's Federal Council of Science and Technology, prepared by its Panel on Legal Aspects of Information Systems. A summary of the "principles" to be extracted from this Report is to be found in Table 6.

73. The second was the Report (2), published in July 1973, of the Advisory Committee on Automated Personal Data Systems appointed by the U.S. Secretary of Health, Education and Welfare ("the HEW Report"). This Report recommended the enactment of a Federal "Code of Fair Information Practice" for all automated personal data systems. The Code rests on five basic principles which would be given legal effect as "safeguard requirements" for such systems. These "principles" are set out in Table 7.

74. Following these recommendations, a number of Bills were introduced in the Congress. After much debate, one of them – the Privacy Act 1974 – was passed and became law on 1st January 1975. It operates by placing upon all Federal agencies stringent requirements to

- identify their record-keeping systems each year, and publish descriptive information about them;
- limit their record keeping to that which is lawful, relevant and necessary;

(1) Published in The Honeywell Computer Journal Vol. 7 (1973), No.1.
(2) DHEW Publication No (OS) 73 - 97
inform individuals who are asked to provide information by what authority they are asked, the purpose for which the information is being collected, the use to which it will be put, and the legal implications of not providing it;

- permit individuals to examine records relating to them, and to correct or amend them;

- ensure such accuracy, relevance, timeliness and completeness of records as is necessary to ensure fairness to the individual, and make reasonable efforts to meet those standards before any record is disclosed;

- restrict to a few specified cases the disclosure of records without the consent of the individual concerned.

Failure to perform these obligations will entitle the individual affected to sue the agency in the Courts, and there are criminal sanctions against officials who knowingly and wilfully violate the provisions of the Act. In addition, the Act sets up a Privacy Protection Study Commission to consider what further legislation may be required.

Council of Europe

75. The United Kingdom is a founder member of the Council of Europe. The Committee of Ministers of that organisation has recently adopted two Resolutions which recommend to the Governments of all its member states that, for the protection of the privacy of personal information in computers, they should give effect to the "principles" set out in the Resolutions.

Resolution (73) 22, adopted on 26 September 1973, sets out principles to be implemented for computers in the private sector. These are reproduced in Table 8.

Resolution (74) 29, adopted on 29 September 1974, sets out principles to be implemented for computers in the public sector. These are reproduced in Table 9.
In West Germany, the Land Hesse passed a Data Protection Law in 1970, which imposes direct obligations on all data banks in the public sector, subject to criminal sanctions, and places their enforcement under the supervision of a single and independent Data Protection Officer. A similar Data Protection Law, with civil as well as criminal sanctions, has also been in force in the Land Hesse and Rhineland Palatinate for over a year. In other Länder, notably Lower Saxony, administrative regulations controlling public sector data banks have been made.

In 1973, the Federal Government presented a comprehensive Data Protection Bill, covering both the public and the private sector, to the Federal Parliament, where it is currently being debated. The Bill provides criminal sanctions for breach of its provisions.

In Sweden, a Data Act was passed in 1973. Under this, no data banks holding personal information may be maintained in the public or the private sector except with the permission, and under the supervision of, a Data Inspection Board which has wide powers to control their operations by making regulations. There are civil and criminal sanctions for breach. The only exceptions to this rule are data banks established according to a decision by the King or Parliament, but the views of the Data Inspection Board must be sought before any such decision is taken; and the Board is required to issue regulations for the operation of such data banks if the King or Parliament has not made any.

In Austria, the Government have recently presented a draft Data Protection law to Parliament which, like the Federal German one, would impose direct obligations on all data banks in the public and private sectors. These obligations would be supervised and enforced by an independent Data Protection Commission, and there are criminal sanctions.

In New Zealand, a sub-committee of the Law Revision Commission published a report in April 1973 on Computer Data Banks and Privacy. This recommended legislation to set up an independent agency to investigate, appraise and inspect
liter data banks in both the public and private sectors and to make recommendations. New Zealand Government have promised legislation this year.

In Denmark, a Committee set up by the Government has completed its study of the private sector and recommended legislation in the form of a draft Bill which would set up a registration board and impose wide obligations on all data banks in the private sector, enforced by criminal sanctions. The Committee is now investigating the public sector.

In Norway, two Bills, dealing respectively with the public and private sectors, have been presented by Royal Commissions. They would impose direct obligations on all data banks, whether or not they are computerised, and establish a Data Surveillance Service. For the private sector, there would be both civil and criminal sanctions.

In the Netherlands, a Committee of experts set up by the Government published an Interim Report in 1974, recommending that, as a first step, there should be statutory registration of all data banks, and a legal right for all individuals to inspect and correct their records. The Committee also recommended the introduction of a licensing system after further study of the necessary details. Meanwhile, in March of this year, the Government issued stringent directives for the operation of its own computer systems.

In Canada, a Task Force established jointly by the Federal Departments of Communications and Justice reported in 1972 and discussed various possible statutory measures. Draft legislation is being considered by the Canadian Parliament.

In France, a Commission on Data Processing and Freedom, appointed by the President of the Republic in November 1974, has recently published its Report. It recommends the creation of a new independent agency to function as a kind of social conscience in relation to data processing, with certain powers of control. It also recommends certain constraints, in both the public and the private sector, on the collection and storage of personal data, and the creation of a right for individuals and associations to know and to criticise the data stored about them.

Preparations for legislation are also being made in Belgium, Finland, the Irish Republic and Spain.
SUMMARY OF THE PRINCIPLES RECOMMENDED IN THE COSATI REPORT

In gathering information from individual citizens, agencies have an obligation to disclose to them the purpose for which the information is being collected, to state clearly the use or uses to which it will be put, to identify the individuals and organizations that will be given access to it, and to indicate whether the individual's name will be associated, either directly or indirectly, with the information.

Unless disclosure is required by law, personal information must never be extracted from an individual without securing his informed, express consent.

When personal information of any degree of sensitivity is collected from sources other than the data subject himself, the data collector is always under an obligation to verify its accuracy. If this is impossible, it is necessary to indicate the source of information, the fact that it has not been verified, and why it could not be verified.

Every agency has an obligation not to engage in repetitious information-gathering exercises.

When data are transferred by one agency to, or exchanged with, another, the nature of the data-originating agency's understanding with the individual must be brought to the remote user's attention and he must be obligated to honour it.

Particular attention must be paid to information stored in a remote-access system, to protect individualised information from improper access through the network. In addition, the security of personal information transmitted from point to point must be guaranteed. Even in systems that do not have remote access features, procedures must be established for ensuring the physical security of data files against improper intrusion, or destruction.

When the legitimate needs of the information-gathering agency require data to be put to uses or to be disclosed to people beyond the scope of the understanding
Altered onto with the subject at the time the information was originated, a new understanding should be entered into with the individual unless circumstances make this impossible.

An individual data subject should be granted access to the information recorded about him and procedures should be established that enable him to ensure the accuracy of the information and to determine whether his files have been abused. This will necessitate establishing and giving him access to monitoring logs that show who has sought access to his files and for what purpose.

Each agency should engage in a periodical review of its files to ascertain when personal information should be expunged, placed in a form of storage that is less accessible, or archived. Archival data should never be released to the public until a sufficient period has elapsed so that there is no longer any possibility of injury to any individual. When an agency determines that personal information is no longer of utility, and should be destroyed in the interest of privacy and file confidentiality, that decision should be communicated to any other agency and any private individual or organisation that has received a copy of the data, and a requirement made that said copy, or any other copies that may have been made, be likewise destroyed. This will require that an agreement for such disposition at the request of the issuing agency be obtained before such personal information is made available.

Individual citizens should be given the right to request the expungement of personal information that is maintained in an agency file when there is no express statute or regulation requiring its preservation.

The responsibility of implementing these principles should be given to personnel who are not associated with the day-to-day operation of the system and they should be expressly charged with the responsibility to make certain that they are honoured.
THE PRINCIPLES OF THE HILY REPORT

There must be no personal data record-keeping systems whose very existence is secret.

There must be a way for an individual to find out what information about him is in a record and how it is used.

There must be a way for an individual to prevent information about him that was obtained for one purpose from being used or made available for other purposes without his consent.

There must be a way for an individual to correct or amend a record of identifiable information about him.

Any organisation creating, maintaining, using, or disseminating records of identifiable personal data must assure the reliability of the data for their intended use and must take precautions to prevent misuse of the data.
PRINCIPLES RECOMMENDED BY THE COUNCIL OF EUROPE FOR THE PRIVATE SECTOR

The information stored should be accurate and should be kept up to date.

In general, information relating to the intimate private life of persons or information which might lead to unfair discrimination should not be recorded or, if recorded, should not be disseminated.

The information should be appropriate and relevant with regard to the purpose for which it has been stored.

The information should not be obtained by fraudulent or unfair means.

Rules should be laid down to specify the periods beyond which certain categories of information should no longer be kept or used.

Without appropriate authorisation, information should not be used for purposes other than those for which it has been stored, nor communicated to third parties.

As a general rule, the person concerned should have the right to know the information stored about him, the purpose for which it has been recorded, and particulars of each release of this information.

Every care should be taken to correct inaccurate information and to erase obsolete information or information obtained in an unlawful way.

Precautions should be taken against any abuse or misuse of information.

Electronic data banks should be equipped with security systems which bar access to the data held by them to persons not entitled to obtain such information, and which provide for the detection of misdirections of information, whether intentional or not.

Access to the information stored should be confined to persons who have a valid reason to know it.

The operating staff of the electronic data banks should be bound by rules of conduct aimed at preventing the misuse of data, and, in particular, by rules of professional secrecy.

Statistical data should be released only in aggregate form and in such a way that it is impossible to link the information to a particular person.
In general, the public should be kept regularly informed about the establishment, operation and development of electronic data banks in the public sector.

The information stored should be:

1. Obtained by lawful and fair means;
2. Accurate and kept up to date;
3. Appropriate and relevant to the purpose for which it has been stored.

Care should be taken to correct inaccurate information and to erase inappropriate, irrelevant or obsolete information.

Especially when electronic data banks process information relating to the private life of individuals or when the processing of information might lead to unfair discrimination,

1. Their existence must have been provided for by law, or by special regulation or have been made public in a statement or document, in accordance with the legal system of each member state;
2. Such law, regulation, statement or document must clearly state the purpose of storage and use of such information, as well as the conditions under which it may be communicated either within the public administration or to private persons or bodies;
3. The data stored must not be used for purposes other than those which have been defined unless exception is explicitly permitted by law, is granted by a competent authority or the rules for the use of the electronic data bank are amended.

Rules should be laid down to specify the time limits beyond which certain categories of information may not be kept or used.

However, exceptions from this principle are acceptable if the use of the information for statistical, scientific or historical purposes requires its conservation for an indefinite duration. In that case, precautions should be taken to ensure that the privacy of the individuals concerned will not be prejudiced.
Every individual should have the right to know the information stored about him.

Any exception to this principle or limitation to the exercise of this right should be strictly regulated.

Precautions should be taken against any abuse or misuse of information.

For this reason:

(a) everyone concerned with the operation of the electronic data processing should be bound by rules of conduct aimed at preventing the misuse of data and in particular by a duty to observe secrecy;

(b) electronic data banks should be equipped with security systems which bar access to the data held by them to persons not entitled to obtain such information and which provide for the detection of misdirections of information, whether intentional or not.

Access to information that may not be freely communicated to the public should be confined to the persons whose functions entitle them to take cognizance of it in order to carry out their duties.

When information is used for statistical purposes it should be released only in such a way that it is impossible to link information to a particular person.
CABINET

COLOUR TELEVISION TUBES: THE CASE AGAINST IMPORT RESTRICTIONS
Memorandum by the Secretary of State for Trade

1. The minutes of the meeting of the Ministerial Committee on Economic Policy on 21 November record that "the majority of the Committee favoured no action on colour television tubes pending the outcome of the discussions now in train about the possible restructuring of the industry and the future of the Thorn factory at Skelmersdale; but they noted that the Secretary of State for Industry might wish to bring this issue before Cabinet". In this paper I set out the case against taking any decision now to impose controls on imports of colour television tubes. I fully support the objective of maintaining a British tube manufacturing capacity. But I believe that for the television industry as a whole (sets and tubes) the imposition of import controls could well do more harm than good; and that to take a decision at this stage in favour of import controls would be premature and unwise.

2. Although imports take about half the British market for colour television tubes, they have been falling rapidly in absolute terms since the depression in the television market started at the beginning of 1974. One reason for this high rate of import penetration is that only a limited range of tubes is available from the United Kingdom industry. As table (c) of the appendix demonstrates, there is no significant United Kingdom production of the smaller sizes of tube (which account for a quarter of the market); nor are many of the more technically advanced versions of the larger sizes (eg 110° in-line) available. Thus there are substantial imports by the tube makers themselves to complement their existing ranges. The result is that only about 20 per cent of imports compete directly with United Kingdom production.
3. Earlier this year, my Department carried out a thorough investigation into allegations of dumping of TV tubes by the Japanese, but found no evidence to justify the imposition of anti-dumping duties. However, during my visit to Japan in September I obtained undertakings from the Japanese that they would increase the prices of tubes exported to the United Kingdom of types made in Britain closer to the point at which British manufacturers, raising their prices to the same level, could break even (for the type of tube primarily in question, an increase from between £31 and £32 to £38). These undertakings are now being implemented and other importers appear to be following suit. I have also announced our intention to introduce import surveillance licensing, which would enable this arrangement to be monitored closely. Moreover, the British set-making industry have agreed to increase progressively the proportion of their purchases of tubes taken from the United Kingdom industry. Import controls would put an end to both these arrangements.

4. The basic problem of the British tube industry is not so much the quantity of imports as the fact that overseas competition has prevented the United Kingdom manufacturers from increasing prices to cover higher costs aggravated by lower throughput. As table (d) of the appendix demonstrates, at any likely level of demand, the United Kingdom industry's break-even prices are likely to remain significantly above the international price level unless the increase in that price which I believe we have secured is maintained. The British television tube industry has an annual production capacity of about 2.5 million which is currently less than half utilised. To provide any worthwhile additional volume of business would require a savage cut in imports.

5. In practice, it would be virtually impossible to cut imports significantly—particularly if import controls apply only to non-EEC sources—or to increase throughput rapidly by a system of import controls. It takes about eighteen months to re-design a television chassis and the circuitry to take a new tube. Even if demand is stimulated by a relaxation of credit controls set-makers cannot switch their sources of supply overnight. This will be doubly difficult if, as the Secretary of State for Industry indicates in his paper (C(75) 133), Thorns will not continue at Skelmersdale, since their technology based on RCA patents is completely different from the Phillips technology of Mullard.
6. The television set makers are therefore strongly opposed to import controls. All depend to some extent or other on imported tubes. A severe cut in imports would eliminate substantial quantities of those types of tubes not at present made in the United Kingdom and cause serious unemployment in the set industry. Since controls on their key component (and the creation of a United Kingdom monopoly supplier) would make them less competitive against foreign television manufacturers, we could expect restrictions on imported tubes to increase imports of finished sets (particularly if credit controls are relaxed) while exports of sets (now nearly as great as imports) would also be seriously harmed. This damage to the balance of trade and levels of employment in the television set making industry is likely greatly to outweigh any possible benefits to the television tube industry.

7. Finally, the imposition of quantitative restrictions would ensure the abandonment by the Japanese of their voluntary price increases. Since, under any import control scheme, we should need to admit those types of tube not made here fairly freely, a major price differential would reappear between those tubes made here and overseas. This would distort the market in favour of the smaller sizes of television sets in which the British industry is weakest.

8. If the domestic benefits are dubious, the international repercussions of quantitative restrictions would be very damaging indeed. Any controls would need to be applied to imports from Japan, Canada and the United States of America. The Japanese are unlikely to take a tolerant view of a sudden switch of policy on tubes so soon after they have at our request entered into an arrangement on prices which they for their part have honoured. We are likely to lose all the existing voluntary export restraint arrangements with Japan on other sensitive products, to suffer retaliation and to receive an unco-operative response to our approaches to the Japanese about the level of television set exports in 1976. The Americans have also made it clear that they would expect compensation or, in its absence, to retaliate. It would add fuel to United States protectionist pressures and affect adversely our chances of favourable decisions in the various important pending countervailing, dumping and escape clause cases in the United States of America. Given that imports have been falling and there has been no increase in import penetration, the Commission are also likely to find it difficult to accept, let alone to justify in GATT, an Article XIX case.
9. I conclude that it would be quite contrary to British interests to abandon an arrangement on colour television tubes which stands some chance of success (the understandings with the Japanese and the United Kingdom set industry) in favour of an immediate decision to impose import restrictions before we know the terms on which the industry can be restructured or whether any kind of import control scheme can be devised which will confer net benefit on the television industry as a whole (tubes and sets).

10. At the same time, even though the Japanese Government have asked us not to reveal publicly their role in encouraging their industry to put up tube prices, I believe that we can and should do more to make it known that the Government has already acted on television tubes, not by controlling imports (which would not have solved the problem) but by promoting an increase in the price and thus the return to British manufacturers. In particular, I would propose to call in the leaders of the unions concerned (principally the General and Municipal Workers Union and the Electrical Engineering and Plumbing Trade Union and explain the position to them.

P S

Department of Trade
25 November 1975
### (a) Import Penetration

<table>
<thead>
<tr>
<th>Year</th>
<th>Domestic Demand</th>
<th>Total Imports</th>
<th>Total Exports</th>
<th>Import Penetration</th>
</tr>
</thead>
<tbody>
<tr>
<td>1972</td>
<td>n/a</td>
<td>813</td>
<td>39</td>
<td>n/a</td>
</tr>
<tr>
<td>1973</td>
<td>2,636</td>
<td>1,552</td>
<td>44</td>
<td>59%</td>
</tr>
<tr>
<td>1974</td>
<td>2,162</td>
<td>1,296</td>
<td>416</td>
<td>60%</td>
</tr>
<tr>
<td>(Jan-Sept)</td>
<td>1,239*</td>
<td>704</td>
<td>167</td>
<td>56%</td>
</tr>
</tbody>
</table>

*Estimated to equal UK colour television production*

### (b) Imports by source of supply

<table>
<thead>
<tr>
<th>Year</th>
<th>Japan No.</th>
<th>Japan %</th>
<th>USA No.</th>
<th>USA %</th>
<th>EEC No.</th>
<th>EEC %</th>
<th>Other No.</th>
<th>Other %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1972</td>
<td>229</td>
<td>(28)</td>
<td>186</td>
<td>(22)</td>
<td>281</td>
<td>(34)</td>
<td>117</td>
<td>(14)</td>
</tr>
<tr>
<td>1973</td>
<td>771</td>
<td>(50)</td>
<td>330</td>
<td>(21)</td>
<td>280</td>
<td>(18)</td>
<td>171</td>
<td>(11)</td>
</tr>
<tr>
<td>1974</td>
<td>763</td>
<td>(59)</td>
<td>217</td>
<td>(16)</td>
<td>205</td>
<td>(15)</td>
<td>131</td>
<td>(9)</td>
</tr>
<tr>
<td>1Q</td>
<td>505</td>
<td>(56)</td>
<td>89</td>
<td>(18)</td>
<td>100</td>
<td>(20)</td>
<td>31</td>
<td>(6)</td>
</tr>
<tr>
<td>2Q</td>
<td>364</td>
<td>(64)</td>
<td>40</td>
<td>(11)</td>
<td>52</td>
<td>(14)</td>
<td>39</td>
<td>(11)</td>
</tr>
<tr>
<td>3Q</td>
<td>222</td>
<td>(66)</td>
<td>31</td>
<td>(14)</td>
<td>24</td>
<td>(11)</td>
<td>21</td>
<td>(9)</td>
</tr>
<tr>
<td>4Q</td>
<td>200</td>
<td>(48)</td>
<td>57</td>
<td>(29)</td>
<td>29</td>
<td>(14)</td>
<td>18</td>
<td>(9)</td>
</tr>
<tr>
<td>1Q</td>
<td>289</td>
<td>(45)</td>
<td>122</td>
<td>(42)</td>
<td>32</td>
<td>(11)</td>
<td>4</td>
<td>(2)</td>
</tr>
<tr>
<td>2Q</td>
<td>231</td>
<td>(59)</td>
<td>65</td>
<td>(28)</td>
<td>23</td>
<td>(10)</td>
<td>12</td>
<td>(5)</td>
</tr>
<tr>
<td>3Q</td>
<td>183</td>
<td>(68)</td>
<td>33</td>
<td>(18)</td>
<td>20</td>
<td>(11)</td>
<td>6</td>
<td>(3)</td>
</tr>
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</table>

*Volume in '000's

Percentage of imports
(c) UK Sales by Size of Tube

<table>
<thead>
<tr>
<th>Size</th>
<th>UK Produced</th>
<th>UK Tube Manufacturers</th>
<th>Other Imports</th>
<th>Total</th>
<th>% of Market</th>
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<tbody>
<tr>
<td>17&quot;-20&quot;</td>
<td>0</td>
<td>50</td>
<td>191</td>
<td>241</td>
<td>25%</td>
</tr>
<tr>
<td>22&quot;</td>
<td>386</td>
<td>10</td>
<td>123</td>
<td>519</td>
<td>53%</td>
</tr>
<tr>
<td>26&quot;</td>
<td>104</td>
<td>66</td>
<td>43</td>
<td>213</td>
<td>22%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>490</td>
<td>126</td>
<td>357</td>
<td>973</td>
<td>100%</td>
</tr>
</tbody>
</table>

*Note: There are no imports of 26" tubes from Japan. Of 260,000 imported from Japan in first half of 1975, 190,000 were of the 17"-20" sizes not made in UK. Source: Electronics EDC

(d) Estimated Break-Even Prices for 22" Tubes at Skelmersdale

<table>
<thead>
<tr>
<th>Annual Production</th>
<th>22&quot; Break-Even Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Maximum 1975 production</td>
<td>425,000</td>
</tr>
<tr>
<td>(ii) Possible 1976 levels if consumer demand increased from present levels.</td>
<td>(520,000)</td>
</tr>
<tr>
<td>(iii) Maximum if all possible UK demand in 1976 diverted to Skelmersdale</td>
<td>750,000</td>
</tr>
</tbody>
</table>

*As at June 1975 when the prevailing price for imported US and Japanese tubes of 22" was between £31 and £32. The new 1976 prices negotiated with the Japanese are £38*
<table>
<thead>
<tr>
<th>Year</th>
<th>Total Production</th>
<th>Total Imports</th>
<th>Of which Japan</th>
<th>Total Exports</th>
<th>Import Penetration</th>
</tr>
</thead>
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<tr>
<td>1972</td>
<td>1,481</td>
<td>334</td>
<td>156</td>
<td>30</td>
<td>18.75%</td>
</tr>
<tr>
<td>1973</td>
<td>2,113</td>
<td>697</td>
<td>271</td>
<td>34</td>
<td>25.1%</td>
</tr>
<tr>
<td>1974</td>
<td>1,970</td>
<td>438</td>
<td>202</td>
<td>97</td>
<td>18.9%</td>
</tr>
<tr>
<td>1975 Jan-Sept</td>
<td>1,239</td>
<td>172</td>
<td>100</td>
<td>141</td>
<td>13.5%</td>
</tr>
</tbody>
</table>
CABINET

DEVOLUTION TO SCOTLAND AND WALES:
THE WHITE PAPER

Note by the Lord President of the Council

I attach for the information of my colleagues a copy of the White Paper Cmnd 6348 'Our Changing Democracy. Devolution to Scotland and Wales', which is to be published at 11.00 am on Thursday, 27 November 1975.

E S

Privy Council Office

26 November 1975
If any readers of this White Paper wish to express views to the Government on the proposals it sets out, they may like to write to one of the addresses set out below.

Scottish Office
Room 2/16
New St Andrew’s House
St James’ Centre
Edinburgh EH1 3SX

Welsh Office
Room 40/G
Cathays Park
Cardiff CF1 3NQ

Northern Ireland Office
Room 8
Stormont Castle
Belfast BT4 3ST

Cabinet Office
Constitution Unit
Room 14/1
Great George Street
London SW1P 3AQ
OUR CHANGING DEMOCRACY
DEVOLUTION TO SCOTLAND AND WALES
Cmnd 6348

CORRECTIONS
Page 2 Para 6 line 6 for “be very complicated. The main structure of the
schemes is clear; but they” read “of such very special and lasting
constitutional importance. The Bill, when”
Page 11 Para 48 line 1 for “members” read “numbers”
Page 17 Para 78 line 11 for “equities” read “enquiries”
Page 19 Para 94 line 6 for “therefore” read “thereafter”
Page 21 Para 101 line 3 for “Assemblies” read “Assembly”
Page 36 Para 173 line 3 after “Wales” insert full stop
Page 48 Para 242 line 5 for “of” read “on”
Page 56 Para 284 line 4 after “law and” insert “order”
Page 59 Heading for “PAGE” read “PART”
Page 68 Para 10 ii line 5 after “offences” close bracket

November 1975
LONDON: Her Majesty’s Stationery Office

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   The Scottish Executive
   Scottish Assembly Legislation
   Delegated Legislation
   United Kingdom Reserve Powers in Executive Matters
   Assembly Committees
   The Civil Service in Scotland
   Complaints Machinery
   European Community and Other International Aspects

C. FINANCE AND TAXATION
   The Basic Concepts
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PART I: INTRODUCTION

1. The fact that our democratic institutions have been admirably stable over a long period does not mean that they are perfect. A healthy democracy must develop and adapt itself to changing circumstances. The activities of central government now include substantial powers and functions that could be exercised at a level closer to the people. The case for this is especially strong in Scotland and Wales, where there is a keen sense of being Scottish or Welsh as well as British. This was the main reason for the decision announced by the Government in a White Paper* in September 1974 to set up in Scotland and Wales elected assemblies with wide responsibilities.

2. The 1974 decision was taken after extensive public discussion on a consultative document, and clearly met the aspirations of the majority of the Scots and the Welsh. That decision was however only the beginning. The constitutional changes proposed are the most fundamental of their kind in Great Britain for centuries, and raise complex and far-reaching problems. There are few parallels anywhere for dividing between two levels of government the powers and functions long exercised centrally in a unitary state. The new system must work efficiently as well as democratically, and it must stand the test of time.

3. The White Paper of September 1974 indicated in broad terms the roles and powers of the Assemblies and the subject areas in which they would operate. This White Paper turns those general principles of devolution into detailed proposals. It explains how the new institutions would work, what subject areas would be devolved, how continuing United Kingdom interests would be looked after, and how the financial principles outlined in the earlier White Paper would be implemented. The proposals rest on wide-ranging and intensive studies. The activities of every Government Department have been examined in detail to establish how devolution should affect them. The difficult economic problems relating to expenditure and taxation by devolved administrations have been thoroughly examined. The elements interact in complex ways, and great care has therefore been necessary to ensure that the final proposals form a consistent package.

4. In the Government's view the proposals set out in this White Paper are coherent and workable, and provide a sound basis for legislation. They envisage a massive handover to the new elected Assemblies of responsibility for the domestic affairs of Scotland and Wales, within the firm continuing framework of the United Kingdom. They will give closer democratic control

* Democracy and Devolution: Proposals for Scotland and Wales (Cmnd 5732).
and will help to foster the distinctive national traditions of Scotland and Wales, which are widely valued throughout the United Kingdom as part of our common heritage. They will give new scope for meeting the particular needs and desires of the people of Scotland and Wales. The United Kingdom has never been a monolithic state, and this fresh recognition of our diversity within it can reinforce our fundamental unity.

5. The Government recognise however that these proposals concern the whole of the United Kingdom. Two issues are of particular importance—achieving a sound and stable distribution of responsibilities between Westminster and the devolved administrations; and ensuring that the proposals meet the reasonable needs of Scotland and Wales, while maintaining a fair balance between their interests and those of the rest of the United Kingdom. The Government now want to see full public and Parliamentary consideration of the proposals. The issues are extremely important for all the people of the United Kingdom; the arrangements proposed are novel; and in constitutional matters, where frequent change would be harmful, there is a need for the widest possible basis of agreement on the essential features before legislation is enacted which will inevitably be very complicated. The main structure of the schemes is clear, but they need not represent the last word in every respect. The Government will therefore be very willing to listen to representations about their proposals that are consistent with the basic approach set out in Part II of this White Paper.

6. Work is in hand on drafting a Bill, which will take account progressively of points made during consultation. It will be published in the spring of 1976. It would not however be feasible then to carry so major a Bill through to Royal Assent in the 1975/76 session. Moreover, the Government believe that it would be wrong to legislate in haste on issues be very complicated. The main structure of the schemes is clear, but they published, will provide the opportunity for debate and for focussing opinion more closely on specific legislative proposals; and the Government will take account of all this in further refining the schemes. They will then introduce a Bill in Parliament at the start of the following session.

7. The unity of the United Kingdom does not mean uniform treatment for all its parts. This White Paper is about devolution to Scotland and Wales, and its proposals are related to their circumstances. As the White Paper of September 1974 made clear, Northern Ireland is in a different category. Its history and geography distinguish it from other parts of the United Kingdom, as does the presence of two separate communities. Its problems are not those of Scotland or Wales, and therefore do not necessarily require the same treatment. England is different again, and the Government will publish separately a document to provide a basis for discussion of possible future arrangements in England.

8. Part II of this White Paper outlines the Government’s general approach to devolution. Part III sets out the scheme for Scotland and Part IV the scheme for Wales; to make each reasonably self-contained, there is
inevitably a good deal of repetition between them. Part V reviews the decentralised responsibilities of Scottish and Welsh Ministers in the United Kingdom Government—the Secretary of State for Scotland and the Lord Advocate, and the Secretary of State for Wales. Part VI deals with the cost of implementing devolution in Scotland and Wales. Part VII summarises the implications which the proposals for Scotland and Wales will have for the United Kingdom as a whole.
PART II: THE GOVERNMENT'S APPROACH

9. Political and economic unity has been maintained and deepened throughout Great Britain for over two and a half centuries, giving its countries a common history, heritage and way of life richer than any of them could have enjoyed on its own.

10. The Government are firmly committed to maintaining this unity. It is a powerful and constructive force shaping the daily lives of us all; and those who advocate destroying the United Kingdom, for the sake of a real or imaginary short-term gain to some, brush aside the long-term loss to all. The Government reject entirely the idea of separation for Scotland and Wales and the break-up of the United Kingdom, and believe that the vast majority of Scottish and Welsh people endorse this rejection. As the Government made clear in the White Paper of September 1974, they agree wholeheartedly with the Kilbrandon Commission* in rejecting also federalism within the United Kingdom.

11. Unity however is not uniformity. Within the United Kingdom Scotland and Wales have kept their own identities, with distinctive elements of tradition, culture and institutions. Respect for these diversities has strengthened the Union far more than an imposed conformity could have done.

12. This respect underlies the long tradition of decentralisation of Scottish government—that is, the practice whereby large areas of government work for Scotland are carried out not in London but in Edinburgh, under Ministers answerable to Parliament at Westminster but nevertheless distinctively Scottish. In 1964 the Government extended this system to Wales; and its scope in both countries has recently been widened by the transfer of new responsibilities in the industrial field to the two Secretaries of State.

13. Decentralisation remains a useful means of ensuring that administration in Scotland and Wales is founded on an understanding of the needs and wishes of these countries; the Government will continue to use it and indeed in some respects to extend it, as Part V explains.

14. The Government believe however that something more is needed—the creation of elected as well as administrative institutions distinctive to Scotland and Wales. This is what devolution means. There will be new democratic bodies, directly chosen by and answerable to the Scottish and Welsh people for very wide fields of government.

15. The central task on which the Government have concentrated in developing the devolution schemes is to define those areas of activity where decisions affect primarily people living in Scotland and Wales. It would plainly be wrong to devolve to the Scottish and Welsh Assemblies powers over activities which substantially affect people elsewhere, or the well-being of the United Kingdom generally. The need is to achieve balance—to reconcile unity and diversity in a stronger and better system, offering more achievement and satisfaction to the parts while improving the efficiency and stability of the whole. In working this out the Government have observed the principles which flow from acceptance of the essential unity of the United Kingdom. They have also kept in mind the need for a consistent and coherent pattern of government, which will be clear and understandable to the people who work in it and the public whom they serve. The objective throughout has been the long-term advantage of the people of Scotland and Wales within the United Kingdom.

16. Under the Government’s proposals, the Assemblies will control policies and spending priorities over a very wide field, including for example most aspects of local government, health, personal social services, education, housing, physical planning, the environment and roads, and many aspects of transport. They will have a very large block grant from the Exchequer and some power to supplement it from local taxation, and they will have the fullest possible freedom to decide how the money should be spent among the services they control. The Scottish Assembly will also be able to make new laws or amend present ones in these matters, and it will be responsible for most aspects of the distinctive private and criminal law of Scotland.

17. All these powers will enable the new Scottish and Welsh administrations to bring far-reaching influence to bear on the whole physical and social environment of their countries. That influence, together with the huge spending power* which they will control, will enable them to have a very marked effect also on their economic environment.

18. The new powers will not however be conferred at the expense of the benefits which flow from the political and economic unity of the United Kingdom.

19. Political unity means that The Queen in Parliament, representing all the people, must remain sovereign over their affairs; and that the Government of the day must bear the main responsibility to Parliament for protecting and furthering the interests of all. In particular, the Government must be able to do whatever is needed for national security; they must conduct international relations, including those flowing from our membership of the European Community; and they must maintain the national framework of law and order, guaranteeing the basic rights of the citizen throughout the United Kingdom.

* In 1974-75 public expenditure on the services proposed for devolution was about £2,000 million in Scotland and £850 million in Wales.
20. Economic unity plainly means that the Government must manage the nation’s external economic relations—the balance of payments, the exchange rate, external assets and liabilities, and economic, trading and other arrangements with other countries. But the principle reaches much further. The Government must be able to manage demand in the economy as a whole—to control national taxation, total public expenditure and the supply of money and credit. The Government must be able to regulate the framework of trade, so as to maintain a fair competitive balance for industry and commerce everywhere. Within the wider common market which the European Community is developing we already enjoy a common market throughout the United Kingdom, and any new and artificial barriers within that long-established market could be seriously damaging. And the Government must also keep the task of devising national policies to benefit particular parts of the United Kingdom, and of distributing resources among them according to relative need. This last point is the cardinal fact about our whole system of allocating public expenditure. Resources are distributed not according to where they come from but according to where they are needed. This applies between geographical areas just as much as between individuals.

21. People are less and less ready to tolerate extremes of wealth and poverty alongside one another in our society. Unplanned economic forces, changes in world demand and the discovery of new natural resources can bring fortune or misfortune to large areas, and over the centuries almost every part of the United Kingdom has experienced this ebb and flow. In recent times successive Governments have increasingly sought to reduce inequalities; the fact that Scotland and Wales are at present classified in their entirety as assisted areas is evidence of this. So, too, is the fact that under successive Governments Scotland and Wales have continued to benefit from levels of public expenditure per head significantly higher than the United Kingdom average. If these had been financed entirely by Scotland and Wales, their taxpayers would have had to pay much more.

22. Regional policies have been formulated and implemented for Great Britain as a whole, so that priorities can be judged and the resources of the whole country deployed to help solve problems as they arise anywhere within it. Relative need can be assessed only by taking an overall view, and this must be the responsibility of the Government. It would not be practicable even to leave particular areas to draw up their own schemes of economic support and assistance within an overall allocation, since divergences could easily distort competition in ways incompatible with a unified economy.

23. The Assemblies will have great economic influence, as paragraphs 16-17 above have explained. The Scottish administration will control the Highlands and Islands Development Board*. In addition, the arrangements for the Scottish and Welsh Development Agencies described in paragraphs 138 and 251 will give the Assemblies an important role in relation to the

* See paragraph 139.
work of these new bodies, which are intended to give a fresh stimulus to industrial and environmental regeneration. At the same time the transfer of manpower functions—crucial to economic development—to the Secretaries of State for Scotland and for Wales (paragraph 282) will add an important new dimension to the decision making in the economic field carried out in Scotland and Wales.

24. The complete schemes for Scotland and Wales are set out in Parts III and IV respectively. They are designed to give wide freedom to the new administrations in domestic matters whilst protecting the United Kingdom interest. But the Government do not envisage that after the new system is set up they and the administrations will deal with one another at arm's length. Every effort will be made in advance to cut out overlap and uncertainty, and to avoid the problems which ill-defined relationships would cause; but there will be many matters on which continuing close contacts will be in the common interest.

25. Arrangements will be needed for extensive but flexible consultation on many subjects and at all levels, political and official. Through these the Government and the devolved administrations will keep one another informed and will work together as closely as possible. Interests will sometimes differ, and give and take will be needed. But the Government see no reason to fear that the longstanding spirit of partnership within the United Kingdom will be lost; indeed, they believe that it will be enhanced. They look forward to working out effective two-way consultation arrangements with the devolved administrations as soon as possible, and to operating them constructively over the years.

26. At the same time the Government cannot shed their responsibility for the interests of the United Kingdom as a whole. They must ensure that they and their successors remain able to act freely and promptly in those interests. Reserve powers are therefore built into the devolution proposals to enable the Government of the day to intervene, subject to the approval of Parliament, in actions by the devolved administrations which the Government judge seriously harmful.

27. It is impossible to predict what situations might lead to the use of these powers, and it is largely for this reason that the Government propose to provide them rather than attempt to deal specifically in the Act with every possible eventuality. Their use should not therefore be regarded as a last resort implying a serious confrontation. But if the schemes of devolution fulfil their objectives, the necessity to use reserve powers should not arise frequently and need not be a source of conflict. The future of us all turns to a great extent upon harmonious co-operation between all the people of the United Kingdom and their elected representatives, whether in Parliament or in the Assemblies.
PART III: SCOTLAND

A. THE BACKGROUND TO DEVOLUTION

28. Ever since the voluntary union of Scotland and England in 1707 the arrangements for the government of Scotland have differed in some respects from those for England. In modern times these arrangements have centred on the office of the Secretary of State for Scotland. A Secretary for Scotland was created in 1885, but the present system dates effectively from the opening in 1939 of St Andrew’s House in Edinburgh. It gives to the Secretary of State, who is a member of the Cabinet, a wide range of responsibilities for the administration of government in Scotland. These include most of the functions that in England are the responsibility of the Home Office, the Department of Education and Science, the Department of the Environment, the Ministry of Agriculture, Fisheries and Food and the health and personal social service sides of the Department of Health and Social Security, as well as (more recently) some functions of the Department of Industry. In addition, the Lord Advocate as a Scottish Minister has always had wide functions in the field of law.

29. This system gives Scotland a strong voice in the Cabinet and separate representation on interdepartmental committees where policy options are worked out. The Government intend that there should remain major roles for the Secretary of State and the Lord Advocate, as Part V of this White Paper shows. But the present system, based on Westminster with its wider burdens, cannot always be responsive enough to distinctively Scottish problems and characteristics. Factors like these have become more significant as the scope of government work and the calls on Parliament’s time have grown.

30. The best way of improving matters in the particular circumstances of Scotland is by legislative and executive devolution. This means an elected Scottish Assembly which can determine its own priorities, pass its own laws and oversee the work of government. Scottish institutions and practices will be largely in the care of a purely Scottish body directly answerable to the Scottish people. It will be able, for example, to find more time than Westminster now can for Scottish legislation tailored to fit the distinctive law of Scotland and the separate legal system.

B. CONSTITUTIONAL ARRANGEMENTS

31. Many features of the constitutional scheme proposed are modelled on Parliament, where they are well tried and have evolved over the centuries in a practical blend of efficient government and democratic rights. Parliament must endow Scotland with a comparable blend. But the Government
do not intend that the new Assembly should be forced to be a carbon copy of Westminster. Within the main features which the Act must lay down and which only Parliament can change, the Scottish Assembly and the Executive answerable to it will be free to develop their own ways of working as they judge best.

The Scottish Assembly

32. There will be a single-chamber Scottish Assembly, initially with 142 members—two for each of the 71 Parliamentary constituencies in Scotland. There will not be time before the Assembly comes into being for the Boundary Commission for Scotland to complete the thorough scrutiny needed to divide the Parliamentary constituencies fairly. At the first election therefore each elector will be able to vote for two candidates, and in each Parliamentary constituency the two with most votes will become Assembly Members.

33. For later elections the Boundary Commission will divide Parliamentary constituencies as necessary into single-member Assembly constituencies, on a basis which will improve the fairness of the system by taking more account of the number of voters in each constituency. Each Parliamentary constituency will be allotted one, two or three Assembly seats, according to a formula based on the average size of Parliamentary electorates in Scotland. The formula will be this:

a. Parliamentary constituency whose electorate is less than 75% of the average electorate will have 1 Assembly constituency

b. Parliamentary constituency whose electorate is not less than 75% and not more than 125% of the average electorate will have 2 Assembly constituencies

c. Parliamentary constituency whose electorate is more than 125% of the average electorate will have 3 Assembly constituencies

On present electorates, this system would give an Assembly of about 138 members. The formula will be re-applied, and any necessary re-division made, whenever Parliamentary seats are redistributed. The divisions into Assembly constituencies will be embodied in draft Orders in Council laid before Parliament by the Secretary of State.

34. Everyone entitled to vote in Parliamentary elections, and also peers, will be able to vote in Assembly elections; but no one will have a vote in more than one constituency. The Secretary of State will be responsible for general oversight of Assembly elections and for making rules for them on election expenses and the like.

35. The Assembly will be elected for a normal fixed term of four years, but the Secretary of State will have power to make minor adjustments either way to give a convenient election day.
36. The time, place and other arrangements for the first meeting will be set by the Secretary of State. Thereafter these matters will be for the Assembly itself to decide.

37. Matters affecting Assembly membership, such as the rules about qualification, disqualification, expulsion and resignation, will be dealt with in the Act, as will the special safeguards which members will need to do their job effectively, such as protection against actions for defamation. Membership of the Assembly will not be barred to Members of the House of Commons or the House of Lords. Practical considerations will often prevent them from standing for election to the Assembly, but it does not seem right that they should be excluded by statute. Qualification and disqualification are dealt with in more detail in Appendix A.

38. Every candidate elected to the Assembly will have to swear or affirm allegiance to the Crown before taking his seat.

39. The pay and allowances of Assembly Members will be determined initially by the Secretary of State, and thereafter by the Assembly itself.

40. The Secretary of State will make interim Standing Orders to get the Assembly started, but thereafter it will make its own, subject to any requirements in the Act—for example on the use of committees (paragraphs 76-79 below).

41. The Assembly will elect from among its members a presiding officer, like the Speaker in the House of Commons. The Assembly staff will be answerable to the Assembly not to the Executive.

42. The Secretary of State will not be an ex officio member of the Assembly. But the Assembly and the Secretary of State could arrange by agreement for him to attend and address meetings from time to time.

The Scottish Executive

43. Executive powers in the devolved fields (including the power to make delegated legislation) will be exercised by a Scottish Executive. These powers will be vested in Members of the Executive, with each of them exercising whatever responsibilities are allocated by the head of the Executive—the Chief Executive.

44. The Executive will normally be formed after each election. The Secretary of State for Scotland will invite a prospective Chief Executive to form an Executive which will command the support of the Assembly; in the ordinary course he will invite the leader of the majority party. The prospective Chief Executive will submit the names of his proposed Executive to the Assembly, which will approve or reject them as a whole. If the Assembly approves, the Secretary of State for Scotland will formally appoint them as the Executive. If the Assembly rejects the proposed team, the Secretary of State will at his discretion invite the same person to try again, or someone else.
45. The Secretary of State will also appoint Assistants to the Executive, on the recommendation of the Chief Executive. These Assistants will be political in character but will not be members of the Executive, nor require Assembly approval.

46. Executive Members and Assistants will normally be members of the Assembly, but there will be no rigid rule about this. Some flexibility is desirable to leave room for possible appointments from outside the Assembly. It may be desirable to include a distinguished person, or one with special expertise (for example in the law), who is not an Assembly Member; and there will be no second chamber upon which to draw, as there is at Westminster. Political pressures should ensure that the scope for appointing non-members to the Executive is not over-used. The Assembly's right to approve or reject the Executive as a whole will be a strong factor.

47. Executive Members and Assistants who are not Assembly members will be able to sit and speak in the Assembly, but not to vote.

48. Maximum members of Executive Members, and of Members and Assistants combined, will be laid down in the Act. The Secretary of State will have power to increase the numbers later by Order. The pay and allowances of Executive Members and Assistants will be set initially by the Secretary of State and thereafter by the Assembly.

49. Changes in the Executive (including dismissals) will be made formally by the Secretary of State on the recommendation of the Chief Executive; Assembly approval will not be required. If a Chief Executive misused his power of individual change to create a whole new team without Assembly approval, the Assembly could pass a vote of censure or no confidence. The members of the Executive will hold office formally at Her Majesty's pleasure, and the Secretary of State could in the last resort dismiss the Executive if he judged that it was holding on to office without commanding adequate support in the Assembly.

50. Any departure of the Chief Executive from office will entail the resignation of the whole Executive and the Assistants. The Secretary of State will have power, without needing Assembly approval, to appoint a "caretaker" Executive to carry on business until a new Assembly-approved Executive can be appointed.

Scottish Assembly Legislation

51. In subjects not devolved, Parliament will continue to make and control legislation for the whole of the United Kingdom. In devolved subjects however the Scottish Assembly will become responsible for legislation. At the outset the Executive will administer the law as it now stands; but the Assembly will be free to amend or repeal existing law and to pass new laws of its own.
52. As at Westminster there will be two kinds of legislation—primary legislation in the form of Scottish Assembly Acts, and secondary legislation in the form of Scottish statutory instruments. These statutory instruments may be made under the authority either of Assembly Acts or of Westminster Acts still applying to Scotland.

53. There will be no second chamber. Within the Assembly however the procedure for introducing and considering Bills will be very similar to that at Westminster. Having passed through all their stages in the Assembly, Bills will be submitted for Assent by Her Majesty in Council through the Secretary of State for Scotland. The following paragraphs set out the process leading up to Assent.

54. Either the Executive or individual Assembly Members will be able to introduce Bills (though if Bills introduced by individual Members entail expenditure they will be able to proceed only with the Executive’s agreement). Any differences in handling will be for the Assembly itself to settle. The Act will lay down in broad terms various stages for the handling of legislation by the Assembly. There will be:

   a. a general debate on each Bill, with an opportunity for Members to vote on its general principles;
   b. consideration of, and an opportunity for Members to vote on and amend, the details of the Bill;
   c. a final stage at which the Bill can be passed or rejected but not amended.

Further elaboration of the procedure will be left to the Assembly’s own Standing Orders.

55. Some special procedure involving the Government will be needed for any Assembly Bill seeking to bind the Crown in respect of matters not devolved. The Government are considering what form this procedure should take, and at what stage of the Assembly’s legislative process it should operate.

56. The Assembly’s presiding officer, on the advice of his counsel, will report to the Assembly on the *vires* of a Bill (that is, whether it falls within the devolved powers) when it is introduced, and again before the final Assembly stage; if the report is adverse it will not stop the Bill but will serve as a warning to the Assembly and the Executive. The Government will not be formally involved at these stages, but they will be aware of the Bill and the presiding officer’s report and may wish to give informal warning of any difficulties about *vires* which they foresee. The Scottish authorities will be similarly free, if in doubt, to consult the Government informally.

57. When a Bill has passed its final stage in the Assembly it will be forwarded to the Secretary of State. The Government will then consider, with advice from the Law Officers, whether any part of the Bill is *ultra vires*. In accordance with normal legal principles, ancillary provisions reasonably
incidental to a main purpose falling within a devolved field will be treated as *intra vires* even though they may not strictly relate wholly to devolved subjects. The Government will also consider whether the Bill is acceptable on general policy grounds.

58. In order to be submitted for Assent the Bill must be both *intra vires* and acceptable on policy grounds. If it contains *ultra vires* provisions, or is unacceptable on policy grounds, or both, the Secretary of State will send it back to the Assembly with a clear statement of the reasons.

59. It will be for the Assembly itself to decide how to handle any Bills referred back to it. If a Bill referred back as *ultra vires* is re-submitted to the Secretary of State in terms still adjudged to be *ultra vires*, he will tell the Assembly so and the Bill will not go forward for Assent. If a Bill referred back on policy grounds is re-submitted in terms which the Government are still not prepared to accept, they must within a set period from the Bill’s receipt by the Secretary of State lay it before Parliament with a notice of motion praying for its rejection. If Parliament affirms this motion the Assembly will be told that the Bill will not be submitted for Assent. If Parliament rejects the motion the Bill will go forward.

60. The Government’s reserve powers to halt the progress of Assembly Bills have necessarily been explained at some length. But this does not reflect the spirit in which the Government expect devolution to work, nor the features which will be most conspicuous in practical operation. In the ordinary course Assembly Bills will be presented for Assent without any trouble or delay.

61. Underlying all these arrangements there will remain the final legislative sovereignty of Parliament, in which all parts of the United Kingdom are represented. Parliament will remain able to pass laws on any matter and for any part of the United Kingdom. Any surrender of this sovereignty would imply federalism, not devolution. Against a background of co-operation and goodwill however Parliament would normally legislate on a devolved matter only where this was agreed with the Scottish administration* as being the convenient course.

62. The Scottish Assembly will be constitutionally subordinate to Parliament. It will have been created by Parliament and will always remain subject to Parliament’s laws, and it will not be free to change the devolution settlement. The Government intend however that the Scottish Assembly should effectively assume, in the devolved field, the task of making laws for Scotland. Bills of the Scottish Assembly will be scrutinised, as explained in paragraphs 56-57, to see whether they are within the devolved powers. The question arises whether, after Assent has been given, an Assembly Act

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*For convenience, here and elsewhere in the White Paper (except where the context clearly indicates otherwise) the term “administration” in relation to Scotland is used in a broad sense to cover both the Assembly and the Executive in their complementary roles.*
should be open to review in the courts on the grounds of *vires*—that is, whether the courts should have jurisdiction to declare, at the instance of a litigant, that an Assembly Act goes outside the powers conferred by the devolution Act. The issue is more than just a legal technicality, and there are arguments both ways.

63. In favour of judicial review, it can be argued that this is a normal and natural accompaniment of the operation of a legislature whose powers are limited by law; that the right of the citizen to challenge in the courts any possible excessive use of power should not be abated; that the limits of what Parliament intended in the devolution Act should be subject to interpretation by the courts as specific situations arise in litigation, not merely by Government Ministers inevitably exposed to political pressures and making their judgments in the abstract before experience has been gained of how particular Assembly Acts will work in practical application; and that excluding judicial review will complicate the task of the courts, which will in any event have to take account of the devolution Act when they interpret Assembly Acts.

64. Against judicial review, it can be argued that its exclusion would have the merits of simplicity and finality and would therefore reduce doubt and room for argument, which might otherwise hamper good government, especially given the unavoidably complex division of responsibilities in the devolution scheme; that the Assembly will be taking over the normal practical responsibilities of Parliament, and the citizen should be able to rely on its laws as he now can on those of Parliament; that judicial review caused problems in the operation of the Government of Ireland Act 1920 and was therefore deliberately excluded by Parliament in enacting the Northern Ireland Constitution Act 1973; and that the three successive checks on *vires* before Assembly Bills become law (see paragraphs 56-57 above) should be a sufficient safeguard.

65. The Government would welcome public discussion before reaching a final decision.

66. There remains private legislation, promoted by private persons and bodies such as local authorities on particular matters which affect them but not the general public interest. In the devolved fields the Assembly should clearly have power to pass private as well as public legislation. But the procedures are complex, and it would be hard to fit the detail into the Act. The Government therefore envisage that the Act should contain a general provision enabling Her Majesty by Order in Council to provide for the handling of private legislation by the Assembly as soon as a suitable scheme has been worked out. If that has not been achieved by the time the Assembly takes over its main responsibilities, all Scottish private legislation, including that on devolved subjects, will continue meanwhile to be dealt with by Parliament. Present procedures already allow for hearings in Scotland.
Delegated Legislation

67. The Scottish Executive will be able to make delegated legislation under enabling powers contained either in Assembly Acts or in United Kingdom Acts still in force in the devolved fields.

68. It will be for the Assembly to decide what should go into its own Acts and what should be left to delegated legislation, and also to lay down any procedure required for delegated legislation under its Acts. Any procedure in the Scottish Assembly for delegated legislation under United Kingdom Acts will be required initially to correspond as closely as possible to whatever may be required in Parliament by the relevant Act; it is right that the Scottish Executive should at that stage be bound by the procedures for control of delegated legislation which were considered to be a necessary part of the Act when it was passed. The Assembly will later be free however, in the devolved fields, to pass Acts changing the procedures laid down in the original United Kingdom Act.

69. Where a United Kingdom Act in a devolved field lays down, in order to control expenditure, that delegated legislation shall be made jointly by two or more Ministers or with the consent of the Treasury or the Civil Service Department, the power will pass simply to the Scottish Executive. Where a United Kingdom Act confers a power exercisable by Order in Council, that power will be exercisable by Order of the Scottish Executive.

70. The Assembly will be required in general terms to make arrangements for the scrutiny of delegated legislation comparable to those operated at Westminster through the Joint Committee on Statutory Instruments. The Assembly will be able if it wishes to use its “subject” committees (paragraphs 76-79 below) for this purpose, or could set up a special committee.

United Kingdom Reserve Powers in Executive Matters

71. Paragraphs 56-60 above have explained the arrangements there will be to ensure that in primary legislation the Assembly does not exceed its powers or act in a way that would be seriously harmful. Some similar provision is required to cover other actions—that is, executive acts or omissions. (For this purpose the term “executive” includes delegated legislation.)

72. There is no point in devolving substantial powers and then maintaining detailed oversight from the centre. The Government could not monitor everything the Scottish administration do, nor indeed should they wish to. Nevertheless, the Government must have power to step in where necessary, either because matters not devolved—such as defence—are being prejudiced, or for wider reasons of their ultimate responsibility for all the people of the United Kingdom.
73. The Government will have to open them three methods, for use either separately or in combination: —

a. for actions in prospect, whether involving a proposed subordinate instrument or some other proposed executive act, they will be able to issue a direction prohibiting the action or requiring a particular course of action (including the reversal of a previous action), subject to an affirmative resolution of Parliament within a specified period;

b. for subordinate instruments already made, they will be able to make an annulment Order following an affirmative resolution of Parliament. In case of urgency the Order can be made without asking Parliament first, but subject to affirmative resolution within a specified period;

c. for other actions already taken, or for omissions, the Government will be able, if the Scottish administration decline to put the matter right, to resume responsibility for the devolved subject in question to the minimum extent necessary—for the required place, task or period—with power to require and direct the use of the administration's staff and facilities for the purpose. They will do this by Order, subject to affirmative resolution of Parliament. The powers which the Government will be able to take by such an Order will be any powers available within statute law applying to Scotland, though any requirement for Assembly approval (for example by affirmative resolution on a particular sort of subordinate instrument) will be suspended.

74. As with the powers relating to Assembly Bills, these general procedures for intervening in the business of the Scottish administration are not intended for frequent use. They will be there in the background as reserve powers; and they permit wider devolution than would otherwise be possible. Their use will require the specific agreement of Parliament.

75. All this is about circumstances in which the Government need to intervene on grounds of policy as distinct from law. The legality of the administration's executive acts will be open to challenge in the courts just like that of the Government's own executive acts.

Assembly Committees

76. The Government believe it to be important for the success of the Assembly that all its Members should take a constructive part in the work devolved to the Scottish administration. The Assembly will therefore have a highly-developed system of committees to advise the Executive and investigate what it is doing.

77. There will be a committee of Assembly Members corresponding to each of the main subject fields of the Scottish Executive—education, health, and so on. The composition of these subject committees will broadly reflect the political balance of the Assembly as a whole; and they will be chaired by Assembly Members from outside the Executive. Their staff will answer to them and the Assembly, not to the Executive.
78. Before the introduction of major new policies or Bills, the Executive Member responsible will have to consult the relevant committee of the Assembly, except where the matter is especially urgent or confidential. Before a Bill is introduced the committee may discuss its principles and report on it to the Assembly, as a prelude to general consideration of the Bill in plenary session. The Assembly may remit the detailed examination of a Bill (equivalent to the Committee stage at Westminster) to the main appropriate subject committee with arrangements to associate any other committees whose subjects are affected. The committee may also scrutinise statutory instruments in its particular field. It will have the right to offer suggestions to the Executive, to initiate discussion and equities on particular topics, and in general to oversee the work of the corresponding Executive department.

79. Officials and documents of the Executive will be under the Executive's control; but committees of the Assembly will no doubt ask for Executive Members and their officials to give oral and written evidence, and it will be in the Executive's own interest to co-operate.

The Civil Service in Scotland

80. Members of the Executive will hold office under the Crown, and their officials will therefore be civil servants. The Government have considered whether these should constitute a separate Scottish civil service, or be part of the United Kingdom civil service. Most of them will in practice be people who are now United Kingdom civil servants in the Scottish Office.

81. The Kilbrandon Commission thought that there would have to be a separate civil service, on the grounds that a devolved administration would wish to choose its own senior officials, might not be content for general personnel matters to be handled by a Government Department, and would want to be able to rely on the undivided loyalty of their officials dealing with the Government, for example on the block grant.

82. There are however strong arguments for maintaining a unified service. It would help the consultation and co-operation on which the success of devolution will heavily depend. Present experience does not suggest that with a single service there need be divided loyalty; civil servants by tradition give wholehearted service to whichever Ministers are in charge of their Departments. We cannot assume that all staff will wish to transfer to a service entirely separate from that to which they were recruited, where the work, conditions and prospects might become substantially different.

83. Other factors must be taken into account. A separate service would need more staff (for example to handle personnel matters now dealt with centrally). A unified service would enable the Scottish Executive to draw its officials more easily from a wide pool of talent and experience. The wishes of the Scottish administration itself will be important, and these
cannot be known until it is in being. Finally, even if a separate Scottish service were desirable it could not be set up for some years; it is an option only for the longer term.

84. The Government believe that it will be in the best interests of all to keep a unified United Kingdom civil service. Any proposal for change would be a matter for discussion with the Scottish administration; staff representatives would be consulted at all stages. It would be essential to maintain the traditional independence of the recruitment system.

85. Numbers and costs of staff are dealt with in Part VI.

Complaints Machinery

86. Complaints against Government Departments can be investigated by the Parliamentary Commissioner for Administration, the “Ombudsman”. Corresponding arrangements for the devolved subjects will need to be laid down in the Act. The details are outlined in Appendix B. The basic system for this important safeguard of the citizen’s rights will be laid down by Parliament; but the new Scottish Commissioner will report to the Assembly.

European Community and Other International Aspects

87. The Government must remain responsible for all international relations, including those concerned with our membership of the European Community; no other course would be compatible with political unity. Every member state of the Community—including West Germany, for all its internal structure of federalism—is represented solely by its central government on the various bodies which deal with Community policy. It is the United Kingdom as a whole that is a member of the Community, and its Government must remain its sole spokesman, in the Community as in other international business.

88. Nevertheless, both in European Community and in other contexts international business touches increasingly on matters which will be devolved. The views of the Scottish administration on these matters, reflecting their own contacts with others concerned within Scotland such as local authorities, must be taken into account.

89. No formal statutory machinery is needed for consultation; it will be better to develop pragmatic arrangements between members and officials of the Scottish administration and the Government. These might operate most effectively through the Secretary of State for Scotland and through the particular Ministers representing the United Kingdom in Brussels or elsewhere.

90. There remains the question of how to ensure that any relevant international obligations are observed in the devolved fields in Scotland. There are two aspects to this: firstly ensuring that existing obligations are not breached, and secondly arranging that any positive action needed to fulfil new obligations is taken.
91. Breach of international obligation will be avoided in the normal way through the close consultation which the Government intend to maintain with the Scottish Executive. If, exceptionally, this does not work for any reason, and the Scottish Assembly sends forward a Bill or the Executive takes some action contrary to the United Kingdom's international obligations, the Government will be able to use their reserve powers for dealing with matters unacceptable on policy grounds. These powers have been explained in paragraphs 58-59 and 73 above. However, since international obligation is essentially a matter of fact and law (often involved and technical) rather than of general political judgment, the use of reserve powers in these cases will not require the approval of Parliament.

92. Ensuring that positive action is taken as needed to fulfil new European Community or other obligations is complex. On the one hand, the Government are answerable for getting this done. On the other, the Scottish administration, which will best know their own circumstances and legislation, ought not to be completely cut out of particular matters within devolved subjects whenever international commitments (including the increasing number of European Community ones) happen to touch on them. The best way of resolving this is for the Government to keep formal responsibility for all matters relating to international obligations, even when these matters arise in fields otherwise devolved; but for there to be power for the Government at their discretion to delegate to the Scottish administration, by Order, the job of taking any necessary action, whether legislative or executive, to implement the obligation. The power will be a flexible one, which can be used to delegate action either on a particular item, such as an individual European Community directive, or in a general field. The Government envisage that in practice it might well become the normal course to delegate implementation by agreement to the Scottish administration. The devolution Act will add the administration to the category of those who can be designated as implementing authorities under the European Communities Act 1972.

C. FINANCE AND TAXATION

93. Financial arrangements lie at the heart of any scheme. Those which the Government have chosen reflect their general approach to devolution, recognising continued political and economic unity and the need for close co-operation. Paragraphs 94-100 below explain the basic concepts, and paragraphs 101-113 set out their detailed application.

The Basic Concepts

94. The White Paper of September 1974 proposed that, as recommended by the Kilbrandon Commission, the financial allocation for the devolved services should be in the form of a block grant voted by Parliament, taking account both of local needs and of the desirability of some uniformity of standards and contributions in all parts of the United Kingdom; and that it should therefore be for the Assemblies to judge among competing claims.
95. Further study has confirmed that this is inescapable. Economic unity requires a system which considers the expenditure needs of the whole United Kingdom, including the claims of regions with special problems. This requires a decision each year on public expenditure for all parts of the United Kingdom by the Government, answerable to Parliament.

96. In theory one might base public expenditure for Scotland on revenues arising there. But even if they could be identified unequivocally, such a system would be quite incompatible with distribution according to need.

97. The Government are well aware that the discovery of major oilfields under the North Sea has given rise to ideas of a quite different kind. There are some who argue that oil revenues should be controlled directly by those parts of the United Kingdom off whose shores the oil is found, whatever the effect elsewhere. Let there be no misunderstanding: such a proposal—whether its advocates realise this or not—would mean the break-up of the United Kingdom. The Government believe that oil must be treated in the same way as other national resources (like the big coal deposits recently found in England, and the natural gas off its shores) and the benefits brought into the national pool for distribution in accordance with relative needs. Any other course could destroy not only economic unity but also political unity. Those who wish to reserve to Scotland oil or other revenues arising there are in effect demanding a separate Scottish state. The circle cannot be squared: it is not possible for Scotland—or any other part of the United Kingdom—to enjoy rights which can only go with separatism yet not to have separatism itself.

98. For their part, the Government rule out separatism. Even if on a narrow economic calculation Scotland might be better off materially for a time by keeping the benefits of oil exclusively to itself—and such a calculation would be at best highly precarious, resting on limited reserves of a single commodity whose value varies with the world market—the Government are convinced that the Scottish people are overwhelmingly opposed to destroying the Union. The Government repeat their pledge that all the parts of the United Kingdom most in need will receive their full and fair share of the benefits from the energy resources of the continental shelf, which belong to the United Kingdom as a whole.

99. The Government accordingly intend that Scottish public expenditure should be settled as part of the annual public expenditure review for the United Kingdom as a whole. The amount will be a matter for political judgment, on the basis of an assessment of relative needs made jointly with the Scottish administration through close and continuous collaboration. Once the relative amounts of public expenditure are established, Parliament will be asked to vote the appropriate element for the devolved services in the form of a block grant. In 1974-75 public expenditure on the services proposed for devolution was about £2,000 million, with a further sum of more than £100 million met by local authorities as loan charges. Had the proposed financial arrangements been in operation this would have involved
a block grant of more than £1,300 million, local authority taxation of £300 million and borrowing of about £500 million. Expenditure on the devolved services would have come to nearly three-fifths of total identifiable public expenditure in Scotland.

100. No neat formula could be devised to produce fair shares for Scotland (and for England, Wales and Northern Ireland) in varying circumstances from year to year. The task involves judgments of great complexity and political sensitivity. Nevertheless, objective information on standards and needs would help the Scottish administration, the Government and Parliament to make their judgments. Various arrangements might be adopted for collecting such information, and the Government will discuss possibilities with the Scottish administration.

The Block Grant

101. Once the block grant has been voted by Parliament, it will be paid over at regular intervals during the financial year. Accountability for the expenditure will run not to Parliament but to the Assemblies. The devolution Act must lay down certain basic features of the financial control system, but its running will be overseen by the Scottish Assembly.

102. The Scottish administration will have the fullest possible freedom to decide how the money from the block grant should be spent—how much, for example, should go on roads, houses, schools and hospitals, and where in Scotland it should be spent. As the figures in paragraph 99 demonstrate, this is a major economic as well as social power. It will give the administration a powerful new instrument for shaping developments over a wide range of services.

103. The Government’s decision on the total amount for all the devolved services will not be a matter of simply imposing an arbitrary figure. It will be the outcome of a close and thorough process of consultation each year with the Scottish administration. Appendix C outlines how the process might run in a typical year.

104. The administration will base their proposals on their view of Scottish needs in the devolved fields. But the Government must take account also of other needs, both elsewhere in the United Kingdom and in non-devolved fields within Scotland. All these needs must then be related to what the United Kingdom can afford for public expenditure against other claims, including the balance of payments, private investment and private consumption, as well as the needs of public industries such as coal and steel which will continue to be very important to Scotland.

105. With understanding on both sides agreement should usually be reached on a total accepted as fair both to Scotland and to the rest of the United Kingdom. If agreement is not reached the matter will have to be settled by the Government, answerable to Parliament. Parliament, with its Scottish MPs alongside those from all other parts of the United Kingdom, is the right body to vote the amount for the devolved services, and to
settle the statutory limits on the administration’s short-term borrowing and on issues to the Scottish Loans Fund.

**Taxation**

106. Scottish taxpayers will continue to pay United Kingdom taxes at United Kingdom rates, and these payments will contribute to the central pool of national resources from which the block grant and other national expenditure will be financed according to needs.

107. The Government have particularly considered whether the Scottish administration should be able to levy taxes. As already explained, there can be no question of sharing responsibility for taxation generally or of reserving for Scotland revenues raised there. The issue is rather whether the administration should have power to levy limited additional taxation, in order to finance extra expenditure which they think especially important. The burden would have to fall solely on Scottish taxpayers, as the people getting the benefits of the extra expenditure.

108. The people of Scotland may not want to pay more taxes regularly year after year in order to finance more public expenditure than the assessment of their needs in the United Kingdom context provides. Nevertheless, some powers for the devolved administrations to levy additional taxation would give them greater freedom. It is however difficult to identify suitable forms of tax. There is no point, for example, in choosing taxes unlikely to yield enough revenue to give much extra discretion; and it would be wrong to choose ones which would fall too narrowly on particular groups. Among the specific possibilities which have been considered, the two found to merit the most detailed study were a retail sales tax (distinct from VAT) and a surcharge on income tax. The studies showed that, for either of these, there would be great administrative complexities for both taxpayers and tax administrations; and also heavy costs, falling on retailers or employers as well as on the devolved administrations, for collection systems which would still need to be maintained and paid for whether or not any extra taxes were levied in a particular year. Both possibilities were therefore unsuited for use as supplementary taxes to be applied at a low rate and turned on and off from time to time. The Government have therefore concluded that the only tax power suitable for devolution is a general power to levy a surcharge on local authority taxation, whether on the rates as at present or on any new system introduced in the future (for example after the Committee of Inquiry into Local Government Finance—the Layfield Committee—has reported). No tax is popular, but a power of this kind would give the Scottish administration a useful degree of discretion. They will not have to use it unless they run into deficit or deliberately aim for a higher level of expenditure, for example to meet some particular Scottish priority for which they judge people would be willing to accept higher burdens.

109. Local authorities, who will run many of the devolved services, can settle their own levels of taxation, so that there will in any event be some flexibility in the total amount available for the services in Scotland.
The Scottish administration will decide both how much of the block grant should be distributed to local government and how to allocate it among individual authorities. In calculating block grant the Government will in general assume that Scottish local authorities will receive, in relation to their expenditure needs and their taxable resources, provision comparable with that for local authorities in England; whether they in fact levy more or less local tax, and are assigned more or less subsidy from the block grant, will be a matter to be settled in Scotland.

110. The sources of local authority taxation will be the same as in England. The Scottish Assembly will have legislative powers to adjust the application of the system of rating and valuation for rating to suit local conditions; but only Parliament will be able to authorise new forms of local taxation.

Other Sources of Finance

111. Capital expenditure by local authorities and by other public bodies in devolved fields will continue to be financed by borrowing. Local authorities will continue to have access to the Public Works Loan Board. Other public bodies will have access to a new Scottish Loans Fund for long-term borrowing, financed from the National Loans Fund and controlled by the Scottish administration. The main condition on its use will be that on-lending should not be at a lower rate of interest than the corresponding loan from the National Loans Fund. The only long-term borrowing transactions controlled individually by the Government will be those involving foreign currency or overseas sources. However, the Government must also control both the total amount of long-term borrowing and within this the total of borrowing from official sources by local authorities and public corporations. These controls are essential for the management of the United Kingdom economy.

Financial Control and Audit

112. The Act will lay down certain basic features to ensure that there is a sound system for authorising expenditure and reporting on the accounts. In addition to the Scottish Loans Fund, there will be Scottish counterparts of the Consolidated Fund, the Comptroller and Auditor General and the Public Accounts Committee. The Assembly will have power to appropriate funds to individual services by Assembly Order, corresponding to Appropriation Acts at Westminster.

113. Responsibility for controlling issues from the Scottish Funds and for supervising the arrangements for monitoring and audit will rest squarely with Scottish bodies. The reports of the Scottish Comptroller and Auditor General will be presented to the Assembly and considered by the Scottish Accounts Committee, and it will be for the Assembly to decide whether to require comments or proposals from the Executive as a result. The Act will however require the publication of these reports, so that expenditure on devolved matters undergoes the same public scrutiny as the corresponding expenditure does now.
D. THE DEVOLVED SUBJECTS

The General Approach

114. It is important to recognise what legislative devolution will mean. Where a subject field is devolved, responsibility for the activities of government in that field will be transferred to the Scottish administration. Devolving a subject field in Scotland will not however be like transferring functions between Government Departments or between local authorities; it will mean much more. The present law will be inherited, but the administration will be free to change it. They will not be confined to the activities going on now. They could end these activities, or run them in different ways, or create quite new activities.

115. The Government intend to apply this far-reaching concept to a massive hand-over of responsibility for Scotland’s affairs.

116. The Act will devolve certain subjects; anything not shown as devolved will remain the direct responsibility of the Government and Parliament as at present. The Government have in general approached the task of deciding which subjects to devolve from the positive standpoint of devolving wherever possible, and keeping subjects back (or making exceptions within subjects otherwise devolved) only where there is cogent reason for doing so—for example where devolution might risk damaging basic unity and the fundamental rights of United Kingdom citizenship, or where wider uniformity is plainly needed, or where devolving or dividing a subject would be very awkward to work.

117. Paragraphs 119-168 below set out the effect of applying this approach, and Appendix D gives a tabular summary. The Government believe that the result is well suited to the interests of Scotland and of the United Kingdom as a whole, and that the scale and character of the devolved responsibilities will enable the Scottish administration to take a broad and comprehensive view of their tasks in serving the people of Scotland.

118. The responsibilities to be transferred on devolution in the various fields will be those which the Government now carry. The proposals do not entail any removal of current tasks or powers from local government.

Local Government

119. Responsibility for central government supervision of most aspects of local government in Scotland will be devolved. The administration will oversee the work of local authorities in devolved matters, will allocate rate support grant to them, will control their capital investment in the devolved fields and will be responsible for the application of the local taxation system, as explained in paragraphs 109-110. The devolution Act will not change local government structure. The Government believe that it would not be in the interests of either the Assembly or Scottish local government for the new structure of local authorities and the distribution
of functions among them to be radically revised again in the next few years. These must however be matters in future for the Assembly; and it will be empowered to legislate on local government administrative and electoral boundaries, the detailed application of the rating system and the division of devolved functions between local authorities and the Scottish Executive, as well as on the structure of local government itself.

120. Responsibility will not be devolved for determining the qualifications for voting in local government elections; the qualifications and disqualifications for membership of local authorities; the voting system for local government elections; and the frequency with which they are held. These basic democratic features of the local government system should remain under the direct authority of Parliament.

121. The Scottish administration will not of course be responsible for any functions which Scottish local authorities continue to carry out in matters not devolved; the responsibilities of central and local government in these matters will not be changed by the Act.

Health

122. The Scottish administration will be responsible for health matters in Scotland, including the National Health Service. This means that they will be free to determine arrangements and priorities for the provision of health care, including the resources to be allocated. In this as in other fields (see paragraph 160 below), certain United Kingdom arrangements and standards will continue to apply—for example on medicines and drugs—but in general the administration will be able to vary the scope and character of current arrangements, and to decide policy on such matters as family planning, transplant surgery, abortion, private practice and the control of nursing homes.

Social Work

123. The Scottish administration will be responsible for the social work services, such as the care of children, the elderly, the handicapped and others in need of special care or support. They will be able to control the standards of private provision in these fields, and to make grants to voluntary bodies.

Social Security

124. The social security system, which provides a network of cash benefits payable to individuals and families, will not be devolved. It is necessary to keep a single system of cash benefits designed to maintain a decent minimum standard of living for every citizen throughout the United Kingdom. The war pensions scheme will also remain on a United Kingdom basis.

125. Some problems arise because of the close and often complicated interaction between social security benefits and schemes for rent and rate
rebates, rent allowances, and the minimum charges and personal allowances for those living in local authority homes. The Government’s approval will be required for any changes in such schemes which would affect wholly or mainly people receiving supplementary benefits, or people who would receive them if the changes were made. The reason for this special provision is that the burden would then fall directly on United Kingdom funds, not the block grant or the rates. It is a more open question whether, because of the complexity of the interaction with social security generally, it would be better not to devolve powers relating to such schemes at all. The Government would welcome comments from bodies working in this field.

Education, Science and the Arts

126. The Scottish administration will be responsible for all educational and cultural matters other than those noted in paragraphs 127-129 below. They will control the schools system in Scotland, and will be able if they wish to determine (for example) its standards and structure, its curricula, its attendance requirements such as age levels, and policy for private schools and nursery education. They will be responsible for youth and community services and for all further and higher education except the universities.

127. Responsibility for the universities will not be devolved. The Government believe that it is in the best interests of the United Kingdom, including Scotland, that they should continue to be run as part of a wider United Kingdom system and under the supervision of a single University Grants Committee. At the same time, the Government attach importance to close and effective liaison between the Scottish universities and those other parts of the higher education system that will come under the control of the Scottish administration. The University Grants Committee will therefore be asked to devise arrangements recognising the specific Scottish dimension of their business, and linking the Scottish administration with these arrangements.

128. It would make no sense to break up the Research Councils*, and responsibility for them will not be devolved. The Scottish administration will be able (preferably in consultation with Government Departments concerned) to commission research from them. Responsibility for the Nature Conservancy Council will similarly not be devolved.

129. Partly because of the decisions explained in paragraphs 127-128, and partly also to avoid difficulties or friction in the present wide interchange of students among higher education establishments throughout the United Kingdom, responsibility will not be devolved for postgraduate awards and for awards to Scottish domiciled students on university and other courses of advanced further education (though the Scottish admini-

*The main civil ones are the Agricultural, Medical, Natural Environment, Science and Social Science Research Councils.
stration will be responsible for policy on awards made by education authorities to students following other courses of further education).

130. The administration will be responsible for the arts (except the export control of works of art) and for national and local libraries, museums and galleries.

Housing

131. The Scottish administration will be responsible for all aspects of housing, except that in order to maintain proper management of the United Kingdom economy the Government will remain responsible for housing finance in the private sector (building society mortgages and the like), and will also keep a reserve power to prevent or restrict increases in public and private sector rents where general economic and counter-inflationary policy makes this necessary. These limited qualifications apart, the Scottish administration will be able to have their own laws and policies, for both the public and the private sectors, on the provision and upkeep of accommodation, the control of rents, subsides to local authorities and housing associations, renovation, building standards and slum clearance.

Physical Planning and the Environment

132. The Scottish administration will be generally responsible for physical planning and the environment. They will deal with the various aspects of land use—how to manage its development and control, how to co-ordinate land use planning with (for example) transport planning, and how to provide the general infrastructure needed for Scotland's prosperity. They will deal with the general improvement of the environment; the rehabilitation of derelict land; all aspects of water such as supply, amenity planning, arterial drainage, sewerage and sewage disposal; new towns; and the protection of countryside amenity and landscape.

133. The administration's powers over land must however be qualified. Firstly, it is essential that the new community land legislation should apply uniformly; divergences could lead to damaging economic distortions. The Scottish administration will however have substantial supervisory functions under the legislation. Secondly, the devolution of planning powers will be subject to a continuing right—which should not need to be used often—for the Government to "call in" any particular planning issue for their decision if the general United Kingdom interest is affected, for example on non-devolved matters like defence. The Government will probably also need to keep the right to settle any disputes over compulsory purchase affecting such matters.

134. The Scottish administration will be responsible for sport and recreation, parks and open spaces, ancient monuments and historic buildings, public and civic amenities, and a variety of other matters like refuse collection and disposal, cemeteries, markets, fairs and allotments. They will be responsible also for dealing with natural emergencies (though any use of the armed forces to help in these must of course remain a matter for the Government). They will be responsible for protecting the environ-
ment, including preventing nuisances, atmospheric pollution and noise, except that their powers will not extend to aircraft, motor vehicles and ships; some aspects of these are the subject of international agreements and others raise defence or other national considerations, so that they must remain matters for the Government.

**Roads and Transport**

135. The Scottish administration will be responsible for a wide range of transport matters. These will include the planning, construction and standards of roads; the application of traffic rules (except on motorways, where uniformity throughout Great Britain is important for safety); road safety publicity; local transport planning, including matters relating to passenger transport areas; road service licensing, including appointing Traffic Commissioners and deciding appeals arising from their decisions; bus and shipping services of the Scottish Transport Group; subsidies for shipping and air services to the Highlands and Islands, and for improving piers and boat-slips; inland waterways; examining and paying claims for new bus grants; the current powers to pay fuel duty rebate to bus operators; and general oversight of local authority powers to subsidise passenger transport services, including rail and bus services.

136. There are certain matters in the field of road transport where, for safety reasons, practice needs to be the same throughout Great Britain. These include framing (as distinct from applying) rules for traffic management; motoring offences; the Highway Code; the system for testing and licensing drivers and public service vehicles; and the transport of dangerous substances. Responsibility for these will not be devolved.

137. Responsibility for local authority airports will be devolved from the outset. For airports owned and operated by the British Airports Authority the Government will discuss future arrangements with the Scottish administration, and aim to achieve a transfer of responsibility while retaining the managerial expertise of the Authority in Scotland. Similar arrangements would be made for aerodromes owned and operated by the Civil Aviation Authority.

**Development and Industry**

138. The Scottish Development Agency will have a key role in both the environmental field and the industrial field. The devolution Act will not change the powers of the Agency. Its environmental and factory building functions will be fully devolved, except that the terms of disposal of factories must remain under Government control—it would not be in the interests of any part of the United Kingdom to create the possibility of a price war in making industrial premises available to attract incoming firms. The other industrial functions of the Agency cannot be devolved, because of the need to preserve economic unity; the arrangements for dealing with these are set out in Part V, on the role of the Secretary of State for Scotland. Half the
members of the Board of the Agency will be appointed by the Scottish administration, which will also be consulted before the Secretary of State appoints the Chairman.

139. For the Highlands and Islands Development Board, which deals with a range of specialised problems, responsibility for both economic and social activities will be devolved. The Scottish administration will appoint the Chairman and members, and in devolved fields such as tourism will have full discretion in supervising the Board’s activities. But for Board activities in reserved fields, for example assistance to industry, fishing and agriculture, the Government will lay down a system of guidelines and cash limits on individual projects within which the Board and the Scottish administration will decide their own priorities; major industrial projects will be reserved to the Scottish Development Agency and the Secretary of State. Changes in the Board’s powers and the geographical area which it covers will also be a matter for the Secretary of State.

140. There can be no question of breaking up the main nationalised industries or splitting responsibility for them. The Government envisage however that there should be informal contacts between them and the Scottish administration on matters of joint interest, and that they should include in their reports information on recent developments and future plans for Scotland. The administration will be able to consider these reports, and to make representations to the industries or to Ministers.

141. Relations with industry and commerce are an important element of managing the United Kingdom economy as a whole. Government Departments operating on a central basis will therefore keep their present statutory functions; but they will consult the Office of the Secretary of State or the Scottish administration on matters of common concern.

**Natural Resources**

142. The Scottish administration will be responsible for functions relating to land and natural resources now carried out by the Department of Agriculture and Fisheries for Scotland. These will include crofting and freshwater fisheries, and also forestry functions—especially important in Scotland—with the exception (an essential consequence of United Kingdom unity) of fiscal, regulatory and international aspects. The Act will maintain the Forestry Commission, already based in Edinburgh, as the instrument for carrying out Scottish policies. For these it will be financed by and accountable to the Scottish administration.

143. The administration will be responsible also for the management of agricultural estates now vested in the Secretary of State for Scotland, and for the improvement of fisheries harbours. The main aspects of agriculture and sea fisheries are however too bound up with overall United Kingdom economic management and international agreements for devolution to be practicable (see paragraph 280).
Law and the Legal System

144. The separate character of Scots law and of the Scottish legal system was specially recognised in the Union between Scotland and England, and in this distinctively Scottish field the Government believe that extensive devolution is particularly appropriate.

145. The Scottish administration will have wide responsibilities in the range of subjects constituting Scots private law, such as the law of persons, delict, contract, property, trusts and succession. The Government recognise the importance of the development and reform of Scots law as a coherent and distinctive system. There is however a complex interaction between those subjects and areas such as company law, industrial relations and consumer protection where consistency with the law in other parts of the United Kingdom is particularly important, for example in order to maintain a common framework for trade. Further study is proceeding to find the best way of reconciling maximum devolution in the field of private law with these wider United Kingdom interests.

146. The Scottish Law Commission will continue after devolution to have a major role in the coherent development of the whole of Scots law, whether in devolved or non-devolved matters. Because the Commission’s functions will span both fields, legislative responsibility for its constitution and structure must remain with Parliament. The Scottish administration will however be responsible for appointing the Chairman and members of the Commission, for its running and for its general programme of work, though the Government will remain able to refer non-devolved matters to it.

147. The Scottish administration will also be given responsibility for the general criminal law, including the right to create new offences, to redefine or abolish existing offences, to determine penalties and to regulate the treatment of offenders (including prisons). There will however be certain exceptions. Firstly, there are those that may affect the security of the state, like the law on treason, espionage and measures against terrorism. Secondly, there are areas where the law can work efficiently only if it is uniform, such as explosives, firearms, and dangerous drugs and poisons. Finally, there are offences relating essentially to subject fields which will not be devolved, like taxation and road traffic law.

148. The enforcement of the criminal law through the police and the prosecution system—which in Scotland is not in any way under the control of the police—is part of the responsibility of the Government for the maintenance of law and order and the security of the state, and will extend to offences within both devolved and other fields. It would not be right that responsibility for law enforcement should rest with members of an administration not directly answerable to Parliament. The Secretary of State and the Lord Advocate will therefore retain their present responsibilities with regard to police and prosecution respectively. The police will retain their existing status and their relationship with local authorities, and the function of prosecution will continue to be exercised through the Crown Office and the procurator fiscal service.
149. The Government have considered with special care where responsibility should lie for the main Scottish courts—the supreme courts (the High Court of Justiciary and the Court of Session), the sheriff courts and the district courts. The Government are satisfied that responsibility for the different levels ought not to be split—separation would pose difficult problems over such matters as jurisdiction, procedure and administration. They believe that the supreme court judges should continue to be appointed by The Queen on the recommendation of the Government, and that responsibility for their tenure and conditions of office should not be devolved. The Government also believe that questions affecting the right of appeal from the Court of Session to the House of Lords—the court of final appeal in civil matters from the courts of every part of the United Kingdom—must remain a United Kingdom responsibility.

150. There remains however the question whether responsibility for the court system and its administration should remain with the Government and Parliament, or should be devolved subject to the qualifications noted in the previous paragraph. There are powerful arguments on both sides. The courts are a distinctive part of the Scottish legal heritage, and may therefore seem wholly suitable to be entrusted to the care of Scotland's new Assembly, under Parliament's continuing ultimate sovereignty. The concept of the development of Scots law as a coherent system argues in favour of devolving the courts and the legal system along with the substantive law. It may be difficult, if responsibility is split, to decide the allocation of such border-line topics as court procedure and the law of evidence. On the other hand, it is arguable that the courts are essential elements in the core of constitutional unity of the United Kingdom and in the fabric of law and order; and that since they have to deal with disputes involving both devolved and non-devolved law, they should not be the responsibility of an Assembly which has no functions in the non-devolved fields. The same factors of public policy and national security which are relevant to the police and prosecution functions (paragraph 148 above) point towards maintaining United Kingdom responsibility for the courts and their jurisdiction, administration and procedure.

151. The Government would welcome public comment and discussion before taking a final decision on this question.

Tourism

152. The Scottish administration will be responsible for tourism in Scotland, including the Scottish Tourist Board. Overseas promotion will remain the responsibility of the British Tourist Authority, which will receive funds from the Government for promoting tourism to Scotland as well as to England and Wales. If the Scottish administration want to give the Authority extra funds for specific promotions overseas, or to give work to other agencies, they will be free to do so; but they will not receive extra United Kingdom funds for these purposes.

Other Matters

153. The administration will be responsible also for a wide variety
of other matters such as fire services; betting, gaming and lotteries; fixing public holidays and summer time; the registration of theatrical employers; controlling charitable collections; Sunday observance; shop hours; the functions now carried out by the Registrar General for Scotland such as the registration of births, marriages and deaths and the administration of marriage law (but not the national census—paragraph 165 below); and the licensing of taxis, liquor, and places of entertainment.

154. It will not be possible to decide whether the administration should have a role in relation to broadcasting until the Committee on the Future of Broadcasting, under the chairmanship of Lord Annan, has reported. Technical factors and international obligations will in any event make it essential to keep central control of frequencies and transmitter power.

Nominated Bodies

155. The Scottish administration will be responsible for nominated bodies operating wholly in Scotland on devolved matters unless, exceptionally, it proves necessary in a particular case to set special limitations. This responsibility will include financing, accountability, reporting and appointments (though recommendations for appointments by the Crown will need to be made through the Secretary of State). The administration will inherit all powers under existing legislation affecting those bodies, and will be able to change that legislation if they wish, including abolishing the bodies or creating new ones. If changes are needed in bodies constituted by Royal Charter or Warrant, these bodies will themselves have to apply for the necessary amendments to their constitutions.

156. Bodies operating in Scotland in devolved matters but organised on a United Kingdom or Great Britain basis raise more complicated problems. They will continue initially to operate as they do now; they will have no formal accountability to the Scottish administration and, where they are financed now through Parliament, this will continue. However, by normal consultation and agreement the Government will be able to secure changes in their activities and membership, and executive bodies will be able to act as the agents of the Scottish administration, provided all this can be arranged within the broad scope of the body’s general policy, its legal powers and, where appropriate, its continuing primary responsibility to the Government. There will also be provision for the Government, by Order subject to affirmative resolution of Parliament, to make any legal changes which may be needed in the formal structure and powers of a particular body in order to reflect any agreement between them and the Scottish administration, in consultation with the body itself. In the last resort, however, if agreement is not reached on either informal or formal adjustments, the Scottish administration will be free to make quite new arrangements and terminate a particular body’s responsibilities in Scotland (unless, exceptionally, the devolution Act contains special provisions about a particular body, like those for the Forestry Commission envisaged in paragraph 142).

157. The staff of a nominated body operating wholly in Scotland in a devolved field who are civil servants will be treated like other civil servants
in the devolved fields; they will continue to belong to a unified United Kingdom service. Any consultations between the administration and the Government about setting up a separate Scottish civil service (paragraph 84 above) would include the future of civil servants serving with nominated bodies. The Scottish administration will inherit whatever responsibilities the Government now have in relation to staff who are not civil servants.

158. With nominated bodies operating on a United Kingdom or Great Britain basis (paragraph 156), there will be no change in responsibility for staff matters.

159. Appendix E lists nominated bodies to which the arrangements in paragraphs 155-158 above are expected to apply.

General Standards

160. There are a number of matters in which common rules and standards are important, either for safety or to maintain a fair and consistent framework for industry and commerce everywhere. These cover the regulation or statutory standards of marketing, composition, labelling and performance of commonly traded articles or goods, including in particular food (and its handling), medicines, drugs, animal feedstuffs and pesticides; construction standards for vehicles; and safety standards for fuel-burning appliances, for the use of gas, and for articles used in the home such as inflammable textiles. They also include trades unions, industrial relations and the rights of employees; consumer credit; export credit; competition policy; fair trading; insurance; patents, trade marks, designs and copyright; weights and measures; and shipping and civil aviation. Responsibility for these matters, even where they affect fields otherwise devolved, must in general remain with the Government, though as explained in paragraph 145 above the relationship between the Government's responsibility and the responsibilities to be devolved in the field of Scots private law needs further study.

Pay in the Public Sector

161. The Government must retain in their hands all the means necessary to fight inflation, including the degree of control or influence they now have over public sector pay and related conditions, including pensions. The Scottish administration's powers over pay and conditions in the devolved services cannot therefore be unlimited; their decisions will need to be related to wider considerations of national economic or pay policy. Accordingly, there will be a general requirement in the Act for the administration to take account of any such wider considerations brought specially to their attention by the Government. In addition, in fields where the Government now exercise, in one way or another, general control over pay and conditions of service (as in the health service) the consent of the Secretary of State will be required for any changes. Moreover, the Government expect that where pay in any area of the public services is now settled by national negotiations or arrangements covering the whole of Great Britain these will continue—with appropriate representation for the Scottish administra-
Regulation of the Professions

162. There are certain occupational groups whose training is controlled by statute, or which have legal powers of self-regulation whereby only people recognised by the group can lawfully claim to be qualified to practise its skills. The question arises how far the Scottish administration should be able to legislate about the regulation of such groups.

163. The Government wish to hear comments from appropriate professional bodies before reaching a definite conclusion; but they provisionally favour devolving power to legislate about the control only of professions which in Scotland will be mainly employed by or under contract to the Scottish administration or bodies subordinate to it; examples would be teachers, the health professions and town planners, but not, say, architects or engineers. The Government also provisionally favour devolving power to legislate about the control of the distinctively Scottish legal profession.

Statistics and Other Information

164. The right to collect relevant statistics and other information goes naturally with responsibility for particular services and the Scottish administration will have this right in the devolved fields. The Government expect that, through consultation, the administration would seek to avoid collection demands overlapping with those of the United Kingdom, and to achieve consistency and compatibility with data from other parts of the United Kingdom.

165. The national population censuses gather important information relevant to both devolved and non-devolved matters. They must therefore remain basically a matter for the Government. The Government would however take into account any views of the Scottish administration in determining the scope and content of census-taking, and would hope to continue to conduct it through the Registrar General for Scotland, whose other functions will come under the Scottish administration.

166. The Government will continue to need information on devolved services, for example on matters where they have to provide consistent United Kingdom data to international organisations. Such information would be supplied normally through consultation and agreement; but to ensure that they remain able to meet their responsibilities there will be a general provision in the Act requiring the Scottish administration to furnish information to the Government on request. The Government for their part would seek to respond helpfully to any needs which the Scottish administration had for information on matters not devolved.

167. The Scottish administration and the Government will be bound to safeguard each other's confidential information, and the law on the pro-
tection of official information will apply in devolved matters as it does now in Government matters. The Assembly could however make new laws if it wished about its own information on devolved matters.

Tribunals and Inquiries

168. Within devolved fields, the Scottish administration will inherit any existing statutory powers relating to the establishment or constitution of tribunals and inquiries. They will be able also, if they wish, to change these inherited powers, to set up new tribunals and to make rules of procedure. The Council on Tribunals and its Scottish Committee, which cover matters that will not be devolved as well as those that will, will remain a United Kingdom responsibility.

E. SUMMARY OF THE SCHEME FOR SCOTLAND

169. These proposals will create for Scotland an elected Assembly which across a great range of subjects will take over the work of Parliament; and they will create a Scottish Executive which, in these subjects, will have wide responsibilities now borne by the Government.

170. There are some specific restrictions and some general constitutional safeguards, but in practice formal intervention by the Government should be exceptional. Within the devolved fields—notably local government, extensive law functions, health, social work, education, housing, physical planning, the environment, roads and traffic, crofting, most aspects of forestry and many aspects of transport—the Scottish Assembly will pass laws and the Scottish Executive will control administration. Organisation and policies in these fields will be a matter for them. To finance what they want to do they will have a block grant from United Kingdom taxation which they can allocate as they wish. They will be able, if they choose, to levy a surcharge on local government revenue.

171. Scottish Ministers—the Secretary of State for Scotland and the Lord Advocate—will continue to have a major role, as Part V explains. In broad terms however control of the great bulk of public services which affect the people of Scotland will be in the hands of the new Scottish institutions.
PART IV: WALES

A. THE BACKGROUND TO DEVOLUTION IN WALES

172. Wales has been politically united with England for much longer than has Scotland, and has been more closely associated in matters of law and administration. Nevertheless, the distinctive traditions and needs of Wales have led to increasing pressure for separate governmental arrangements. More and more government work has been moved to Wales, and more and more bodies set up to deal with Welsh problems. In 1951 the office of Minister for Welsh Affairs was created and allocated to the Home Secretary alongside his other duties; and in 1964 the Government appointed the first Secretary of State for Wales. The work of his department, the Welsh Office, now covers such matters as housing and local government, some industrial development functions, town and country planning, highways, health, personal social services, and primary and secondary education; and he shares responsibility for agricultural policy and its execution. The Secretary of State also has a general role of keeping in touch with government work in Wales that is not his executive responsibility, and representing Wales’s interests. This is particularly important in the economic field.

173. The presence of the Secretary of State in the Cabinet and Welsh Office representation on interdepartmental committees has brought great advantages to Wales. These advantages must not be lost. The Secretary of State will carry out many important functions. But a Welsh Assembly is needed to administer a wide range of other major matters, so as to make government in Wales more open and more directly accountable to the Welsh people, and to preserve and foster the rich national heritage of the Principality.

174. Plans for the Welsh Assembly represent a major advance from the present position. That position is however not the same as in Scotland. There is no separate legal system and therefore no general problem about distinctive legislation needed for Wales. Moreover, the Government’s consultations suggest that whereas public opinion in Scotland favours a legislative assembly, the situation in Wales is different. The desire is for better democratic control over the government already carried out in Wales, particularly by non-elected bodies.

175. The Government have therefore decided in favour of a Welsh Assembly with very substantial policy-making and executive powers and wide responsibility for democratic oversight. The Government believe that such a body will meet the needs and aspirations of the great majority of the people of Wales.

176. The description of the scheme in the following paragraphs is self-contained. For brevity however where features are essentially the
same as those for Scotland they are generally set out in factual terms without repetition of all the reasons set out earlier in this White Paper. Cross references are given where appropriate.

B. CONSTITUTIONAL ARRANGEMENTS

The Welsh Assembly*

177. There will be a single-chamber Welsh Assembly, initially with 72 members—two for each of the 36 Parliamentary constituencies in Wales. At the first election each elector will be able to vote for two candidates, and in each Parliamentary constituency the two with most votes will become Assembly Members. For later elections the Boundary Commission for Wales will divide Parliamentary constituencies as necessary into single-member Assembly constituencies. Each Parliamentary constituency will be allotted one, two or three Assembly seats, according to a formula based on the average size of Parliamentary electorates in Wales. The formula will be this:

- a. Parliamentary constituency whose electorate is less than 75% of the average electorate
- b. Parliamentary constituency whose electorate is not less than 75% and not more than 125% of the average electorate
- c. Parliamentary constituency whose electorate is more than 125% of the average electorate

1 Assembly constituency
2 Assembly constituencies
3 Assembly constituencies

On present electorates, this system would give an Assembly of about 75 members. The formula will be re-applied, and any necessary re-division made, whenever Parliamentary seats are redistributed. The divisions into Assembly constituencies will be embodied in draft Orders in Council laid before Parliament by the Secretary of State.

178. Everyone entitled to vote in Parliamentary elections, and also peers, will be able to vote in Assembly elections; but no one will have a vote in more than one constituency. The Secretary of State will be responsible for general oversight of Assembly elections and for making rules for them on election expenses and the like.

179. The Assembly will be elected for a normal fixed term of four years, but the Secretary of State will have power to make minor adjustments either way to give a convenient election day.

180. The time, place and other arrangements for the first meeting will be determined by the Secretary of State. Thereafter these matters will be for the Assembly itself to decide.

*See also paragraphs 32-42.
181. Matters affecting Assembly membership, such as the rules about qualification, disqualification, expulsion and resignation, will be dealt with in the Act, as will the special safeguards which Members will need to do their job effectively, such as protection against actions for defamation. Membership of the Assembly will not be barred to Members of the House of Commons or the House of Lords. Practical considerations will often prevent them from standing for election to the Assembly, but it does not seem right that they should be excluded by statute. Qualification and disqualification are dealt with in more detail in Appendix A.

182. Every candidate elected to the Assembly will have to swear or affirm allegiance to the Crown before taking his seat.

183. The pay and allowances of Assembly Members will be determined initially by the Secretary of State and thereafter by the Assembly itself.

184. The Secretary of State will make interim Standing Orders to get the Assembly started, but thereafter it will make its own, subject to any requirements in the Act—for example on the use of committees (paragraphs 188-195 below).

185. The Assembly will elect from among its members a presiding officer, like the Speaker in the House of Commons.

186. The Secretary of State will not be an ex officio member of the Assembly. But the Assembly and the Secretary of State could arrange by agreement for him to attend and address meetings from time to time.

187. The use of the Welsh language in Assembly proceedings and working documents will be for the Assembly itself to decide.

**Executive Powers and Committees of the Welsh Assembly**

188. Executive powers in the devolved matters will be vested in the Assembly as a corporate body (and a Crown body). This means that there will not be a sharp distinction between an Executive sponsoring policies and an Assembly discussing and questioning these policies. Instead all policy discussion and decision making will rest with the Assembly itself. Most of its work however will be carried out through standing committees set up to deal with particular devolved subjects, like health and education. The Assembly's powers will be exercised (like the Secretary of State's now) in a variety of ways—political or administrative decision, the issuing of circulars, resolutions of the Assembly or committees, and delegated legislation.

189. This system, which is well suited to a body which will not have to deal with primary legislation, will allow wide democratic participation in making decisions, since all Members will have a positive role. The detailed pattern will to a great extent be for the Assembly itself to decide, but the Act will lay down the general framework.
190. The Act will empower the Assembly to delegate its functions to the committees. The Assembly will be required to set up committees to cover all the main devolved subjects, and to ensure that representation on the committees is broadly based, so as to reflect the political balance in the Assembly.

191. Each subject committee will have a chairman, to conduct the business impartially; there will also be a leader (to be known as the Executive Member), who will take the main initiative on policy and administration and will be the main link with the officials working on the committee's particular subject. A committee will be able to delegate powers to sub-committees or to the Executive Member.

192. The committee chairmen and the Executive Members will be appointed by the Assembly.

193. There will be a central co-ordinating committee (to be known as the Executive Committee) to oversee general policy and the allocation of resources. This will provide a body of manageable size to draw business together, to ensure that cohesive proposals are presented to the Assembly and to act for the Assembly as a whole on major issues affecting several subjects, including discussion with the Government on the size of the block grant.

194. The Executive Committee will comprise all the Executive Members from the major subject committees plus any other members (not exceeding a quarter of the total) specially appointed by the Assembly. The Assembly will also appoint the chairman, to be known as the Chief Executive. There will be no formal limits on the powers of the Executive Committee; but its main purpose will be to settle the allocation of resources between the services administered by the subject committees, and to see that policies are consistent.

195. The control of officials and documents will be formally vested in the Assembly, which will have, as a body, the formal right of full access to departmental papers and officials. However, it would obviously not be consistent with practical government for every Assembly Member to be able to demand the attendance of any official or insist on seeing any document. The Assembly will therefore be empowered to confer right of access only on committees acting in their particular fields of responsibility or, through those committees, on Executive Members or sub-committees similarly acting. Individual Assembly Members will have no general right of access.

Legislation for Wales

196. Parliament will continue to legislate for Wales in the devolved subjects as well as in others. The Welsh Assembly will therefore work within the limits of Westminster Acts. But in controlling the devolved services it will take over whatever powers those Acts confer on central government, including the power to make delegated legislation.

197. This division of responsibility for primary legislation and for execution presents some problems. The formal position is quite clear: the Assembly
will in general be able to do anything in relation to devolved matters that does not require new primary legislation. This means that its powers will vary from service to service, depending on how far primary legislation lays down detailed requirements. In some subjects Westminster Acts are in fairly general terms, leaving plenty of scope for discretion in day-to-day administration; in others they are drawn more tightly. So the degree of freedom which the Assembly will enjoy at the start of its life will to some extent be uneven.

198. As the work of the Assembly develops, new factors will come into play. The Assembly will take a close interest in proposed legislation affecting Wales. It will debate such documents as White Papers and Green Papers outlining the Government's plans for legislation. Its officials will be consulted by their Government counterparts as appropriate when new legislation affecting devolved matters is being prepared. The Assembly will be able to debate Bills as they are published. It will no doubt make representations to the Secretary of State for Wales and to others, such as Welsh Members of Parliament and Government Departments, suggesting how Bills might be improved to fit Welsh needs. It may sometimes take the initiative itself and press for new Westminster legislation. In time Parliament might wish to give the Assembly greater discretion, by passing legislation which would lay down only broad guidelines, leaving the Assembly to fill in the rest.

199. None of this can be exactly planned. Since Parliament cannot bind its successors, there can be no commitment for the future to alter Bills to suit the Welsh Assembly, to introduce legislation for Wales different from that for England, or to implement any concept of “framework” legislation. The pattern must evolve naturally.

200. In the passage of private Bills affecting devolved matters in Wales the Assembly could be given a role similar to that of a Government Department. It would then be able to submit reports for the consideration of any Parliamentary Committee enquiring into the provisions of a Private Bill.

Delegated Legislation

201. In devolved matters the Welsh Assembly will have general responsibility for framing and passing delegated legislation under powers conferred by existing or future Acts of Parliament. There may be some exceptions, but they will be few. In general, the Welsh Assembly will deal with all classes of delegated legislation.

202. Where an Act applying to a devolved field lays down, in order to control expenditure, that delegated legislation shall be made jointly by two or more Ministers or with the consent of the Treasury or the Civil Service Department, the power to make instruments will pass simply to the Assembly. Where an Act confers a power exercisable by Order in Council, that power will become exercisable by Order of the Assembly.

203. The general procedures for making and controlling delegated legislation will need some adaptation to the Welsh situation, where there
will not be a separate Assembly and Executive. At present a subordinate instrument is prepared in the appropriate Department, is made by the Minister or Ministers concerned and undergoes any necessary Parliamentary procedure and scrutiny. After devolution all these stages will take place within the Welsh Assembly.

204. All delegated legislation which at Westminster would be subject to the affirmative or negative resolution procedure will require a resolution by the Welsh Assembly in plenary session. Some provision will be needed to enable subject committees to act, and report back later to the full Assembly, in specially urgent cases. The committees will in any case play an important part in framing statutory instruments and considering their merits.

205. Some equivalent is required also to Westminster’s Joint Committee on Statutory Instruments. The Assembly will therefore be required to set up, for the general scrutiny of secondary legislation, a committee broadly representative of the Assembly as a whole and not including any member of the Executive Committee. The committee will thus be as independent as possible of those primarily responsible for promoting the statutory instruments which it will examine.

206. At present local authorities, certain statutory undertakings like nationalised industries and a few other bodies like the National Trust have a right to petition Parliament against some Orders which affect them. After devolution petitions against Assembly Orders would have to go to the Assembly itself. The Assembly might in theory appear to be acting as judge in its own cause; but to make Parliament or the Secretary of State for Wales the judge would be inconsistent with genuine devolution. Whatever arrangements the Assembly sets up for hearing such petitions will be expected to provide the greatest possible impartiality.

**United Kingdom Reserve Powers**

207. The Government have no intention of monitoring everything the Welsh Assembly does. Nevertheless, the Government must have power to step in where necessary, either because matters not devolved—such as defence—are being prejudiced, or for wider reasons of their ultimate responsibility for all the people of the United Kingdom.

208. The Government will have open to them three methods of intervention, for use either separately or in combination:

a. for actions in prospect, whether involving a proposed subordinate instrument or some other proposed executive act, they will be able to issue a direction prohibiting the action or requiring a particular course of action (including the reversal of a previous action), subject to an affirmative resolution of Parliament within a specified period;

*See also paragraphs 71-75.*
b. for subordinate instruments already made, they will be able to make an annulment Order following an affirmative resolution of Parliament. In case of urgency the Order can be made without asking Parliament first, but subject to affirmative resolution within a specified period;

c. for other actions already taken, or for omissions, the Government will be able, if the Welsh Assembly declines to put the matter right, to resume responsibility for the devolved subject in question to the minimum extent necessary—for the required place, task or period—with power to require and direct the use of the staff and facilities of the Assembly for the purpose. They will do this by Order, subject to affirmative resolution of Parliament. The powers which the Government will be able to take by such an Order will be any powers available within statute law applying to Wales, though any requirement for Assembly approval will be suspended.

209. These general procedures for intervening in the business of the Assembly are not intended for frequent use. They will be there in the background as reserve powers; and they permit wider devolution than would otherwise be possible. Their use will require the specific agreement of Parliament.

210. All this is about circumstances in which the Government need to intervene on grounds of policy as distinct from law. The legality of the Assembly’s actions will be open to challenge in the courts just like that of the Government’s own actions.

The Civil Service in Wales

211. The Welsh Office itself will continue to exercise major functions in Wales, and it will also have an important linking role between the Government and the Assembly, particularly in relation to primary legislation. But policymaking and administration in devolved fields now the responsibility of the Welsh Office will be taken over by the Assembly; and the Assembly will therefore need substantial numbers of staff.

212. The Assembly will be a Crown body. Its officials will therefore be civil servants. The question arises whether they should form a separate Welsh civil service, or should be part of the United Kingdom civil service.

213. The Kilbrandon Commission thought that there would have to be a separate civil service, on the grounds that a devolved administration would wish to choose its own senior officials, might not be content for general personnel matters to be handled by a Government Department, and would want to be able to rely on the undivided loyalty of their officials dealing with the Government, for example on the block grant.

214. There are however strong arguments for maintaining a unified service. It would help the consultation and co-operation on which the success of devolution will heavily depend. Present experience does not
suggest that with a single service there need be divided loyalty; civil servants by tradition give wholehearted service to whichever Ministers are in charge of their Departments. We cannot assume that all staff will wish to transfer to a service entirely separate from that to which they were recruited, where the work, conditions and prospects might become substantially different.

215. Other factors must be taken into account. A separate service would need more staff (for example to handle personnel matters now dealt with centrally). A unified service would enable the Assembly to draw its officials more easily from a wide pool of talent and experience. The wishes of the Assembly itself will be important, and these cannot be known until it is in being. Finally, even if a separate Welsh service were desirable it could not be set up in time for the start of the Assembly’s work; it is an option only for the longer term.

216. The Government believe that it will be in the best interests of all to keep a unified United Kingdom civil service. Any change would be a matter for discussion with the Welsh Assembly; staff representatives would be consulted at all stages. It would be essential to maintain the traditional independence of the recruitment system.

217. Numbers and costs of staff are dealt with in Part VI.

Complaints Machinery

218. Complaints against Government Departments can be investigated by the Parliamentary Commissioner for Administration, the “Ombudsman”. Corresponding arrangements for the devolved subjects in Wales will need to be laid down in the Act. The details are outlined in Appendix B. The basic system will remain a matter for Parliament; but the new Welsh Commissioner will report to the Assembly.

European Community and other International Aspects*

219. The Government must remain responsible for all international relations, including those concerned with our membership of the European Community. There can therefore be no question of seeking for the Welsh Assembly any right of formal access to Community or other international bodies. Nevertheless, both in Community and in other contexts international business touches increasingly on matters which will be devolved to the Assembly. The views of the Assembly must be taken into account. Arrangements will therefore be developed for consultation between Members and officials of the Assembly and the Government. These might operate most effectively through the Secretary of State for Wales and through the particular Ministers representing the United Kingdom in Brussels or elsewhere.

220. It is necessary to ensure that any relevant international obligations are properly observed in the devolved fields in Wales. Breach of international

*See also paragraphs 87-92.
obligation will be avoided in the normal way through the close consultation which the Government intend to maintain with the Welsh Assembly. If, exceptionally, this does not work for any reason, and the Assembly takes some action contrary to the United Kingdom's international obligations, the Government will be able to use their reserve powers for dealing with matters unacceptable on policy grounds. These powers have been explained in paragraph 208 above. The use of reserve powers in these cases will not however require the approval of Parliament.

221. Positive action is sometimes needed to fulfil new European Community or other obligations. The Government will keep formal responsibility for all matters relating to international obligations, even when these matters arise in fields otherwise devolved; but the Government will be able at their discretion to delegate to the Welsh Assembly, by Order, the job of taking any necessary action (other than primary legislation) to implement the obligation. The power will be a flexible one, which can be used to delegate action either on a particular item, such as an individual European Community directive, or on a general area of business. The Government envisage that in practice it might well become the normal course to delegate implementation by agreement to the Assembly. The devolution Act will add the Assembly to the category of those who can be designated as implementing authorities under the European Communities Act 1972.

C. FINANCIAL ARRANGEMENTS*

222. Paragraphs 94-100 above explain the basic concepts for the financial arrangements underpinning devolution. These concepts are the same for Wales as for Scotland. Paragraphs 223-232 below set out their detailed application to Wales.

The Block Grant

223. Central governmental finance for the devolved services will be provided essentially by block grant voted by Parliament. The Assembly will have the fullest possible freedom to decide how the money should be spent—how much, for example, should go on roads, houses, schools and hospitals, and where in Wales it should be spent. This is a major economic as well as social power, and will give the Assembly a powerful new instrument for shaping developments over a wide range of services. In 1974-75 public expenditure on the services proposed for devolution was more than £850 million with a further sum of £60 million met by local authorities as loan charges. Had the proposed financial arrangements been in operation this would have involved a block grant of about £650 million, local authority taxation of £90 million and borrowing of more than £150 million. Expenditure on the devolved services would have come to more than half of total identifiable public expenditure in Wales.

*See also paragraphs 93-113.
224. The Government's decision on the total amount for all the devolved services will not be a matter of simply imposing an arbitrary figure; it will be the outcome of a close and thorough process of discussion each year with the Assembly. Appendix C outlines how this might run in a typical year.

225. The Assembly will base its proposals on its view of Welsh needs in the devolved fields. But the Government must take account also of other needs, both elsewhere in the United Kingdom and in non-devolved fields within Wales. All these needs must then be related to what the United Kingdom can afford for public expenditure against other claims, including the balance of payments, private investment and private consumption, as well as the needs of public industries such as coal and steel which will continue to be very important to Wales.

226. With understanding on both sides agreement should usually be reached on a total accepted as fair both to Wales and to the rest of the United Kingdom. If agreement is not reached the matter will have to be settled by the Government, answerable to Parliament. Parliament, with its Welsh Members alongside those from all other parts of the United Kingdom, will vote the amount for the devolved services, and settle the statutory limits on the Assembly's short-term borrowing and on issues to the Welsh Loans Fund.

Taxation

227. Welsh taxpayers will continue to pay United Kingdom taxes at United Kingdom rates, and these payments will contribute to the central pool of national resources from which the block grant and other national expenditure will be financed according to needs.

228. Local authorities, who will run many of the devolved services, can settle their own levels of taxation, so that there will be some flexibility in the total amount available for the services in Wales. The Assembly will decide both how much of the block grant should be distributed to local government and how to allocate it among individual authorities. In calculating the block grant the Government will in general assume that Welsh local authorities will receive, in relation to their expenditure needs and their taxable resources, provision comparable with that for local authorities in England; whether they in fact levy more or less local tax, and are assigned more or less subsidy from the block grant, will be a matter to be settled in Wales.

229. The Assembly will have an optional power to make a surcharge on local authority taxation; but it will not have to use this unless it runs into deficit or deliberately aims for a higher level of expenditure, for example to meet some particular Welsh priority for which it judges people would be willing to accept higher burdens.
Other Sources of Finance

230. Capital expenditure by local authorities and by other public bodies in devolved fields will continue to be financed by borrowing. Local authorities will continue to have access to the Public Works Loan Board. Other public bodies will have access to a new Welsh Loans Fund for longer-term borrowing, financed from the National Loans Fund and controlled by the Assembly. The main condition on its use will be that on-lending should not be at a lower rate of interest than the corresponding loan from the National Loans Fund. The only long-term borrowing transactions controlled individually by the Government will be those involving foreign currency or overseas sources. However, the Government will also control both the total amount of long-term borrowing and, within this, the total of borrowing from official sources by local authorities and public corporations.

Financial Control and Audit

231. The Act will lay down certain basic features to ensure that there is a sound system for authorising expenditure and reporting on the accounts. In addition to the Welsh Loans Fund, there will be Welsh counterparts of the Consolidated Fund, the Comptroller and Auditor General and the Public Accounts Committee (whose membership will be substantially separate from that of the Executive Committee). The Assembly will have power to appropriate funds to individual services by Assembly Order, corresponding to Appropriation Acts at Westminster.

232. Responsibility for controlling issues from the Welsh Funds and for supervising the arrangements for monitoring and audit will rest squarely with Welsh bodies. Reports by the Welsh Comptroller and Auditor General will go to the Assembly and will be considered by the Welsh Accounts Committee. It will be for the Assembly to decide what action should be taken on the Committee's reports. The Act will however require the publication of these reports, so that expenditure on devolved matters undergoes the same public scrutiny as the corresponding expenditure does now.

D. THE DEVOLVED SUBJECTS

233. Within the fields to be devolved to the Assembly, and subject only to the framework established by Acts of Parliament, the Welsh Assembly will have full policy-making and executive powers of the kind now vested in Ministers. Provided that their actions are not inconsistent with the statutory framework, they will be able to develop their own distinctive policies and approaches, and to develop new tasks if they wish.

234. This is a concept of wide authority and freedom, and it will be applied to a great range of subjects, as paragraphs 236-273 explain. Appendix D gives a tabular summary.

235. The responsibilities to be transferred on devolution in the various fields will be those which the Government now carry. The proposals do not entail any removal of current tasks or powers from local government.
Local Government

236. Responsibility for central government supervision of most aspects of local government in Wales will be devolved. The administration will oversee the work of local authorities in devolved matters. It will allocate rate support grant to them, control their capital investment in the devolved fields and be responsible for the application of the local taxation system. The devolution Act will make no change in the structure of local government in Wales.

237. Local government administrative and electoral areas and boundaries will remain the responsibility of the Secretary of State, advised by the Local Government Boundary Commission for Wales. The Assembly will not of course be responsible for any functions which Welsh local authorities continue to carry out in matters not devolved; the responsibilities of central and local government in these matters will remain unchanged.

Health*

238. The Assembly will be responsible for health matters in Wales, including the National Health Service. It will be free to settle arrangements and priorities for the provision of health care, including the resources to be allocated, and to develop its own policies on such matters as family planning, private practice and the control of nursing homes. In this as in other fields (see paragraph 267 below) certain general United Kingdom standards will however continue to apply—for example in relation to medicines and drugs.

Personal Social Services†

239. The Assembly will be responsible for such social services as the care of children, the elderly, the handicapped and others in need of special care and protection. It will be able to supervise private provision in these fields, and make grants to voluntary bodies. It will not however be responsible for the probation service.

Social Security‡

240. The social security system and the war pensions scheme will remain on a United Kingdom basis.

241. Some problems arise over schemes for rent and rate rebates, rent allowances, and the minimum charges and personal allowances for those living in local authority homes. The Government’s approval will be required for any changes in such schemes which would affect wholly or mainly people receiving supplementary benefits, or people who would receive them if the changes were made. It is a more open question whether, because of the complexity of the interaction with social security generally, it would be better not to devolve powers relating to such schemes at all. The Government would welcome comments from bodies working in this field.

*See also paragraph 122.
†See also paragraph 123.
‡See also paragraphs 124-125.
Education, Science and the Arts*

242. The Assembly will be responsible for all educational and cultural matters (including the welfare of the Welsh language) other than those noted in paragraph 243 below. It will control the schools system in Wales, and it will be able to determine the structure of the maintained sector and policy of private schools and nursery education. It will be responsible for youth and community services, and for all further and higher education except the universities. However, since England and Wales operate virtually as a unit in the supply of teachers, the Assembly will be required to conform with guidance from the Government on the total output of teachers in Wales.

243. Responsibility will not be devolved for the Research Councils or the Nature Conservancy Council; for the universities; for national policy on mandatory awards to students on higher education courses (though the Assembly will be responsible for policy on discretionary awards); and for post-graduate awards.

244. The Assembly will be responsible for the arts (except the export control of works of art) and for national and local libraries, museums and galleries.

Housing†

245. The Assembly will be responsible for all aspects of housing, except that the Government will remain responsible for housing finance in the private sector (building society mortgages and the like) and will also keep a reserve power to prevent or restrict increases in public and private sector rents where general economic and counter-inflationary policy makes this necessary. These limited qualifications apart, the Assembly will be able to have its own policies, for both the public and the private sectors, on the provision and upkeep of accommodation, the control of rents, subsidies to local authorities and housing associations, renovation, building standards and slum clearance.

Physical Planning and the Environment‡

246. The Assembly will be generally responsible for physical planning and the environment. It will deal with the various aspects of land use—how to manage its development and control, how to co-ordinate land use planning with (for example) transport planning, and how to provide the general infrastructure needed for the prosperity of Wales. It will deal with the general improvement of the environment; the rehabilitation of derelict land; new towns; and the protection of countryside amenity and landscape.

*See also paragraphs 126-130.
†See also paragraph 131.
‡See also paragraphs 132-134.
247. The Assembly will have substantial supervisory powers under the new community land legislation, and will appoint the members of the Land Authority for Wales.

248. The devolution of planning powers will be subject to a continuing right—which should not need to be used often—for the Government to "call in" any particular planning issue for their decision if the general United Kingdom interest is affected, for example on non-devolved matters like defence. The Government will probably also need to keep the right to settle any disputes over compulsory purchase affecting such matters.

249. The Assembly will be responsible for sport and recreation, parks and open spaces, national parks, ancient monuments and historic buildings, public and civic amenities, and a variety of other matters like refuse collection and disposal, cemeteries, markets, fairs and allotments. It will be responsible also for dealing with natural emergencies (though any use of the armed forces to help in these must remain a matter for the Government). It will be responsible for protecting the environment, including preventing nuisances, atmospheric pollution and noise, except that their powers will not extend to aircraft, motor vehicles and ships.

Roads and Transport*

250. The Assembly will be responsible for a wide range of matters in the transport field. These will include the planning, construction and standards of roads; the application of traffic rules (except on motorways, where uniformity throughout Great Britain is important for safety); bilingual road signs; road safety publicity; local transport planning; road service licensing, including appointing Traffic Commissioners and deciding appeals arising from their decisions; powers to subsidise bus and railway passenger services, to be exercised concurrently with similar local authority powers; inland waterways; examining and paying claims for new bus grants; operating the current powers to pay fuel duty rebate to bus operators; and the supervision of local authority airports.

Development and Industry†

251. There will be no change in the powers of the Welsh Development Agency. Its environmental and factory building functions will be fully devolved, except that the terms of disposal of factories will remain under Government control. The other industrial functions of the Agency will remain with the Government. Half the members of the Board of the Agency will be appointed by the Assembly, which will also be consulted before the Secretary of State appoints the Chairman.

252. There can be no question of breaking up the main nationalised industries or splitting responsibility for them. The Government envisage

*See also paragraphs 135-137.
†See also paragraphs 138-141.
however that there should be informal contacts between them and the Assembly on matters of joint interest, and that they should include in their reports information on recent developments and future plans for Wales. The Assembly will be able to discuss these reports, and to make representations to the industries or to Ministers.

253. Government Departments operating on a central basis will keep their present statutory functions for industry and commerce; but they will consult the Office of the Secretary of State or the Assembly on matters of common concern.

Natural Resources*

254. The Assembly will be responsible for freshwater fisheries, for management of the agricultural estates now vested in the Secretary of State for Wales, and also for forestry functions (except fiscal, regulatory and international aspects). The Forestry Commission will remain as the instrument for carrying out Welsh policies, for which it will be financed by and accountable to the Assembly.

Water in Wales

255. Decisions taken about water services in Wales can radically affect water supplies in extensive and heavily populated areas of England. In order to match river basins the area of the Welsh National Water Development Authority has to include parts of England and that of the Severn-Trent Regional Water Authority to include parts of Wales. The Government envisage that both authorities should remain in being within their present boundaries and should be responsible to the Welsh Assembly for their operations in Wales and to the Government for their operations in England. Substantial water development and policy changes anywhere in Wales will be subject to the Assembly’s agreement. Unresolved cross-border disputes would have to be referred to the Government. The Assembly will provide or nominate the majority of the members of the WNWDA and some members of the STRWA, and will be responsible for water recreation and amenity planning throughout Wales.

256. The Government are currently conducting a general review of the water industry in England and Wales. The details of the arrangements described above may need to be altered in the light of that review.

Tourism

257. The Assembly will be responsible for tourism in Wales, including the Wales Tourist Board. Overseas promotion will remain the responsibility of the British Tourist Authority, which will receive funds from the Government for promoting tourism to Wales as well as to England and Scotland. If the Assembly wants to give the Authority extra funds for specific

*See also paragraphs 142-143.
promotions overseas, or to give work to other agencies, it will be free to do so; but it will not receive extra United Kingdom funds for these purposes.

**Other Matters**

258. The Assembly will be responsible also (to the extent that there are current governmental functions conferred by primary legislation) for a wide variety of other matters such as fire services; betting, gaming and lotteries; public holidays and summer time; the registration of theatrical employers; controlling charitable collections; Sunday observance; shop hours; the registration of births, marriages and deaths; and the licensing of taxis, liquor and places of entertainment.

259. It will not be possible to decide whether the Assembly should have a role in relation to broadcasting until the Committee on the Future of Broadcasting, under the chairmanship of Lord Annan, has reported. Technical factors and international obligations will in any event make it impossible to devolve responsibility for allocating frequencies and controlling transmitter power.

**Nominated Bodies**

260. The Government attach particular importance to giving the Assembly the maximum role possible in the democratic supervision of nominated bodies now operating in the fields to be devolved. The following paragraphs set out the arrangements which the Government propose for the future treatment of existing bodies.

261. The Assembly will be responsible for nominated bodies operating wholly in Wales on devolved matters unless, exceptionally, it proves necessary in a particular case to set special limitations. This responsibility will include financing, accountability, reporting and appointments (though recommendations for appointments by the Crown will need to be made through the Secretary of State). The Assembly will inherit all governmental powers under existing legislation affecting those bodies. If changes are needed in bodies constituted by Royal Charter or Warrant, these bodies will themselves have to apply for the necessary amendments to their constitutions.

262. The Government intend that the Secretary of State should have power, by Order subject to negative resolution procedure at Westminster, to provide that the Welsh Assembly itself should assume the functions of a particular nominated body in Wales. This power would be used in consultation with the Assembly.

263. Bodies operating in Wales in devolved matters but organised on a United Kingdom, Great Britain or England-and-Wales basis raise complicated problems. The Government at present envisage that these bodies will continue initially to operate as they do now; they will have no formal accountability to the Assembly and, where they are financed now through Parliament, this will continue. However, by normal consultation
and agreement the Government will be able to secure changes in their activities and membership, and executive bodies will be able to act as the agents of the Assembly, provided all this can be arranged within the broad scope of the body's general policy, its legal powers and, where appropriate, its continuing primary responsibility to the Government. There will also be provision for the Government, by Order subject to affirmative resolution of Parliament, to make any legal changes which may be needed in the formal structure and powers of a particular body to reflect any agreement between them and the Assembly in consultation with the body itself.

264. The staff of a nominated body operating wholly in Wales in a devolved field who are civil servants will be treated on devolution like other civil servants in the devolved fields; they will continue to belong to a unified United Kingdom service. Any consultations between the administration and the Government about setting up a separate Welsh civil service (paragraph 216 above) would include the future of civil servants serving with nominated bodies. The assembly will inherit whatever responsibilities the Government now have in relation to staff who are not civil servants.

265. With nominated bodies operating on a United Kingdom or Great Britain basis (paragraph 263), there will be no change in responsibility for staff.

266. Appendix F lists nominated bodies to which the arrangements in paragraphs 261-265 are expected to apply.

**General Standards***

267. There are a number of matters in which common rules and standards are essential and for which responsibility must therefore remain with the Government. These cover the regulation or statutory standards of marketing, composition, labelling and performance of commonly traded articles or goods, including in particular food (and its handling), medicines, drugs, animal feedingstuffs and pesticides; construction standards for vehicles; and safety standards for fuel-burning appliances, for the use of gas, and for articles used in the home such as inflammable textiles. They also include trades unions, industrial relations and the rights of employees; export credit; competition policy; fair trading; insurance; patents, trade marks, designs and copyright; weights and measures; and shipping and civil aviation.

**Pay in the Public Sector†**

268. The Assembly will be required to take account, in determining pay and related conditions (including pensions) in the devolved services, of any wider considerations of national economic or pay policy brought specially to their attention by the Government. In addition, in fields where the Government now exercise, in one way or another, general control

*See also paragraph 160.
†See also paragraph 161.
over pay and conditions of service (as in the health service) the consent of the Secretary of State will be required for any changes. Moreover, the Government expect that where pay in any area of the public services is now settled by national negotiations or arrangements, these will continue—with appropriate representation for the Welsh Assembly—after devolution, whether or not the Secretary of State's consent is required to the outcome.

**Statistics and Other Information***

269. The right to collect relevant statistics and other information goes naturally with responsibility for particular services, and the Assembly will have this right in the devolved fields.

270. The population census for England and Wales must remain basically a matter for the Government. The Government would however take into account any views of the Assembly in determining the scope and content of census-taking in Wales.

271. To ensure that the Government remain able to meet their retained responsibilities there will be a general provision in the Act requiring the Assembly to furnish information to the Government on request.

272. The Assembly and the Government will be bound to safeguard each other's confidential information, and the law on the protection of official information will apply in devolved matters as it does now in Government matters.

**Tribunals and Inquiries†**

273. Within devolved fields, the Assembly will inherit any existing powers concerning tribunals and inquiries, and will be able to set up non-statutory inquiries.

**E. SUMMARY OF THE SCHEME FOR WALES**

274. The scheme will create an elected Welsh Assembly. While the Assembly will not be able to pass primary legislation, there will be a major devolution of policy-making and executive powers covering a great range of subjects now controlled by the Government. The devolved matters for Wales will become the responsibility of the Assembly, working through specialised committees in which all members can take a constructive part.

275. Mainly through the Secretary of State, the Assembly will be able to influence the shaping of United Kingdom legislation that applies to Wales in the devolved fields; and Welsh Members of Parliament will take part in its scrutiny and passage. Within primary legislation, and subject to

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*See also paragraphs 164-167.
†See also paragraph 168.
a limited number of specific restrictions and to general constitutional safeguards, the use of which should in practice be exceptional, the Assembly will have wide freedom. These fields will include most aspects of supervising local government, health, social services, education, housing, physical planning, the environment and forestry and many aspects of transport and water. In these devolved fields the Assembly will be able in general to do anything that does not need new primary legislation. To finance the devolved services it will have a block grant from United Kingdom taxation, which it can allocate as it wishes. It will be able, if it chooses, to levy a surcharge on local government taxation.

276. The general effect will be to place under immediate Welsh democratic supervision a wide range of services run in Wales for Wales. This will include bringing under the Assembly's control many of the appointed bodies now operating in Wales.

277. The Secretary of State will continue to have a major role, as Part V explains. In broad terms however control of the great bulk of public services which affect the people of Wales will be in the hands of their Assembly.
PART V: DECENTRALISATION—THE EXECUTIVE ROLE OF SCOTTISH AND WELSH MINISTERS IN THE GOVERNMENT

278. Parts III and IV above have set out the subject fields to be devolved to the Scottish and Welsh administrations. All other matters will be reserved to the Government. The Government have however reviewed the full range of these other matters, and intend to allocate important new responsibilities to the Secretaries of State for Scotland and Wales.

279. Decentralisation is not a substitute for devolution. But where it is necessary for powers to remain with the Government, decentralisation enables decision taking within the framework of collective Ministerial responsibility to be moved to Scotland and Wales. It will also make it possible to have simpler and more effective arrangements for informal consultation with the devolved administrations on matters of common concern.

280. Some of the powers which cannot be devolved are already exercised by the Secretaries of State for Scotland and Wales. The Secretary of State for Scotland will remain responsible for the electricity industry. He will also keep the main agriculture and fisheries functions. These are essential national industries, and to avoid market distortions policies must be determined by the Government. There are also important international and European Community aspects. Devolution is therefore impracticable. Where powers are at present exercised in Scotland by the Secretary of State, but for Wales by the Minister of Agriculture, Fisheries and Food (sometimes jointly with the Secretary of State), those for Wales will be transferred to the Secretary of State alone.

281. The Secretaries of State will keep their responsibilities for economic planning and industrial steering and promotion, as well as powers of selective regional industrial assistance under section 7 of the Industry Act 1972, where they will be able at their discretion to arrange for the Scottish and Welsh Development Agencies to act for them. They will also keep their powers of control over the investment and industrial participation activities of the Development Agencies, though all the other powers of the Agencies will be under the direct control of the Scottish and Welsh administrations. The combination of devolved and reserved functions in the Agencies is reflected by the arrangement whereby the Secretaries of State will appoint half the members of the Boards, and will also appoint the Chairmen after consultation with the administrations. Responsibility for the Highlands and Islands Development Board’s activities as a whole will be devolved, but the Board’s geographical area will continue to be defined by the Secretary of State for Scotland and he will lay down a system of guidelines and cash limits for their activities in non-devolved fields such as assistance to industry, fishing and agriculture.
282. The main new function which will be transferred both to the Secretary of State for Scotland and to the Secretary of State for Wales will be responsibility for the activities in Scotland and Wales of the Manpower Services Commission, the Training Services Agency and the Employment Service Agency. Within the requirements of a single labour market this transfer will help these bodies to give full emphasis to special local conditions. The Government intend to develop with the Scottish and Welsh administrations informal arrangements for co-ordination between these activities and related ones for which the administrations will be responsible, including further education.

283. The Government have considered decentralising to the Secretaries of State for Scotland and Wales responsibility for some or all of the activities in Scotland and Wales of those nationalised industries which cannot be devolved. These include industries which form part of a closely integrated national and in some cases international network (railways, airways, posts and telecommunications) and others (steel, coal, gas) which serve wide markets and must for efficiency continue to be run on a United Kingdom or Great Britain basis. In these cases (and also with ports, for which the Government will soon be bringing forward nationalisation proposals) transfer to the Secretaries of State of formal responsibilities for a geographical part of the operations would make little sense. The Secretaries of State already share however in Government decisions affecting these industries (including appointments to their associated consumer bodies) in Scotland and Wales, and the importance of this involvement will be enhanced by their new economic functions.

284. Since the Government bear the prime responsibility for protecting the interests of all citizens of the United Kingdom and the security of the nation there are other functions outside the economic field where devolution is not feasible; certain law and functions in Scotland—such as those relating to the police and the prosecution system—are notable examples. Most of these will however continue to be exercised by Scottish Ministers—the Secretary of State or the Lord Advocate.

285. Taken together, the decentralisation proposals will give the Secretaries of State for Scotland and Wales an enhanced and very substantial economic role, monitored by Parliament with its full complement of Scottish and Welsh Members. The Secretaries of State and the Lord Advocate will also retain a wide general role, even in matters where it has not been necessary to create formal arrangements, in advising their colleagues in the Government on particular Scottish and Welsh considerations. All this will complement the devolution schemes in ensuring that decisions on a very wide range of Government activity are made in Scotland and Wales, whether by the devolved administrations or by Scottish and Welsh Ministers, and that decisions which have to be made elsewhere take full account of the Scottish and Welsh dimension.
PART VI: COSTS

286. The long-term cost of devolution in manpower and money cannot be calculated exactly. No one can forecast how successful the new administrations will be in providing devolved services economically, or what changes they may choose to make in the organisation and conduct of business. Estimates made now can be based only upon a broad assessment of how the devolved administrations, and the Scottish and Welsh Offices in their new form, are likely to operate when they are first established. Furthermore, the main policy decisions are still recent; there must be continued study of detail, some of which could have cost implications.

287. Devolution must mean some increase in the direct costs of government. There will be entirely new activities, not least the running of the Assemblies themselves; there will be some loss of economies of scale in support services; there will be new and sometimes unavoidably complex divisions of responsibility; and it must be likely that in some of the devolved fields the new administrations will wish to make less use than the Scottish and Welsh Offices do of the specialised expertise of London-based Departments.

288. It would however be quite wrong to suppose that devolution means vast new bureaucracies. In essence, it is not the creation of new administrative machines but the transfer of responsibility for existing ones to new centres of democratic accountability.

289. On provisional estimates made so far, the scheme for Scotland might mean a capital outlay of some £2-3 million (for the conversion of the former Royal High School building in Edinburgh to house the Assembly), extra staff of about 1,000 (including 200 for the Assembly itself) and extra annual running costs of around £10 million.

290. The picture is different in Wales, since there has been less decentralisation; the Welsh Office is far smaller than the Scottish Office. The extra requirement in Wales is therefore both larger (because extra functions will be transferred to the Principality) and more difficult to estimate closely. Broadly however the extra staff might be around 600 initially, rising thereafter to about 1,600 when the Assembly gets into its stride. At the earlier level the extra running costs would be around £5 million, rising at the later stage to around £12 million. Preparing the Temple of Peace and Health in Cardiff (if it can be made available) for the Assembly might mean a capital outlay of £1-2 million.

291. The transfer of responsibilities to the new administrations will affect the tasks of other Government Departments as well as the Scottish and Welsh Offices. It is not yet possible to estimate all the effects, even
broadly, but there ought to be net savings in these other Departments, par­
ticularly in relation to Wales.

292. These last effects apart, the schemes for Scotland and Wales to­
gether might mean, in total, capital costs of around £4 million, extra staff
building up to some 2,500-3,000 and annual costs building up to around £22
million. Such costs are naturally in themselves unwelcome, especially in
current economic circumstances. They must however be seen in perspective;
they relate to a major gain in democratic control and accountability for
public services which last year cost nearly £2,900 million. Against this back­
ground, the Government do not regard them as disproportionately heavy.
293. The Government’s proposals for Scotland and Wales envisage powerful and wide-ranging new systems of democratic control to meet the desire of the Scottish and Welsh people for more direct and effective involvement in the running of their own affairs, recognising their distinctive identities within the wider framework of which they will remain part. The proposals however will rightly evoke interest not in those countries alone, but throughout the United Kingdom. The Government will therefore welcome wide discussion and comment. The essential political and economic unity of the United Kingdom has the corollary that what happens to the part must be of concern to the whole. It is to the benefit of all our citizens, wherever they live, that that unity should be preserved; the Government have taken this as a constant and cardinal principle in devising their proposals. Irrespective of any later plans for England or Northern Ireland, devolution must never be seen as conferring unfair advantages on Scotland and Wales.

294. The Government look forward to public debate on their proposals. These proposals are designed to strike a careful balance—in particular, between the desirability of allowing the maximum local freedom and initiative and the need to safeguard the unity of the United Kingdom; and between maximising local democratic control over the allocation of expenditure on the public services and the continuing responsibility of the Government for managing the economy. Any suggestions for modifying the proposals will also have to pay regard to these considerations if they are to command widespread acceptance.

295. After devolution to Scotland and Wales, each part of the United Kingdom will have a different form of government. There is nothing new about this. Northern Ireland had a separate Parliament from 1920 to 1973, and more recently its own Assembly. Scotland has had its own Minister in the Government for very many years, and a wide range of powers and functions have been decentralised to him. The system in Wales is similar in principle, but newer and less extensive. Arrangements in the English regions are different again, with regional offices of central government backed up by advisory bodies such as the regional economic planning councils.

296. The unity and coherence of British society will not be destroyed. Changes in our democratic machinery will not harm the deep sense of allegiance to the United Kingdom as a whole felt by our peoples; indeed, their success depends upon it. Nothing in the Government’s present proposals will weaken the powerful social and cultural influences which help to build unity—highly developed communications; widely-circulating news-
papers; radio and television; and above all a close web of ties in family and friendship throughout the United Kingdom. The peoples of Scotland and Wales will find it welcome that, within a larger unitary state, they will have their own Assemblies, concerned to foster their culture and traditions and to satisfy their needs in the ways they wish. The United Kingdom will still be a single state; the Scottish and Welsh administrations will have no separate authority in international relations. Parliament will remain ultimately sovereign in all matters, whether devolved or not, and will continue to include the present complement of Scottish and Welsh Members.

297. The United Kingdom economy will continue to be managed as one unit, with all contributing through the tax system according to their means and for the benefit of all. It is not the purpose of devolution to give Scotland and Wales more and more while the rest of the United Kingdom gets less and less. The object is rather to give Scotland and Wales more freedom to decide what to do with their fair share—a discretion to improve the use rather than to raise the consumption of resources. The economic position of a country or region will not depend on the tax revenue which it happens to produce at a particular period; vigorous regional policies will continue, with the aim of achieving the fairest possible division of jobs and investment between different areas of the United Kingdom. And the Secretaries of State for Scotland and Wales, alive to the traditions and needs of their countries and charged with both constitutional and economic functions, will help to ensure that relations between the Government and the new administrations are marked by creative co-operation.

298. Any change in the machinery of democratic government must bring new problems in its wake. The Scottish and Welsh Assemblies will no doubt have teething troubles, and there will be a financial price to pay. This however is well worth accepting in order to meet the clear popular demand in Scotland and Wales for bringing nearer home the democratic control of much government activity. The proposals set out in this White Paper are a response to differing needs in the ways best matched to them. This flexibility will give renewed vigour and strength to our unity.
SCOTTISH AND WELSH ASSEMBLIES:
QUALIFICATION AND DISQUALIFICATION FOR MEMBERSHIP

1. The rules on qualification and disqualification for membership of the Assemblies will be the same for both Scotland and Wales.

Qualification for Membership

2. Candidates should be (as for the House of Commons): —
   a. at least 21 years of age; and
   b. a British subject or a citizen of the Republic of Ireland.

Disqualification for Membership

3. The following persons will be disqualified: —
   a. persons who are disqualified for House of Commons membership as holding any of the offices set out in section 1 of the House of Commons Disqualification Act 1975, such as judges, civil servants, and members of police forces or of the regular armed services;
   b. persons holding certain other listed offices, including chairmanship or membership of a wide range of commissions, boards, administrative tribunals, public authorities and undertakings. The general criteria for drawing up the list are described in paragraph 4;
   c. persons under sentence of treason;
   d. persons whose estate has been sequestrated or who have been adjudged bankrupt; and
   e. persons who are guilty of corrupt or illegal practices at elections under Part III of the Representation of the People Act 1949, which will be applied to the Assemblies.

4. The general criteria for drawing up the list of disqualifying offices mentioned in paragraph b. above will be these: —
   a. paid office holders whose functions are confined to Scotland or Wales and who will in future be appointed by the Scottish or Welsh administrations will normally be disqualified from the Assembly of the country in which they perform their functions and generally also from the House of Commons, but not from the other Assembly;
   b. persons who hold paid office in bodies appointed by the United Kingdom Government and who are disqualified from the House of Commons will normally be disqualified from the Scottish or Welsh Assembly if the functions of the body extend to Scotland or Wales respectively, but not otherwise;
   c. unpaid office holders will be disqualified only if the office might make it impossible for its holder to fulfil his Assembly duty satisfactorily or if it is particularly important that the holder of
the particular office concerned should be seen to be free from political bias. Where disqualification is regarded as appropriate for these reasons, its territorial application will follow that for paid offices.

5. Members of the United Kingdom Parliament, including peers and peeresses, will not be disqualified. Nor will a member of one Assembly be disqualified from membership of another.

6. No clergy of any denomination will be disqualified from the Assemblies.

7. The proposed rules on disqualification are in substance the same as those for the House of Commons, except in respect of clergy and peers.

Alterations to the Scope of Disqualification

8. There will be two ways of altering the lists of disqualifying offices. One will be primary legislation by Parliament, for example when new public offices are established whose functions extend to Scotland or Wales. The other will be by Order in Council. It will be open to the Assemblies to resolve that the list should be altered, for example in consequence of a new Scottish Assembly Act; and the Government would take note of any such resolution.

Exclusion and Expulsion of Members from the Assemblies

9. An Assembly will be able to exclude for a limited period Members who are obstructing business to an intolerable extent. This will be done under the Assembly's own Standing Orders, as part of the day-to-day conduct of business. In addition, the Act will lay down that failure to attend meetings of the Assembly or its committees for any period of six consecutive months will result in the Member's seat becoming vacant, unless the absence is specifically approved by the Assembly.

Repercussions on Membership of the House of Commons

10. Members of the Assemblies will not be disqualified for membership of the House of Commons. But some office holders under the Assemblies will need to be added to the list of those disqualified from the House of Commons.
COMPLAINTS MACHINERY IN SCOTLAND AND WALES

1. The existing complaints machinery (the “Ombudsman” system) is an important protection for the citizen, and the Government will establish comparable machinery to investigate complaints of maladministration by the Scottish and Welsh administrations in the devolved fields.

2. Scottish and Welsh Assembly Commissioners will be appointed by Her Majesty. Action will be initiated by a complaint to an Assembly Member which will then be passed to the Commissioner; in Wales, where the Assembly will be the executive and can itself be the body complained against, there will be additional provision for the Commissioner to accept a complaint direct from the public where an Assembly Member has declined to pass it on.

3. Subject to exclusions comparable to those applying to the Parliamentary Commissioner, the Scottish Assembly Commissioner will be able to investigate any action taken in the exercise of administrative functions by a department serving the Scottish Executive. The Welsh Assembly Commissioner will have a similar power in relation to action taken by or on behalf of the Welsh Assembly by Members, committees, or officers.

4. The Commissioners will make periodic general reports to the Assemblies. They will also be able to make special reports, for example on cases where the injustice has not been or will not be remedied.

5. The investigation of complaints about the activities of the Scottish and Welsh Offices and other Government Departments will remain the responsibility of the Parliamentary Commissioner.

6. Where a Government Department or one of the devolved administrations is acting as agent for the other, or where a complaint covers both devolved and non-devolved matters, the Government Department's actions will be investigated by the Parliamentary Commissioner and the administration’s actions by the appropriate Assembly Commissioner.

7. The complaints machinery for the health service in Scotland and Wales will continue, but with procedural modifications so that the Commissioners report to the devolved administrations. The complaints machinery for local government in Scotland and Wales will continue as at present.

8. Legislative responsibility for all these Commissioners will remain with Parliament. In the longer term, when the Government and the devolved administrations have had some experience of operating after devolution, there may be scope for them, in collaboration, to consider streamlining the present system.
PUBLIC EXPENDITURE AND BLOCK GRANT CONSULTATIONS:
AN ILLUSTRATIVE ANNUAL CALENDAR

February
i. Start of new annual public expenditure review cycle. Repricing and updating by officials of figures in the last annual United Kingdom White Paper on public expenditure, which will have covered the financial year about to close and the subsequent four years. Discussion of appropriate basis for extending the horizon forward to include the new fifth year.

May-June
ii. After joint technical appraisal, officials report to the Scottish and Welsh administrations and to the Government on the prospects for expenditure in the new four-year period ahead, including the new fifth year.

June-September
iii. Proposals for modification of the public expenditure projections for future years assessed and discussed at official level. Outstanding issues discussed at Ministerial level with members of the Scottish and Welsh administrations. (At the same time, within the Government, assessment and discussion of the proposals affecting the non-devolved services, including those for which the Secretaries of State for Scotland and Wales will be responsible.)

September-October
iv. Cabinet decisions on expenditure priorities.

December-January
v. Publication in the annual United Kingdom White Paper of outcome of the public expenditure review for the subsequent four financial years, including the levels of provision for devolved services in Scotland and Wales.
vi. Publication by the Scottish and Welsh administrations, if they so wish, of their own proposals for allocating Scottish and Welsh provisions to individual devolved services.

February-March
vii. Publication of Supply Estimates setting out the White Paper decisions for which provision is required in the next financial year. Submission of the Scottish and Welsh block grant Estimate for approval by Parliament. (Allocation of the block grant when approved by Parliament would be a matter for the Scottish and Welsh Assemblies, using their own Assembly procedures for appropriation to individual services.)

Note: Arrangements will be made during the financial year for Supplementary Estimates procedures to vote any appropriate additional finance to the devolved services.
OUTLINE OF SUBJECT FIELDS TO BE DEVOLVED

Notes:  a. The references to the main matters are to the functions as they exist now. The Scottish Assembly will be able to legislate to develop new or to modify or abolish existing functions within devolved fields. In Wales the Assembly will be able to act within the framework established by Acts of Parliament.

b. This list should be taken in conjunction with relevant sections of the White Paper, including paragraphs 87-92 and 155-168 (Scotland) and paragraphs 219-221 and 260-273 (Wales), which deal with certain general matters affecting several or all subject fields.

1. Local Government—see paragraphs 119-121 (Scotland) and 236-237 (Wales).

The main devolved matters will be:—

i. the general supervision of local government, including (in Scotland) the allocation among local authorities of functions in devolved fields and local government structure and administrative and electoral areas and boundaries;

ii. the financial arrangements of local government, including the amount and distribution of rate support grant, the approval of capital investment and the detailed application of the local tax system. (Power to legislate on the sources of local taxes and on borrowing will not be devolved.)

2. Health—see paragraphs 122 (Scotland) and 238 (Wales).

The main devolved matters will be:—

i. the structure and operation of the National Health Service;

ii. policy on private practice (including its supervision) and private hospital facilities;

iii. general health matters, such as the prevention and notification of infectious diseases and control of nursing homes;

iv. policy on such matters as abortion and the use of dead bodies and organs;

v. radiological protection.

3. Personal Social Services (in Scotland, Social Work)—see paragraphs 123 (Scotland) and 239 (Wales).

The main devolved matters will be:—

i. care and support of children (including the supervision of children who have been before the courts and, in Scotland, Children's Hearings), the handicapped and the elderly, and other groups in need of special care or support such as drug addicts and alcoholics;

ii. supervision of the standards of private provision in these fields, and grants to voluntary bodies.
4. **Education and the Arts**—see paragraphs 126-130 (Scotland) and 242-244 (Wales).

The main devolved matters will be:—

i. schools, including organisation, attendance requirements and curricula;

ii. further and higher education, except universities;

iii. certain awards to students;

iv. adult education;

v. youth and community services;

vi. national and local museums and libraries;

vii. the arts.

5. **Housing**—see paragraphs 125 and 131 (Scotland) and 241 and 245 (Wales).

The main devolved matters will be:—

i. the provision, upkeep and improvement of housing accommodation by private owners and public authorities;

ii. public sector housing finance; subsidies to local authorities and housing associations; and control of rents in the public and private sectors.

6. **Physical Planning and the Environment**—see paragraphs 132-134 (Scotland) and 246-249 and 255-256 (Wales).

The main devolved matters will be:—

i. land use and development, including protection of countryside amenity and landscape;

ii. most executive aspects of the community land scheme;

iii. environmental improvement, and rehabilitation of derelict land (including all the environmental functions of the Scottish and Welsh Development Agencies);

iv. water, river management, arterial drainage and flooding, sewerage and sewage disposal and water recreation and amenity planning;

v. new towns;

vi. other environmental functions, including

a. allotments
b. ancient monuments and historic buildings
c. buildings: design and construction standards and building regulations
d. burial and cremation; and provision of mortuaries
e. commons registration and management (applicable only to Wales)
f. markets and fairs
g. national parks (applicable only to Wales)
h. protection of the environment generally, including the prevention of nuisances and control of noise and pollution of the
atmosphere (except in relation to aircraft, motor vehicles and ships)
i. provision and protection of public and civic amenities
j. refuse collection and disposal
k. sport and recreation, including the provision of parks and open spaces.

7. Roads and Transport—see paragraphs 135-137 (Scotland) and 250 (Wales).

The main devolved matters will be:

i. roads (including motorways)—planning, construction and standards;
ii. the local application of rules for the management of road traffic (except on motorways) and, in Wales, the authorisation of bilingual traffic signs;
iii. road safety publicity;
iv. road service licensing, the appointment of Traffic Commissioners and appeals from Traffic Commissioners in cases involving services wholly within Scotland or Wales;
v. local transport planning (including in Wales powers, concurrent with those exercised by local authorities, for the Assembly to subsidise bus and rail passenger services);
vi. bus and shipping services operated by the Scottish Transport Group;
vii. payment of new bus grants;
viii. payment of bus fuel duty rebate;
ix. subsidies for Scottish internal air and shipping services;
x. local authority airports (arrangements for devolving other publicly-owned airports in Scotland will be discussed with the Scottish administration);
xii. inland waterways.

8. Development and Industry—see paragraphs 138-141 (Scotland) and 251-253 (Wales).

The devolved matters will be:

i. factory building by the Scottish and Welsh Development Agencies and the Highlands and Islands Development Board, new town corporations and local authorities (subject to Government control of the terms of disposal);
ii. all other functions of the Highlands and Islands Development Board (subject to retention of the Board and to Government control in certain fields).

9. Natural Resources—see paragraphs 142-143 (Scotland) and 254 (Wales).

The main devolved matters will be:

i. forestry functions, except for fiscal, regulatory and international aspects, and subject to retention of the Forestry Commission;
ii. management of the agricultural estates now vested in the Secretaries of State for Scotland and Wales;
iii. smallholdings;
iv. crofting (Scotland only);
v. agricultural landlord/tenant relationships;
vi. improvement of fisheries harbours (Scotland only);
vii. freshwater fisheries.

10. Scottish Law Functions—see paragraphs 144-151.
The main devolved matters will be:—

i. as much of private law as proves, on further study, to be compatible with consistency in matters of wider United Kingdom interest, including the maintenance of a common framework for trade;

ii. the general criminal law (except for offences concerning the security of the state, matters for which uniformity is important—eg explosives, firearms and dangerous drugs and poisons—and matters relating to subject fields which will not be devolved, such as tax and motoring offences);

iii. the treatment of offenders;

iv. executive responsibility for the Scottish Law Commission.

Responsibility for the supreme courts, the sheriff courts, the district courts and related matters needs further consideration.

11. Tourism—see paragraphs 152 (Scotland) and 257 (Wales).
Responsibility for tourism in Scotland and Wales will be devolved, subject to the retention of the British Tourist Authority for overseas promotion.

12. Other Matters—see paragraphs 153-154 (Scotland) and 258-259 (Wales).
The devolved matters will include:—

i. fire services;

ii. miscellaneous regulatory functions: licensing of taxis, liquor and places of entertainment; shop hours;

iii. betting, gaming and lotteries;

iv. the fixing of public holidays and summer time;

v. registration of births, marriages and deaths;

vi. records and archives;

vii. byelaws in devolved fields.
SCOTLAND: LIST OF NOMINATED BODIES IN DEVOLVED SUBJECTS

(Paragraphs 155-159 of the White Paper refer. Bodies covered by special arrangements described elsewhere in the White Paper, such as the Forestry Commission, the Scottish Development Agency and the Highlands and Islands Development Board, are not listed.)

The bodies listed here are those which operate under Royal Charter or Warrant or under statute. The lists are not intended to be definitive. Bodies formed by administrative arrangements, and statutory bodies to which no appointment has been made by the Government, are excluded.

A. Bodies operating on a United Kingdom or Great Britain basis

- Arts Council of Great Britain
- Board of Trustees of the Central Bureau for Educational Visits and Exchanges
- British Library Board
- Central Council for Education and Training in Social Work
- Council for Educational Technology
- Council for the Education and Training of Health Visitors
- Council for National Academic Awards
- Council for the Professions Supplementary to Medicine
- Fire Service College Board
- Gaming Board for Great Britain
- General Dental Council
- General Medical Council
- General Optical Council
- General Practice Finance Corporation
- Horse Race Betting Levy Board
- Horse Race Totalisator Board
- Housing Association Registration Advisory Committee
- Housing Corporation
- National Radiological Protection Board
- Pharmaceutical Society of Great Britain
- Royal Commission on Environmental Pollution

B. Bodies operating only in Scotland

(This list includes bodies subordinate to or established by bodies operating on a wider basis.)

- Advisory Council on Social Work
- Ancient Monuments Board for Scotland
- Area Nurse Training Committees
Board of Management for Schemes of Pensions for Widows and other Dependants of Teachers in Scotland
Board of Trustees of the Scottish National War Memorial
Building Standards Advisory Committee

Central Midwives Board for Scotland
Children's Panels
Children's Panels Advisory Committees
Clean Air Council for Scotland
Commission for Local Authority Accounts in Scotland
Common Services Agency for the Scottish Health Service
Countryside Commission for Scotland
Crofters' Commission

Fire Services (Scotland) Examinations Board
General Nursing Council for Scotland
General Teaching Council for Scotland
Governing Bodies of Central Institutions

Health Boards
Historic Buildings Council for Scotland

Legal Aid Central Committee
Local Government Boundary Commission for Scotland
Local Review Committees (Prisons and Young Offenders' Institutions)

Mental Welfare Commission for Scotland
National Health Service Tribunal
National Optical Consultative Committee
National Panel of Specialists
New Town Development Corporations
New Town Licensing Planning Committees

Panel for the Independent Schools Tribunal
Parole Board of Scotland

Red Deer Commission
Rent Assessment Panel for Scotland
Rent Tribunals
Royal Commission on the Ancient and Historical Monuments of Scotland
Royal Fine Art Commission for Scotland

Scottish Arts Council
Scottish Central Fire Brigades Advisory Council
Scottish Certificate of Education Examination Board
Scottish Dental Estimates Board
Scottish Health Service Planning Council
Scottish Housing Advisory Committee
Scottish Hospital Endowments Research Trust
Scottish Hospital Trust
Scottish Medical Practices Committee
Scottish National Camps Association
Scottish Records Advisory Committee
Scottish River Purification Boards
Scottish Special Housing Association
Scottish Sports Council
Scottish Teachers Salaries Committee
Scottish Tourist Board
Scottish Transport Group
Scottish Valuation Advisory Council
Scottish Water Advisory Committee
State Hospital Management Committee

Trustees, National Galleries of Scotland
Trustees, National Library of Scotland
Trustees, National Museum of Antiquities of Scotland

Visiting Committees, HM Borstal Institutions, HM Detention Centre
Glenochil, HM Young Offenders’ Institutions
WALES: LIST OF NOMINATED BODIES IN DEVOLVED SUBJECTS

(Paragraphs 260-266 of the White Paper refer. Bodies covered by special arrangements described elsewhere in the White Paper, such as the Welsh Development Agency and the Forestry Commission, are not listed.)

The bodies listed here are those which operate under Royal Charter or Warrant or under statute. The lists are not intended to be definitive. Bodies formed by administrative arrangement, and statutory bodies to which no appointment has been made by the Government, are excluded.

A. Bodies operating on a United Kingdom, Great Britain or England and Wales basis

Advisory Committee on Rent Rebates and Rent Allowances
Arts Council of Great Britain
Board of Trustees of the Central Bureau for Educational Visits and Exchanges
British Library Board
Building Regulations Advisory Committee
Bumham Committees
Central Council for Education and Training in Social Work
Central Fire Brigades Advisory Council for England and Wales
Central Health Services Council and associated Standing Committees
Central Midwives Board
Clean Air Council
Council for Educational Technology
Council for the Education and Training of Health Visitors
Council for National Academic Awards
Council for the Professions Supplementary to Medicine
Countryside Commission
Dental Estimates Board
Fire Service College Board
Fire Services Central Examinations Board
Gaming Board for Great Britain
General Dental Council
General Medical Council
General Nursing Council for England and Wales
General Optical Council
General Practice Finance Corporation
Horse Race Betting Levy Board
Horse Race Totalisator Board
Housing Association Registration Advisory Committee
Housing Corporation
Medical Practices Committee
National Health Service Tribunal
National Radiological Protection Board
National Water Council
Pharmaceutical Society of Great Britain
Public Health Laboratory Service Board
Royal Commission on Ancient Monuments
Royal Commission on Environmental Pollution
Severn-Trent Water Authority
Welfare Panel of the Appeal Tribunal
Welsh National Water Development Authority

B. Bodies operating only in Wales
(This list includes bodies subordinate to or established by bodies operating on a wider basis.)

Ancient Monuments Board for Wales
Area Health Authorities
Central Advisory Council for Education (Wales)
Community Health Councils
Countryside Commission, Committee for Wales
Court and Council of the National Library of Wales
Court and Council of the National Museum of Wales

Historic Buildings Council for Wales
Library Advisory Council (Wales)
Licensing Planning Committees

National Parks Committees
New Town Development Corporations
New Town Licensed Premises Committees
Rent Assessment Panel for Wales
Rent Tribunals
Royal Commission on Ancient and Historical Monuments (Wales)

Sports Council for Wales
Wales Tourist Board
Welsh Arts Council
Welsh Health Technical Services Organisation
Welsh Medical Committee
Welsh Nurse Training Committee
Welsh Nursing and Midwifery Committee
Welsh Pricing Committee
CABINET

PUBLIC EXPENDITURE TO 1979-80

Memorandum by the Chancellor of the Exchequer

1. At our meeting on 13 November, we agreed that a reduction in public expenditure of £3,750 million should be made in 1978-79. The Chief Secretary, Treasury, was invited to discuss bilaterally with spending Ministers the contributions which would be needed from their programmes. I was also asked to arrange for consultations with the Trades Union Congress (TUC).

2. The outcome of the Chief Secretary's discussions with spending Ministers is summarised in his report which is attached. I will make an oral report on my consultations with the TUC.

3. The White Paper is already overdue. Even when we have taken decisions on all programmes, we have to translate these decisions into a detailed White Paper of the usual kind, with commentaries which will explain and justify the difficult decisions we have had to take. This process, with the subsequent printing, Cabinet approval and publication, takes about eight weeks. Thus on the most optimistic assumption, the full White Paper cannot come out until February. We must therefore take decisions on programmes as soon as possible.

4. The Cabinet have already accepted the need to reduce expenditure by £3 billion in 1978-79. The bilateral discussions have produced agreed savings in that year of £2.6 billion. So £1.15 billion further savings are still to be found.

5. The following summary table presents the nature of the decisions required in simple form. It will be seen that the disputed items and other options together total over £2.3 billion, or twice the additional savings required. There is thus substantial scope for choice according to the priorities which Cabinet prefers.
**SUMMARY TABLE**

<table>
<thead>
<tr>
<th>Service Description</th>
<th>Agreed Reduction (Table 1)</th>
<th>Disputed Items (Table 2)</th>
<th>Other Options (Table 3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health and personal social services</td>
<td>166.0</td>
<td>316.0</td>
<td>-</td>
</tr>
<tr>
<td>Social security</td>
<td>270.0</td>
<td>325.0</td>
<td>-</td>
</tr>
<tr>
<td>Roads, transport, housing, environmental and consumer services</td>
<td>1,164.5</td>
<td>414.6</td>
<td>623.0</td>
</tr>
<tr>
<td>Education, libraries, science and arts</td>
<td>508.9</td>
<td>4.0</td>
<td>124.0</td>
</tr>
<tr>
<td>Law and order</td>
<td>110.1</td>
<td>36.4</td>
<td>-</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>58.0</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Food subsidies</td>
<td>30.0</td>
<td>-</td>
<td>100.0</td>
</tr>
<tr>
<td>Agriculture and fisheries</td>
<td>14.8</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Industry</td>
<td>88.4</td>
<td>-</td>
<td>13.0</td>
</tr>
<tr>
<td>Defence</td>
<td>100.0</td>
<td>350.0</td>
<td>-</td>
</tr>
<tr>
<td>Overseas aid</td>
<td>-</td>
<td>49.0</td>
<td>7.0</td>
</tr>
<tr>
<td>Overseas services</td>
<td>5.4</td>
<td>10.9</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>8.8</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total (rounded)</strong></td>
<td><strong>2,600</strong></td>
<td><strong>1,500</strong></td>
<td><strong>870</strong></td>
</tr>
</tbody>
</table>

6. In finding these additional savings for 1978-79, we must also ensure that the savings in 1977-78 and 1979-80 are no less than the totals indicated in the illustrative list in Annex B of C(75) 117.
7. I therefore invite my colleagues -  

i. To confirm the reductions already agreed (Table 1 of the Chief Secretary's report),  

ii. To select a sufficient number of items from Tables 2 and 3 together so as to produce the £1.15 billion still needed in 1978-79, and to yield total savings in 1977-78 and 1979-80 not less than those indicated in C(75) 117.  

D W H  

Treasury Chambers  
28 November 1975
The following notes and tables summarise the outcome of my bilateral discussions with spending Ministers. Table 1 lists the elements which have been agreed from the previous illustrative list in C(75)117 together with additional items agreed. Table 2 lists elements in the illustrative list which are disputed. Table 3 sets out further items which might be substituted if the Cabinet agree not to make some of the cuts in Table 2. The Table in paragraph 5 of the Chancellor's paper summarises the broad figuring.

2. The position on the main programmes is as follows.

a) Health and personal social services

The Secretary of State's position is that provision should be made for total capital and current expenditure to rise at 1½% a year on hospital and community services and at 2% a year on personal social services. This would mean that the aggregate reductions under the formula in 1978/79 (which does not apply to the family practitioner services, drugs, food and medical stores in hospitals and social service homes), would be reduced for England from £388 million by £255 million.

Savings in Wales would similarly be reduced from £23 million by £15 million. In Scotland £26 million of the formula cuts of £51 million on the health programme are unacceptable to the Secretary of State. The total net savings secured under the formula for health and personal social services for Great Britain would then amount to £166 million in 1978/79, instead of £462 million. None of the Ministers was willing to accept an increase in prescription charges which would have saved £20 million in 1978/79.

b) Social Security

The Secretary of State considers that the only areas for securing...
savings in the social security programme which are in principle acceptable would be:

1978/79
£ million

1) to curtail students' rights to Supplementary Benefit in return for minor improvement in student grants 15 (net)

2) to revoke the increase in the earnings rule limit which was carried against us by the Opposition
   - if enacted with effect from 1 April 1976 55 - 65
   - if enacted with effect from 1 April 1977 18

(Colleagues are considering separately how the necessary Bill can be fitted into the legislative programme)

3) to hold the 1976 uprating to the movement which will have taken place in gross earnings, as moderated by counter-inflation policy, since the £10/16 pension was introduced in July 1974. 508

(This is a saving which could be made from the unannounced programme in the Survey Report, but it is not one which it would be sensible to announce).

But the Secretary of State is not prepared to seek the whole amount of the saving in (3) above. She wishes also to keep open the option of offsetting against the saving such extra expenditure as would result from adopting propositions from the report of the inter-departmental group on financial poverty, which is to be discussed by
the appropriate Cabinet Committee. Whatever is decided on those propositions, however, I understand that the Secretary of State is prepared to envisage a net saving under (3) of no more than £200-£300 million.

c) Roads, transport, housing, environmental and common services

The Secretary of State for the Environment has accepted all the formula cuts on these programmes. So have the Secretaries of State for Scotland and Wales, with a further £2 million from the latter’s programme of environmental services in preference to further options elsewhere. These amount to £726 million.

Among further options, the Secretaries of State accepted the following:

<table>
<thead>
<tr>
<th>Service</th>
<th>England (or GB)</th>
<th>Scotland</th>
<th>Wales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roads, car parks and local authority transport administration</td>
<td>90</td>
<td>-</td>
<td>3</td>
</tr>
<tr>
<td>British Rail</td>
<td>140(GB)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Housing Rents</td>
<td>60</td>
<td>12</td>
<td>4</td>
</tr>
<tr>
<td>New house building</td>
<td>-</td>
<td>10</td>
<td>-</td>
</tr>
<tr>
<td>Housing sales</td>
<td>50</td>
<td>-</td>
<td>4</td>
</tr>
<tr>
<td>Housing - private sector improvement grants</td>
<td>36</td>
<td>7</td>
<td>3</td>
</tr>
<tr>
<td>Environmental research</td>
<td>5</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Community land</td>
<td>15(GB)</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

If the total of savings from this group of programmes is to be raised further the two main areas for consideration are housing and roads.
As regards housing, the Secretary of State for the Environment considers that the total provision for new housebuilding should not be subject to any reduction. He also argues that there should be no limit; this would mean that we would continue with no control over this programme, whatever its estimated level. The Secretary of State is also opposed to further increases in rents beyond those he has accepted (30-40p per week in real terms in 1977/78 and the same again in 1978/79) unless there were corresponding action on relief of tax on mortgage interest. He also opposes any reduction in local authorities' mortgage lending, municipalisation, and improvement of local authorities' housing, and any further sales of houses beyond those which he has accepted.

As regards roads, the Secretaries of State for the Environment and for Scotland are opposed to further reductions. The Secretary of State for Wales regards completion of the M4 as of the highest priority.

d) Education, libraries, science and arts

The Secretary of State for Education has agreed to find the full formula cuts of £517 million on education and £9 million on the arts, provided that the cuts on other programmes make up the rest of the £3½ billion.

If, however, further savings are sought from his programme in making up the total, he has expressed firm opposition.

The Secretary of State for Scotland regards it as impracticable to find £4 million of the formula cuts on his education programme, so that he would be finding savings of £47 million.

The Secretary of State for Wales is finding the full formula cuts of £16 million.
### Law and order

The Home Secretary and the Secretary of State for Scotland have sought to meet the formula cuts without turning away recruits to the police forces up to their authorised establishments, while at the same time making the criteria for increasing an establishment so much tighter that this will be allowed from now on only in most exceptional circumstances. In consequence the effect on the rest of the law and order programmes was severe. Even when only one new prison is allowed to be started, the Home Secretary has felt unable to find £34.9 million of the full formula cut of £146.5 million, made up as follows:

| (i) Police manpower           | 6.2 |
| (ii) Police equipment and buildings | 6.3 |
| (iii) Fire service current expenditure | 10.8 |
| (iv) Prisons current expenditure on overtime | 2.4 |
| (v) Prison works              | 6.0 |
| (vi) Probation                | 3.2 |

The Secretary of State for Scotland similarly has felt unable to find £1.25 million net of the formula cut, including £0.4 million for his part of the urban programme. The Home Secretary has not regarded it as his departmental responsibility to seek to recover from the cuts £5.7 million for the urban programme in England and Wales. The Lord Chancellor has found his full share – £3.2 million – of the formula cuts.
f) Northern Ireland

Notwithstanding the need to accommodate additional expenditure throughout the period on law and order, the Secretary of State for Northern Ireland has found the full amount of the formula cuts, and in 1978/79 a further £7 million which balances excess expenditure in the preceding years.

g) Food subsidies

The Secretary of State has agreed a reduction of £30 million in 1978/79 as a first stage in the elimination of food subsidies by 1979/80 (except for those paid under the CAP). She said that the further option of £100 million in Table 3 went further than she could accept, but if progress could be made in restraining CAP price increases she would consider a further reduction of £50 million.

h) Agriculture and Fisheries

The Minister has found the full formula cuts of £14.8 million.

i) Industry

The Secretary of State has agreed reductions in the telecommunications investment programme, industrial research and development and in the UK contribution to the European Space Agency. These total £88.4 million in 1978/79.

He has also drawn attention to the phasing of funds for the National Enterprise Board on which no decision has yet been reached. The Treasury's figures notionally spread the statutory cash provision (£1000m) over a period of five years. After deducting an NEB contribution covering half the estimated needs of British Leyland plus £40m for Rolls Royce in 1976/77, this would leave £125m a year for all the NEB's other activities.
The Secretary of State for Industry considers that a realistic sum should be provided for Rolls Royce: the company have recently estimated their requirements at £350 million, including launching aid, over the period. He believes that separately from the provision for British Leyland and Rolls Royce a sum of £200 million a year is needed for the NEB's other activities for them to have any credibility in terms of Government policy.

I see the force of this. But the fact is that it is not practicable at this stage to produce forecasts of NEB expenditure which will satisfy everybody, or could even be soundly based. So the best answer, I believe, would be to publish a completely flat run of figures, covering all NEB activities of well over £200 million a year: in short to adopt a largely conventional presentation. The drafting of the White Paper would underline the uncertainties in the situation.

j) Defence

The issue to be resolved is whether the Secretary of State for Defence should be asked to secure the full civil formula reductions as the defence contribution to the total cut. In bilateral discussion he said that he was only willing to find savings of £100 million in each of the years 1977/78 to 1979/80, of which £60 million in each year had been identified so far. Further reductions of £120 million in 1977/78, £350 million in 1978/79 and £430 million in 1979/80 would thus be needed to correspond with the civil formula cuts.

k) Overseas services and Aid

On Overseas Representation and Overseas Information FCO Ministers have offered reductions of only 2%. On Overseas Aid, the Minister has refused to accept any part of the formula cuts (which involve a reduction of £49 million in 1978/79). He has indeed indicated that the
prospect is that he will be seeking further increases in the Aid Programme in order to reach by 1980 the UN 0.7% target. This would involve broadly a doubling of the existing programme, which, taking account of the formula cuts, stands at £454m in 1979/80. If either of these courses were adopted, the Cabinet would need to find alternative savings elsewhere.
PUBLIC EXPENDITURE REDUCTIONS AGREED IN BILATERAL DISCUSSIONS

<table>
<thead>
<tr>
<th></th>
<th>£m 1975 Survey prices</th>
</tr>
</thead>
</table>

A. Formula cuts on civil programmes

**Overseas aid and other overseas services**

- Overseas services (part) - - 5.1 5.1
- Military aid - 0.4 0.3 -

**Agriculture fisheries and food**

- Agriculture and forestry - 9.2 14.8 15.9

**Roads and transport**

- England - 157.3 219.6 285.9
- Scotland - 16.9 26.4 36.0
- Wales - 13.5 20.8 30.2
- Great Britain - 5.8 14.6 24.6

**Housing**

- England - 114.4 114.4 114.4
- Scotland - 12.0 12.0 12.0
- Wales - 3.6 3.6 3.6

**Other Environmental Services**

- England (including land drainage) 79.0 246.0 220.0 271.0
- Scotland - 15.0 16.0 27.0 39.0
- Wales - 8.0 14.0 18.0 19.0

**Law and Order**

- England and Wales (part) 2.4 32.2 83.1 130.5
- Scotland (part) - 5.2 10.1 12.3
- Administration of Justice - 13.3 16.9 -

*In some cases the consequential reductions in 1979-80 are subject to further consideration.*
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Education, libraries, science and arts</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education: England</td>
<td>-</td>
<td>287.0</td>
<td>517.0</td>
<td>686.0</td>
</tr>
<tr>
<td>Scotland</td>
<td>-</td>
<td>27.0</td>
<td>47.0</td>
<td>59.5</td>
</tr>
<tr>
<td>Wales</td>
<td>-</td>
<td>9.0</td>
<td>16.0</td>
<td>21.0</td>
</tr>
<tr>
<td>Arts</td>
<td>-</td>
<td>1.1</td>
<td>8.9</td>
<td></td>
</tr>
<tr>
<td><strong>Health and Personal Social Services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>England (part)</td>
<td>-</td>
<td>105.0</td>
<td>133.0</td>
<td>178.0</td>
</tr>
<tr>
<td>Scotland (part)</td>
<td>-</td>
<td>19.0</td>
<td>25.0</td>
<td>36.0</td>
</tr>
<tr>
<td>Wales (part)</td>
<td>-</td>
<td>6.0</td>
<td>8.0</td>
<td>12.0</td>
</tr>
<tr>
<td><strong>Other Public Services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Formula reductions (except on registration of electors)</td>
<td>-</td>
<td>5.8</td>
<td>8.8</td>
<td>11.9</td>
</tr>
<tr>
<td><strong>Common Services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Formula reductions</td>
<td>-</td>
<td>28.1</td>
<td>46.6</td>
<td>58.5</td>
</tr>
<tr>
<td><strong>Northern Ireland</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Formula cuts</td>
<td>-</td>
<td>35.0</td>
<td>58.0</td>
<td></td>
</tr>
<tr>
<td><strong>Total &quot;formula&quot; cuts on programmes</strong></td>
<td>104.4</td>
<td>1082.8</td>
<td>1675.0</td>
<td>2062.5</td>
</tr>
</tbody>
</table>

B. "Policy option" cuts including defence included in illustrative package

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Defence (part)</td>
<td>-</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Agriculture, fisheries and food</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food subsidies</td>
<td>-</td>
<td>-</td>
<td>30.0</td>
<td>70.0</td>
</tr>
<tr>
<td>Nationalised industries</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Telecommunications</td>
<td>9.0</td>
<td>48.0</td>
<td>80.0</td>
<td>100.0</td>
</tr>
<tr>
<td>British Rail investment (and subsidies which fall in roads and transport programme)</td>
<td>69.7</td>
<td>114.6</td>
<td>140.0</td>
<td>139.8</td>
</tr>
</tbody>
</table>
### TABLE 1

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
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<tbody>
<tr>
<td><strong>Housing</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subsidies:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>England</td>
<td></td>
<td></td>
<td></td>
<td>60.0++</td>
<td>60.0++</td>
</tr>
<tr>
<td>Scotland</td>
<td></td>
<td></td>
<td></td>
<td>12.0</td>
<td>12.0</td>
</tr>
<tr>
<td>Wales</td>
<td></td>
<td></td>
<td></td>
<td>4.0</td>
<td>4.0</td>
</tr>
<tr>
<td>New housebuilding (Scotland)</td>
<td></td>
<td>2.0</td>
<td>8.0</td>
<td>10.0</td>
<td>10.0</td>
</tr>
<tr>
<td><strong>Other Environmental Services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community Land (part)</td>
<td></td>
<td></td>
<td></td>
<td>15.0</td>
<td>15.0</td>
</tr>
<tr>
<td><strong>Social Security (part)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Remove or restrict students' entitlement to Supplementary Benefit</td>
<td>1.0</td>
<td>1.0</td>
<td>15.0</td>
<td>15.0</td>
<td></td>
</tr>
<tr>
<td>Rescind relaxation in earnings rule from April 1976*</td>
<td>£40.0</td>
<td>90.0</td>
<td>55.0</td>
<td>40.0†</td>
<td></td>
</tr>
<tr>
<td>Uprate on forecasting basis†</td>
<td>£90.0</td>
<td>260.0</td>
<td>200.0</td>
<td>200.0†</td>
<td></td>
</tr>
<tr>
<td><strong>Total of agreed options included in illustrative list</strong></td>
<td></td>
<td>211.7</td>
<td>621.6</td>
<td>721.0</td>
<td>765.8</td>
</tr>
</tbody>
</table>

*The Secretary of State has accepted this provided that the total cut sought in public expenditure in 1978-79 is £3½ billion.

†Based on EC view that this should go ahead if the necessary Bill can be fitted into the legislative programme. Figures are lower end of range.

‡Figures are lower end of range. The balance of the illustrative package item is in Table 2.
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Other environmental services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environmental research</td>
<td>-</td>
<td>-</td>
<td>5.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regional Water Authorities and water supply and conservation (Wales)</td>
<td>-</td>
<td>2.0</td>
<td>2.0</td>
<td>2.0</td>
<td></td>
</tr>
<tr>
<td><strong>Housing</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales of local authority houses:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>England</td>
<td>10.0</td>
<td>36.0</td>
<td>50.0</td>
<td>50.0</td>
<td></td>
</tr>
<tr>
<td>Wales</td>
<td>-</td>
<td>2.0</td>
<td>3.0</td>
<td>3.0</td>
<td></td>
</tr>
<tr>
<td>Improvement grants:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>England</td>
<td>-</td>
<td>29.0</td>
<td>36.0</td>
<td>42.5</td>
<td></td>
</tr>
<tr>
<td>Scotland</td>
<td>-</td>
<td>2.5</td>
<td>7.0</td>
<td>7.0</td>
<td></td>
</tr>
<tr>
<td>Wales</td>
<td>1.0</td>
<td>2.5</td>
<td>4.5</td>
<td>6.0</td>
<td></td>
</tr>
<tr>
<td><strong>Total of new offers</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>11.0</td>
<td>112.1</td>
<td>208.9</td>
<td>172.2</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL AGREED REDUCTIONS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>327.1</td>
<td>1816.5</td>
<td>2604.9</td>
<td>3000.5</td>
<td></td>
</tr>
</tbody>
</table>
## Table 2

### Items in Previous Illustrative List (Annex B: C(75)117) Disputed by Spending Ministers

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. “Formula” cuts on civil programmes</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overseas aid and other overseas services</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overseas aid</td>
<td>-</td>
<td>23.0</td>
<td>49.0</td>
<td>49.0</td>
</tr>
<tr>
<td>Overseas services (part)</td>
<td>-</td>
<td>7.9</td>
<td>10.5</td>
<td>14.5</td>
</tr>
<tr>
<td>Commonwealth War Graves Commission</td>
<td>-</td>
<td>0.2</td>
<td>0.3</td>
<td>0.3</td>
</tr>
<tr>
<td>Law and order</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>England and Wales (part)</td>
<td>-</td>
<td>32.5</td>
<td>34.9</td>
<td>30.0</td>
</tr>
<tr>
<td>Scotland</td>
<td>-</td>
<td>0.3</td>
<td>1.5</td>
<td>3.4</td>
</tr>
<tr>
<td>Education</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scotland (part)</td>
<td>-</td>
<td>-</td>
<td>4.0</td>
<td>2.5</td>
</tr>
<tr>
<td>Health and Personal Social Services (part)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>England</td>
<td>-</td>
<td>106.0</td>
<td>255.0</td>
<td>333.0</td>
</tr>
<tr>
<td>Scotland</td>
<td>-</td>
<td>10.0</td>
<td>26.0</td>
<td>35.0</td>
</tr>
<tr>
<td>Wales</td>
<td>-</td>
<td>6.0</td>
<td>15.0</td>
<td>19.0</td>
</tr>
<tr>
<td>Total disputed formula cuts</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>185.9</td>
<td>396.3</td>
<td>486.7</td>
<td></td>
</tr>
<tr>
<td><strong>B. “Policy option” cuts including defence</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Defence</td>
<td>-</td>
<td>120.0</td>
<td>350.0</td>
<td>430.0</td>
</tr>
<tr>
<td>Roads and transport</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New bus grant</td>
<td>-</td>
<td>-</td>
<td>15.0</td>
<td>10.0</td>
</tr>
<tr>
<td>Civil Aviation Authority</td>
<td>2.0</td>
<td>6.9</td>
<td>9.6</td>
<td>6.7</td>
</tr>
<tr>
<td>Other Environmental Services</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community land (part)</td>
<td>-</td>
<td>-</td>
<td>20.0</td>
<td></td>
</tr>
</tbody>
</table>

*It has been agreed that this item need not be pursued*
### Table 2

<table>
<thead>
<tr>
<th></th>
<th>£m 1975 Survey prices</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Housing</strong></td>
<td></td>
</tr>
<tr>
<td>Reduction in house building approvals</td>
<td>-</td>
</tr>
<tr>
<td>Reduction in LA mortgage lending municipalisation and improvement investment</td>
<td>-</td>
</tr>
<tr>
<td><strong>Health and Personal Social Services</strong></td>
<td></td>
</tr>
<tr>
<td>Increased prescription charges</td>
<td>-</td>
</tr>
<tr>
<td><strong>Social Security (part)</strong></td>
<td></td>
</tr>
<tr>
<td>Balance of uprating on forecasting basis</td>
<td>141.0</td>
</tr>
<tr>
<td>Restrict unemployment benefit for those with substantial occupational pensions</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total disputed options</strong></td>
<td>143.0</td>
</tr>
<tr>
<td><strong>TOTAL DISPUTED ITEMS</strong></td>
<td>143.0</td>
</tr>
</tbody>
</table>

It has been agreed that this item should not be pursued.
Items not in illustrative list which might be used to make up the deficiency in public expenditure savings.

<table>
<thead>
<tr>
<th>Programme</th>
<th>Saving in 1978-79</th>
<th>£m 1975 Survey prices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overseas aid and other overseas services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Standstill in the aid programme from 1976-77</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(in addition to items in Table 2).</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture fisheries and forestry</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food subsidies The option agreed is intended to reduce the food subsidy programme by 1979-80 to cover those subsidies attracting EEXGA money as well as a UK exchequer contribution. This additional option would advance the rundown by one year to 1978-79.</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Trade industry and employment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spread Scottish and Welsh Development Agency expenditure over 6 years instead of 5 years.</td>
<td>13</td>
<td></td>
</tr>
<tr>
<td>Roads and Transport</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Further reductions in expenditure on roads.</td>
<td></td>
<td>up to 150</td>
</tr>
<tr>
<td>Housing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Subsidies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Further rent increases of about 30-40p in real terms in 1977-78 and in 1978-79 on top of those already agreed.</td>
<td>155</td>
<td></td>
</tr>
<tr>
<td>b. Housebuilding approvals</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Secretaries of State for the Environment, Scotland and Wales are already disputing the proposal in Table 2 to reduce housebuilding approvals by 11,000 (£1.24m a year). But if approvals were reduced by a further 16,000 a year (making 27,000 in all) an extra saving would be possible.</td>
<td>176</td>
<td></td>
</tr>
</tbody>
</table>
TABLE 3

Saving in 1978-79
£m 1975 Survey prices

Housing (contd)

c. Local Authority House Sales

The Secretary of State for the Environment has offered £50m (included in Table 1) through increased sales of houses. A further option might be to increase this as follows:

<table>
<thead>
<tr>
<th>Region</th>
<th>Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>England</td>
<td>100</td>
</tr>
<tr>
<td>Scotland</td>
<td>30</td>
</tr>
<tr>
<td>Wales</td>
<td>7</td>
</tr>
</tbody>
</table>

Other Environmental Services

Environmental research: The Secretary of State for Environment has offered a £5 million (included in Table 1) saving but it might be possible to achieve a saving of £10m without reducing the spending level below that for 1974-75.

Education

Precise proposals are not made for an additional saving of this order. But there could be for example a combination of measures for Great Britain including a further squeeze on non-teaching costs at all levels; a squeeze on school building for basic needs, teacher training and student numbers; further increases in fees and in school meal charges; and various small items such as administrative costs of the British Library.

TOTAL OTHER OPTIONS 867
2 December 1975

CABINET

RETIREMENT PENSIONS EARNINGS RULE

Memorandum by the Chancellor of the Exchequer and the Secretary of State for Social Services

1. The earnings rule limits the amount of earnings which will be regarded as consistent with "retirement" and hence the amount a pensioner can earn before starting to lose benefit. It applies only to those under age 70 for men, 65 for women.

2. In the last Session, an amendment to the uprating Bill was forced on us, raising the earnings rule limit from the level of £13 a week to £20 in April this year, £33 in April 1976 and £50 in April 1977. We fought the amendment both in Committee and on Report, but in the final vote (on 29 January) nine of our backbenchers sided with the Opposition. We have said consistently and repeatedly that the resulting expenditure is low priority, because it benefits only the younger pensioners able to earn quite substantial amounts.

THE PROBLEM

3. The issue for Cabinet is whether to introduce immediately legislation to rescind the increase to £35 due next April. We have already implemented the increase to £20, and that is irretrievable. It might be necessary to go as high as £26 next April, to get the Bill through. But if we can limit the rise to £24 - which would be more than enough to match the movement of earnings since the £20 limit came in - we will save £50 million in 1976-77, £100 million in 1977-78, £65 million in 1978-79 and £50 million in 1979-80. We badly need these savings, which are among the least damaging of all our options on social security, and we are at present counting them towards the £3,750 million target. If we are to secure them, we must introduce a short Bill at once.

4. For the future we would offer a commitment to increase the earnings limit each year from the 1977 uprating onwards. (To increase it at the 1976 uprating would mean two increases within the year and would eat into...
the savings which are the object of the exercise; and to raise the earnings limit in April 1977, separately from the benefit uprating, would involve unnecessary staff costs.) This commitment would have considerable presentational and political value.

5. If we miss the opportunity of legislating now, allow the increase to £35 to go through, and rescind only the increase to £50 due in April 1977, we will be sacrificing about £50 million a year of potential savings which we, as a Government, will have to find from expenditure that we ourselves would probably regard as having higher priority. The Economic Policy Committee agreed that we should go for immediate legislation. In view of its political sensitivity, however, and the fact that there will be difficulty in fitting in a Bill, the Lord President suggested that the issue should be brought to the Cabinet: colleagues will have seen his letter to the Chancellor of the Exchequer of 27 November, and the Chancellor of the Exchequer's minute to the Prime Minister of 28 November.

LEGISLATIVE REQUIREMENTS

6. We have examined the possibility of making the necessary amendment to the Social Security Act in a Bill already in the legislative programme, but have found that there is no Bill which would be suitable. A separate Bill will therefore be needed, and time will have to be found for it for which at present there is no provision. The Bill will, however, be short and can be ready for immediate introduction. It will need to be given an exceptional degree of priority - Second Reading before Christmas and Royal Assent not later than 19 February 1976. The reason is that people who wish to retire after 6 April 1976 must receive reasonable notice of the amount of earnings which can be regarded as consistent with "retirement".

POLITICAL FEASIBILITY

7. The political feasibility will of course need to be weighed by our colleagues and in particular we shall need to have the appraisal of the Leaders of both Houses and of the Chief Whips. The Secretary of State for Social Services considers that the chances of getting the Bill through in time may be slim unless she can show that the effect in its first year of operation would be to divert the savings for use for a more urgent social purpose. She would therefore wish to be able to announce the use of an extra £50 million, in 1976-77 only, elsewhere in her programme. The Chancellor of the Exchequer wishes, however, to make use of the £50 million of savings in 1976-77 to keep down the borrowing requirement in that year; also he does not see how it would be possible to divert £50 million to another purpose in 1976-77 alone without incurring a continuing commitment for later years.
8. Although we were twice defeated on the earnings rule at the turn of the year, the situation now has changed. Our own supporters should know that public expenditure has to be reined back. They have already won the substantial increase in the earnings rule which was implemented this year; we would be increasing this year's limit of £20 in line with the movement of earnings since it was introduced and, from the 1977 uprating onwards, we would be committing ourselves to further increases in line with earnings. The row over our introducing the income tax age allowance, whose apparent cost was compared with that of relaxing the earnings rule, has now died down. The Opposition are pressing insistently for cuts, and would be put on the spot by a concrete proposal for one.

CONCLUSION

9. We ask our colleagues to agree that we should introduce a short Bill at once to rescind the increase in the earnings limit from £20 to £35 which is due in April 1976, to substitute an increase to £24 (or at most to £26) and to commit us to raising the earnings limit, from the 1977 uprating, in line with the movement of earnings.

D W H
B A C

Treasury Chambers

2 December 1975
CABINET

CHRYSLER

Memorandum by the Secretary of State for Industry

1. The Cabinet invited me (CC(75) 51st Conclusions, Minute 3) to continue negotiations in good faith but without commitment with the Chrysler Corporation (CC) on the scheme for a possible reduced Chrysler UK operation (Scheme B in Annex to C(75) 128) and to put in hand a number of studies.

A REDUCED CHRYSLER UK OPERATION SCHEME B

2. I was invited by Cabinet to obtain from consultants appointed by the Department of Industry an independent assessment of the prospective profitability of Scheme B. With the agreement of Scottish Ministers, Coopers and Lybrand were appointed to carry out this assessment, Coopers and Lybrand's conclusions are summarised in Annex A(i). They state that the forecasts are based on assumptions made by CC which individually are reasonable; but they regard it as unlikely that all these assumptions will be fulfilled together and note that there is no general contingency provision against major mishaps. They note also that the company would be unable to guarantee funds for model development for the 1980's. Coopers and Lybrand therefore conclude that Scheme B is not viable.

3. Subject to these important reservations, they confirm that the financial requirement of CC's Scheme B to 1979 is not less than £96 million; if CC provide £35 million the reduced interest requirement would bring this down to £80 million. Thus Her Majesty's Government would have to find £45 million of capital; in addition Her Majesty's Government would have to assume responsibility for CC's guarantees of Chrysler UK borrowing etc. (currently £68 million). Her Majesty's Government's liability under Scheme B would therefore total £113 million.

4. In tough discussion with Mr Riccardo, officials have argued that the offer of £35 million is a cheap get-out for CC and a quite inadequate price for the assumption by Her Majesty's Government of responsibility for all the difficult decisions (including the immediate 10,000 redundancies).
involved in Scheme B and for all future financing. Mr Riccardo was adamant that his offer of £35 million was his last word; he described it as a fair and generous offer for which he would be criticised by his shareholders, but declined to provide any justification of the figure.

5. He also reverted to his other offer of £13 million, with CC retaining a minority stake, and suggested Her Majesty's Government should not dismiss this. But it would not mean any real stake in the future of Chrysler UK; if Chrysler UK did ever generate profits, CC would share in them; but they would have no share in losses. Under this option the interest saving would be smaller, and the total cash requirement £90 million; Her Majesty's Government would have to find £77 million of this, and assume the guarantees. I see no attraction in this option.

6. A note is attached at Annex A(ii) on the details of the basis on which CC would participate in Scheme B (without any financial commitment beyond their once-for-all initial payment). Whilst it shows how far CC would be prepared to commit themselves to support Scheme B in relation to management, distribution etc, it is clear that they could not be held to continued participation if it was not in their commercial interest to do so, so that in the last resort they would have the power to make or break the operation without any responsibility for the consequences.

POSSIBLE INVOLVEMENT OF BRITISH LEYLAND AND IMPACT ON UNITED KINGDOM CAR MAKERS

7. The Cabinet also invited me to consult with the National Enterprise Board (NEB) and British Leyland (BL) about ways in which they might assist. Notes by the NEB and BL are at Annexes B(i) and (ii); none of the Chrysler UK production facilities at Linwood or elsewhere are of any use to BL and any involvement by BL in the Chrysler UK situation would seriously endanger its success; I consider that should not be pursued. NEB consider that Scheme B would be damaging for BL. Both Ford and General Motors, employing 90,000 in this country, have told me that a Chrysler rescue could put their United Kingdom plans in jeopardy. Both have plants in sensitive areas, including Halewood and Ellesmere Port on Merseyside, which might be put at risk. If we let Chrysler UK go, we should seek to persuade the Iranians to let BL take over the Iranian contract.

VIEWS OF TRADE UNIONS

8. Cabinet further invited the Secretary of State for Employment and myself to consult with senior trade union leaders on their view about the acceptability of the options open to us, including specifically Scheme B. We therefore discussed these options in strict confidence with Mr Lionel Murray, Mr Jack Jones, Mr Bob Wright and Mr Grenville Hawley. They were unanimous in their agreement that in these distasteful circumstances it would be best to accept the complete withdrawal of
Chrysler from the United Kingdom, and that Scheme B besides being unviable would be totally unacceptable to all Chrysler employees including those at Linwood. They added that it would also be unworkable, since the Ryton workers would stop movement of plant to Linwood. They suggested that we should pay all the Chrysler workers a 40 hour wage for six months to provide an opportunity for them to propose possible alternative schemes of employment. They offered their co-operation, if the Government accepted such a scheme, in explaining the situation to the work force. They were emphatic that when the Government announced the withdrawal of Chrysler, it must simultaneously announce the imposition of effective import controls.

CONSEQUENCES OF CHRYSLER UK BEING LIQUIDATED

9. i. For Her Majesty's Government

The Secretary of State for Employment is putting in a separate paper on redundancies and on the trade unions' proposal to augment temporarily the pay of Chrysler workers.

ii. For CC

The note at Annex C(i) shows that whilst in the long run CC might come out all square, they would face considerable short term expense and difficulties, and could have no certainty about the final outcome. To get out for a once-for-all payment of £35 million, which would be at the expense of the United States Government, looks a cheap and attractive option. CC's tax position is dealt with in Annex C(ii).

CONCLUSIONS

10. Liquidation of Chrysler UK will have grim consequences. But for Her Majesty's Government to accept responsibility, residual or otherwise, for Chrysler UK after CC have abandoned all financial commitment to it, as they are inflexibly determined to do, would make nonsense of our policy for the industry; would damage the prospects for British Leyland, and also of Ford UK and Vauxhall, and put at further risk employment at their plants in sensitive areas; would land us with an open-ended financial commitment and the likelihood that later on we should have direct responsibility for further closures in one or more of these companies, with all the odium this would entail, odium which in present circumstances would rest fairly and squarely with Chrysler. In practice Chrysler UK is already liquidating itself and I cannot expect CC to hold their hands for more than a very few days more. Accordingly I invite my colleagues to agree:

a. We should not accept responsibility for any part of Chrysler UK operation but should make clear that full responsibility for liquidating it lies with CC.
b. I should inform Parliament of our decision immediately.

c. In announcing the decision I should say that the Secretary of State for Employment will be introducing his special redundancy scheme, and that the Secretary of State for Trade will immediately be introducing import controls on motor vehicles. If the Secretary of State for Trade is not able in the time available to complete consultations with the Commission I should say that he has put proposals to the Commission and he aims to clear them as a matter of urgency.

d. We should explore with the Iranians whether BL might take over their contract.

e. That the Central Policy Review Staff report on the motor industry should be published at the same time as I make the statement on Chrysler.

EGV

Department of Industry

2 December 1975
Coopers and Lybrand have reviewed the forecasts for the years 1976 to 1979 and, while they consider that the individual detailed assumptions on which the forecasts are based are reasonable ones, no provisions have been made for overall contingencies in an industry where such contingencies are even more necessary. There are also a number of other reservations that they make, as follows:

(a) no allowance has been made for the effect of any major strike;
(b) the major part of Chrysler's output is expected to be sold to Iran and any significant reduction in such sales would have a serious effect on profitability; the Iran contract is subject to rather more elements of uncertainty than would apply to a similar contract in the UK;
(c) the forecast profitability of the business is highly sensitive to comparatively small variations in the level of sales or the profit margins achieved. Thus a variation in turnover of 5% or in profit margins of 1% would affect the profitability by something of the order of £3 million;
(d) the depreciation to be charged for the four years is based on historical costs, reduced because a significant part of the fixed assets have been wholly written off. The estimated replacement values for such fixed assets are a great deal higher and, if depreciation was to be charged on a replacement basis, the expected profitability for 1977 to 1979 would be turned into losses;
(e) looking ahead to the period after 1979 there seems to be great uncertainty as to where the funds for capital expenditure on new models or new major components such
as engines would come from. On the basis of the figures put forward, such funds would not be generated from its trading activities.

Their conclusion is that no provision has been made for any major adverse effects that might result from any of the above factors. Thus the figures shown by the forecasts are necessarily subject to the effect of these uncertainties.

On the basis of the forecast figures Coopers and Lybrand agree that, assuming an equity injection of £55m for capital expenditure, but funding the rest of the cash outflow during the four years by way of loans, the funds required from HMG would be in total £96m for funding capital expenditure and losses during the period. These figures are necessarily subject to the uncertainties mentioned above in relation to the forecasts.

1 December 1975
CHRYSLER (UK) LIMITED: FUTURE PARTICIPATION BY CHRYSLER CORPORATION

1 In the event of the continuation of the activities of Chrysler (UK) Limited, in some modified form through a company controlled or wholly owned by the British Government, the Chrysler Corporation, which term refers to the Chrysler Corporation or one or more of its wholly owned subsidiaries or any combination of them, is willing to participate in the UK company by making available the knowledge, expertise, personnel and facilities of the Chrysler Corporation worldwide, subject to the negotiation of a satisfactory commercial contract covering the provision of these services and facilities. No detailed consideration has been given to the form of such a contract but the Chrysler Corporation would accept a simple cost contract of management compensation and expenses. Chrysler Corporation would also consider contracts including incentives based in some way on levels of sales, exports and profits. In particular under such a contract the Chrysler Corporation is willing to participate in the management, the future model development policy and the distribution of the products of the UK company, and in securing for the UK company the continuation of the contract for the supply of completely knocked down (CKD) kits to the Iran National Industrial Manufacturing Company, (INIM) as broadly described below.

2 Management

(i) An arrangement, under which the Board of Directors elected by shareholders of the UK company included Chrysler Corporation nominees, would be acceptable to Chrysler Corporation.
(ii) The UK company and its directors would be responsible to the shareholders but the Chrysler Corporation would provide the UK company with the necessary management personnel and all information relevant to the management and operation of all aspects of the UK company's activities as if it were a wholly owned subsidiary of the Chrysler Corporation, whether or not all the management personnel are drawn from the Chrysler Corporation.

(iii) When management personnel, for example the Managing Director, directors or senior executives with responsibilities in particular fields are drawn from the Chrysler Corporation to serve in the UK company, they would nevertheless continue to be employees of the Chrysler Corporation. In making such appointments the Chrysler Corporation would recognise the significance of the UK operation in relation to Chrysler Corporation's subsidiary companies.

(iv) Career structures in the Chrysler Corporation would include appointments to the UK company and the career prospects of those appointed would be commensurate with the significance of the UK company and would not be in any way prejudiced or reduced simply by virtue of the appointment.

3 Future Model Policy

(i) The Chrysler Corporation would provide all necessary technical and other data and make available the resources of the Chrysler Corporation to assist it in the successful completion of the UK company's new model programmes.
(ii) The Chrysler Corporation would wish to see the UK company's model development programme directed towards producing vehicles which would be complementary to the ranges produced by the Chrysler Corporation. This would in the Corporation's view lead to a more effective use of financial resources and marketing and distribution facilities.

(iii) The Chrysler Corporation would nevertheless be prepared to provide the necessary technical assistance and facilities for the development of models which were not complementary but it would not be committed to marketing such models through its international distribution network.

(iv) In advising the UK company on model development the Chrysler Corporation would keep the UK company informed of Chrysler Corporation's own future programme. The location of the production of a new model in the Chrysler Corporation's programme would be determined by the normal industrial and commercial considerations involved. Chrysler Corporation would not exclude the UK company from these developments and would regard the capacity and facilities as complementary to those of Chrysler Corporation and its subsidiaries.

(v) The cost of development and any other work necessary for all new or improved models to be produced in the UK would be borne by the UK company.

Distribution Arrangements

(i) The world-wide marketing and distribution network of the Chrysler Corporation would be available to the UK Company.
(ii) The Chrysler Corporation would, however, not take specified numbers of UK produced vehicles and parts for overseas markets. Sales would have to be determined by the competitiveness of the products. Chrysler Corporation's margin on all sales made through its networks outside the UK would be comparable to those under its normal commercial arrangements.

(iii) The UK company would retain such dealerships in the UK as were needed for the modified operation. Any liabilities to dealers who were not retained or opted to terminate their dealerships would rest with the UK company.

(iv) The supply of vehicles and parts produced by the Chrysler Corporation or any of its subsidiaries for sales in the UK would be conducted wholly through the UK company.

(v) There would be no commission to Chrysler Corporation on any sales of the Corporation's or its subsidiaries' vehicles and parts after their purchase by the UK company.

\textbf{Iranian Contract}

(i) The Chrysler Corporation would assist in every way it could to secure a written agreement that the contract to supply CKD kits would be continued with the UK company.

(ii) The Chrysler Corporation would continue to provide a written assurance to INIM that all the resources of the Corporation would be available to the UK company under this contract, just as if the UK company had been a wholly owned subsidiary of the Chrysler Corporation.
ATTITUDE OF BRITISH LEYLAND TO A TAKEOVER OF CHRYSLER (UK) LIMITED OR CERTAIN OF ITS ASSETS AND ACTIVITIES.

General

1. The arguments against a British Leyland takeover of Chrysler (UK) Limited as it stands are overwhelming. British Leyland already has more workers and staff than it needs (except for certain design and engineering personnel with special skills), more capacity than it needs (except for certain specialised facilities), too many manufacturing locations, and more dealers than are needed (although in some geographical areas the network could usefully be strengthened).

2. BL would, therefore, derive no advantage whatsoever from the takeover of Chrysler. Indeed it would gravely jeopardize the recovery of BL for the following reasons:

(a) The capacity required for the combined company would not be much greater than that planned for BL alone for the rest of this decade.

(b) The over-capacity would lead to an even longer period of unprofitability because of the very heavy burden of fixed costs.

(c) The increased over-manning and multiplicity of wage structures would significantly compound the already formidable industrial relations task facing unions and management, including the pressure for parity with Ryton rates of pay.

(d) The subsidising of Chrysler would reinforce the fallacy that job security is not dependent on competitive economic realities.

BL's biggest single task is persuading the workforce that slack...
ness and lack of self-discipline would not in future be bailed out.

(e) The added burden of yet more product and plant modernisation and rationalisation may well be beyond the capacity of the already stretched technical and management teams.

(f) The fact that the majority of exports of Chrysler UK products are marketed by organisations outside the control of Chrysler UK would mean that these sales might be lost to the combined company, and further under-utilisation of the UK factories would result.

3. These are problems which could not be solved even by providing additional financial support on a massive scale, over and above that already envisaged for BL alone, or by any foreseeable extension of the time scale for BL's recovery.

Limited Interest in Certain Assets and Activities

4. BL has carefully considered what elements it might wish to salvage from Chrysler's assets and activities. It should be stressed that any interest in manufacturing or other specific facilities would arise only after they had been relinquished by Chrysler and the problems of labour redeployment had been resolved. It should also be stressed that BL does not need additional manufacturing facilities but rather to rationalise and modernise existing facilities and adapt them to the production of new models. That will, as the Ryder Report showed, cost a great deal of money, but the acquisition of the Chrysler facilities would not in general help with the problem or reduce the cost.

5. Two questions have been examined specifically:

(i) Whether the Linwood facilities might be used to augment medium commercial vehicle production at Bathgate;
(ii) Whether any of the Chrysler facilities could be used to expand Land Rover production.

On (i) there is already uneconomic working at Bathgate because the lay-out was planned to provide eventually for a 50% increase above current capacity. The establishment of an additional production unit at Linwood (30 to 40 miles away) would postpone for many years the time when Bathgate could be operated economically.

On (ii) Land Rover capacity has already been substantially increased over the past two years from 850 to 1,350 per week (39,000 to 62,000 per year). When the Rover replacement, the SD1, is introduced into the new assembly complex at Solihull early in 1976, production of the existing product at Solihull North Works will cease and this will release adequate assembly space for all foreseeable demands for Land Rovers (i.e. to over 80,000 units in the late 1970's). The bottleneck is, however, the supply of engine components. To bring this up to the level commensurate with demand and with eventual assembly capacity would require a major expansion and the cost would probably be in the region of £75m. The prudent course is, therefore, to modernise the Land Rover by major re-design rather than expand the capacity of the old design. To cover the situation in the interim, plans are being developed within BL to increase Land Rover availability by the possible introduction of different engines. This problem would be in no way eased by the acquisition of any of the Chrysler facilities. It would take 18 months to 2 years to adapt them to produce engine components for Land Rovers and this would in no way help with the short-term problem.

The only elements in Chrysler's assets or activities which BL would be interested in acquiring are:

(i) The arrangement with Iran National

(ii) The vehicle test facilities at Bruntingthorpe and the Engineering Centre at Whitley
200 - 300 Chrysler dealers in particular geographical areas.

Brief notes are provided below on each of these items.

The Arrangement with Iran National

9. BL would be interested in taking up the existing Chrysler responsibilities in Iran for the supply of power units (engines and gearboxes) and also the supply of rear axle units, by substituting BL "Marina" power units. Approximate engineering lead time would be 9-12 months. It is considered that the 'engineering' of these units into a Chrysler designed body shell, as contemplated by Iran National, will not present any major difficulty and that supplies could be made available to match both timing and quantity demands. BL is also aware that Iran National is interested in broadening its product range to include luxury cars and commercial light vans. An arrangement originally confined to "Marina" power units could subsequently be developed into a much wider arrangement which could have major potential benefits for BL.

Bruntingthorpe and Whitley

10. BL is interested in acquiring the 'Bruntingthorpe' vehicle test area from Chrysler and is currently engaged in negotiation with Chrysler management on this matter. Similarly, BL would be interested in the possibility of acquiring the 'Whitley' Engineering Centre facilities and probably could subsequently re-engage some of the qualified engineers working in the Design and Development areas of Chrysler UK.

Dealers

11. Of the 800 dealer outlets that Chrysler have in the UK they will wish to retain a number suitable to support their Simca range. 24 distributors are wholly owned by Chrysler UK. The uncertainty of the Chrysler future and their recent reduced penetration has already started most franchise
holders looking for alternative sources of supply. The courses open are to try for Leyland, Ford, Vauxhall or overseas manufacturers. The last is the most likely quick answer and emphasises the need for some import control in the short-term.

As a defensive move BL would wish to take on certain of the Chrysler dealers. BL is, however, just completing a substantial rationalisation of its dealer network which has reduced the number of outlets from 6,500 to 3,200 in the last year. BL would, therefore, be interested in giving franchises to not more than 200 - 300 of the Chrysler dealers and only in particular geographical areas where BL is at present sparsely represented or where the facilities and management of the Chrysler dealers are superior to those of the current BL dealers.
SUMMARY

A. A takeover of Chrysler UK as it stands would bring no advantage to BL and could seriously jeopardize its recovery.

B. BL would have a limited interest in certain of Chrysler's assets and activities but only after Chrysler had relinquished them and the problems of labour re-deployment had been resolved.

C. These assets and activities are confined to:

(i) the arrangement with Iran National

(ii) the acquisition of the Bruntingthorpe test facilities and the Whitley Engineering Centre

(iii) 200 - 300 Chrysler dealers in particular geographical areas.
This paper is concerned with assessing:

1. Whether the Chrysler Scheme B is in broad economic and industrial terms a viable proposition;

2. What the effect would be on British Leyland if Scheme B went ahead.

Product Plan

From early 1977 onwards Scheme B envisages that Chrysler will be producing only two cars in the UK, both at Linwood:

- New "Chevette" type
- Face-lifted Avenger, replaced by C4 in 1979/80.

It is also assumed that with this model range the share of the UK market would be 5 per cent.

In October 1975 the Chrysler share of the UK market derived from the three models Imp, Avenger and Hunter was 6.2 per cent. To get a market share of around 5 per cent from the two models (the Chevette type and the face-lifted Avenger and Avenger replacement) it has to be assumed:

1. That the Avenger, with the help of its face-lift, not only retains its present 3.3 per cent share of the UK market but also captures about half (ie 1 per cent) of the Hunter's present 2.2 per cent share, making 4.3 per cent;

2. That the new Chevette type is at least two-thirds as successful as the Vauxhall Chevette and has a market share of say 2 per cent;

3. That the new Chevette type reduces the Avenger's market share by only 1 per cent, making the Avenger net market share 3.3 per cent.

In considering whether Chrysler could perform as well as this, it should be borne in mind that during 1976 the model range will be unusually weak. Imp production will have ceased, Hunter production ceases in the middle of 1976 and Avenger production will be subject to the dislocation of the move from Ryton to Linwood. It will be extremely difficult for Chrysler to hold together its dealer network and to retain customer confidence during this period to the extent necessary to achieve a market share of 5 per cent for 1977 onwards.
If, on these highly optimistic assumptions, Chrysler were to achieve a UK market share of 5 per cent or thereabouts and export sales of about 25,000, total sales of these two models, based on British Leyland's forecasts of UK car registrations would be as follows:

<table>
<thead>
<tr>
<th>Total UK Registrations</th>
<th>UK Sales</th>
<th>Export Sales</th>
<th>Total Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977 1,370,000</td>
<td>69,000</td>
<td>25,000</td>
<td>94,000</td>
</tr>
<tr>
<td>1978 1,429,000</td>
<td>71,000</td>
<td>25,000</td>
<td>96,000</td>
</tr>
<tr>
<td>1979 1,491,000</td>
<td>75,000</td>
<td>25,000</td>
<td>100,000</td>
</tr>
<tr>
<td>1980 1,500,000</td>
<td>75,000</td>
<td>25,000</td>
<td>100,000</td>
</tr>
</tbody>
</table>

Capacity

Capacity at Linwood on double shift working is assumed to be 140,000 units. On the assumption about sales in paragraph 4, capacity utilisation at Linwood would be as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Utilisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977</td>
<td>67%</td>
</tr>
<tr>
<td>1978</td>
<td>69%</td>
</tr>
<tr>
<td>1979</td>
<td>71%</td>
</tr>
<tr>
<td>1980</td>
<td>71%</td>
</tr>
</tbody>
</table>

Even at the end of the period Linwood would not be operating at the 85% capacity which is normally regarded as necessary for a plant to break even. Even in 1979 and 1980 the plant would not be operating significantly above one-shift capacity.

Even if Linwood were able to operate at a more economic utilisation of capacity, the total capacity of 140,000 units is considerably smaller than the size suggested in the CPRS Report and accepted by most motor industry experts as the minimum competitive size for an assembly operation (250,000 units). For comparison, the annual capacity of BL's assembly operations at Cowley is some 320,000 units and at Longbridge some 270,000 units.

Viability of Scheme B

There must therefore be very serious doubts about the viability of Scheme B on the following grounds:

i the assumptions underlying the forecast market share of 5 per cent are seen as highly optimistic;

ii even if these assumptions are accepted, the utilisation of capacity at Linwood is unprofitably low in a plant which is in any case well below the minimum economic size for an assembly operation.
Effect on BL

9 If despite these very serious objections, Scheme B were to go ahead, the main effect on BL (excluding wider considerations such as industrial relations) would be that it would lose the opportunity to take up some of the 5 per cent UK market share Chrysler hope to retain. If BL were to capture 30 per cent of this 5 per cent share, ie 1.5 per cent, it would secure additional UK sales of some 22,500 units a year on an average total UK car market of some 1.5M a year. This additional production could readily be absorbed in BL's capacity and, at an average economic profit of say £400 per unit, would yield additional profits of around £10M a year. These additional profits would be lost to BL if Scheme B were to go ahead.
Consequences for the Chrysler Corporation

1. The Chrysler Corporation (CC) have an investment of £80m in Chrysler UK, £60m equity and £20m loans. Under United States tax law (see Annex C(i)) it would appear that 56 per cent of this would be recoverable by offset against their US tax liabilities if they abandon the investment before 31 December 1975.

2. CC have undertaken to meet all their liabilities in the UK, estimated at £134m excluding the debt of CUK to CC. In addition if closure takes place severance payments could total £25m and operating rundown losses could amount to £15m. To this total of £174m there should be added the cost of severing connections with the 800-strong dealer body, including a possible liability to re-purchase stocks of spares. This liability is not quantifiable.

3. Against this figure, the company will attempt to realise its assets totalling £146m at book value. The range of possible realisable values is between £71m and £118m, indicating a loss of between £56m and £103m.

4. We are advised that if the operation is structured effectively CUK could obtain 56 per cent tax relief on these losses. This would reduce their losses after tax to between £25m and £45m. The UK tax recovery of £44.8m (para 1) would thus offset the loss perhaps with some margin, though the liability to dealers remains an unknown.

5. Although in the end CC could get out about level, there would be an immediate call for some finance. CC have advised us that
CUK will be put into voluntary liquidation and this will defer settlement of most of the liabilities for some time, and the banks, who are guaranteed by GC, might not press immediately. Probably some £50m would have to be found in the short run to repay the debenture, loans by HMG, redundancy payments and terminal losses.

This out-turn which would require £50m to be found immediately but has prospects of final break-even compares with £35m that will be paid to HMG if the ongoing solution is adopted.

Balance of Payments Consequences

1 Chrysler's total exports for 1975 are forecast to be some £165m on the basis of data supplied by Chrysler to officials. Of this, £92m is attributable to the Iranian contract. Some 35 per cent of this £92m, say £32m, relates to components bought in the UK, which Chrysler have said would continue to be sourced in the United Kingdom, at least for some time, if the Iranian contract were to be sourced by CC outside the UK.

2 The loss of export earnings in the event of Chrysler's withdrawal could therefore range from £165m at worst (ie were the Iranian contract to be lost both to the Chrysler Corporation and to the UK and if no other UK manufacturer gained any part of Chrysler's lost overseas sales) to £133m if Chrysler Corporation retained the Iranian contract, or to £73m if BL obtained it. Both the latter figures could be reduced to the extent that BL, Ford and Vauxhall captured part of Chrysler's export market.
UK sales by Chrysler for 1975 were forecast at £91m. Again it is likely that UK producers rather than overseas producers would capture much of this market; if only 40 per cent went to foreign makers the loss would be confined to £36m.

Chrysler buy very few materials and components abroad. They buy British steel and glass exclusively, and only some 2 per cent of the value of the finished car is represented by imported components. No adjustment to the foregoing figures has therefore been necessary to allow for import content.

The range of possible loss to the balance of payments in the shorter term consequent on Chrysler's disappearance could therefore be between £256m and £100 m depending primarily on the outcome of the Iranian contract and to a lesser extent to the success of other British manufacturers in taking Chrysler's market share.

Most of the resources made idle by Chrysler's withdrawal would ultimately be re-deployed into other activities which could bring balance of payments benefits. It is impossible to forecast how quickly or completely this would occur.

Any assessment of the loss from Chrysler's total withdrawal needs to be read against the implications of alternative strategies. Chrysler have forecast that on the basis of continuing but reduced volume car production their exports after a fall in 1976 attributable to non-recurring problems in Iran would return to about the 1975 levels for the remainder of the decade, with rather greater emphasis on commercial vehicles.
3 Financial Consequences for Component Manufacturers

1 A typical Chrysler car contains components from over 450 suppliers, representing some 70 per cent of the final value of the car. The effect of the loss of Chrysler's contracts on component makers would be widespread. Suppliers are mainly concentrated in the West Midlands.

2 The extent of damage to individual component makers depends on the proportion that their commitment to Chrysler bears to their total sales, and the speed with which the Chrysler contracts can be replaced by others. This in turn depends on whether the components are "dedicated" (ie will fit Chrysler vehicles only) or can be offered to other manufacturers.

3 Complete data on which to make any assessment of this situation is not available. However the list annexed shows some of the major component suppliers to Chrysler and the significance of Chrysler's contract to them. However, these are substantial companies who probably have resources to tide them over any period of re-adjustment. It is among the smaller suppliers that casualties are the most likely to occur.

4 Consequences for the Dealer Organisation

Chrysler UK has a dealer body of some 800, apart from 25 subsidiary companies engaged in vehicle distribution. In the event of Chrysler's withdrawal, many would seek alternative distributorships, since the Simca distributorships which many of them hold together with their Chrysler UK franchises would not provide a sufficient volume of sales in isolation. British Leyland are believed to be interested in granting franchises to up to 300 of these distributors. There is no evidence of similar
interest by Ford or Vauxhall.

The other principal contenders for distributorships relinquished by Chrysler would be the Japanese and the East Europeans. Import restrictions on foreign cars would make it more difficult to grant these franchises, since the cars to be sold through these new outlets could be found only by reducing allocations to existing dealers.

The courses open to ex-Chrysler dealers are consequently as follows:

1. To give up dealing in new cars, either going out of business altogether or confining the business to servicing and second-hand car dealing.
2. To take up a British Leyland franchise.
3. To retain an existing Simca franchise, perhaps with an extended territory if a neighbouring Simca dealer has given up.
4. To take up a foreign franchise, if a supply of cars can be obtained.

The proportion of dealers who would adopt each course cannot be forecast.

Some changes in dealership arrangements are also likely if Chrysler remains in production with car production confined to the Avenger. The Hunter and the Imp which would be discontinued represent about 45 per cent of Chrysler's current sales, and sales of the Avenger alone might not be sufficient to retain the interest of some dealers.
### PRINCIPAL SUPPLIES OF CUK

**SECRET**

<table>
<thead>
<tr>
<th>NAME</th>
<th>PURCHASES IN 1974 £M</th>
<th>GROUP OR COMPANY TURNOVER AT NEAREST YEAR ENDING £M</th>
<th>NUMBER EMPLOYED</th>
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</thead>
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<tr>
<td>J LUCAS GROUP</td>
<td>16.4</td>
<td>452.8</td>
<td>72,000</td>
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<td>GKN GROUP</td>
<td>16.1</td>
<td>804.0 UK</td>
<td>120,000</td>
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<td>ESC</td>
<td>8.3</td>
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<td>PERKINS</td>
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</tr>
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<td>DUPONT GROUP</td>
<td>4.1</td>
<td>70.8</td>
<td>3,000</td>
</tr>
<tr>
<td>DUNLOP GROUP</td>
<td>4.0</td>
<td>345.2 UK</td>
<td>105,000</td>
</tr>
<tr>
<td>TRIPLEX SAFETY GLASS</td>
<td>3.3</td>
<td>219.5 GROUP</td>
<td>23,000</td>
</tr>
<tr>
<td>CAM GEARS</td>
<td>3.2</td>
<td>23.5</td>
<td>3,000</td>
</tr>
<tr>
<td>AEI GROUP</td>
<td>3.2</td>
<td>194.5</td>
<td>N/A</td>
</tr>
<tr>
<td>PIANOFORTE</td>
<td>2.6</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>RUBERY OWEN</td>
<td>2.5</td>
<td>91.2</td>
<td>10,000</td>
</tr>
<tr>
<td>A C DELCO</td>
<td>2.2</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>ZENITH CARBURETTOR</td>
<td>2.1</td>
<td>7.4</td>
<td>2,000</td>
</tr>
<tr>
<td>SKF</td>
<td>1.6</td>
<td>742.0</td>
<td>62,000</td>
</tr>
<tr>
<td>A L DUNN</td>
<td>1.5</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

**Total:** 104.3

The above supply most of the raw materials used. In the case of some of the most important raw materials CUK has more than one supplier.
Note by Coopers and Lybrand on the US Tax Implications of Action by Chrysler

AMERICAN TAX POSITION

Officials have consulted Coopers and Lybrand on the American tax position. The position is complex but thought to be as follows:

If Chrysler Corporation ("CC") abandon their investment in Chrysler UK ("CUK") the capital loss sustained of £80M may be set against revenue profits earned in the USA as long as the following conditions are met:

(i) CC can establish that the investment has been completely abandoned and is completely valueless

(ii) CC have no overseas income against which the loss may be set (CC have confirmed that this is so).

In the event of a liquidation tax will be recovered at approximately 56 per cent on the £80M and, in the event of HMG participation, also on the £35M terminal payment which CC have undertaken to pay HMG if HMG acquire CUK (£64M in total) although any ongoing operation could endanger the tax relief. It is probable that if CC liquidate CUK the ultimate deficit (estimated at between £50M-£100M) will also rank for tax relief at 56 per cent if the deficit is appropriately funded.

Legislation is before Congress, but not yet enacted, which makes it advisable for CC to realise this loss before 31 December 1975.

It has been put to CC that the £35M terminal payment is less than the tax relief CC will recover on the £80M already lost (£44m). This has been denied by Mr Riccardo and it is impossible to clarify the matter further without access to CC's detailed tax position.
CABINET

CHRYSLER: SPECIAL REDUNDANCY SCHEME

Memorandum by the Secretary of State for Employment

1. The Secretary of State for Industry will be reporting the results of our discussions with trade union representatives. The difficulties they saw in the possibility of keeping a part of the Chrysler operation going prompted them to raise the question of a publicly financed redundancy scheme in the event of a complete closure of Chrysler.

2. I earlier favoured the idea of making up unemployment pay and earnings in jobs secured by the redundant Chrysler workers. I have come round to thinking that a scheme of supplementary lump sum payments might be preferable:

   i. It could be done under cover of the Appropriation Act whereas a scheme of continuing payments would commit us to legislation taking wide powers to make such payments. That would expose us to pressure to use the powers for other workers. It is not a matter on which we should take a snap decision.

   ii. We shall defend a special scheme for Chrysler workers on the ground that this is a quite exceptionally large redundancy creating unusual problems for the reabsorption of the workers concerned into alternative employment. We shall be less exposed to continuing complaints from other workers by a once-for-all lump sum scheme than by a scheme of make-up payments continued over a long period. Moreover make-up of unemployment benefit could generate pressure for a general increase in benefit.

   iii. Chrysler could make the additional lump sum payments as our agent when they make the statutory lump sum payments to their redundant workers. This would obviate the need for setting up our own administrative machinery.
3. Before finalising a decision on the precise content of a special redundancy scheme, we should need to consult the unions but I should like to enter into such a consultation on the basis that the Government favoured a scheme of lump sum payments. An announcement that we intended to provide money for a supplementary scheme could leave open the question of its precise form and content.

4. There is the further question of whether an announcement should specify the amount of money we are prepared to make available. In favour is the argument that naming a figure - e.g. £30 million - would have a greater impact. Against is the fact that any figure would become a floor for negotiation and that we cannot judge what the right level should be until we have got further with the unions. For instance, it would not be easy to spend £30 million on a scheme restricted to the supplementation of unemployment pay and subsequent earnings. £30 million would provide an additional lump sum of £1200 on average for the redundant workers on top of an average statutory payment of £600. On the whole I am inclined not to mention a figure in an initial announcement.

5. I attach a draft of the relevant part of an announcement.

6. In my view, no special redundancy scheme would be justified if public money is provided to preserve a significant part of the Chrysler operation.

7. I invite my colleagues, in the event of our deciding to allow Chrysler to close down completely, to agree that:

   i. In principle up to £30 million should be made available for a special redundancy scheme.

   ii. An announcement should be made in the terms attached.

   iii. Following the announcement, I should enter into consultations with the unions on the basis that the Government favoured a scheme providing supplementary lump sum payments.

M F

Department of Employment

2 December 1975
PASSAGE FOR AN ANNOUNCEMENT ABOUT CHRYSLER

The close-down of Chrysler will mean the loss of 26,000 jobs at a time when unemployment generally is very high. Moreover, 7,000 of the jobs lost will be at Linwood in an area where unemployment has been consistently high for many years. So many redundancies at once will raise the unemployment rate considerably in the two areas principally affected, the Coventry and Paisley travel-to-work areas. The Government has, therefore, decided that in view of the exceptional size of these redundancies and the unusual degree of hardship they will cause, it will make the money available to finance a special redundancy scheme, in supplementation of the statutory payments which will be made by the Chrysler company.

Urgent action will be needed by Government Departments and by the Manpower Services Commission to find alternative work for the redundant workers, to retrain them if necessary, and to encourage the establishment of new work in the areas concerned. The Government will ensure that all concerned tackle this with the utmost speed and vigour.
LABOUR MARKET

1. This note examines, as requested by Cabinet, the implications for manpower of a close-down of Chrysler activities. The Company has not provided details of the proposed rundown programme in the event of Government deciding not to provide financial assistance for the continuation of all or part of the activities of Chrysler UK. Chrysler have merely indicated that the rundown if it proceeded in an orderly way would be completed in three months. In practice the likelihood of the workforce occupying plants is extremely high and any detailed programme of rundown would be wholly speculative.

2. Chrysler currently employs over 24,000 workers at eleven establishments in Great Britain (see Annex A). Of these, 14,300 are employed in the West Midlands (the vast majority in Coventry) and 6,600 at Linwood in Scotland. The remaining 3,400 are in the South East, predominantly in the Luton area. Over 20 per cent of the labour force consists of skilled workers.

3. It is difficult to be precise about other jobs involved but broadly, apart from the jobs in Chrysler, it is estimated that for every two jobs in motor vehicles manufacture there are three jobs in the component and supply industries. In addition, the 800 or so Chrysler dealers employ some 30,000 people altogether. Not all of these various groups would be made redundant if Chrysler were to close. Initially the entire Chrysler workforce and a great many of the corresponding 36,000 or so in component and supply industries would be unemployed but considerably less than half of those employed by the distributors would be affected. If other United Kingdom manufacturers were to take up two-thirds of Chrysler's current market share (roughly in line with their present proportion of the whole market) it is estimated that job losses would be 55,000 initially reducing to half that number within a year. If import controls were introduced job losses would be still further reduced. There would be secondary job losses resulting from the loss of income among those made redundant.
4. Linwood, in the Paisley area, and Coventry would be the places most acutely affected by closure. If all those redundant from Chrysler went onto the unemployment register or found work by displacing other workers, the male rates would soar to 17 per cent in Paisley (12.5 per cent men and women together) and to 13.8 per cent at Coventry (11.5 per cent total) (see Annex B). Nor would there be good prospects in either area of an early return to the present position of levels of unemployment near the national average. Employment prospects in the neighbouring areas to Paisley are bad and, in the light of the anticipated contraction in the shipbuilding industry, will worsen. The increase in unemployment is likely to be persistent, even with an upturn in the economy. Linwood is heavily dependent on Chrysler as its major employer. In Coventry, normally a prosperous area but relatively hard hit in the present recession, other large firms in the vehicle manufacturing, telephone equipment and machine tool industries are also faced with large current or impending redundancies. Although the outlook is less bleak than in Paisley, a high level of unemployment is likely to persist until the engineering industry starts to pick up again.

5. This does not mean that the ex-Chrysler employees would all remain unemployed. Given their skills and work experience perhaps 70 per cent of them would find work in six months, even in Scotland, but this would be at the expense of other workers who would be forced into unemployment. Among the Chrysler workers, skilled workers would probably fare best and older workers (an estimated 1,700 Chrysler employees are aged over 60) would have most difficulty in finding alternative work.

6. Less severe problems would be experienced in Birmingham and a number of other West Midlands towns through job losses at component firms. As in Coventry, recovery is likely to be related largely to the general level of activity in engineering.

7. It would appear, therefore, on present assumptions about the economy, that it could be one to two years before local unemployment levels recovered from a Chrysler closure. On the other hand, there would be increases in employment in other places (but not in Scotland) if the British-based motor industry was successful in seizing a part of Chrysler’s lost sales.

COST OF UNEMPLOYMENT

8. On the assumption (see paragraph 3) that 55,000 jobs (mostly male) were lost initially and the loss persisted for a year, the cost in terms of public expenditure would be approximately £150 million excluding the cost of any special publicly-financed redundancy scheme. Of this total, approximately £10 million might be accounted for by the Exchequer share of statutory redundancy payments, a further £80 million by social security.
payments, and the rest, or £60 million, by revenue loss, ie income tax and national insurance contributions. A special £30 million redundancy scheme would bring the cost up to £180 million. In a situation where job losses had declined to say 30,000 (see paragraph 3) the cost would be at an annual rate of £115 million.

9. The consequences of closure beyond the first year are very difficult to state. The prospect, however, is for accelerated reabsorption of the jobless back into employment as activity in the motor and engineering industries gathers pace. Costs in the second year would be very much lower than in the first year.

10. It should not of course be inferred that it would necessarily be right to inject money into Chrysler up to the amount of the unemployment cost, regardless of viability. If the operation does not become viable, there will eventually be unemployment costs to be met anyway. Moreover, a good deal of the industry's capacity is working on narrow margins and will remain vulnerable for some years. To support Chrysler may merely create redundancies later on with another maker who would have sustained employment had Chrysler's competition not been there. The real effect of closing Chrysler on employment, balance of payments and production is thus any difference between the effects of closure now and of a closure in a few years' time. It is impossible to say what the difference would be but it is likely to be small.

M F

Department of Employment

2 December 1975
CHRYSLER (UK) LTD - MAIN ESTABLISHMENTS

This list contains the main establishments but is not necessarily exhaustive.

<table>
<thead>
<tr>
<th>LOCATION</th>
<th>TTWA</th>
<th>LABOUR FORCE (September 1975)</th>
<th>MAIN ACTIVITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Linwood</td>
<td>Paisley</td>
<td>6,638</td>
<td>Cars, body panels for entire range of passenger vehicles. Axles, gearboxes and components. Engine, blocks and die castings.</td>
</tr>
<tr>
<td>Ryton</td>
<td>Coventry</td>
<td>4,027</td>
<td>Parts assembly</td>
</tr>
<tr>
<td>Stoke</td>
<td>&quot;</td>
<td>6,025</td>
<td>Engine and gearboxes</td>
</tr>
<tr>
<td>Whitley</td>
<td>&quot;</td>
<td>2,274</td>
<td>Admin and technical</td>
</tr>
<tr>
<td>Canterbury Rd</td>
<td>&quot;</td>
<td>477</td>
<td>Special products</td>
</tr>
<tr>
<td>Baginton</td>
<td>&quot;</td>
<td>215</td>
<td>Trim plant</td>
</tr>
<tr>
<td>Small Heath</td>
<td>Birmingham</td>
<td>968</td>
<td>Spare parts centralisation</td>
</tr>
<tr>
<td>Hall Green</td>
<td>&quot;</td>
<td>298</td>
<td>Die casting</td>
</tr>
<tr>
<td>Dunstable</td>
<td>Luton</td>
<td>1,370</td>
<td>Production of commercial vehicles</td>
</tr>
<tr>
<td>Luton</td>
<td>&quot;</td>
<td>903</td>
<td>Parts assembly, some light van production</td>
</tr>
<tr>
<td>Maidstone, Kent</td>
<td>Maidstone</td>
<td>582</td>
<td>Rear axles, engines, and air conditioning</td>
</tr>
<tr>
<td><strong>TOTAL:</strong></td>
<td></td>
<td><strong>24,277</strong></td>
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</tr>
</tbody>
</table>

ANNEX A
### Annex B

**November 1975**

<table>
<thead>
<tr>
<th>Location</th>
<th>Numbers Male</th>
<th>Total</th>
<th>Rates Male</th>
<th>Total</th>
</tr>
</thead>
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<tr>
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<td>4,040</td>
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<tr>
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<td>15,193</td>
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<td>6.3</td>
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<tr>
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<td>44,142</td>
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<tr>
<td>Luton TTWA</td>
<td>4,489</td>
<td>5,933</td>
<td>5.4</td>
<td>4.6</td>
</tr>
<tr>
<td>Great Britain</td>
<td></td>
<td></td>
<td>6.3</td>
<td>4.9</td>
</tr>
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</table>

**Chrysler Direct Labour Forces and Notional Rates Arising from Their Unemployment**

<table>
<thead>
<tr>
<th>Location</th>
<th>Numbers Male</th>
<th>Total</th>
<th>Rates Male</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
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<td>6,376</td>
<td>6,638</td>
<td>17.0</td>
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<td>Coventry TTWA</td>
<td>11,924</td>
<td>13,018</td>
<td>13.8</td>
<td>11.5</td>
</tr>
<tr>
<td>Birmingham TTWA</td>
<td>966</td>
<td>1,266</td>
<td>8.6</td>
<td>6.7</td>
</tr>
<tr>
<td>Luton TTWA</td>
<td>2,613</td>
<td>2,773</td>
<td>8.5</td>
<td>6.7</td>
</tr>
<tr>
<td>Great Britain</td>
<td></td>
<td></td>
<td>11.5</td>
<td>8.3</td>
</tr>
</tbody>
</table>
CABINET

CHRYSLER

Memorandum by the Secretary of State for Scotland

1. The Secretary of State for Industry has circulated a memorandum (C(75) 139) recommending inter alia that the Government should not accept responsibility for any part of the Chrysler UK operation but should make clear that full responsibility for liquidating it lies with the Chrysler Corporation. I should like to comment on the points made in the Secretary of State for Industry's memorandum.

A REDUCED CHRYSLER UK OPERATION SCHEME B

2. The memorandum states that "Coopers and Lybrand conclude that Scheme B is not viable". While making reservations about the Chrysler figures, Cooper and Lybrands do not say specifically in Annex A(i) to C(75) 139 that Scheme B is not viable. What Coopers have done however is to confirm the figure of £96 million as the cash required by the new company under Scheme B. This is the same figure as I put forward to colleagues in the Annex to my note C(75) 129. In fact with a Chrysler contribution of £35 million and the consequent saving of interest the figure becomes £80 million and the contribution required from Government is £45 million which is considerably less than the £140-£150 million originally envisaged. C(75) 139 mentions a figure of £115 million but I do not accept that one can lump together new capital and loan guarantees just like that.

3. Nor do I accept the conclusion in paragraph 6 of C(75) 139 that Annex A(ii) shows that the Chrysler Corporation are not committed to the United Kingdom operation. The annex was not intended to be a legally binding document but only to illustrate the kind of commitments that the Chrysler Corporation were prepared to enter into. Scottish Office officials did in fact suggest to other Departments that an effort should be made to pin down the Chrysler Corporation in a more detailed agreement. It has certainly always been my intention that the Chrysler Corporation should be so locked in to the future operations of the new company and I have always favoured a contract with the Chrysler Corporation which would
have incentives built in to ensure that the commitment to the new operation will be sustained. The Chrysler Corporation’s willingness to be committed to the new company was reaffirmed strongly yesterday by Messrs Riccardo and Cafiero whilst they were being intransigent on the actual financial contribution they were prepared to make to the new operation. Mr Cafiero did in fact emphasise to the Central Policy Review Staff yesterday evening that the Chrysler Corporation envisaged the new operation being fully integrated with the Chrysler Corporation worldwide from the operational point of view. This means that the viability of the new United Kingdom operation cannot be assessed in isolation, and the question of finance for new model development in the 1980s must depend on how the arrangements work between now and then.

POSSIBLE INVOLVEMENT OF BRITISH LEYLAND AND IMPACT ON UNITED KINGDOM CAR MAKERS

4. I am not at all surprised at the reactions of the other motor companies to a rescue bid for Chrysler UK. It obviously must be in their interests to have the United Kingdom-based competition reduced. I am particularly sceptical of the views of Ford and Vauxhall. I am also sceptical of the possibilities of British Leyland taking over the Iranian contract. All the indications from the discussions with the Chrysler Corporation at Ministerial and official level are that if Chrysler UK is allowed to go, the Iranian contract will be secured from elsewhere in the Chrysler Corporation organisation.

VIEWS OF TRADE UNIONS

5. If the view of the four trade unionists mentioned in paragraph 8 of C(75) 139 is correct then this could be a telling factor. But no Scottish Office Minister or official was present at the meeting and I do not know how the proposition was put to the trade unionists. From my knowledge of the situation at Linwood however and of the views of the Scottish Trades Union Congress (TUC) I do not believe that the views expressed by Mr Lionel Murray and his colleagues are realistic. It is significant that not one of these trade unionists was Scottish-based. I do not believe that the Linwood and Midlands workers would take the intransigent attitude attributed to them if the full facts were put before them ie either a slimmed down version of Chrysler UK with 15,000 workers or no jobs at all either in the Midlands or at Linwood. Moreover there would be little prospect of the scheme being thwarted by a sit-in or work-in at Ryton because I understand that very little equipment would be moved from there to Linwood and it could be provided at Linwood ab initio at between £1 million and £2 million. Incidentally this must be one of the few occasions where it is proposed to transfer work from England to Scotland. The reverse is happening regularly and there is no sign of workers in the south showing support for their Scottish colleagues. This has caused considerable bitterness in Scotland in the past. As for the TUC idea for a 40-hour wage for six
months, this would be considerably more costly than the special redundancy payments scheme already discussed by Ministers. It is not clear where the alternative jobs are to come from. If we had had 6,000-plus jobs waiting to be proposed in the Linwood area we would do these anyway. And of course in six months the car capacity would have gone forever or would have been taken over by foreigners. Nevertheless, if Scheme B were to be adopted I believe the Government should take some special steps to find alternative employment for the workers declared redundant at Ryton.

CONSEQUENCES OF CHRYSLER UK BEING LIQUIDATED

b. i. For Her Majesty's Government

I have not yet seen the Secretary of State for Employment's paper but I understand that it will include figures which will show that on the assumption that 55,000 jobs (mostly male) were lost as a result of the Chrysler shut-down and the loss persisted for a year the loss in terms of public expenditure would be £150 million (£180 million if a special redundancy scheme were added). Even if job losses were reduced to 30,000 the annual figure would still be £115 million.

Either of these figures is considerably higher than the £45 million we are being asked to find to keep the company producing cars and maintaining jobs. Whilst in human terms I have a good deal of sympathy for the views of the Secretary of State for Employment on the need for a special redundancy scheme, I believe that such a scheme for the Chrysler workers could be very badly received by other trade unionists who will not understand why these highly-paid motor company workers are receiving special treatment. And of course it will be wasteful because the Department of Employment forecast that Chrysler skilled workers will soon find jobs at the expense of other less fortunate workers in the Midlands and around Linwood.

d. ii. For the Chrysler Corporation

Just how cheaply the Chrysler Corporation is likely to get out of Chrysler UK by a once-for-all payment of £35 million is not certain, since the Chrysler Corporation have not been prepared to discuss the figures and Mr Riccardo indicated at the meeting with the officials on Tuesday 2 December that the figures on which the Government were working were wrong. However, if it is true that Chrysler would find difficulty in extricating itself in a liquidation situation, this might influence its decision to pay off all creditors or certainly the timing of such payments. This could lead to pressure on the Government by creditors such as component manufacturers and dealers for assistance as happened in similar circumstances with Rolls-Royce.
OTHER FACTORS

7. In his paper the Secretary of State for Industry ignores the consequences for the balance of payments and Anglo/Iranian trade relations of allowing Chrysler UK to go. The only hope of retaining the Iranian contract is if the British Leyland were to obtain it but I have already indicated above that in my view this is a remote possibility.

CONCLUSION

8. The Secretary of State for Industry says that the odium for the liquidation of Chrysler UK should rest on the Chrysler Corporation. I believe that the odium would be shared by the Government when it became known, as it undoubtedly would, that the Chrysler Corporation were prepared to contribute £35 million to the company which would have been able to continue with an injection of Government money amounting to £45 million - less than half the amount to be spent on unemployment benefits, social security and redundancy payments if Chrysler is allowed to go. I submit to colleagues that this is a package whose rejection could not easily be defended amongst our supporters in the country or generally, certainly not in Scotland. Colleagues will have already recognised that the reaction in Scotland to the Devolution White Paper was extremely bad from the Government's point of view. Most of the commentators attacked the lack of powers of the Scottish Assembly in the field of industrial and commercial policy. If Linwood is allowed to go to the wall it will confirm completely and promptly the views of so many people in Scotland that Scottish industrial interests can only be looked after if these powers are transferred to Scotland.

9. I therefore recommend that the Government should:
   i. Agree to Scheme B and accept the Chrysler offer of a grant towards the new company of £35 million.
   ii. Initiate further discussions with the trade unions at national level on a more representative basis.
   iii. Negotiate a tight management agreement with Chryslers which should if possible include incentives which would help to lock in the Chrysler Corporation to the new operation.
   iv. Consider urgently what alternative work might be found for the workers declared redundant at Ryton.

W R

Scottish Office
3 December 1975
1. The Cabinet agreed to reduce expenditure in 1978-79 by £3.8 billion. The Chief Secretary's report (annexed to C(75) 137) shows that £2.6 billion savings have so far been agreed. The Chief Secretary's report lists further options which could yield a further £2.3 billion. Ministers now need to select £1.15 billion from the list.

2. It will be very difficult to find £1.15 billion. It will involve further reductions in sensitive programmes, and even programmes to which Ministers attach very high priority could not be exempt.

3. To assist discussion of how a further £1.15 billion of reductions might be made up, the Central Policy Review Staff (CPRS) has tried to set out a series of proposals. It believes that these proposals reflect, so far as possible, Ministers' expressed priorities. It concentrates on those programmes where it seems further savings might be found and does not attempt to cover every PESC heading.

ROADS

4. Large cuts in the expenditure on roads have already been agreed by the Secretary of State so the remaining programmes are likely to be of high priority on economic and environmental grounds. But in the context of a search for £3.8 billion and the large cuts which will have to be made in programmes to which even higher priority is attached (housing, health) further cuts may be needed. At least £100 million should be sought here.

FOOD SUBSIDIES

5. The Government is committed to phasing out food subsidies. Savings over and above those already agreed can be made by accelerating the rate at which they are eliminated. A reduction of £100 million in 1978-79 could be achieved by bringing the run-down forward by one year from 1979-80.
EDUCATION

6. The Secretary of State for Education is prepared to accept the full formula cuts (as part of a package totalling £3.5 billion). The scope for further cuts is limited, but it should be possible, without too damaging effects on educational policy, to obtain about half of the £124 million further savings proposed by the Treasury (say around £60 million). The most promising areas appear to be:

a. the subsidy to overseas students, many of whom come from relatively rich countries is now very large (around £100 million). There is a strong case for raising tuition fees to 50 per cent of economic costs (the upper range of increase being recommended by the official group which has been studying the issue);

b. over the PESC period further savings could be made in higher education staffing and other costs, which would allow student numbers to remain at the level achieved in 1977, (ie meeting 91 per cent of demand on the Robbins principle) without increasing unit costs;

c. in-service training for teachers could be phased in more gradually.

HEALTH AND PERSONAL SOCIAL SERVICES

7. In view of the increasing emphasis on community care, it seems unwise to look for further reductions in personal social services. But, in spite of the major problems faced by the health service, it is difficult, when reductions of £3.5 billion are being sought, to justify increases of 1½ per cent per annum in this field. The Secretary of State says that this is necessary to meet demographic and technological change. The number of elderly is increasing, but this must be to some extent compensated by the considerably larger projected fall in the number of children (who are also significant consumers of health services). There can be no objectively 'right' amount or quality of health provision. Some demands for improved technology, and some public expectations, must always fail to be met.

8. If health expenditure were held at its 1975-76 level (in real terms) this would save a further £220 million in 1978-79.

SOCIAL SECURITY

9. It has already been agreed by the Secretary of State that the uprating formula for 1976 could be adapted to give savings of some £200 million a year from 1977-78 to 1979-80. But, because of the introduction of the Government's counter-inflation policy and the slower expected rise in prices, even the modified formula agreed by the Secretary of State would still leave pensioners in a better position than was planned in the last Public Expenditure White Paper. The main issue is whether the formula should be further adapted. The amount at stake is a further £300 million a year.
10. It can well be argued that the Government could meet its commitment to give the pensioners a fair deal if the 1976 uprating kept pace with the increase in gross earnings since July 1974 (when the £10/£16 pension rates were introduced). This would still leave pensions rising faster than gross earnings and considerably faster than real take-home pay from the time the Government took office to the end of the PESC period.

11. But if the uprating formula for 1976 were further modified in the way suggested above, there would be a strong case - on grounds of substance and presentation - for adopting some of the options (costing under £100 million per year) for helping the most hard pressed which are being put forward by the Official Group on Financial Poverty. These two changes would yield a net saving of £215-£250 million.

HOUSING

12. All the formula reductions in public expenditure on housing (£130 million) are agreed by the Secretary of State. Of the policy options in the survey, a further reduction in subsidies of £76 million is agreed; and of the additional options referred to in the Chief Secretary's report, reductions of £100 million are agreed (£47 million on private improvement grants, and £53 million on sales of local authority houses). Agreed reductions thus total £306 million. Not agreed are reductions of £838 million made up as follows:

<table>
<thead>
<tr>
<th>Policy Options in Survey</th>
<th>Further Options originally suggested by Treasury</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subsidies</td>
<td>124</td>
<td>155</td>
</tr>
<tr>
<td>Housebuilding</td>
<td>176</td>
<td>300</td>
</tr>
<tr>
<td>Approvals</td>
<td>(16,000 houses)</td>
<td>(27,000 houses)</td>
</tr>
<tr>
<td>Sales of Local Authority Houses</td>
<td>137</td>
<td>137</td>
</tr>
<tr>
<td>Local Authority mortgage lending, municipalisations, improvement investment</td>
<td>246</td>
<td>246</td>
</tr>
<tr>
<td>Total</td>
<td>370</td>
<td>468</td>
</tr>
</tbody>
</table>

13. Subsidies. It is difficult to announce reductions in subsidies to local authority housing considerably bigger than those accepted by the Secretary of State without the announcement of concomitant measures in the owner-occupied sector. These have to await the outcome of the Housing Finance Review. Meanwhile, however, it is equally difficult to achieve the £3½ million overall reduction aimed at by Ministers without some further modest contribution from housing subsidies. The Secretary of State has
agreed that rents should be raised in real terms by 30p-40p per week in 1977-78 and by the same again in 1978-79. If that range was raised to 40p-50p for both years, there would be an additional saving of £50 million in 1978-79. The rent increases would not be significantly greater in scale than those the Secretary of State has already accepted and rents would still be below 1971 levels in real terms.

14. Capital Expenditure. The remaining items in the table above all concern capital expenditure of one kind or another. In this area the least damage to the Government's housing and other objectives would result from increased sales of local authority houses. For the increased sales to contribute towards the £3 ¾ billion it would be necessary for the sales to be financed by the private sector and not by local authorities. An additional contribution of £50 million from this source need not lead to a significant reduction in the local authority housing stock in areas where there is a shortage of rented accommodation provided the sales were concentrated on other areas.

15. The next least damaging option is probably to reduce the provision for mortgage lending by local authorities. A start has already been made in persuading building societies to take over this responsibility from local authorities. At least £100 million more might be saved in 1978-79 on this item (out of a total provision of £393 million gross).

16. Finally, to help achieve the £3 ¾ billion target a further saving (£100 - £150 million) might, without excessive damage, be found from the other capital programmes (housebuilding, municipalisation, improvement). In the allocation of the £125 million between these three programmes, there are good reasons for arguing that the brunt should be borne by new house-building. The decline of the private rented sector has led to the decay of much of the accommodation in that sector. There is an urgent need to maintain that accommodation through the municipalisation programme. And in present circumstances better value for money can often be obtained by acquiring and improving existing houses than by new building. There is, however, the presentational problem that public attention tends to focus on the total numbers of new houses even though this is no indication of success or failure in meeting the most urgent housing needs.

OVERSEAS SERVICES

17. The full formula cuts could be applied to Overseas Services and they could be concentrated on the Overseas Representation sub-head. Expenditure on Overseas Services as a whole has fallen by about 15 per cent in real terms during the last 10 years; but on Overseas Representation it has risen by about 25 per cent in real terms. We maintain a larger overseas presence than our principal competitors find necessary and we seem less ready than they to concentrate our overseas efforts, including export promotion, on areas where we have major interests at stake. The size and standards of our overseas posts are at present the subject of some public criticism. The savings here could be some £10 million.
OVERSEAS AID

18. When all other public expenditure programmes are being cut it is difficult to justify the complete exemption of the Overseas Aid Programme. The Government has accepted in principle the United Nations target of 0.7 per cent of GNP for official development assistance. But, together with other major donors, it has not said when it expects that target to be reached; there is certainly no commitment to reach it by 1980. Our present figure of 0.38 per cent is above the OECD average (0.35 per cent) and above that of the USA. There is no prospect of the OECD countries achieving the target during the PESC period. Our relations with developing countries would not be seriously damaged if Overseas Aid continues to expand (in real terms) but at the lower rate (1.3 per cent) implied by the formula cuts. On the other hand the Government has committed itself to a generous aid policy and to a more equitable sharing of wealth between rich countries and poor. The application of full formula cuts would yield about £50 million. If Ministers felt that past commitments have imposed an overriding moral obligation, the formula could be applied at half rate and the savings would then be £25 million.

DEFENCE

19. Whether or not the Defence Review could, by adopting a different approach, have produced greater savings in planned defence expenditure, to announce further major cuts so soon after its conclusion could call into question our reliability as an ally and might carry the risk of encouraging other members of NATO to follow suit. However, this argument applies with less force to equipment than to "front line" manpower and it should be possible to go further than the Secretary of State for Defence has offered, perhaps by an additional £75-£100 million in 1978-79, without reneging on our commitments to NATO. For example, it should be possible to meet the RAF's requirement for a future fighter aircraft more cheaply than the air defence variant of the MRCA and the Maritime Harrier could be cancelled.

CONCLUSIONS

20. The above paragraphs can be summarised as follows:

<table>
<thead>
<tr>
<th></th>
<th>£ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roads</td>
<td>100</td>
</tr>
<tr>
<td>Food Subsidies</td>
<td>100</td>
</tr>
<tr>
<td>Education</td>
<td>60</td>
</tr>
<tr>
<td>Health</td>
<td>220</td>
</tr>
<tr>
<td>Social Security</td>
<td>235</td>
</tr>
<tr>
<td>Housing</td>
<td>325</td>
</tr>
<tr>
<td>Overseas Rep.</td>
<td>10</td>
</tr>
<tr>
<td>Overseas Aid</td>
<td>25</td>
</tr>
<tr>
<td>Defence</td>
<td>75</td>
</tr>
<tr>
<td></td>
<td><strong>1,150</strong></td>
</tr>
</tbody>
</table>

SECRET
21. As set out, the proposals show the largest extra reductions in the high priority areas of health, social security and housing. In considering this, Ministers should bear in mind:

a. if larger reductions than those shown above can be secured in such lower priority areas as roads, education and defence, then the need for savings on higher priority programmes will be that much less;

b. housing and social security have shown very large increases in recent years; these, and health, as high priority programmes, have inevitably contributed a relatively small proportion of the £2.6 billion savings made so far;

c. perhaps the most difficult judgment is how big a reduction can safely be made in the defence programme;

d. even if substantially larger savings than those shown above could be secured in defence and other programmes, some further reductions in such sensitive areas as health, social security and housing would still be unavoidable if £3½ billion reduction is to be secured.

22. These proposals are put forward as a basis for discussion of the central issues. The final judgments are political decisions which only Ministers can take, and they will undoubtedly wish to increase some items and reduce others within the total.

Cabinet Office

3 December 1975
CABINET

CHRYSLER

Memorandum by the Secretary of State for Industry

1. The position we have reached in our discussion with the Chrysler Corporation about continued operation by Chrysler UK is set out in the Annex to this paper.

i. The total commitment of Her Majesty's Government, under the Chrysler Corporation's present proposal, could amount to £184½ million up to 1979, without any effective controls by us. Hopefully, a part of this, for example the guarantee of the Finance for Industry (FFI) loan, would not arise and the Chrysler Corporation would provide a part of the capital finance required.

ii. We are doing this in the interests of 17,000 jobs in the motor industry in Scotland and the Midlands and a further, unquantified, number of jobs among suppliers and distributors. We are also able to continue supplying Iran, to the benefit of the balance of payments.

iii. We already have the view of the Industrial Development Advisory Board that the original £55 million development plan was not viable and they are now considering the new proposition. There is no provision for a programme of capital development beyond 1979 and no prospect of adequate profits being generated to finance such a programme.

iv. In return for a subvention of their losses up to the limits agreed they have undertaken to contribute between £10 and £12 million in the first year to the cost of the £35 million development at Ryton, a guarantee of Her Majesty's Government's cover for the FFI loan, and a share of possible losses in 1976-79. They have not yet agreed to contribute anything, by way of cash or guarantee, to the £55 million development plan, although we are pressing them to do so.
v. A straightforward subvention to losses will create a precedent which we will be pressed to follow in other cases (for example shipbuilding companies).

vi. In the interests of employment, of the balance of payments and of industrial growth we need a strong, viable motor industry in this country.

vii. We are already committed to publishing the Central Policy Review Staff Report on the industry, and will have to reconcile our decision with the conclusions of that Report.

2. The social arguments in favour of reaching agreement with Chrysler are of course strong. On the other hand there are industrial arguments relevant to risking Government money on this scale in support of a company which is weak both in the United Kingdom and in the United States.

3. If my colleagues conclude that we should support Chrysler I believe that this should only be on the clear understanding that they contribute substantially to the capital cost of the £55 million development programme and should give adequate assurances about continued operation in the United Kingdom firmly linked to their worldwide organisation. We should then use our best endeavours to make such an arrangement work, despite the unpromising prospect.

E V

Department of Industry

10 December 1975
PRESENT STATE OF NEGOTIATIONS WITH THE CHRYSLER CORPORATION

Following Cabinet consideration last Thursday (CC (75) 53rd meeting conclusions minute 2) and subsequent discussion in the Ministerial Group on the Automobile Industry (MISC 59 (75) 10th & 11th meetings) the Ministerial negotiating team put the following proposition to the CC team:

(a) HMG would accept in full the first £40m of losses by Chrysler UK (CUK) in 1976 and half any additional losses from 1976 - 1979 inclusive up to £20m in 1976, £20m in 1977, £15m in 1978 and £10m in 1979. Total commitment under this heading would thus be £72½m for these four years.

(b) HMG would also be willing to guarantee if necessary a Chrysler Corporation obligation to Finance For Industry of £35m provided this sum were counter-guaranteed by Chryslers themselves.

(c) We had no authority to offer any finance towards the £55m required for new model and capital development but HMG would be prepared to consider this in slower
time in the context of full discussions with CC about their proposals for new models, integration of CUK with their world-wide activities etc.

In response the CC team accepted the offers under (a) and (b); and in discussion of (c) said that in addition to the physical plans which we have been considering under the title of Scheme B they now envisaged the possibility of a further development programme to keep Ryton in operation after the assembly of Avengers has been moved to Linwood by starting production there next Summer of their C6 model (the French Alpine imported from Simca in knocked down form); capital cost would be about £35m.

Over the next 15 months the UK sourced content would be increased to 57%; the capital cost of this part of the operation would be £10 - 12m which would be met by CC. The position would then be reviewed in a year's time to settle whether to go for 100% UK sources over the following 18 months at a cost of a further £22m. In this way they would provide initially an extra 1500 jobs rising to 2000 over 15 months - making a total of about 17000 for CUK - and also make much easier the handling of relations with the work force over the move of the plant from the Midlands to Linwood.

When Ministers considered the outcome of these discussions after the departure of the CC team their preliminary view was that with the additional model development at Ryton the proposals made more industrial and social sense. However they were not satisfied
that the balance of financial risk had been fairly struck if development funds would have to be provided by HMG and a cable was subsequently sent to CC in Detroit for their Board Meeting this Wednesday, 10th December, proposing that they should provide a guarantee for the first two tranches of the £55m capital development funds required under Scheme B - amounting to £28m over 1976/77; or alternatively they should provide these funds direct. Their reply will be reported to Cabinet as soon as it is received.

Immediate discussions have been started with CUK about the details of their now extended plan and Coopers and Lybrands have been invited to report on its accounting aspects. The Scheme is being considered immediately by the Industrial Development Advisory Board whose views will be reported to Cabinet.

The Department of Industry also is engaging Rothschilds to advise on the terms under which HMG should participate in this Scheme.
CABINET

CHRYSLER

Note by the Secretary of State for Industry

I attach the following annexes for the information of members of the Cabinet:-

Annex A: The conclusions of the Industrial Development Advisory Board on Chrysler's latest proposal which includes the retention of Ryton.

Annex B: My message to Mr Riccardo describing our proposition for financing the £55 million development programme.

Annex C: The Chrysler Corporation's response to my message.

EGV

Department of Industry

11 December 1975
(a) The general view was that these arrangements did not offer prospects for viability in accordance with the criteria against which the Board were charged to view proposals.

(b) Some members considered that, whilst recognising the acute social consequences, the lack of viability coupled with the potential adverse implications for the rest of the motor industry would not warrant a recommendation to provide assistance, though every effort should be made to mitigate the effects on employment.

(c) The clear majority felt that the social, industrial and balance of payments considerations were sufficiently serious to offset the lack of viability, and that assistance would be warranted, but subject to the following preconditions voiced by several members:

(i) A greater financial contribution on capital account should be made by the Chrysler Corporation as earnest of their commitment;

(ii) A sanction for the Government against the Chrysler Corporation, as majority shareholders in Chrysler UK eg the right to place Chrysler UK into receivership, should be negotiated to enable the Government to curtail its commitment or vary the arrangements in the light of events;
(iii) Related to (ii) a binding and enforceable arrangement being accepted by the workforce, involving actual sacrifice by them, at least to ensure a marked and continuing improvement in production costs, productivity, manning levels and other key factors in determining competitiveness; in the view of certain members these arrangements should involve a contribution from wages.

(a) It was also recognised as desirable, if assistance were provided,

(i) At least to take the fullest advantage before a decision is announced to capture the initiative in relation to the workforce;

(ii) to obtain a clear commitment and specific programme from the Chrysler Corporation to increase the UK content of the 06, and for the Government to monitor this programme closely.

(e) If the conditions described in (c) were not achieved, the majority view of the Board would incline against assistance being provided.
MESSAGE TO MR JOHN RICCARDO FROM THE SECRETARY OF STATE FOR INDUSTRY

My colleagues and I welcome the helpful discussion we had at our last meeting and we recognise that you put forward the new proposals about the additional model to be assembled at Ryton with the object of increasing the numbers employed and helping to cope with possible reactions of the workforce to plans to move plants from Ryton to Minwood as well as to improve the balance of models available and the integration of the Chrysler UK operation into your world-wide activities.

However my colleagues and I on further reflection are not satisfied that the various financial arrangements as we discussed them with you yesterday will strike fairly the balance of risk between UK Government and the Chrysler Corporation if we were additionally to provide the £55m of capital development funds. We consider that the first two tranches amounting to a total of £25m for the years 1976 and 1977 should either be financed directly by Chrysler Corporation or be provided in terms of some form of loan from UK Government against a guarantee from Chrysler Corporation itself. It is agreed that Chrysler Corporation would commit itself now to provide the first tranche of finance next year of £10-£12m towards the cost of the new 275a plan.

I am sure you will share our anxiety that the arrangement we make should be fully defensible in public to all parties. Accordingly I should be glad if you would include the proposition above in the proposals you are putting to your Board and if you would let me have your reaction to our proposals during the course of tomorrow (Wednesday).

9 December 1975
MESSAGE TO THE SECRETARY OF STATE FOR INDUSTRY FROM MR. JOHN J. RICCARDO.

I am happy to set forth in writing what I stated at our meeting this morning. Our Board has accepted the proposal contained in your letter; that HMG loan Chrysler United Kingdom Ltd. £55 million over the next four years in amounts of 1976 - £20 million, 1977 - £3 million, 1978 - £16 million and 1979 - £11 million, and that Chrysler Corporation guarantee the first £28 million of this loan. However, having said this, I also stated that we would appreciate your considering whether either of two variations of this proposal would be acceptable to you:

1. Chrysler Corporation guarantees half of each year's loan, resulting in a total guarantee by Chrysler of £27\(\frac{1}{2}\) million, essentially, the same amount as in your letter but with slightly different timing.

2. Chrysler Corporation guarantees the last three years' loans, resulting in a total guarantee by Chrysler of £35 million. This would be a greater guarantee by Chrysler than you proposed but again, with somewhat different timing.

In any case, in addition to the above, we would provide the funds necessary to begin assembly of the C6 car at Ryton in 1976.
I indicated that in view of our current very high world-wide bank borrowings and guarantees which we will be paying down in the next year it would be helpful in our bank relations if we could minimise any immediate added commitments. Since any improvements in our bank relations would be helpful to both of us, I thought it would be useful to you if I apprised you of our thinking on this point.

However, if you do not consider either of the variations to be desirable I want to repeat again that we accept your proposal.

11th December 1975
CABINET

WHITE PAPERS ON COMPUTERS AND PRIVACY

Note by the Secretary of State for the Home Department

I attach for the information of my colleagues copies of the White Papers Cmnd 6353 "Computers and Privacy" and Cmnd 6354 "Computers: Safeguards for Privacy" which are to be published at 2.30 pm on Tuesday 16 December 1975.

R H J

Home Office
15 December 1975
Computers and Privacy

Presented to Parliament by the Secretary of State for the Home Department by Command of Her Majesty
December 1975

LONDON
HER MAJESTY'S STATIONERY OFFICE
28p net

Cmnd. 6353
COMPUTERS AND PRIVACY

INTRODUCTION

1. For some years now there has been increasing concern—in this country as in others—about actual or potential threats to the privacy of the individual. Part of this concern has arisen from the rapid growth in the use of computers, with their capacity for the swift processing and collation of information, including personal information. The Committee on Privacy under the chairmanship of Sir Kenneth Younger, which reported in 1972*, had this to say about computers:

"We cannot on the evidence before us conclude that the computer as used in the private sector is at present a threat to privacy, but we recognise that there is a possibility of such a threat becoming a reality in the future." (Paragraph 619.)

2. In parallel with the Younger Committee's inquiry into the private sector, the Government reviewed the categories of information held, or likely to be held, in the computer systems of Government Departments, and the rules governing its storage and use. The results of this review, complemented by comparable information obtained about the use of computers in other parts of the public sector, are given in a Report† published as a supplement to this White Paper. That Report discloses no evidence to suggest that fears about the improper use of computers in the public sector are justified by present practice. These systems are operated in accordance with administrative rules and procedures which provide substantial safeguards against the realisation of any such fears.

3. These findings, covering both the private and public sectors, should go a long way towards reassuring the public about the past, the present, and the immediate future. But the capabilities of computers are undoubtedly such as to give grounds for concern, and the potential threat which they pose to privacy could be transformed into a real one. It was the potential rather than the actual threat that led the Younger Committee to recommend:

"The Government should legislate to provide itself with machinery for keeping under review the growth in and techniques of gathering personal information and processing it with the help of computers. Such machinery should take the form of an independent body with members drawn from both the computer world and outside. For the sake of convenience, we call it here a Standing Commission." (Paragraph 621.)

The Committee added that their investigation was limited to the private sector, but that the Government should consider including both the public and private sectors within the purview of the Standing Commission.

4. The Government have concluded that there is need for legislation to be introduced to set up machinery, not only to keep the situation under review, but also to seek to secure that all existing and future computer systems in which personal information is held, in both the private and public sectors, are operated with appropriate safeguards for the privacy of the subject of that information. Their wish would be to introduce this legislation as soon as the preparatory work

*Cmnd. 5012.  
†Cmnd. 6354. The Report also contains details of the number of computers in use in Great Britain, and discusses studies and regulations abroad.
is completed and the Parliamentary timetable allows, although clearly con-
siderations of finance and manpower must enter into the calculation of the
timing and content of the measure.

THE PROBLEM

What is special about computers?

5. None of the functions carried out by computers within an information
system is different in kind from those which are, or could in principle be,
carried out by traditional methods. But there are important differences in
the way, and the speed at which, those functions can be performed by computer
systems on the one hand, and by traditional systems on the other.

6. The speed of computers, their capacity to store, combine, retrieve and
transfer data, their flexibility, and the low unit cost of the work which they
can do have the following practical implications for privacy:

- (1) they facilitate the maintenance of extensive record systems and the
  retention of data in those systems;
- (2) they can make data easily and quickly accessible from many distant
  points;
- (3) they make it possible for data to be transferred quickly from one
  information system to another;
- (4) they make it possible for data to be combined in ways which might not
  otherwise be practicable;
- (5) because the data are stored, processed and often transmitted in a
  form which is not directly intelligible, few people may know what is in
  the records, or what is happening to them.

Benefits and dangers

7. How computers affect people’s lives depends on how they are used—or
abused. Their actual and potential benefits are great: in the saving of routine
clerical work; in the economy, accuracy and speed with which information can
be processed; in forecasting, planning, or matching supply to demand; and, in
the service of central and local government, in making public administration
more responsive to the needs of the individual citizen and his family. It is
clearly of the first importance that we should exploit to the full the benefits
which computers can offer. It is against those benefits that we must weigh
the possible threats. For, like other powerful tools that man has devised,
computers have the capacity to do harm if they are misused.

8. The principal potential dangers to privacy come from three main sources:

- (1) inaccurate, incomplete or irrelevant information;
- (2) the possibility of access to information by people who should not or
  need not have it;
- (3) the use of information in a context or for a purpose other than that
  for which it was collected.

Any of these dangers can come about either intentionally, or by accident, and
properly designed safeguards must therefore provide against both eventualities.

Accuracy, completeness and relevance

9. A competently designed computer system imposes disciplines on every
stage in the processing of data which help to reduce mistakes and to ensure that
those errors which do occur are detected and corrected. This does not mean that computers will not make mistakes, but when they do, it will almost always be because some human being has made a mistake in the first place—perhaps by feeding the wrong data into the system, or by making an error in the instructions (the "program") given to the computer. If the mistake is in the program, it will not recur once the program has been corrected.

10. It is equally important that information should be complete. In one sense, all information is incomplete since there are always other facts and circumstances which may be relevant to it. But information can be so incomplete as to be positively misleading; for example, to say that a bankruptcy petition was presented against a given individual on a given day may be perfectly accurate, but it would be misleading if the computer record did not show that the petition was dismissed with costs a fortnight later.

11. The capacity of computers to store data in quantity could encourage the collection and storage of more data than is strictly necessary for the task in hand. Long term storage is cheap, whereas updating and selective erasure may be expensive. However, it is possible to build into the system procedures which will remove out of date or unnecessary data.

12. In many cases, the best way of ensuring the accuracy, completeness and relevance of personal information would be to give the people concerned the opportunity of checking and correcting the records held about them. But there are difficulties to be overcome. First, the people must know that the information system exists, and that it holds information about them. Secondly, there must be some verification procedure to ensure that the information is given only to the people concerned, and to nobody else. The cost of providing these facilities may be high, particularly if the system was not originally designed to provide them.

Access to, and use of, information

13. Access to information should be restricted to what is necessary. Restricting access to information stored in a computer is a matter of security procedures. These should be designed to ensure that access is only possible for authorised persons, and that they can process data only in an authorised way. Safeguarding privacy also requires, however, that those who do have authorised access to information do not breach the confidence in which it was obtained.

Security

14. The very complexity of computers and their operations creates problems for anyone who tries to gain unauthorised access to them. In practice, the person making the attempt would need access to the machine or its associated punchcards, tapes, discs or other forms of memory store; in addition, he would need either himself to be an experienced computer technician, or to have the help of one or more experts, probably from within the system he is trying to penetrate. Unauthorised entry to the information store of a computer by someone who is not himself an expert is a far more complicated, difficult and expensive exercise than raiding a file of papers.

15. Where data are printed out in human readable form, computer based systems share the security weaknesses of manual systems. But the use of
computers allows those in charge of the system to decide how much information should be made available in this way—an option which is less directly available to the manager of a traditional system. Also, the physical concentration of computer print-out in a small area can increase the opportunity for its effective protection.

Confidentiality

16. Where someone with authorised access to information uses that information for an improper purpose, it is a breach of confidence. This is a risk which is as old as information itself; it applies both to computer and traditional systems, and our law already provides a number of remedies for it, some of which are currently being considered by the Law Commissions following a recommendation of the Younger Committee*. The additional fear that arises from the development of computers is that someone will make improper use of the computer’s capacity for storing, processing and transferring data so as to combine information from a number of sources about individuals without their knowledge and consent.

17. As the Supplementary Report to this White Paper makes clear, personal information held on Government computers is not misused in this way; and the Younger Committee found no evidence of improper combination of information about individuals in the private sector. Steps must be taken to ensure that this continues to be so throughout the public and private sectors. However, some limited linkage of data from different systems for administrative or statistical purposes (or both) may be justified subject to proper safeguards, and the Supplementary Report to this White Paper gives details of cases where this happens within central government. Measures to protect privacy must seek to ensure that operations of that kind are not authorised or undertaken unless they are expressly sanctioned by law or agreement, or are subject to the scrutiny and control of some independent body which has a duty to safeguard the privacy of the individual.

18. The confidentiality of personal information held in a computer system can of course also be put at risk through accident, carelessness or sheer lack of foresight. In practice, that is the way in which confidentiality—and also accuracy—are most likely to be compromised in the foreseeable future. Any computer system which is properly designed and operated must therefore ensure that risks of this kind have been foreseen, and that adequate safeguards are maintained to obviate them.

Statistics

19. One of the areas where great benefits can be derived from the use of computers is statistics. These are of great importance to industry (public and private) and to central and local government. Compared with a traditional system, the computer can greatly enhance the quality of statistics, thereby improving one of the bases upon which most planning for the future must rest.

20. Statistical work carries few risks for privacy because it gives information about groups of people, even though the original data related to indentifiable

*See Breach of Confidence, Law Commission Working Paper No. 58; H.M.S.O. 1974,
individuals. There need be no risk to privacy in allowing information originally collected for some other purpose to be used for the compilation of statistics. This can be justified because information is efficiently used without jeopardising the confidence in which it was supplied. What is important, however, is that the output of statistics should guard against revealing information about identified or identifiable individuals. In many cases it may well be appropriate for the identifier in a computerised statistical data system to be a code number which can only be related to the particular individual by reference to an index which is kept secure outside the computer system.

21. Statistics play an essential part in research, particularly in such fields as medicine, personal social services, education and economics. For example, the predisposing factors of a disease can sometimes only be found by discovering what else those who suffer from it have in common. To find or confirm the correlations on which much research of this kind is based, it will often be necessary to combine data about the same people which are held in different systems. In this kind of statistical data processing it is necessary to take special precautions against risks for the privacy of the individual, especially as the data may be very sensitive indeed.

22. The Government believe that their own rules and procedures for statistical operations adequately meet the need to protect privacy, and are working on a set of guidelines to codify them.

Safeguards for privacy

23. The earlier part of this White Paper has outlined the potential dangers to privacy arising from the increasing use of computers. Given proper safeguards, there is no reason why these dangers should become a reality. Information about the safeguards which are already in force in the public sector is set out in the Supplementary Report to this White Paper; and many of these can be—and are—applied in the private sector too. Safeguards for security begin with traditional and obvious ones, such as the physical security of computer centres, limiting access to them, locks and keys (physical or electronic) for terminals, and so on. Confidentiality can be protected by managerial methods, such as limiting the information flow through the system, and deciding in advance who shall have access to which data. Increasingly, however, the computer itself can be used to protect the security of the system of which it forms part, and the confidentiality of the information which it contains. It can be programmed so as to limit access to certain data, or to require the use of a special password, or knowledge of a secret code, before the system can be entered. It can be programmed so that certain operations are forbidden and the system gives an alarm if anyone attempts to carry them out. It can also be programmed to provide audit information, logging all operations—or all operations of certain kinds—for subsequent inspection. In short, the computer itself can be used to help to protect the system of which it forms part.

24. The level of protection is limited only by the expense—in design effort, equipment costs and machine time—of installing and maintaining the security safeguards. The ultimate safeguard lies in the fact that it is nearly always possible to make a system so expensive to break into that the cost of penetrating it will be greater than the value of the information which it holds. At the same time, the security systems which are most expensive to break tend also to
be those which are most expensive to install. The cost of providing the highest level of security for all personal information systems would be enormous. Fortunately, there is no need to do this: the need is only to provide protection proportionate to the degree of sensitivity of the information within the system. In the long run some of the best protection lies in collecting only the minimum amount of information which the system needs to carry out its designed task efficiently, in erasing it when it is no longer needed, in keeping different information systems segregated from each other, and above all in dealing honestly and openly with the subjects of the information.

25. Provided that there are adequate safeguards, the introduction of computers into information systems need not therefore entail any dangers to privacy. On the contrary, computer systems which are designed and operated with a proper regard for the privacy of personal information can have many advantages over comparable manual systems, not only in speed, cheapness, accuracy, flexibility and efficiency, but in the very protection which they can themselves provide against careless or unauthorised disclosures.

26. But all this will only be so if proper safeguards are provided, and continue to be provided in the future. Much of the information now going into computers—because it is eminently suitable for processing by computer—is regarded by most people as particularly sensitive: medical records, criminal records, personal social services, education and work records, financial information and so on. The public is, therefore, entitled to have satisfactory assurances that its data—and especially those which are sensitive—are held and used responsibly, with due regard to accuracy, completeness, relevance, security and confidentiality.

ACTION FOR THE FUTURE

27. It is against this background that the Government have considered what form the necessary safeguards against the misuse of computers should take. In formulating their proposals, the Government have also taken account of the various studies which have been made of this subject in other countries, and which are described in the Supplementary Report to this White Paper.

28. The Government have concluded that it would not be desirable, or practicable, to lay down by law detailed regulations for the operation of all computer systems. The best safeguards will vary between systems, and computer technology is still young, and is advancing all the time. As the Younger Committee said, "legislation cannot be expected to spell out every detail, and many details will be beyond the manageable scope even of subordinate legislation". (Paragraph 609.) An attempt to legislate in too much detail might well produce a statute which would be out of date as soon as it came into force.

29. Nor would it be enough merely to set up another non-statutory committee, even if it included experts in the field, to keep developments under review and advise whether legislation might be required in due course—and if so when and of what kind.

30. In the Government's view the time has come when those who use computers to handle personal information, however responsible they are, can no longer remain the sole judges of whether their own systems adequately safeguard privacy. The safeguards must become subject to independent scrutiny;
and independent scrutiny connotes a declaration by law of the standards according to which the adequacy of safeguards in particular systems is to be judged. The Government have therefore decided that the right course is to introduce legislation involving two elements: first the establishment of a set of objectives, to set standards governing the use of computers that handle personal information; and second the establishment of a permanent statutory agency to oversee the use of computers, in both the public and private sectors, to ensure that they are operated with proper regard for privacy and with the necessary safeguards for the personal information which they contain.

31. Legislation to establish this permanent machinery will inevitably take some time, both to prepare and to enact. The Government believe that it would be wrong to leave things as they are until this legislative process can be completed. It will therefore appoint, at once, a non-statutory body whose function it will be to prepare the way for the setting up of the permanent machinery. This interim body will be referred to here as the Data Protection Committee.

**Statutory Objectives**

32. The objectives which the legislation will declare need not be enforceable by civil or criminal processes. But they must provide the standards by which the adequacy of safeguards for the privacy of the individual should be judged. Therefore, they must be more than mere declarations of broad principle and must set the standards with a sufficient degree of particularity. The range of computers holding personal information, and the types of information held, are wide and varied, and no set of objectives could be formulated which would be universally applicable. For good and valid reasons, particular systems will not be able to satisfy every objective, but each case of divergence should be a matter for independent appraisal. The objectives which the Government regard as desirable are set out in paragraph 34, but one of the tasks of the Data Protection Committee will be to refine these further if it considers that more precise standards should be set. In doing this the Committee will have to balance the risk to the privacy of the individual in particular features of computer operation against practical considerations, including considerations of cost, in order that the obligations on computer users should be no more than proportionate to the degree of risk. One important purpose of these objectives will be to supply guidelines for the design of future systems.

33. The general requirements for these statutory objectives are already apparent, and the ten principles recommended by the Younger Committee for the private sector, and set out in Table 1, provide the starting point. As the discussion in the Supplementary Report on the studies carried out in other countries shows, the general tendency has been to recommend sets of principles broadly in line with those formulated by the Younger Committee. The objectives to be declared in the statute should, therefore, cover very much the same ground.

34. There can be no doubt that those responsible for holding personal information in computers must be under an obligation to take all reasonable protective measures to ensure that the information cannot fall into the wrong hands, whether by design, inadvertence or deliberate penetration. It is obviously desirable that those who hold personal information in computers
should not conceal the scope of their operations—particularly from those to whom the information relates. The existence and purpose of such information systems should therefore be publicly known, as well as the categories of data which they handle, what they do with data, and which interests have access to data. People asked to provide information should have a right to know for what purposes it will be used, and who is likely to have access to it. The information should not be used for a purpose other than one for which it was given or obtained without either the consent of the person whom it concerns, or some other authorised justification. Only personal information which is necessary for declared purposes should be collected. The operator of the system should be responsible for ensuring its accuracy and relevance, and the subject of the information should be able to satisfy himself about this, which in many cases will best be achieved by giving him the opportunity to see it, check it and, if necessary, have it corrected. The subject should also be able to find out what has been done with the information and to whom it has been given. The information should be kept only for as long as it is needed. Safeguards are needed to ensure that statistics are presented in a way which does not reveal details of an identified or identifiable individual. Some of these objectives will apply to all systems, others may need modification in the light of particular circumstances.

35. Each of these objectives however raises the question how far those responsible for a computer system must go in supplying information. Ideally the purpose and method of operation of the system, the rules about access, and the length of time for which information is stored (to take only a few examples) should be known at least to the subjects of the information and to those who are called upon to supply information. How far can these ideals be realised without disproportionate costs and without creating undue elaboration in administrative processes which computers are meant to render simpler and more speedy? What information can employers reasonably be expected to disclose to employees from personnel records held on computers and what may they reasonably withhold on management grounds? And should computer users (and perhaps their informants) be entitled to the defence of qualified privilege in defamation proceedings at the suit of a person who has been given access to information held about him? Questions like these require further study and consultation before a set of statutory objectives can be stated with the degree of particularity that the situation demands.

A Statutory Agency

36. The second element in the legislation will be the establishment of a permanent agency to oversee the use of computers that handle personal information. This agency, which it will be convenient here to call the Data Protection Authority, will consist of people with knowledge and experience of computers, and of representatives of the other interests most closely affected by the Government’s proposals, including the general public. Such a permanent and independent agency, with the necessary expertise and continuous commitment to the subject, will have the required flexibility, the ability to learn from experience, and the ability to evolve and (where necessary) to change its policies about the safeguards most suitable for different circumstances at different times.
37. Such an Authority will need powers to carry out its tasks effectively. There are at least two possible approaches:

(1) The Authority could be a registration and licensing agency, able to enforce registration of relevant details of the personal information systems within its jurisdiction, to prescribe safeguards for them, and to ensure (as a condition of the grant and renewal of licences which would be necessary before the systems could be maintained and operated) that those safeguards are instituted and observed.

(2) The Authority could be a body with power to call for information on what systems are being operated, by whom, how, and subject to what safeguards; to make and publicise its own recommendations about those systems; to investigate complaints and suspected malpractices; and to publish its findings.

There are arguments for both of these choices. Before the Government come to a final decision they need further advice about the detailed implications of the possible arrangements. The Data Protection Committee will be asked to give this advice. Its recommendations will be published, and the Government will announce their conclusions after a sufficient time to allow scope for public debate. There are a number of other points to which the Data Protection Committee will be asked to give their attention: how far, for example, the protection for privacy that the statute will provide for individuals should extend to bodies and associations; what is to be regarded, for the purpose of the statutory control, as a “computer” and how personal information should be defined; and what special arrangements are necessary to deal with information supplied for computer records, not by the subject of the information, but by a third party such as an employer, or from published material.

Costs

38. Clearly, the measures needed to protect the confidentiality of personal information will entail some costs for society; but equally clearly, it is essential that such expenditure should be kept to the minimum which will achieve the desired results. In considering the organisation and powers of the proposed Authority, the Data Protection Committee will, therefore, be asked to pay particular attention to the costs of the various alternatives. The objective, whatever choice is finally adopted, will be to make the Authority financially self-supporting, and the Committee will be asked to advise on how this can best be done. It might, for example, be desirable to seek to recoup costs by levying certain fees and charges. The Committee will also need to bear in mind the additional expenditure which might be required by computer users in both the public and private sectors to ensure that their systems incorporate the necessary safeguards. In reaching its final decision on the content of the proposed legislation, the Government will take these matters fully into account.

Exceptions

39. While the general principle will be that the purview of the Authority should extend throughout both the public and private sectors, there will need to be certain exceptions. These will be as narrow as is consistent with the public interest. There must, for example, be a procedure for exempting any computerised information system which is kept for the strict purposes of national security, since that security would be jeopardised if the means of maintaining
it were made public. Exemptions on these grounds will require the personal certificate of the Home Secretary.

40. Exceptions will also be needed for some at least of the computer systems which facilitate the work of the police in the prevention and detection of crime. Their purpose could well be defeated if details about them were known to those against whose activities they are aimed, and it would certainly be defeated if the subjects of the information were entitled to know what data were held about them. Such exemptions will, however, require the certificate of the Home Secretary, the Secretary of State for Scotland or the Secretary of State for Northern Ireland, who will have the power to specify any additional safeguards which need to be observed in the system concerned.

41 Medical records present a problem of a different kind. As well as details supplied by the patient, medical records contain clinical information about the patient's treatment and care. The doctor may not always consider it to be in the patient's best interest to have access to this information. This factor should not affect the decision on what information is held in the computer but must be taken into account when applying principles about the disclosure of information.

42. The Data Protection Committee will be asked to take full account of these considerations in framing its recommendations, and will be free to make recommendations about other professional records, including social work records.

Transitional measures

43. The work of the Data Protection Committee should aim to ensure that the necessary interval before legislation can be introduced and come into force will not be one of doubt and uncertainty for the computer industry, computer users, and the public. These interests will be consulted to the fullest extent possible while the legislation is being planned, bearing in mind that particular responsibility for implementing the safeguards proposed will fall upon the professional analysts, programmers and consultants. The profession is still young, but they have already begun, through the British Computer Society, to devise appropriate codes, and full advantage should be taken of their expertise.

44. The Government will also, pending legislation, ensure that the administrative rules under which its own computer systems are operated will continue to provide safeguards for the accuracy and relevance of personal information, and for the privacy of the subjects of that information. The Government trust that other computer users, in both the public and private sectors, will follow this lead.
THE YOUNGER COMMITTEE'S PRINCIPLES*

1. Information should be regarded as held for a specific purpose and not be used, without appropriate authorisation, for other purposes.

2. Access to information should be confined to those authorised to have it for the purpose for which it was supplied.

3. The amount of information collected and held should be the minimum necessary for the achievement of a specified purpose.

4. In computerised systems handling information for statistical purposes, adequate provision should be made in their design and programmes for separating identities from the rest of the data.

5. There should be arrangements whereby the subject could be told about the information held concerning him.

6. The level of security to be achieved by a system should be specified in advance by the user and should include precautions against the deliberate abuse or misuse of information.

7. A monitoring system should be provided to facilitate the detection of any violation of the security system.

8. In the design of information systems, periods should be specified beyond which the information should not be retained.

9. Data held should be accurate. There should be machinery for the correction of inaccuracy and the updating of information.

10. Care should be taken in coding value judgements.

*Set out in paragraphs 592 to 599 of their Report, Cmnd. 5012.
Computers: Safeguards for Privacy

Presented to Parliament by the Secretary of State for the Home Department by Command of Her Majesty
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COMPUTERS: SAFEGUARDS FOR PRIVACY

I. INTRODUCTION

1. The Government are publishing this Report as a supplement to their White Paper on Computers and Privacy. *

2. The Committee on Privacy, chaired by Sir Kenneth Younger, reported that the total number of computers in use or on order in the United Kingdom for all purposes in April 1971 was 6,075.† More recent information from the National Computer Index shows that by April 1975 the number of computers actually operational in the United Kingdom had risen to 13,263. Although the figures are not strictly comparable, they indicate that the number has roughly doubled in only four years. Not all of these computers are used to store personal information. But undoubtedly, the use of computers to handle such information is increasing rapidly, in both the private and public sectors.

3. In parallel with the Younger Committee's examination of the private sector, an interdepartmental working party carried out a review of the categories of information held, or likely to be held, in the computer systems of Government Departments, and the rules governing its storage and use.

4. The working party completed its investigation in 1972. The present Report summarises its findings, brings them up to date, and gives comparable information about computers in those parts of the public sector which do not form part of central government and which the working party did not therefore study. It also discusses the safeguards which operate to protect the privacy of personal information held in public sector computers.

5. The Report also gives some statistics of computer use in the United Kingdom, and outlines surveys which have been undertaken in the private sector since the Younger Committee reported; and it concludes with a discussion of studies carried out, and practices adopted or proposed, in other parts of the world.

2. CENTRAL GOVERNMENT COMPUTERS

6. This chapter describes how central government use computers for handling personal information, and the existing safeguards which protect the confidentiality of that information. The exceptions are computer systems kept for the strict purposes of national security: these are not described here, because security would be compromised if the means of maintaining it were publicly known.

Government's need for personal information

7. The state provides, or gives financial help towards, a number of services for its citizens—for example, health, social services and education. To do this, it collects duties, taxes and contributions. These functions could not be carried out effectively without a good deal of information about the needs

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* Cmd. 6335.
† Cmd. 5012.
and circumstances of individuals. Such information is also required to provide the statistics needed for effective planning and the efficient allocation of resources.

**Government computer tasks involving personal information**

8. There are at present some 220 computer-based administrative "tasks" in central government, which use personal information about people other than the Government's own staff. These are listed in summary form in Table 1. They include the records of the National Health Service which are centrally held.* The table also includes statistical tasks where the names of the individuals to whom the data relate are held in the computer system itself, or where, although the names are not held in the computer system, they are held in the same Department so that they could be linked (e.g. via a source document or an index) with the data. This chapter does not concern itself with information held about businesses or business statistics, but certain tasks are included in Table 1 because they contain entries for partnerships and one-man businesses from which information about individuals might be deduced.

9. The number of persons included in any task ranges from under 2,000 people to a maximum (in the case of the Census of Population) of the whole population of the country; the majority of tasks deal with between 10,000 and one million persons each.

10. The personal information held for the purposes of these different tasks varies widely. It includes personal particulars (name, date of birth, marriage), address and changes of address, education background and qualifications, housing, possessions (cars and other property), occupation (current job, previous jobs, dangerous jobs, retirement), health (general practice records, hospital treatment and dental care), and money (pay, pension, social security, tax and savings). In total the list is formidable, but each task includes only a small part of all this information in its records. Moreover, the information is distributed amongst many different computers. The Government have no plans to construct a central data bank which would bring together in one computer system all the personal information available in government departments—the administrative advantages to be gained from such a course are debatable, and the practical difficulties and costs would be formidable—and they have no intention of allowing the computer systems under their control to be linked together to produce such a result.

**Consequences for Privacy**

11. The interdepartmental working party reported that the normal results of large-scale computerisation of records in Government Departments were these:—

   (i) The computer-aided system needed fewer people to operate it than the manual system which it replaced and so the number of potential observers of the data was less than before.

* For details of other information on NHS computers see Chapter 3.
(ii) The computer took on so much of the clerical work (checking, sorting, calculating, writing, and so on) that the total time spent by human beings in examining the information in the system was very much reduced.

(iii) People employed in computer systems usually had fewer opportunities than their clerical counterparts to examine or copy the data they were handling. Computer operators seldom saw in readable form more than a small fraction of the data passing through the system.

(iv) Many operations were carried out without any human contact with the total record.

The working party therefore concluded that the introduction of computer systems would in no way increase the threat to privacy by unauthorised disclosure of personal information held in the systems.

12. The working party also considered threats to privacy other than unauthorised disclosure—in particular the danger of inaccuracy or unnecessary retention of information and the possible dangers involved in the authorised transfer of information within, between or beyond departments.

Accuracy and retention of data

13. Inaccuracy in a personal record may result in dangers to privacy; a conviction for dishonesty might, for instance, be attributed to the wrong John Smith; a taxpayer might be listed as a defaulter when his assessment was in fact still under appeal; or a confidential notice might be sent to the wrong address. Information held in computers is no more prone to this kind of error than information in manual records. Government Departments make every effort to ensure that information entering a computer is accurate, especially by the use of credibility and consistency checks to detect certain errors which a human being might not notice. Moreover, accurate information is far less likely to be transferred incorrectly by a computer than by a human being. The quality of record keeping in a computer system is almost always higher than in a manual system.

14. Government Departments are also anxious to avoid holding information for too long—not only might this violate privacy, but it also reduces processing efficiency. The need to hold information is therefore regularly reviewed, and frequent updating (which includes the discarding and destruction of unnecessary information as well as the insertion of new material) is a normal routine.

Authorised transfers of information

15. Table 2 lists all transfers of information about identifiable individuals from the computer branches of departments to recipients other than the user branch (that part of the Department which has managerial responsibility for performing the task*), the individual himself or his duly authorised agent (e.g. his accountant, solicitor or banker). It distinguishes human-readable output (e.g. printed page, microfilm, etc.) from machine-readable output (e.g. magnetic tape or disc).

* Exceptions are local employment offices which pay unemployment benefit on behalf of DHSS, police forces using the Police National Computer and Post Offices issuing broadcasting licences.
16. It will be seen that only a small proportion of the tasks in Table 1 are involved in such transfers, all of which take place for specific and well-defined purposes. In these few cases, information about identifiable individuals is passed to third parties in accordance with the rules governing transfers of information generally (i.e. the rules which apply whether or not the information is held on computers). This means that, without exception, transfers of information may take place only if the user branch is satisfied that the third party has a need to know the particular information, and can be trusted to handle it responsibly.

17. In all cases, the decision to transfer information to a third party is a matter of carefully considered policy, for which the responsible Minister is answerable to Parliament, and in many cases such disclosures may take place only under statutory authority.

18. These transfers of information take place for a number of reasons. They can reduce demands on the public to repeat information which they have already provided. They can expedite the process of Government: it is sometimes cheaper and quicker to obtain information from another Department or another part of the same Department than directly from the person concerned. They may make it easier to identify the needs of an individual by connecting relevant details about him. The Government fully recognise that the uncontrolled transfer of personal information, even within Government, is undesirable and that certain records, such as income tax returns, medical records, census returns and criminal records, merit a high degree of interdepartmental confidentiality—and this they receive.

19. Most of the tasks mentioned in paragraph 8 above are carried out on a computer within the Department which sponsors and controls the task. Some may be run in another Government Department. On rare occasions work has to be given to external organisations, including commercial bureaux. In all these cases, the sponsoring Department ensures that the safeguards for privacy conform with the standards which the Department would itself apply, and one means of ensuring this is to hand the records to the bureau in such a form that the individual to whom they refer cannot be identified.

**Security**

20. The Government use three main categories of physical and technical safeguards:

(i) Control of physical access to the computer area (machines, tapes, discs, etc.) and any terminals. This includes the issue of official passes or badges to staff, the escorting of visitors, the locking of entry points, and the recording of entries and exits.

(ii) Technical safeguards which can be built into the system. The computer can be programmed to allow access to particular files only in response to an authorised password, and to report successful and unsuccessful attempts at access. The data produced may also be "scrambled," so that only authorised personnel can interpret them.
Organisational and procedural measures to guard against misuse of information. For example, the principle of "separation of duties" may be applied: that is, access to some data may be allowed only with the knowledge and consent of someone in a different part of the organisation.

The safeguards vary with the nature of the system and the information which it holds. For any given system, a decision on the most appropriate measures is the responsibility of the sponsoring Department and, ultimately, of its Ministers. These measures are subject to regular review, both within the Department concerned and by other Government authorities.

21. The arrangements for safeguarding information entrusted to the Government in confidence were tightened up in 1971, following publicity about the activities of certain private inquiry firms. Although allegations have been made from time to time about access by unauthorised persons to information held in Government computers, these have not been substantiated.

Confidentiality

22. In addition to the safeguards set out above, information held in computers is subject to the same stringent Departmental administrative rules as information held in manual files. In both cases the appropriate Minister is responsible to Parliament.

23. Some administrative rules are derived from statute or subordinate legislation. Certain statutes (for example, the Births and Deaths Registration Act 1953, the Marriage Act 1949 and the Land Charges Act 1925) impose a requirement to disclose specified information in specified cases, subject to specified procedures. There are also a number of statutes which prohibit the disclosure of information. The Taxes Management Act 1970, for example, requires Inland Revenue officials to make declarations that information received in the execution of their duties will not be disclosed except for the purposes of those duties, for a prosecution for an Inland Revenue offence, or in other cases required by law. Particulars of business dealings obtained for statistical purposes under the Statistics of Trade Act 1947 may not be used for assessing tax: they are not available even to the administrative side of the Department which has collected them. Information about identifiable individuals collected in the Census of Population, under the provisions of the Census Act 1920, is not divulged by the Census Offices to third parties. Other examples are the Wireless Telegraphy Acts, and the Rehabilitation of Offenders Act 1974.

24. Not all statistical censuses and surveys are carried out on a statutory basis. Many are voluntary, but even for these strict confidentiality procedures apply. As an indication of their concern, the Government are now working on a set of guidelines covering the procedures for processing and safeguarding statistical data.

25. There is also some general legislation which restricts the use by Government of the information which it holds. Under Section 2 of the Official Secrets Act 1911 it is an offence for any person who has information which
he has obtained or to which he has access, in the course of his official duties, to communicate it to anyone other than someone to whom it is his official duty to communicate it. It is also an offence for a civil servant to retain such information longer than his official duties require or to fail to take all reasonable care of it, or so to conduct himself as to endanger its safety; and it is an offence for anyone to receive information which is passed to him in contravention of the Act.*

Accountability to Parliament

26. Ministers are accountable to Parliament for the administrative rules which protect the confidentiality of personal information within their Departments. This means that Ministers can be questioned in Parliament not only about the rules themselves but also about individual breaches, or alleged breaches, of confidentiality. It also means that specific complaints can be investigated by the Parliamentary Commissioner for Administration (the “Ombudsman”). At the request of a Member of Parliament, the Commissioner can investigate complaints about “any action taken by or on behalf of a Government Department, being action taken in the exercise of administrative functions,” and the Government accept that the abuse or misuse of information held in Government computers comes under this definition. The Commissioner has confirmed that he would consider it appropriate for him to investigate complaints submitted to him about any alleged misuse of Government computers. Machinery therefore already exists for the investigation of such complaints. Moreover, the Commissioner can investigate not only the particular action complained of, but also the Departmental rule (if there was one) which led to the action. It is the present Commissioner’s practice, where he considers that such a course would be appropriate, to ask Departments to review administrative rules and to let him know the results of that review.

Conclusions

27. In summary, then, the Government hold a good deal of information about individual citizens, which they require to meet the individuals’ needs and those of the community as a whole. An increasing amount of this information is held in computers, because the Government must make use of the most advanced techniques if these can help to carry out necessary functions more efficiently and economically. But the Government also have a duty to each individual to ensure that the information which he or she has imparted to them in confidence is not disclosed to anyone who does not need to know it, and that it is not used for the wrong purposes. This chapter has described the measures already in force to protect the privacy of the personal information held by the Government about individual citizens. But the Government recognise that the increasing computerisation of its records has given rise to

*A Departmental Committee on section 2 of the Official Secrets Act 1911, under the Chairmanship of Lord Franks, recommended in its Report (Cmd. 5104) the repeal of that section and its replacement by an Official Information Act. The Committee considered that it should be an offence under the new Act for a civil servant to disclose, contrary to his duty, information given to the Government by private individuals or concerns. The Government are considering the recommendation of the Franks Committee and intend to announce their conclusions as soon as possible.
concern in some areas, and they are determined that the highest standards of confidentiality should be maintained in the future. They have therefore decided that their proposals for safeguarding the privacy of personal information held in computers should apply not only to systems in the private sector and in other parts of the public sector, but to systems in Government Departments also. The details of those proposals are set out in the White Paper.*

* Cmd. 6353.
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**NOTES**

1. Information for task AG 02 is collected for statistical purposes but does include some personal data about one-man businesses. The conditions under which information may be disclosed are specified in Section 80 of the Agriculture Act 1947 but published material from these censuses and surveys will ensure that it is impossible to identify any individual.

2. Information for tasks AG 03 to AG 07 could only be considered of a personal nature in the case of one-man businesses.

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**CENTRAL OFFICE OF INFORMATION**

| CI 01 | Mailing list for FCO publication “Commonwealth”. |
| CI 02 | Mailing list for Treasury publication Economic Progress Report. |
| CI 03 | Mailing list for MOD magazine “Officer”. |
| CI 04 | Mailing list for FCO sponsored distribution of NATO, SEATO, CENTO and Council of Europe Journals. |
| CI 05 | Mailing list for DES publication “On Course”. |
| CI 06 | Mailing list for DI publication “Project” (to be destroyed). |
| CI 07 | Mailing list for Treasury publication “Broadsheets”. |
| CI 08 | Mailing list for DI publication “Project” (new list). |
| CI 09 | Mailing list for FCO sponsored NATO journal. |

**CIVIL SERVICE DEPARTMENT**

| CS 01 | Civil Service Commission’s large written examinations. |

**HM CUSTOMS AND EXCISE**

| CU 01 | Duty deferment. |
| CU 02 | List of entries made by Traders with Customs Assigned Numbers (CAN). |
| CU 03 | Value Added Tax. |

**NOTES**

1. Tasks CU 01, 02 and 03 have been included because they contain some information related to partnerships and one-man businesses.

2. Task CU 01—Neither the Department's Computer Branch nor its user Branch knows whether a trader is a one-man business or a small partnership: full records are held only by the Regional and Local Collectors' Offices.

3. Task CU 02: The Department's Computer Branch cannot tell if a trader is a one-man business or a small partnership, but the User Branch does have this information.
DEPARTMENT OF EDUCATION AND SCIENCE

REFERENCE NO.

ED 01 Teachers’ Records.
ED 02 Trainee Teachers.
ED 03 Further Education Students.
ED 04 School Leavers.

DEPARTMENT OF EMPLOYMENT

EM 01 Cancer survey in the rubber and cable making industries.
EM 02 New earnings survey.
EM 03 Survey of respiratory diseases in pottery workers.
EM 04 Survey of workers in the asbestos industry.
EM 05 Professional and Executive Employment Register.
EM 06 Survey of workers in the lead industry.
EM 07 Statistics of the Training Opportunities Scheme (TOPS).
EM 08 Foreign labour statistics.
EM 09 Commonwealth labour statistics.
EM 10 Industrial relations statistics.
EM 11 Jobcentre evaluation.
EM 12 Computer assisted placing in the London area (CAPITAL).
EM 13 Characteristics of recipients of statutory redundancy payments.
EM 14 Survey of respiratory diseases in the cotton industry.
EM 15 Analysis of payments sent to the unemployed listed as not received during April–June 1974.
EM 16 Employment census.

DEPARTMENT OF THE ENVIRONMENT

EN 01 New Towns—record of immigrants and emigrants.
EN 02 Expanding Towns—records of immigrants and emigrants.
EN 03 Driving test bookings in the Metropolitan Traffic Area.
EN 04 Vehicle registration and licensing.
EN 05 Driver licensing.
EN 06 Goods vehicle list.
EN 07 Goods vehicle operators list.

NOTES
1. Information for task EN 07 has been included because it may contain data for one-man businesses and small partnerships.

FOREIGN AND COMMONWEALTH OFFICE

FN 01 Contacts and Reception package.

DEPARTMENT OF HEALTH AND SOCIAL SECURITY

HE 01 Social Security Contribution records.
HE 02 Payment of Retirement pensions and Widow’s Benefit.
HE 03 Family Allowances.
HE 04 Benefit Accounting.
HE 05 Statistics—Supplementary Benefits.
HE 06 " Adjudication.
HE 07 " Insured Population.
HE 08 " Death Grant.
HE 09 " Prescribed diseases.
HE 10 " Retirement trends.
HE 11 " Pneumoconiosis cases Boarded.
HE 12 " Maternity Benefit.
HE 13 " Sickness and Injury Benefit.
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<td>Family Income Supplement Statistics.</td>
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<td>HE 39</td>
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<tr>
<td>HE 40</td>
<td>Social Work Survey in Approved Schools.</td>
</tr>
</tbody>
</table>

**HOME OFFICE**

| HM 01        | Traffic Tickets. |
| HM 02        | Prison and Parole Indices. |
| HM 03        | Criminal Statistics: (Court appearances/Offenders Index). |
| HM 04        | Race Relations Board Complaints. |
| HM 05        | Police National Computer Unit—Index of Vehicle Owners. |
| HM 06        | Police National Computer Unit—Index of Wanted and Missing Persons. |
| HM 07        | Police National Computer Unit—Index of Disqualified Drivers. |
| HM 08        | Police National Computer Unit—Index of Persons Convicted of Criminal Offences. |
| HM 09        | Police National Computer Unit—Fingerprints of convicted persons. |
| HM 10        | Police National Computer Unit—Index of Persons subject to suspended sentences. |
| HM 11        | Police National Computer Unit—Index of stolen vehicles. |
| HM 12        | Experiments with methods of information analysis and retrieval for crime investigation. |
| HM 13        | Broadcast Receiving Licensing. |
| HM 14        | Frequency Assignment for Land Mobile Services. |

**DEPARTMENT OF INDUSTRY**

<p>| IN 01        | Warren Springs Laboratory Mailing Lists. |
| IN 02        | National Computer Index. |
| IN 03        | Company files. |
| IN 04        | Export Intelligence Service. |
| IN 05        | Regional list. |</p>
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| IN 03        | Company files. |
| IN 04        | Export Intelligence Service. |
| IN 05        | Regional list. |
DEPARTMENT OF INDUSTRY (continued)

REFERENCE NO. TASK
IN 06 Index of Trade Marks.
IN 07 Technology Reports Centre.
IN 08 Files of contacts made with the Computer Aided Design Centre.
NOTE: Tasks IN 02-IN 07 are included because they may contain information on one-man businesses or partnerships.

BOARD OF INLAND REVENUE
IR 01 PAYE for Scotland and part of England.
IR 02 Income Tax Collection for London and Scotland.
IR 03 Income Tax Collection for United Kingdom.
IR 04 Schedule D etc. Tax for UK Assessment.
IR 05 " Tax for UK collection.
IR 06 Statistics—Capital Gains Tax.
IR 07 Schedule D—trends.
IR 08 Schedule E.
IR 09 Wealth (Estate Duty).
IR 10 Assessments Division Accounting.
IR 11 Capital Transfer Tax.
IR 12 Building Sub-contractors Scheme.
IR 13 Index of Employers (London and North West).

HM LAND REGISTRY
LR 01 Index of Charges.
LR 02 Index of Proprietors Names.

DEPARTMENT FOR NATIONAL SAVINGS
NS 01 National Savings Bank.
NS 02 Stock and Bond Office—dividend payments.
NS 03 Savings Certificate Repayments.
NS 04 SAYE.
NS 05 Stock and Bond Office—Premium Bonds.

MINISTRY OF OVERSEAS DEVELOPMENT
OD 01 Overseas Service Aid Scheme—Direct Payments.
OD 02 British Expatriates Supplementation Scheme—Direct Payments.
OD 03 Technical Assistance Salaries.
OD 04 Overseas Pensions Payments.
OD 05 " Records.
OD 06 Overseas Manpower—Personnel Records.
OD 07 " Payroll.
OD 08 Register of Available Personnel.
OD 09 Book-keeping.
NOTE: Task OD 07 will in due course replace tasks OD 01, 02 and 03.

PAYMASTER GENERAL'S OFFICE
PA 01 Public Service Pensions—issue and payment.

ORDNANCE SURVEY
OS 01 Customer Accounts.

OFFICE OF POPULATION CENSUSES AND SURVEYS
PC 01 Census of Population.
PC 02 Social Surveys*.
PC 03 Registration Indexes.
### OFFICE OF POPULATION CENSUSES AND SURVEYS (continued)

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<td>PC 05</td>
<td>&quot; Deaths.</td>
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<td>PC 06</td>
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<td>PC 07</td>
<td>&quot; Adoption.</td>
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<td>PC 08</td>
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<td>PC 09</td>
<td>Cancer Registration Indexes.</td>
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<td>PC 10</td>
<td>Statistics—Abortion.</td>
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<td>PC 11</td>
<td>National Morbidity Survey.</td>
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<td>PC 12</td>
<td>Statistics—Marriage.</td>
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<tr>
<td>PC 13</td>
<td>Infant Mortality Statistics.</td>
</tr>
<tr>
<td>PC 14</td>
<td>Cohort (Longitudinal) Study (1% sample).</td>
</tr>
</tbody>
</table>

*NOTE: There are three continuous surveys—General Household Survey, Family Expenditure Survey and National Food Survey—as well as ad hoc surveys which arise at the rate of about 15 per annum.*

### SCOTTISH OFFICE

| SC 01     | Dental Estimates Board.    |
| SC 02     | Scottish Hospitals In-patients Records. |
| SC 03     | Scottish Mental Health Records. |
| SC 04     | Scottish Maternity Records. |
| SC 05     | School Health Records.     |
| SC 06     | Scottish Cancer Registration Scheme. |
| SC 07     | NHS (Scotland) Employees Superannuation etc. records. |
| SC 08     | Scottish Certificate of Education. |
| SC 09     | Rent Registration Scheme.  |
| SC 10     | Teachers' Pensions.        |
| SC 12     | Further Education Records. |
| SC 13     | Students' Awards.          |
| SC 14     | Statistics—Abortion.       |
| SC 15     | Young Chronic Sick Census. |
| SC 16     | Nurse Staffing Survey.     |
| SC 17     | Handicapped Children's Register. |
| SC 18     | Qualified School Leavers and Examination Results. |
| SC 19     | Secondary Schools Staffing Survey. |
| SC 20     | Central Institutions Staffing Survey. |
| SC 21     | Children's Hearing.        |
| SC 22     | Land Commission Levy.      |
| SC 23     | Qualified School Leavers.  |
| SC 24     | Student/Pupil Nurses Census. |
| SC 25     | Certificate of Sixth Year Studies. |
| SC 26     | Local Authority Medical Staff Survey. |
| SC 27     | Annuity payments of compensation to farmers costing and all amalgamations. |
| SC 28     | Rent and Building Loan Annuities. |
| SC 29     | Bail Research Project.     |
| SC 30     | Medical Record Linkage.    |
| SC 31     | List of General Practitioners. |
| SC 32     | Register of Sasines Index. |
| SC 33     | Register of Deeds Index.   |
| SC 34     | Brucellosis Register.      |
| SC 35     | Teachers' Family Benefits. |
| SC 36     | Teachers' Superannuation Records. |
| SC 37     | Teachers' Information System Records. |
| SC 38     | Regional Medical Officers' Statistics. |
| SC 39     | Blindness Register.        |
SCOTTISH OFFICE (continued)

REFERENCE

NO. TASK
SC 40 Mass Radiography.
SC 41 Social Work Service Statistics.
SC 42 Legal Aid Records and Payments.
SC 43 Statistics—Hospital Medical and Dental Officers.
SC 44* Agricultural Census and related surveys.
SC 45 Beef Premium Scheme.
SC 46 Cereal Deficiency Payments.
SC 47 Direct Subsidy Scheme.
SC 48 Farm Capital Grants Scheme.
SC 49 Farm and Horticulture Development Scheme.
SC 50 Fat stock Guarantee Scheme.
SC 51 Line Subsidy Scheme.

NOTE* Information for task SC 44 is collected for statistical purposes but does include some personal data about one-man businesses. Normal statistical rules apply and the published material from these censuses and surveys will ensure that it is impossible to identify any individual.

GENERAL REGISTER OFFICE FOR SCOTLAND

SR 01 Statistics—Births.
SR 02 " Deaths.
SR 03 " Marriages.
SR 04 " Stillbirths.
SR 05 " Divorce.
SR 06 " Adoption.
SR 07 " Infant Mortality.
SR 08 Registration Indexes.
SR 09 Census of Population.
SR 10 Longitudinal Study.

HM STATIONERY OFFICE

SO 01 Bill Paying.
SO 02 Publications Standing Orders.

WELSH OFFICE

WO 01 Patient Registration (Hospital Activity Analysis and Cancer Registration).
### Government Computer Tasks Involving Transfers of Information About Identifiable Persons

**At 30 September 1975**

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<tr>
<th>Task Code</th>
<th>Name</th>
<th>Human-Readable Output</th>
<th>Machine-Readable Output</th>
<th>Data Transferred and Notes</th>
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<td>AG 01</td>
<td>Annuity Payments to farmers losing land in farm amalgamations</td>
<td>Own Department: IR</td>
<td>Other Departments: Meat and Livestock Commission</td>
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<td>Fatstock Guarantee Scheme</td>
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<td>Information for calculation of payments due to agents</td>
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<td>AG 06</td>
<td>Beef Premium Scheme only</td>
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<td>AG 07</td>
<td>Cattle Breeding Centre Accounts</td>
<td>Local Office: Official Receiver</td>
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<td>Creditor details in cases of bankruptcy</td>
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<td>Mailing list for MOD magazine &quot;Officer&quot;</td>
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<td>Warners Mail Marketing Ltd*</td>
<td>Names and addresses</td>
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*A Distribution Agency under Contract to HMSO.
<table>
<thead>
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<th>Mailing list for FCO sponsored distribution of NATO, SEATO, CENTO and Council of Europe journals</th>
<th>Warners Mail Marketing Ltd*</th>
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<td>Mailing list for DES publication “On Course” (now dormant)</td>
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<td>CI 07</td>
<td>Mailing list for DI publication “Project”</td>
<td>Warners Mail Marketing Ltd*</td>
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<tr>
<td>CI 07</td>
<td>Mailing list for Treasury publication “Broadsheets”</td>
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<td>Names and addresses</td>
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<td>CU 01</td>
<td>Duty Deferment</td>
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<td>Bankers Automated Clearing Service</td>
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<td>List of Entries made by Traders with Customs Assigned Numbers (CAN)</td>
<td>HQ and Regional &amp; Local Offices</td>
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<tr>
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<th>MACHINE-READABLE OUTPUT</th>
<th>DATA TRANSFERRED AND NOTES</th>
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<td>LEA</td>
<td>BACS: details of credit transfer due for VAT</td>
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<td>HQ Sections ESA TSA Regional and Local Offices</td>
<td>FE establishments</td>
<td>Error prints for correction</td>
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<td>Employment Census</td>
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<td>Vehicle Registration and Licensing</td>
<td>C and E and other Departments having reasonable cause</td>
<td>Police or local authorities requiring information for investigation of offences and others having reasonable cause</td>
<td>Details of vehicle and its keeper’s name and address. Police and local authorities given other details on request</td>
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<td>EN 05</td>
<td>Driver Licensing</td>
<td>Driving instructors' division and regional offices licensing drivers of lorries and buses</td>
<td>IR</td>
<td>Police and N. Ireland driving licence authorities</td>
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<td>Welfare Foods Local Offices</td>
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<td>HS 01</td>
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<td>HQ</td>
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<tr>
<td>HE 38</td>
<td>NHS Medical Manpower Statistics</td>
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<tr>
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<tr>
<td>IR 13</td>
<td>Index of Employers (London and North West)</td>
<td>List of charges registered against the current and previous owners names of any parcel of land (on request and on payment of a fee)</td>
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<td>Index of Land Charges</td>
<td>List of charges registered against the current and previous owners names of any parcel of land (on request and on payment of a fee)</td>
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<tr>
<td>Task Code</td>
<td>TASK</td>
<td>HUMAN-READABLE OUTPUT</td>
<td>MACHINE-READABLE OUTPUT</td>
<td>DATA TRANSFERRED AND NOTES</td>
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<tr>
<td>LR 02</td>
<td>Index of Proprietors' Names</td>
<td>HQ and Local and Regional Offices</td>
<td>Personal representatives of the deceased proprietor of the land or the Trustee in Bankruptcy or the company liquidator</td>
<td>Particulars of the registration include the Title No. and the entries of the register</td>
</tr>
<tr>
<td>OD 01</td>
<td>Overseas Service Aid Scheme—Direct Payment</td>
<td>HQ</td>
<td>Foreign and Commonwealth Office (High Commissioners in Uganda and Zambia)</td>
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</tr>
<tr>
<td>OD 02</td>
<td>British Expatriates Supplementation Scheme—Direct Payments</td>
<td>HQ</td>
<td></td>
<td>Payment details</td>
</tr>
<tr>
<td>OD 03</td>
<td>Technical Assistance Salaries</td>
<td>HQ</td>
<td>DHSS, IR</td>
<td>Crown Agent</td>
</tr>
<tr>
<td>OD 04</td>
<td>Overseas Pensions Payments</td>
<td>HQ</td>
<td>IR</td>
<td>Crown Agent</td>
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HQ—Payment details. FCO—Payment details for approx. 50 persons. Need in Uganda will cease by March 1976.
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<td></td>
<td>HQ—record details Overseas Governments details of pensions payable by CGs converted to capital</td>
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<td>Government Actuary—Details of pensions, to be converted to a capital sum</td>
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<td>CAs—sufficient detail to compile pension Payments</td>
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<td></td>
<td>Lowndes/Ajax—full record of production on Microfiche for ODM use</td>
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<td>OD 06</td>
<td>Overseas Manpower Personnel Records</td>
<td>HQ</td>
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<td>OD 08</td>
<td>Qualifications, etc.</td>
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<td>HQ/OD 09—payment details</td>
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<td>IR/DHSS—P60 details</td>
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<td>OD 07</td>
<td>Overseas Manpower Payroll</td>
<td>HQ</td>
<td>DHSS IR</td>
<td>OD 09</td>
<td>Qualifications and Availability Status</td>
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<td>Names and addresses</td>
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<td>State of Account (a) and (b)</td>
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<td>Information referred to these for collections of long-standing debts</td>
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<tr>
<td>OD 08</td>
<td>Register of Available Personnel</td>
<td>HQ</td>
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<td>Customer Accounts</td>
<td>Accounts Division (a)</td>
<td>Treasury Solicitor (b)</td>
<td>Commercial Collection Division Dun &amp; Bradstreet Limited (b)</td>
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<td>Task Code</td>
<td>TASK</td>
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<tr>
<td>PA 01</td>
<td>Public Service Pensions</td>
<td>Own Department: IR, Other Departments: Banks</td>
<td></td>
<td>Tax deductions to IR, Payable Orders (Cheques) to Banks.</td>
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<td>PC 03</td>
<td>Registration Indexes</td>
<td>Own Department: Any enquirer, Other Departments: Any enquirer</td>
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<td>Full record</td>
<td></td>
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<tr>
<td>PC 09</td>
<td>Cancer Registration Indexes</td>
<td>Own Department: Bona fide researchers</td>
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<td>Full record</td>
<td></td>
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<td>SC 02</td>
<td>Scottish Hospital Inpatients Records</td>
<td>Own Department: Social Pediatric Research Group, Other Departments: Bona fide researchers</td>
<td></td>
<td>Admission to hospital of children under 5 in Glasgow in 1967</td>
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<tr>
<td>SC 04</td>
<td>Scottish Maternity Records</td>
<td>Own Department: Social Pediatric Research Group, Other Departments: Bona fide researchers</td>
<td></td>
<td>Full record</td>
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<td>SC 06</td>
<td>Scottish Cancer Registration Scheme</td>
<td>Own Department: Cancer registries in Scotland</td>
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<td>Full record</td>
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<td>SC 08</td>
<td>Scottish Certificate of Education</td>
<td>Own Department: Edinburgh University UCCA</td>
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<td>Names, dates of birth, schools attended and subjects entered for examination</td>
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<td>Certificate of Sixth Year Students</td>
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<td></td>
<td>Names, dates of birth, schools attended and subjects entered for examination</td>
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<td>SC 44</td>
<td>Agricultural Census and Related Surveys</td>
<td>Department of Employment</td>
<td>Numbers by age band of workers employed on each agricultural holding</td>
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<td>Beef Premium Scheme</td>
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<td>Payment details for Agents</td>
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<td>SC 50</td>
<td>Fatstock Guarantee Scheme</td>
<td>Meat and Livestock Commission</td>
<td>Payment details for Agents</td>
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<td>(a) Details of payee (eg name and address), amounts by contract, etc.</td>
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<td>PMG (b)</td>
<td>(b) General Schedule containing name and amount</td>
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<td>Payee (c)</td>
<td>(c) Payee's name, address and payment details (eg invoice number, amount)</td>
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<tr>
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<td>Publications Standing Orders</td>
<td>Publications</td>
<td>(a) Invoices, mailing lists both with coded subject classification</td>
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<td></td>
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<td>Customer Bookseller</td>
<td>(b) As (a) except mailing lists</td>
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<tr>
<td>WO 01</td>
<td>Patient Registration</td>
<td>Medical records, officers and hospital doctors responsible for individuals</td>
<td>Full record</td>
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<td>Full record</td>
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</table>
3. COMPUTERS IN THE NATIONAL HEALTH SERVICE

28. National Health Service records contain personal information about nearly everyone in the country. The authorities and individuals using those records (whether maintained on computers or, as most still are, manually) have the responsibility for safeguarding the information which they contain.

29. Lists of general practitioners' patients are held by Family Practitioner Committees* established by Area Health Authorities; each general practitioner holds his own patients' records; and each Health Authority holds records about the health service which it administers. Information from these widely scattered records is collected for management or research purposes either regionally or centrally; and both manual and computer systems are used for this purpose.

30. There are three large central records: the National Health Service Central Register for England and Wales and similar Registers for Scotland and Northern Ireland. All are manual systems. They contain a limited amount of non-medical information about everyone who has registered with a National Health Service general practitioner and about all the newly-born. The registers help to control the issue of new NHS numbers and, by disseminating information about patients who have died, left the country or joined the Armed Forces, they assist Family Practitioner Committees to maintain the accuracy of doctors' lists. These lists are important in defining a doctor's obligations to the Service, and they provide the basis for a substantial part of his remuneration. Each Register also acts as a clearing house for the transmission of information between Family Practitioner Committees when patients change their doctor. Consideration is now being given to putting Family Practitioner Committees' own records on computers, which could then handle some of the Committees' administrative tasks. A pilot scheme has proved successful and a second trial is planned. Further success could point the way to a general computer system for Family Practitioner Committee records.

31. Most Regional Health Authorities have their own computers which perform various management tasks and a range of applications peculiar to health care. Computing facilities in Wales are provided by the Welsh Health Technical Services Organisation. In Scotland computing facilities are provided by Health Board consortia computers and by the Scottish Office Computer Service. One of the most important of these applications in England and Wales is Hospital Activity Analysis (HAA) in which computers are used to analyse the data about periods which people spend as hospital in-patients, in order to provide doctors and administrators with clinical, management and planning information. A number of NHS hospitals have computers and a list of typical computing tasks using personal information from which individuals can be identified is given in Table 3.

32. Department of Health and Social Security computers are used to process the Mental Health Enquiry (MHE), which records data for psychiatric patients

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* In Scotland and Northern Ireland there are no Family Practitioner Committees; the lists are held in Scotland by the Health Boards and in Northern Ireland by the Central Service Agency.
similar to that covered by HAA for other patients. The MHE records include the names of the patients. The identifiable data are used in a limited way to assist bona fide medical research workers in special projects. DHSS computers are also used for the provision of other health service statistics and for NHS superannuation work. In Scotland, the Scottish Health Service Common Services Agency undertakes similar statistical processing work, so far using the facilities of the Scottish Office Computer Service and Area Health Board. In Northern Ireland the Department of Health and Social Services undertakes all Health Service computing work using computers at the Department of Finance and the Queen's University of Belfast.

33. Computers are used by the Dental Estimates Board to handle NHS records and produce statistics; by universities, mainly for research purposes; and by the Office of Population Censuses and Surveys where a variety of morbidity data, some including the names of patients, is processed to produce statistics and to assist epidemiological studies.

34. The complex field of computing within the National Health Service was reviewed in 1971 by representatives of the NHS, DHSS and a firm of management consultants.* This resulted in fresh guidance being given about safeguards for computer records including security measures, and about the need to restrict the use of medical records held on computers to the same purposes as the manual records which they replace.

35. The policy about the confidentiality of personal information stored in computers is the same as that which has always applied to other ways of storing it. The practices of the authorities responsible for the health services accord, by tradition and discipline, with the spirit of the Younger Committee's principles.† These practices are influenced and assisted by the close involvement of several professions which have long been sensitive to the need to protect the privacy of their clients. The medical profession in particular has a well-known and old-established tradition of maintaining the confidentiality of information, and the statement by the Medical Research Council "Responsibility in the use of medical information for research" guides the profession about the uses of personal data for research.

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* The report of the review "Using Computers to Improve Health Services—A Review for the National Health Service," is available from DHSS (CR3), 6–16 St. Andrew Street, London EC4 3AD.
† See Table 1 in the White Paper Cmnd. 6353.
### TABLE 3
NATIONAL HEALTH SERVICE COMPUTING APPLICATIONS

#### A. Current and Planned Statistical and Other Applications
- Antenatal serology service.
- Blood transfusion service.
- Cancer registration.
- Cervical cytology records, statistics and recall system.
- Coronary care.
- Drug control system.
- Hospital activity analysis.
- Hospital—information/management systems
  - In-patient and out-patient scheduling.
  - Waiting list management.
  - Management information.
  - Medical speciality costing.
  - Nurse scheduling.
- Kidney matching.
- Manpower planning.
- Maternity records and statistics.
- Pathology laboratory—Records
  - Statistics.
  - Data management.
  - Reporting.
- Patient follow-up.
- Patient moneys and private accounts.
- Patient statistics.
- Personnel management.
- Psychiatric admission and discharge records.
- Psychiatric case registers.
- Radiology reporting.
- Rapid mobilisation of myocardial infarction cases.
- Specialists', Locum and other medical salary analyses.
- Staff records.
- X-ray department records and statistics.

#### B. Live and Planned Experimental Project Applications
- Personal medical record systems.
- Health care statistics systems.
- Work systems.
- Hospital in-patient and out-patient organisation systems.
- Laboratory systems.
- Hospital patient servicing systems.
- Radiology systems.
- Pharmaceutical systems.
- Patient monitoring, clinical measurement and nuclear medicine system.
- Radiotherapy planning and recording systems.
- Community health systems.
- Community health register and recall systems.
- Physiological signal analysis systems.
- Clinical decision-making systems.
4. POLICE COMPUTERS

36. Computers are used for a variety of police administrative purposes such as pay, personnel records, crime and accident statistics and in a few instances the records of firearms and shotgun certificates. Computer services for these purposes are provided for the Metropolitan Police by a joint organisation which also serves the Home Office (where the safeguards described in Chapter 2 for central government computers apply); and for other forces by their local authorities (where the safeguards described in Chapter 5 for local government computers apply). Police operational purposes, especially in relation to criminal records and the detection of crime, are in part served by the Police National Computer and to a small but increasing extent by smaller computers used by individual forces. The use of computers for these purposes is described in paragraphs 42-46 below.

Police Records

37. The Central Criminal Record Office, which is the responsibility of the Commissioner of Police of the Metropolis, maintains a national record of persons convicted of serious offences and of wanted and missing persons, stolen vehicles and other property. Its records are compiled from information about convictions which all police forces and penal institutions send to New Scotland Yard. These records are available to all forces in the United Kingdom, and are essential to the prevention and detection of crime. Extracts are given to the courts when they need to know the previous criminal record of persons convicted of criminal offences.

38. Nine regional criminal record offices in England and Wales, and separate offices in Scotland and Northern Ireland, hold records about local crimes and criminals and supplement the service given to forces by the Central Criminal Record Office. Records are also held at individual force headquarters. The security and confidentiality of regional and force records is the responsibility of the appropriate chief officer of police.

39. Chief officers of police have always taken great care to prevent unauthorised disclosure to persons outside the police service of information from record offices. Information about previous convictions must be provided for the courts and the prison service but otherwise the principle is that no record information is given to anyone, however responsible, unless considerations of public interest justify it. Since 1 July 1975, the reporting of many old convictions has been further restricted by the Rehabilitation of Offenders Act 1974.

40. The principles and procedures governing the supply of police information have been carefully reviewed since the Younger Committee reported, and were described in a statement in Parliament by the then Home Secretary on 14 June 1973. Briefly, reports about current convictions are made by the police to the relevant public or professional body about—

(a) doctors, dentists, nurses, persons employed in the care of children, and youth leaders, because they stand in a position of trust to vulnerable members of society;
(b) civil servants, atomic energy and Post Office temporary and permanent
staff, in the interests of national security; and
(c) magistrates, justices of the peace, barristers, solicitors, and solicitors'
managing clerks, because they have a direct responsibility for the
administration of the law.

Anyone about whom a current conviction is reported to a professional or public
body is told that the report has been made.

41. Where the police are authorised by statute to provide evidence about
the suitability of applicants for certain licences, they must discharge their
duty to assist the courts or other statutory body. The applicants in these
cases are told what evidence is given by the police. The police also maintain
the practice, which does not have specific statutory authority, of helping
Social Services Departments in considering applications from adoptive and
foster parents. The background of applicants to join police forces is also
checked and the Criminal Injuries Compensation Board and the Gaming
Board are assisted by reports from the police. In all these cases the applicants
are told that checks are being made.

The Police National Computer

42. The Police National Computer, which began to operate in 1974, is the
responsibility of the Home Office in consultation with the police service,
who share the cost. Its purpose is to automate the storage and retrieval of
certain of the records held by the central and regional criminal record offices
and by police forces: these comprise indices to records of persons convicted
of serious offences, wanted and missing persons, stolen vehicles, disqualified
drivers and persons with suspended sentences. Information about keepers
of motor vehicles, kept by the Department of the Environment at Swansea,
will also be available.

43. The principles and procedures governing the disclosure of police record
information outlined in paragraph 39 above are not affected by the Police
National Computer. The computer replaces manual methods and speeds up
access to the records in order to give forces better operational support, but the
Chief Constable of the force which receives the information remains responsible
for ensuring that it is not passed outside the police service except in accordance
with the arrangements described in paragraph 39. There are extensive safe­
guards for the security of the information stored on the computer: all computer
terminals are in supervised premises, protected from unauthorised access and
connected to the computer centre by private lines; and information cannot be
put into or obtained from the computer unless the police operator identifies
his terminal and proves his authority.

Other Police Operational Computers

44. The smaller operational computers used by forces are designed primarily
to speed up police response to calls for assistance; they are also to be used
for other tasks previously done manually. A few forces obtain help from their
local authority computer for some of these purposes.
45. A computer system is being planned to handle information held by the Metropolitan Police about crime, criminals and their associates. The system will be internal to those branches of the force who now use this information in manually held records, and it will not be connected to any other system. In the Thames Valley Police a force computer is being used experimentally to process and analyse the records of all the force’s collators (who assemble and collate information required for the prevention and detection of crime). The object of the experiment is to see whether the use of a computer for these purposes could be of significant operational benefit in a typical police force.

46. The security and confidentiality of information relating to crime and criminals held on a local computer is the responsibility of the chief constable concerned. Special attention is given to safeguards against unauthorised access.

5. LOCAL GOVERNMENT COMPUTERS

47. Since the last war an increasingly large proportion of total public expenditure has been devoted to local government. This reflects the widened range of services undertaken by local authorities. Even though certain functions in connection with gas, electricity, water (in England and Wales) and Health Services have been transferred to other authorities, these losses have been counterbalanced by the growth of new services and the expansion of others, notably those connected with education, housing and services for children, the elderly and the handicapped.

48. Emphasis is increasingly being placed on the interdependence of services, which are no longer regarded (as they tended to be in the past) as self-contained and separate functions, but rather as activities which are complementary to each other and which can be provided effectively only on this basis. The Royal Commission on Local Government in England, 1966–69,* identified two main and related groups of services: the “environmental” and the “personal” groups; and it was one of the aims of local government reorganisation to ensure that, so far as is practicable, responsibility for each group is placed in the hands of the same authorities so that the full benefits of the integrated planning, organisation and management of these services can be obtained.

49. A significant effect of reorganisation, which took place in 1974 in England and Wales, and in 1975 in Scotland, has been to reduce in all three countries the total number of authorities, with a consequent increase in the average size of each local authority, in terms of both population and resources.

50. In short, the increase in both the range and complexity of local government services has been accommodated by the creation of authorities which are not only responsible for related groups of services, but also better able to benefit from the use of computers as part of more sophisticated management techniques. The increase in the use of computers in local government since the mid-1960s is, therefore, certain to continue.

* Cmnd. 4040.
51. The Local Authorities Management Services and Computer Committee, which was set up by local government in 1967 to provide a national advisory service for local authorities on management matters, maintains a register of local authority computers and the uses to which they are put. That information is published periodically. In April 1975 the Department of the Environment published the report of the General Review of Local Authority Management Information Systems, which had been prepared for the Secretary of State for the Environment by McKinsey and Company Incorporated. The report surveyed current work and thinking on the development and use of computers by local authorities, and put forward recommendations as to how the very great potential benefits of computers could most effectively be exploited in local government in future.

52. Broadly, the main purposes for which computers were first used in local government were those involving the large-scale handling of financial data, such as rates and housing rents. Since then, they have been used by a number of local authorities for the storage and processing of data already kept by them in other forms; for instance, personnel records on local authority employees, electoral registers, and educational and social services records. The use of computers in local government for this sort of record-keeping and processing will continue to develop. In addition, computers are likely to be increasingly used as general aids to management in financial calculations, in the appraisal of alternative courses of action, and in the operation and planning of related services which involve data based on population, land, property, employment and traffic flows. As the McKinsey report emphasised, the use of computers for appropriate tasks brings significant advantages in terms of speed and efficiency, and can play a valuable role in enabling local authorities to make the optimum use of the resources available to them in meeting the needs of the communities they serve.

Need for Safeguards

53. Local authorities necessarily hold information about individuals, although much of it is anonymous or not confidential. Information which a local authority collects for one service can be useful for another. For example, statistics derived from birth records held in health departments have been used to forecast school populations. The scope for using for one purpose information which has been collected for another is likely to increase as local authorities move towards corporate management and set up general information systems. In these circumstances it is clear that the need for confidentiality of personal information is, and must continue to be, an important consideration in the development of computerised information systems. This point has already been emphasised in advice to local authorities by the Department of the Environment.

Existing Safeguards

54. Local authorities have for long been used to holding personal information, and protecting its confidentiality. In particular, officers are charged in their rules and conditions of service not to communicate the contents of any document to the public unless required by law or explicitly authorised to do
so. Local authorities are chosen by their electorates and are accountable to them for standards of administration in their area. To help the members of local authorities to maintain such standards, the Local Government Acts 1974 (England and Wales) and 1975 (Scotland) provide for the appointment of local Commissioners for Administration, who have a role similar in local government to that of the Parliamentary Commissioner for Administration in central government. They have the power to investigate complaints about alleged maladministration by local authorities, including breaches of privacy in the handling of personal information, and they are able to report on their investigations.

55. The McKinsey report found that local authorities in general were very aware of their responsibility for protecting sensitive data, and that arrangements for preserving confidentiality and security had resulted in relatively few complaints of breaches. Nevertheless, policies and practices varied between local authorities, and the arrangements in some authorities would be regarded by others as abusing confidentiality or security. There was as yet little consensus on the extent to which the development of computerised management information systems should be limited to preserve confidentiality. The report concluded that unless agreement was reached on the guidelines needed to control developments, some authorities were likely to miss opportunities for realising significant benefits, while others would run the risk of releasing information improperly.

56. Some steps have been taken towards the achievement of a common approach to standards and safeguards through the advisory service given by the Local Authorities Management Services and Computer Committee which, among other publications, has issued “Computer Privacy: Notes of Guidance for Local Authorities”. This covers, among other things, the collection, organisation and storage of data, the restriction of access to computers and terminals to guard against unauthorised use, and the safeguarding of printed output from computers. Local authorities generally have found this advice useful.

Conclusion

57. The processing and storage of information in local government computers are, therefore, already subject to a variety of safeguards and, as McKinsey and Company found, local authorities generally are well aware of their responsibilities in this field. But, as with computers used by central government and by other organisations, there can be no room for complacency. The proposals contained in the White Paper* will reinforce the protection already available, and will help to ensure that the consistently increasing use of computers by local authorities, itself desirable in terms of efficient administration, will not result in any increased danger to privacy.

6. NATIONALISED INDUSTRY COMPUTERS

58. The nationalised industries hold billing details for some 90 million accounts in their computers. These may include licence details (as, for example, in the Post Office or British Waterways) as well as the details usually required for securing payment for services rendered and for credit control.

* Cmnd. 6353.
59. Individual industries also hold their own specialised types of personal records. For example, the gas industry holds personal records about the work of converting appliances to natural gas, the Post Office holds GIRO records, and British Airways holds airline booking details. In addition, those industries which own houses (e.g. the National Coal Board) either have or are developing computerised rent systems. It is normal for all nationalised industries to hold purchase and sales ledger information on computers.

60. According to the Nationalised Industries Computer Committee,* one of the main effects of putting personal records on computers has been to allow authorisation procedures to be made stricter and easier to control, thus rendering access more difficult. In addition, the computer systems are designed to include built-in security codes and to provide for the maximum of anonymity at each stage. They also specify the periods beyond which information may not be retained.

61. Certain nationalised industries and other public authorities are subject to statutory restrictions on the disclosure of information to third parties. In some cases—for example the Post Office Corporation, the Atomic Energy Authority and the Civil Aviation Authority—the Officials Secrets Acts continue to apply as they did before these bodies ceased to be Government Departments. In the case of the Post Office Corporation there is also a specific provision in section 65 of the Post Office Act 1969 which imposes obligations of secrecy on all employees in its Data Processing Service. It provides specific penalties for infringements, which are made known to the employees. Other industries are subject to restrictions imposed by the legislation which created them.

62. Disclosure of information to the individual concerned is, of course, a regular (although only an incidental) feature of the operation of industries like gas, coal and electricity. In the course of a year a good deal of the information which these industries hold about a customer is copied to him in some form or other. The customer therefore has an opportunity to check its accuracy.

7. COMPUTER USE AND PROCEDURES IN UK

63. Published figures give some idea of the scale of computer use, but these give little direct evidence of implications for the privacy of personal information. Many of the computers used in the UK are small and either do not have the facilities or are used in such a way that the creation and maintenance of large personal files is unlikely. Nonetheless, there are several thousands of computer systems used for purposes which might impinge directly on privacy. There is no single source of complete statistics of all computers used in the UK. The National Computer Index contains detailed records of 13,263 computers operational in the UK in April 1975. Table 4 analyses this figure. It classifies the industries using computers into very broad categories, and the conclusions

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* The Committee, which represents all the nationalised industries, provides a forum for discussion and advises on the use of computers in this part of the public sector. It superseded in 1970 the Nationalised Industries Electronic Data Processing Committee which had been established in 1959.
which can be drawn from it are therefore limited. But the table does show
that in the private sector (outside the manufacturing and construction industries
in which personal information—apart from staff and pay records—will not
normally be found), most computers are in SIC "category XXIV—" Insurance,
Banking and Business Services"—where 4,499 computers are recorded. This
is the category of computer use which, on the face of it, may be expected to
have most implications for privacy, since business organisations in this field
tend to hold financial information about individuals which is usually regarded
as sensitive, even though not all computers in this category will necessarily be
used to handle personal information.

64. The National Computer Index also provides some information about
the nature of the tasks for which computers are used. Table 5 is an analysis
of this information by user industry, showing those applications which may
be thought to have some relevance to the question of privacy. By far the
largest single category of computer applications recorded in this table concerns
wage, salary and pension records (2,758 out of some 10,862 applications
recorded). Other sizeable uses are for sales statements (1,856) and credit
control (1,342). Many of these applications seem likely to involve the use of
personal information to a greater or lesser extent, but, like Table 4, this analysis
also only has a rough and ready value.

Surveys of Computer Use

65. The Younger Committee was not able to attempt any factual analysis
of computer use in the private sector; nor could it provide any assessment
of the efficiency of the safeguards already in existence to protect the privacy
of personal information. Since the Younger Report was published, however,
there have been two separate studies of computer use, both of which have
provided some useful information. The first was a survey conducted by the
British Computer Society of some 44 large organisations using computers;
the second was a wider study of security in computer systems carried out
under the auspices of the National Computing Centre Limited.

66. The Privacy and Public Welfare Committee of the British Computer
Society was looking at the problem of privacy and the computer while the
Younger Committee was sitting and, like the Younger Committee, found
itself short of "hard" information about computer use in the private sector.
To correct that situation, the BCS Committee sent a questionnaire to 56 large
organisations between August 1972 and January 1973. An analysis of the
44 organisations which replied has been published by the Society.† Not
surprisingly, the survey showed that the amount of personal information held
about people is increasing and that computers have made it easier to hold
such information. But it also showed that much of the information thought
by respondents to be sensitive was still held manually and there was little
evidence of the exchange or transfer of such information between organisations.
The report also notes that "very few organisations seem at the moment to be

* Standard Industrial Classification.
† Analysis of the questionnaire on Privacy, obtainable from the British Computer Society,
29 Portland Place, London WIN 4AP, price £1.50.
correlating information." Organisations varied a good deal in the amount of attention which they devoted to privacy (as distinct from security) questions, and the Committee thought that there was a need for greater awareness in this area. But the report concluded that the results of the survey indicated that organisations generally were aware of the potential problems of security and that it was probable that they were taking a good deal more care with computer-held information than they had done previously with manual filing systems.

67. The NCC Survey of computer use was addressed to those who make use of computers in all parts of the private and public sectors. It was designed to consider all aspects of the security of computer systems from the point of view of financial control, commercial confidentiality and statutory requirements, as well as the privacy of personal information. Questionnaires were sent to organisations known or thought to be using computers and, in each case, the questionnaire was addressed to a "user" of computer services within the organisation, as well as to the head of the data-processing unit. Over 150 organisations agreed to take part in the survey. Some of the questionnaires were followed up by interviews, designed to elicit attitudes to security and privacy, as well as to provide factual information about the safeguards already in force. The results of the survey agree with the BCS finding that those organisations which hold information which they regard as confidential go to a good deal of trouble to look after it. Indeed, this is often as much in their own interests as it is in the interests of those to whom the information relates.

68. As a result of recommendations put forward in that report, NCC has initiated a series of projects designed to increase knowledge and understanding of security, and has established a central reference body to provide computer users and manufacturers with information and guidance about security measures. This central reference body is advised by a committee whose members represent, between them, all sections of the computer industry. The Government welcome this initiative, and are glad to note the efforts being made by the NCC, and members of the industry themselves, to make computer systems increasingly secure, and therefore less vulnerable to threats which could endanger privacy.

### TABLE 4

**COMPUTERS INSTALLED IN THE UK**

**PRIVATE SECTOR (INCLUDING PUBLIC TRANSPORT)**

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<th>SIC</th>
<th>Order</th>
<th>April 1971</th>
<th>April 1975</th>
</tr>
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<tr>
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<td>Agriculture, Forestry and Fishing</td>
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<td>...</td>
</tr>
<tr>
<td>II</td>
<td>Mining and Quarrying</td>
<td>...</td>
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</tr>
<tr>
<td>III</td>
<td>Food, Drink and Tobacco</td>
<td>...</td>
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<td>IV</td>
<td>Coal and Petroleum Products</td>
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<td>V</td>
<td>Chemicals and Allied Industries</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>VI</td>
<td>Metal Manufacture</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>VII</td>
<td>Mechanical Engineering</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>VIII</td>
<td>Instrument Engineering</td>
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<td>...</td>
</tr>
<tr>
<td>IX</td>
<td>Electrical Engineering</td>
<td>...</td>
<td>...</td>
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<tr>
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<td>Shipbuilding and Marine Engineering</td>
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</tr>
<tr>
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<tr>
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<p>|    | Total Private Sector | ... | ... | 4,036 | 10,008 |</p>
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<td>(not including transport):—</td>
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<td>GRAND TOTAL</td>
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NOTES

1. The figures quoted in this table are extracted from the National Computer Index using information contained in the April 1975 updating. The National Computer Index does not claim to include all computers in the UK. There may be 40,000 of these in total, but many of them will be small. It is believed that about 75 per cent of capital investment in computers in the UK is represented by the installation included in the National Computer Index.

2. The accuracy of the Index is continually improving, so that the difference between current and previous figures may not be wholly due to growth, but may be the result of more accurate information being currently available.

3. For the purpose of this table, certain computer installations are regarded as being in the private sector, whereas they are in fact publicly owned—for example, transport.
## COMPUTER APPLICATIONS BY INDUSTRY
showing only those applications with possible relevance to privacy

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<th>IV</th>
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8. STUDIES AND PRACTICES ABROAD

69. The threat to privacy from computers handling personal information has been recognised in many other countries. The solutions devised vary, for they must inevitably take account of local factors such as the constitutional and institutional structures of the country concerned, its history, its culture and its traditional public attitudes. But, nevertheless, there is a great deal to be learned from all the work which has been done abroad; and the most important of the foreign studies, legislative proposals, and statutes in force are summarised below.

United States of America

70. In the United States, public anxiety about computers and privacy has been articulate and widespread for a number of years. It was investigated, in connection with a proposal for a National Data Centre, by a sub-committee of the House of Representatives Committee on Government Operations as long ago as 1966–67, and by a sub-committee on Administrative Practice and Procedure of the Senate Committee on the Judiciary in the following year. It has been investigated by many others since then.

71. Of these investigations, two in particular deserve mention here. Unlike the Younger Committee’s enquiry, they were carried out by committees having expert knowledge of computers; but like the Younger Committee, their investigations also resulted in proposals for action which included one or more sets of “principles” for the operation of computers to safeguard the accuracy and privacy of personal information stored in them.

72. The first of these was a Report(1) to the Committee on Scientific and Technical Information (COSATI) of the U.S. Government’s Federal Council of Science and Technology, prepared by its Panel on Legal Aspects of Information Systems. A summary of the “principles” to be extracted from this Report is to be found in Table 6.

73. The second was the Report(2), published in July 1973, of the Advisory Committee on Automated Personal Data Systems appointed by the U.S. Secretary of Health, Education and Welfare (the HEW Report). This Report recommended the enactment of a Federal “Code of Fair Information Practice” for all automated personal data systems. The Code rests on five basic principles which would be given legal effect as “safeguard requirements” for such systems. These “principles” are set out in Table 7.

74. Following these recommendations, a number of Bills were introduced in the Congress. After much debate, one of them—the Privacy Act 1974—was passed and became law on 1st January 1975. It operates by placing upon all Federal agencies stringent requirements to

—identify their record-keeping systems each year, and publish descriptive information about them;

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(1) Published in The Honeywell Computer Journal, Vol. 7 (1973), No. 1.
(2) DHEW Publication No. (OS) 73-97.
—limit their record keeping to that which is lawful, relevant and necessary;
—inform individuals who are asked to provide information by what authority they are asked, the purpose for which the information is being collected, the use to which it will be put, and the legal implications of not providing it;
—permit individuals to examine records relating to them, and to correct or amend them;
—ensure such accuracy, relevance, timeliness and completeness of records as is necessary to ensure fairness to the individual, and make reasonable efforts to meet these standards before any record is disclosed;
—restrict to a few specified cases the disclosure of records without the consent of the individual concerned.

Failure to perform these obligations will entitle the individual affected to sue the agency in the courts, and there are criminal sanctions against officials who knowingly and wilfully violate the provisions of the Act. In addition, the Act sets up a Privacy Protection Study Commission to consider what further legislation may be required.

Council of Europe

75. The United Kingdom is a founder member of the Council of Europe. The Committee of Ministers of that organisation has recently adopted two Resolutions which recommend to the Governments of all its member states that, for the protection of the privacy of personal information in computers, they should give effect to the "principles" set out in the Resolutions.

Resolution (73) 22, adopted on 26 September 1973, sets out principles to be implemented for computers in the private sector. These are reproduced in Table 8.

Resolution (74) 29, adopted on 29 September 1974, sets out principles to be implemented for computers in the public sector. These are reproduced in Table 9.

Other Countries

76. In West Germany, the Land Hesse passed a Data Protection Law in 1970, which imposes direct obligations on all data banks in the public sector, subject to criminal sanctions, and places their enforcement under the supervision of a single and independent Data Protection Officer. A similar Data Protection Law, with civil as well as criminal sanctions, has also been in force in the Land Rhineland Palatinate for over a year. In other Lander, notably Lower Saxony, administrative regulations controlling public sector data banks have been made. In 1973, the Federal Government presented a comprehensive Data Protection Bill, covering both the public and the private sector, to the Federal Parliament, where it is currently being debated. The Bill provides criminal sanctions for breach of its provisions.
77. In Sweden, a Data Act was passed in 1973. Under this, no data banks holding personal information may be maintained in the public or the private sector except with the permission, and under the supervision of, a Data Inspection Board which has wide powers to control their operations by making regulations. There are civil and criminal sanctions for breach. The only exceptions to this rule are data banks established according to a decision by the King or Parliament, but the views of the Data Inspection Board must be sought before any such decision is taken; and the Board is required to issue regulations for the operation of such data banks if the King or Parliament has not made any.

78. In Austria, the Government have recently presented a draft Data Protection Law to Parliament which, like the Federal German one, would impose direct obligations on all data banks in the public and private sectors. These obligations would be supervised and enforced by an independent Data Protection Commission, and there are criminal sanctions.

79. In New Zealand, a sub-committee of the Law Revision Commission published a report in April 1973 on Computer Data Banks and Privacy. This recommended legislation to set up an independent agency to investigate, appraise and inspect computer data banks in both the public and private sectors and to make recommendations. The New Zealand Government have promised legislation this year.

80. In Denmark, a Committee set up by the Government has completed its study of the private sector and recommended legislation in the form of a draft Bill which would set up a registration board and impose wide obligations on all data banks in the private sector, enforced by criminal sanctions. The Committee is now investigating the public sector.

81. In Norway, two Bills, dealing respectively with the public and private sectors, have been presented by Royal Commissions. They would impose direct obligations on all data banks, whether or not they are computerised, and establish a Data Surveillance Service. For the private sector, there would be both civil and criminal sanctions.

82. In the Netherlands, a Committee of experts set up by the Government published an Interim Report in 1974, recommending that, as a first step, there should be statutory registration of all data banks, and a legal right for all individuals to inspect and correct their records. The Committee also recommended the introduction of a licensing system after further study of the necessary details. Meanwhile, in March of this year, the Government issued stringent directives for the operation of its own computer systems.

83. In Canada, a Task Force established jointly by the Federal Departments of Communications and Justice reported in 1972 and discussed various possible statutory measures. Draft legislation is being considered by the Canadian Parliament.
84. In France, a Commission on Data Processing and Freedom, appointed by the President of the Republic in November 1974, has recently published its Report. It recommends the creation of a new independent agency to function as a kind of social conscience in relation to data processing, with certain powers of control. It also recommends certain constraints, in both the public and the private sector, on the collection and storage of personal data, and the creation of a right for individuals and associations to know and to criticise the data stored about them.

85. Preparations for legislation are also being made in Belgium, Finland, the Irish Republic and Spain.
SUMMARY OF THE PRINCIPLES RECOMMENDED IN THE COSATI REPORT

1. In gathering information from individual citizens, agencies have an obligation to disclose to them the purpose for which the information is being collected, to state clearly the use or uses to which it will be put, to identify the individuals and organisations that will be given access to it, and to indicate whether the individual's name will be associated, either directly or indirectly, with the information.

2. Unless disclosure is required by law, personal information must never be extracted from an individual without securing his informed, express consent.

3. When personal information of any degree of sensitivity is collected from sources other than the data subject himself, the data collector is always under an obligation to verify its accuracy. If this is impossible, it is necessary to indicate the source of information, the fact that it has not been verified, and why it could not be verified.

4. Every agency has an obligation not to engage in repetitious information-gathering exercises.

5. When data are transferred by one agency to, or exchanged with, another, the nature of the data-originating agency's understanding with the individual must be brought to the remote user's attention and he must be obligated to honour it.

6. Particular attention must be paid to information stored in a remote-access system, to protect individualised information from improper access through the network. In addition, the security of personal information transmitted from point to point must be guaranteed. Even in systems that do not have remote access features, procedures must be established for ensuring the physical security of data files against improper intrusion, or destruction.

7. When the legitimate needs of the information-gathering agency require data to be put to uses or to be disclosed to people beyond the scope of the understanding entered into with the subject at the time the information was originated, a new understanding should be entered into with the individual unless circumstances make this impossible.

8. An individual data subject should be granted access to the information recorded about him and procedures should be established that enable him to ensure the accuracy of the information and to determine whether his files have been abused. This will necessitate establishing and giving him access to monitoring logs that show who has sought access to his files and for what purpose.

9. Each agency should engage in a periodical review of its files to ascertain when personal information should be expunged, placed in a form of storage that is less accessible, or archived. Archival data should never be released to the public until a sufficient period has elapsed so that there is no longer any possibility of injury to any individual. When an agency determines that personal information is no longer of utility, and should be destroyed in the interest of privacy and file confidentiality, that decision should be communicated to any other agency and any private individual or organisation that has received a copy of the data, and a requirement made that said copy, or any other copies that may have been made, be likewise destroyed. This will require that an agreement for such disposition at the request of the issuing agency be obtained before such personal information is made available.

10. Individual citizens should be given the right to request the expungement of personal information that is maintained in an agency file when there is no express statute or regulation requiring its preservation.

11. The responsibility of implementing these principles should be given to personnel who are not associated with the day-to-day operation of the system and they should be expressly charged with the responsibility to make certain that they are honoured.
TABLE 7
THE PRINCIPLES OF THE HEW REPORT

1. There must be no personal data record-keeping systems whose very existence is secret.
2. There must be a way for an individual to find out what information about him is in a record and how it is used.
3. There must be a way for an individual to prevent information about him that was obtained for one purpose from being used or made available for other purposes without his consent.
4. There must be a way for an individual to correct or amend a record of identifiable information about him.
5. Any organisation creating, maintaining, using, or disseminating records of identifiable personal data must assure the reliability of the data for their intended use and must take precautions to prevent misuse of the data.

TABLE 8
PRINCIPLES RECOMMENDED BY THE COUNCIL OF EUROPE FOR THE PRIVATE SECTOR

1. The information stored should be accurate and should be kept up to date. In general, information relating to the intimate private life of persons or information which might lead to unfair discrimination should not be recorded or, if recorded, should not be disseminated.
2. The information should be appropriate and relevant with regard to the purpose for which it has been stored.
3. The information should not be obtained by fraudulent or unfair means.
4. Rules should be laid down to specify the periods beyond which certain categories of information should no longer be kept or used.
5. Without appropriate authorisation, information should not be used for purposes other than those for which it has been stored, nor communicated to third parties.
6. As a general rule, the person concerned should have the right to know the information stored about him, the purpose for which it has been recorded, and particulars of each release of this information.
7. Every care should be taken to correct inaccurate information and to erase obsolete information or information obtained in an unlawful way.
8. Precautions should be taken against any abuse or misuse of information. Electronic data banks should be equipped with security systems which bar access to the data held by them to persons not entitled to obtain such information, and which provide for the detection of misdirections of information, whether intentional or not.
9. Access to the information stored should be confined to persons who have a valid reason to know it.

The operating staff of the electronic data banks should be bound by rules of conduct aimed at preventing the misuse of data, and, in particular, by rules of professional secrecy.
10. Statistical data should be released only in aggregate form and in such a way that it is impossible to link the information to a particular person.
### TABLE 9

**PRINCIPLES RECOMMENDED BY THE COUNCIL OF EUROPE FOR THE PUBLIC SECTOR**

1. As a general rule the public should be kept regularly informed about the establishment, operation and development of electronic data banks in the public sector.

2. The information stored should be:
   - (a) obtained by lawful and fair means;
   - (b) accurate and kept up to date;
   - (c) appropriate and relevant to the purpose for which it has been stored.

Every care should be taken to correct inaccurate information and to erase inappropriate, irrelevant or obsolete information.

3. Especially when electronic data banks process information relating to the intimate private life of individuals or when the processing of information might lead to unfair discrimination—
   - (a) their existence must have been provided for by law, or by special regulation or have been made public in a statement or document, in accordance with the legal system of each member state;
   - (b) such law, regulation, statement or document must clearly state the purpose of storage and use of such information, as well as the conditions under which it may be communicated either within the public administration or to private persons or bodies;
   - (c) the data stored must not be used for purposes other than those which have been defined unless exception is explicitly permitted by law, is granted by a competent authority or the rules for the use of the electronic data bank are amended.

4. Rules should be laid down to specify the time limits beyond which certain categories of information may not be kept or used.

However, exceptions from this principle are acceptable if the use of the information for statistical, scientific or historical purposes requires its conservation for an indefinite duration. In that case, precautions should be taken to ensure that the privacy of the individuals concerned will not be prejudiced.

5. Every individual should have the right to know the information stored about him.

Any exception to this principle or limitation to the exercise of this right should be strictly regulated.

6. Precautions should be taken against any abuse or misuse of information. For this reason:
   - (a) everyone concerned with the operation of the electronic data processing should be bound by rules of conduct aimed at preventing the misuse of data and in particular by a duty to observe secrecy;
   - (b) electronic data banks should be equipped with security systems which bar access to the data held by them to persons not entitled to obtain such information and which provide for the detection of misdirections of information, whether intentional or not.

7. Access to information that may not be freely communicated to the public should be confined to the persons whose functions entitle them to take cognizance of it in order to carry out their duties.

8. When information is used for statistical purposes it should be released only in such a way that it is impossible to link information to a particular person.