

PRIME MINISTER

THE BUDGET AND THE CBI

I think that the CBI spoke up well about the Budget yesterday and I presumed to speak to Sir Raymond Pennock this afternoon to thank him, on your behalf, for what he and Sir Terence Beckett had said.

He mentioned that he would be making a major speech in Bristol tomorrow when he would have the opportunity to ram home what the Chancellor had done for industry and in particular to emphasise that something like two thirds of the concessions in the Budget were intended to benefit industry. He is going to do all he can to ensure that his speech is covered nationally by the media.

Thompson

AWH.

10 March 1982

Moves in right direction, says the CBI

By ROLAND GRIBBEN Business Correspondent

INDUSTRY gave the Chancellor "two cheers" last night after Budget cuts in industrial and energy costs, a stimulus for construction firms and a new package of measures for small concerns.

Sir Terence Beckett, Director-General of the Confederation of British Industry, said: "We have not got all we wanted, but these are moves in the right direction."

Industrialists believe that with a further cut in interest rates now imminent the Budget has provided a better platform for economic recovery after two years of recession.

But they were cautious about forecasting how far unemployment would fall.

Extra £640m

The Chancellor lived up to his promise of a "help industry" Budget with a one per cent reduction in the National Insurance surcharge paid by employers.

The cut, from 5½ per cent to 2½ per cent in August, will mean companies will have an extra £640 million for investment and expansion in a full year.

Local authorities and State industries, who also pay the surcharge, will not benefit because the Government fears it would only encourage higher wage settlements. Their grants and cash limits will be altered to take into account the surcharge relief.

The CBI made a surcharge cut its main Budget priority and estimated that a full 2 per cent cut in a tax introduced by Mr Healey, Labour's Chancellor, could reduce unemployment by 200,000.

Further help

Further help

The Government is also going some way towards meeting industry's case for further help to reduce power bills and reduce the gap with Continental competitors. But there is no relief for domestic consumers facing a 23 per cent rise in gas prices this year and 8 per cent-10 per cent in electricity charges.

Around 100 of the biggest energy users, including British Steel, independent steel producers and chemical companies will be the main beneficiaries of a reduction in electricity tariffs totalling 16 per cent, over a three-year period.

The firms benefitting will have to agree to accepting interruptions in supplies of up to 60 hours over a set period to qualify for the concession.

The price of gas will be frozen for large industrial customers after April 1, until the end of the year. It means they will be relieved of a 2p a therm increase.

The freeze on the price of

Continued on Back P, Col 3

Continued from P1

By ROLAND GRIBBEN

Industry's 'two cheers'

foundry coke will be extended to the end of the year, and the Government is extending its £50 million scheme to encourage firms to convert boilers from using oil to include service companies.

The construction industry described aid for the industry, worth £240 million in 1982-83 as a "modest tonic."

But a badly needed stimulus to housebuilding is expected to result from the £5,000 increase in the thresholds for stamp duty payments. The starting point from March 22 for home sales will be £25,000 against £20,000 at present.

The concession will cost £70 million in 1982-83 and should help first-time buyers and, the Government hopes, encourage job mobility.

A total of £100 million is being added to local authorities' capital spending allocations to increase grants for home improvement and insulation.

The Government is meeting its commitment to provide further help for inner city regeneration with £70 million for joint development projects between the public and private sectors. Grants for land reclamation are going up from 50 per cent to 80 per cent.

Capital allowances are being introduced for property built and used wholly for letting under the private rented accommodation scheme.

The industrial buildings allowance is being extended to include buildings used for service, repair and warehouse operations and will also cover the small industrial workshop aid programme.

The new series of measures

for small firms will be worth £28 million in 1982-83 and £80 million in a full year, according to the Treasury.

The Government is introducing improvements in existing schemes, including the business start-up venture and profit sharing and share option arrangements.

There are new tax arrangements for unquoted companies to buy their own shares and businesses' contributions to local enterprise agencies.

New technology

The Government is also stepping up assistance to encourage new technology with a £150 million three year programme for a series of measures, including additional assistance for space technology and production engineering.

A special scheme to assist small engineering firms is also being introduced and the 100 per cent first year allowance for leased television sets with a teletext facility will be extended for a further year beyond June.

Budget of threads and patches, says Foot

By Staff Reporters

A Budget of threads and patches which failed to measure in any sense whatsoever to the reality of the country's problems was the verdict of Mr Michael Foot, the Opposition leader.

The Chancellor's package received a cautious and measured response from industrial leaders despite its content being heavily sighted towards a platform for industrial recovery. And from trade union leaders the reaction was predictably sour as they reaffirmed their determination to block the Cabinet's economic strategy in the hope of forcing a change of course.

Mr Foot's traditional off-the-off reply to the Budget statement was one of the mildest from any Opposition leader to any Budget of recent years.

His comments, clearly prepared well in advance of Sir Geoffrey's statement, consisted

mainly of an attack on the Government for its record on unemployment. The proposals, the Labour leader said, took no account of the huge real total of unemployed. He stated that to make good what had been taken out of the economy in the autumn there would have had to have been an expansion of about £5,000m.

The Budget, he said, would provide nothing like the total amount that should have been made available and, on balance it was a deflationary package.

Conservative MPs, however, were in a joyous mood over the Chancellor's proposals and it seemed that after months of doom and gloom they would at last have something to shout about in their constituencies.

Mr Foot described the Chancellor as a wandering minstrel who, in the end, would be the only person who would be enthusiastic about the Budget.

Industry and commerce were cool although the Confederation of British Industry saw the measures as a number of important steps that would help business.

Sir Terence Beckett, director general of the CBI, which had been pressing for a £2,590m deflationary package, said that the moves—the cut in employer's National Insurance Surcharge, help for the construction industry, and concessions on energy prices—were moves in the right direction.

"The tight borrowing stance is justified only if it enables us to get interest rates down this year. But with the measures outlined in this Budget, lower world oil prices and industry's improving competitiveness, business can now show the will to win," he said.

The right-wing Institute of Directors, which has been at loggerheads with the CBI over

the course that the Government should follow, however, thought that the balance was about right.

Mr Walter Goldsmith, its director general, said: "We are grateful that Sir Geoffrey has disregarded the many Peter Paul deflationary packages that have been bombarding the Treasury in recent weeks—businessmen can now look forward to a progressive lowering of interest rates."

Insufficient and misconceived was the cool pronouncement from the Association of British Chambers of Commerce, representing 57,000 member companies through its 87 chambers.

The TUC Economic Committee meets this morning to make a more detailed assessment of the Chancellor's measures, by the initial response from Congress House was: "Three wasted years behind, and looks like another wasted year ahead".

'Now we can get industry moving'

INDUSTRIALISTS saw the Budget giving industry confidence, bringing down costs and creating more jobs — 'a step in the right direction'.

But the TUC complained of 'a missed opportunity' that would do nothing to reduce the dole queues.

Sir Terence Beckett, Director General of the Confederation of British Industry, said: 'A one per cent. reduction in the National Insurance Surcharge represents £640 million of help.

'We are delighted with the long overdue help for the construction industry and we welcome the concessions on energy which will help industries like chemicals, paper and steel.'

But the Association of British Chambers of Commerce said: 'Industry is still caught between the anvil of low orders caused by high interest rates, and the hammer of excessive costs.'

Mr Walter Goldsmith, director general of the Institute of Directors, said the Chancellor had got the balance right — no return to inflation and some encouragement to both personal taxpayers and business.

"DAILY MAIL"

Bosses hail boost for trade and jobs

INDUSTRY was split from boardroom to work-bench over the Budget last night.

The Confederation of British Industry hailed the decisions to slash the payroll tax and other measures as a step in the right direction.

But gloomy union chiefs dismissed Chancellor Sir Geoffrey Howe's package, and predicted another wasted year for Britain.

Despite their complaints, there is no doubt the Budget will slash dole queues and help business men.

The desperately sought cut in payroll tax, or National Insurance Surcharge, will

By BARRIE DEVNEY Industrial Editor

reduce industry's costs by £640 million.

In addition, energy charges are to be pegged.

The construction industry, which the Cabinet has recognised is in a serious situation, is to be helped with work to restore inner-city areas, mend roads, and repair outdated sewage systems.

And the small businesses which the Prime Minister has said are the keystone to future prosperity, have also been given a helping hand.

Sir Raymond Pennock, the CBI president, described the Budget as "ingenious and intelligent."

The CBI's director general, Sir Terence Beckett, said the Chancellor had taken constructive steps that will help business.

And he predicted: "The measures outlined, lower world oil prices, and industry's improving competitiveness, mean business can now show the will to win."

The Chancellor's bumper-bundle was also welcomed by the Institute of Directors. Mr Walter Goldsmith, the director general, said last night: "The Chancellor should be supported by business men and given credit for resisting the temptation to take the

country once again down the road to inflation and false expectation."

The Budget would, he said, reinforce economic recovery in a responsible way without "foolishly throwing away the sacrifices made by the private sector over the last two years."

So depressed is the construction industry that any help is welcome. Mr Derek Gaultier, director general of the Federation of Civil Engineering Contractors said the Budget showed "some signs the Chancellor is at last trying to recognise the plight of the industry."

Increases

There was a much more muted reaction from the Association of British Chambers of Commerce. Its leaders claimed the Budget would make no real difference to industrial prospects.

FOR THE BOSSES Sir Terence Beckett, director-general of the Confederation of British Industry, said: "The Chancellor has taken a number of important steps that will help business."

"SUN"

His cleverest yet

SIR Geoffrey Howe's fourth main Budget—his seventh including the 'mini-budgets'—is probably his cleverest.

He has offered packages of varying help across industry—to the big corporations and the small companies; to the older, established industries and the tiny, new firms.

No single item will be sufficient to change the course of Britain's economy or to affect unemployment by more than a small margin.

But if the Chancellor is lucky, the collection of his latest packages could help toward a slow revival in some industries.

That was certainly the view taken last night by the Confederation of British Industry.

CBI Director General Sir Terence Beckett wel-

By GEOFFREY GOODMAN Industrial Editor

comed the Budget especially for the cut in the National Insurance Surcharge. Which the CBI have called a "jobs tax."

This will save British industry about £640 million a year which they say will go into investment and job creation. That remains to be seen. It could go in higher pay or boardroom perks.

Sir Terence also predicted that the Chancellor's measures to help the building and construction industries would boost house-building and jobs.

The CBI believes that the package, including the freeze on some gas, electricity and industrial coal prices and the spe-

cial aid to small engineering firms and new technology industries, will "get business moving."

That is NOT the view of the TUC chiefs—nor the Labour Party leaders.

TUC's chief economic spokesman David Barnett, of the General and Municipal Workers, described the Budget as "demoralising."

Unemployment, he predicted, will go on rising and the poor will get poorer.

And former Chancellor Denis Healey viewed the whole operation as a kind of economic standstill, with little or no hope for the jobless.

Yet that was not the feeling around the financial world.

At least, they believe. Sir Geoffrey has not made things worse...

"MIRROR"