

PO-CH/NL/0196 PART A



Alex  
Lawson

PART A

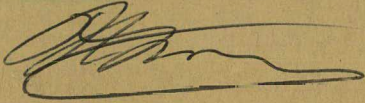
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PART A

CHANCELLOR'S 1988 PAPERS  
ON PARLIAMENTARY  
BUSINESS AND THE  
LEGISLATIVE PROGRAMME

Regis: 20/1/88  
Ends: 9/3/88 (CONTINUED)

DD: 25 years



7/9/95

PO -CH /NL/0196  
PART A





01-270 4520

FROM: B O DYER  
 DATE: 20 January 1988

PS/INLAND REVENUE

cc PS/Chancellor  
 PS/Financial Secretary  
 Mr Savage  
 Mr Hutson

## EARLY DAY MOTION No. 524

'That an humble Address be presented to Her Majesty, praying that the Income Tax (Cash Equivalents of Car Benefits) Order 1987 (SI, 1987, No. 1897), dated 5th November 1987, a copy of which was laid before this House on 17th November, be annulled.'

This Prayer, standing in the name of the Leader of the Opposition, Mr John Smith et al, first appeared on the Order Paper on Monday 18 January; a copy of which was faxed to you.

Although the Prayer is now out of time, Mr Smith, through the 'usual channels', has requested a debate. It could not, of course, be founded on the Prayer but on a Motion<sup>†</sup> for the Order's revocation.

I suspect the impetus behind Mr Smith's request stems from the fact that he is sponsored by ASTMS whose members, like those of the TGW, are not enamoured with the changes promulgated in the Order.

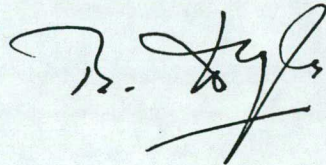
The Business Managers are inclined to view Mr Smith's request sympathetically. I have therefore sought and received an assurance that in the event of a debate being conceded it would be upstairs in Committee for 1½ hours; and also that they will not accede to Mr Smith's request before receiving the views of Treasury Ministers. For example, if we have strong objections to any form of debate at the present time,

† Tabled today, and attached

PTO



I think the Business Managers could be persuaded to resist the blandishments of the Opposition. It is in this latter context that I should be grateful for your advice. I suggest this is submitted to the Financial Secretary's Office direct (copy to me please) by close of play on Friday 22 January - ie for the Minister's weekend box.

A handwritten signature in black ink, appearing to read 'B. O. Dyer', with a large, sweeping flourish at the end.

**B O DYER**  
Parliamentary Clerk



538 *INCOME TAX (S.I., 1987, No. 1897) (No. 2)*

Mr Neil Kinnock  
Mr Roy Hattersley  
Mr John Smith  
Dr John Marek  
Mr Stuart Holland  
Mr Chris Smith  
Mr Nicholas Brown

★ 7

That an humble Address be presented to Her Majesty, praying that the Income Tax (Cash Equivalents of Car Benefits) Order 1987 (S.I., 1987, No. 1897), dated 5th November 1987, a copy of which was laid before this House on 17th November, be revoked.



From: Nigel Forman.  
20th January 1988.

*For Committee  
relevant to  
DHSS*

To: Chancellor.

c.c. Chief Secretary.

Controlling N.H.S. expenditure.

1. Richard Needham seemed to have a good idea which he put to me in the House today. It is quite simply that we should change the date of Government decisions on the medical Review Body reports from June/July to November. This would enable the Treasury and the DHSS to know with far greater certainty what the N.H.S. pay costs would be during a given financial year and hence should improve the planning and control of N.H.S. expenditure.
2. It may not be possible to change this year's decision time on the N.H.S. pay awards, but we could announce this summer that this round of awards would run to November 1989, implying extra money pro rata to cover the longer period. Thereafter it might be worth going for a two year pay settlement from November to November in terms of the announcements to be synchronised with the other announcements of the outcome of the PES round published in the Autumn Statement.
3. This change should enable the Treasury to forecast with greater accuracy the largest element in the total N.H.S. bill. It could also reduce the pressure in future either for cuts in programmes to make room for larger than expected pay increases or for destabilising pay awards which reduce the Treasury's ability to control total N.H.S. costs. It seems quite a good idea. What do you think?

*FN7*





HOUSE OF COMMONS  
LONDON SW1A 0AA

HM TREASURY - MCU	
REC'D	21 JAN 1988
ACTION	

21st January 1988

*Ch/ FOT to*

*take this on?*

*Yn pm*  
*21*

*Dear Nigel*

You will, no doubt, have seen my Early day Motion No 501 which has now been signed by 124 of our colleagues. This Motion follows the new Clauses which I tabled to last year's Finance Bill but which were, of course, ruled out of order by the Speaker.

Whilst I appreciate that any extension of interest tax exemptions departs from the general thrust of our move towards fiscal neutrality, it does seem to me that the political and cash flow advantages from my proposals should be worthy of further attention.

I am suggesting that we should extend mortgage interest relief to include rolled-up interest repaid after death and that the qualifying purposes should be widened so as to include for elderly people on low incomes (which we would need to define) monies borrowed for the purpose of repair of their principal residence and monies borrowed to enable them to pay for medical expenses in the home (thereby allowing them to have medical treatment at home as opposed to going into a nursing home).

The proposed extension of relief would encourage the creation of annuities that would not otherwise be taken up, thus the tax relief would not involve significant income loss to the Treasury. On the contrary, additional taxable income is likely to be created whilst, at the same time, existing spending on Rate Relief and Supplementary Benefit is likely to be reduced. Cost penalty to the Treasury is likely to occur only from a diminution of Inheritance Tax as the annuitant's estate is diminished but, since we would restrict relief to those on low incomes, it is probable that the estate would fall within the exempt limits particularly if, as I hope, you extend these further in the next Budget.

My proposals have the active support of Help the Aged and Age Concern and considerable research on this subject has been carried out by Allied Dunbar Provident who are the leading company in the home-based annuity market. I enclose herewith for your information copy of a paper prepared by Allied DUnbar which gives some useful background information together with copies of very supportive recent press comment in the Daily Telegraph, The Observer, The Sunday Times and the Daily Mail.





- 2 -

I would be most grateful if you could find time in your diary to see a small group of us to discuss this matter further. I have sent a copy of this letter to Norman Lamont. ]

*Yours ever,*

John Butterfill

The Rt Hon Nigel Lawson MP  
The Chancellor of the Exchequer  
HM Treasury  
Treasury Chambers  
Parliament Street  
London SW1P 3AG



Hint

2. I would welcome comments on this proposed timetable. I believe it would be fair and workable with each of us spending one complete evening and night in the 'cooler'. To make it more tolerable, we can organise some creature comforts nearer the time, e.g. bed, blankets, lamp, alarm clock, kettle, radio, T.V., chamber pot etc. I have done this sort of thing for a Ten Minute Rule Bill once before and in my experience the greatest problem is the cold - so take plenty of warm and comfortable clothing or a close friend!

3. Remember: this is our immortal (and unpaid) contribution to the success of the Chancellor's Budget. So it is in a good cause.

Friday 19th.	10 a.m. to 1 p.m.	1 p.m. to 4 p.m.	4 p.m. to 10 a.m.	(Sat)	Nigel Forman Tony Faveall John Naples
Saturday 20th.	10 a.m. to 1 p.m.	1 p.m. to 4 p.m.	4 p.m. to 10 a.m.	(Sun)	Michael Stern Nigel Forman Tony Faveall
Sunday 21st.	10 a.m. to 1 p.m.	1 p.m. to 4 p.m.	4 p.m. to 10 a.m.	(Mon)	John Naples Michael Stern Nigel Forman
Monday 22nd.	10 a.m. to 1 p.m.	1 p.m. to 4 p.m.	4 p.m. to 10 a.m.	(Tues)	Tony Faveall John Naples Michael Stern

1. You will recall that the Chancellor confirmed at Prayers this week that he wishes us to prevent a Labour or other Opposition Member from getting this slot on Budget day. In order to be as sure as we can reasonably be that this is achieved, I suggest that we adopt the following rota for occupying the waiting room next to the Public Bill Office from Friday 19th February to Tuesday 23rd February at 10:00 a.m. when one of us will qualify for the slot (and then later withdraw).

Ten Minute Rule Bill on Budget Day.

To: The Hon. Mark Lennox-Boyd M.P. c.c. Chancellor  
Tony Faveall M.P.  
John Naples M.P.  
Michael Stern M.P.

From: Nigel Forman.  
21st January 1988.

*Handwritten signatures and initials in red ink, including a large signature that appears to be 'Tony Faveall' and another that looks like 'John Naples'.*



CONFIDENTIAL



*mpw*

FROM: MOIRA WALLACE  
DATE: 22 January 1988

PS/CHIEF SECRETARY

cc PS/Paymaster General  
Sir P Middleton  
Mr Anson  
Dame Ann Mueller  
Mr Kemp  
Mr C W Kelly  
Miss Peirson  
Mr Turnbull  
Mr Saunders  
Mr Tyrie  
Mr Call

**CONTROLLING NHS EXPENDITURE: TIMING OF MEDICAL REVIEW BODY  
REPORTS**

... I attach a minute from Nigel Forman MP, floating the idea that Government decisions on the Medical Review Body reports should be put back from June/July to the Autumn. The Chancellor would be grateful for comments from the Chief Secretary and others.

*mpw.*

MOIRA WALLACE



UNCLASSIFIED



FROM: J M G TAYLOR

DATE: 25 January 1988

A handwritten signature in the top right corner of the page.

PS/FINANCIAL SECRETARY

**LETTER FROM MR BUTTERFILL MP**

Mr Butterfill copied to the Financial Secretary his letter of 21 January to the Chancellor. The Chancellor would be grateful if the Financial Secretary could take this forward.

A handwritten signature in the bottom right area of the page.

J M G TAYLOR



*my*4. BUDGET DAY 10-MINUTE RULE BILL

The vigil would commence at 9 am on the Friday morning. It was hoped that the absurdity of this procedure would catch the attention of the Procedures Committee, and sensible changes in the procedure for allocations made.

5. OPPOSITION EARLY DAY MOTION

The Opposition had requested an Early Day Motion proposing the annulment of the recent Car Tax Benefits Order. Not only would this be awkward timing in relation to the Budget, preventing the Government from taking part in the debate, but the Motion was clearly out of time. The announcement had been made in last year's Budget, and the Order laid on 5 November 1987. As a result granting this EDM would set a very bad precedent, and the Leader of the House should be urged not to give way.

Maura

*Mc*  
MARK CALL

There was some confusion at Prayers this morning. The Opposition recognise that their EDM/Prayer to annul the Order is out of time; and have tabled a further EDM seeking to revoke the Order. The latter is in order - see my minute of 20 Jan (below). I have clarified the position with the FST's office. We are now back on course.

*Brian D.*

25/1/88



From: Nigel Forman.  
27th January 1988.

*Forman -*  
*discuss -*

To: Chancellor.

c.c. Mark Lennox-Boyd M.P.

Brandon Rhys-Williams' Ten Minute Rule Bill.

1. I think you should know that Brandon Rhys-Williams is going around seeking to whip up media interest and Parliamentary support for his Ten Minute Rule Bill next Tuesday. He nobbled me in the Lobby to say that he wanted the payroll to support his Bill and that he was fed up with being palmed off with pleasantries.
2. He also intimated to me that he intends to toughen up his approach to these initiatives - c.f. Child Benefit as well - and he evidently feels that he has not got very far in the past by being obliging. Furthermore, it appears that he may regard this as his last Parliament and therefore be less amenable to the usual countervailing pressures from the Whips and others.
3. On the specific point of abolishing the higher rates of income tax and standardising the taxes on income and capital gains at 35% he takes the view that this year's Budget will be our last and best opportunity to be radical in this way, so he will obviously press his ideas with more than his usual vigour.

*707*



Confidential

From: Nigel Forman.

27th January 1988.

*Prayer* *WJH*

To: Mark Lennox-Boyd.

c.c. Chancellor ✓  
Tony Favell.  
John Maples.  
Michael Stern.

Ten Minute Rule Bill on Budget Day (Operation **Do Them Down**).

1. The Chancellor has confirmed finally and clearly that he wishes us to proceed with Operation Do Them Down. He has also decided that we should start the exercise at 9:00 a.m. on Friday 19th February. The only revision which I suggest to my initial rota at this stage is that I shall therefore begin the Vigil at 9:00 a.m. that morning and continue through until the first change-over at 1:00 p.m.
2. The schedule I suggested is obviously open to refinement and revision between us, but at some point we shall need to go absolutely firm on the arrangements and then stick to them. The vital thing at this stage is total confidentiality - otherwise the whole exercise could be self-defeating.
3. I suggest we hold a meeting with you and all the PPSs in my room at the Treasury immediately after Prayers on Wednesday 3rd February. This should be far enough in advance to enable us to clarify our tactics, to exchange phone numbers and to discuss fully how we are going to arrange things for the four days or so that the operation will last. I understand that you have already secured some 'volunteers' to help us and I hope that you have impressed upon them as well the paramount importance of total confidentiality if the exercise is to be successful. Once we have decided how much of the load each of us can take on, we should be able to apportion the rest between our extra 'volunteers'.
4. In view of the fact that some think the night watch as originally proposed was too long, I suggest the following amendments to my original scheme at this stage:

<u>Friday 19th.</u>	9 a.m. to 1 p.m.	Nigel Forman.
	1 p.m. to 4 p.m.	Tony Favell.
	4 p.m. to 7 p.m.	Michael Stern.
	7 p.m. to 11 p.m.	
	11 p.m. to 9 a.m. (Sat)	<u>John Maples.</u>
<u>Saturday 20th.</u>	9 a.m. to 1 p.m.	Michael Stern.
	1 p.m. to 4 p.m.	Nigel Forman.
	4 p.m. to 7 p.m.	John Maples.
	7 p.m. to 11 p.m.	
	11 p.m. to 9 a.m. (Sun)	<u>Tony Favell.</u>



<u>Sunday 21st.</u>	9 a.m. to 1 p.m.	John Maples.
	1 p.m. to 4 p.m.	Michael Stern.
	4 p.m. to 7 p.m.	Tony Favell.
	7 p.m. to 11 p.m.	
	11 p.m. to 9 a.m. (Mon)	<u>Nigel Forman.</u>
<u>Monday 22nd.</u>	9 a.m. to 1 p.m.	Tony Favell.
	1 p.m. to 4 p.m.	John Maples.
	4 p.m. to 7 p.m.	Nigel Forman.
	7 p.m. to 11 p.m.	
	11 p.m. to 9 a.m. (Tues)	<u>Michael Stern.</u>
<u>Tuesday 23rd.</u>	9 a.m. to 10 a.m.	

5. I have left a few slots blank for 'volunteer' support. It is also for consideration which of our number should be there to collect the 'jackpot' on Tuesday morning. I think it should not be me and Michael Stern thinks it should not be him because he did it last year. That leaves Tony Favell and John Maples to sort it out between them.

6. Of course, by the time we finalise the arrangements there may be another Treasury PPS which will help. Also it is still not too late for us to make sensible and mutually agreed adjustments to these proposed arrangements. I suggest we discuss all this as fully as we can at the meeting I have proposed for Wednesday 3rd February.

707





FROM: A P HUDSON

DATE: 9 February 1988

MR S J DAVIES

cc PS/Chief Secretary  
PS/Financial Secretary  
PS/Paymaster General  
Mr Pickford  
Miss Simpson  
Mr C M Kelly (MPl)  
Mr R Savage

**ORAL QUESTION FOR THURSDAY 11 FEBRUARY: MR JAMES WALLACE**

The Chancellor has one further comment on the briefing for this Question, in addition to the requests in Mr Savage's minute of yesterday.

2. He thinks it is wrong to suggest that the current account deficit cannot be attributed to relatively strong UK growth, in view of the relatively strong growth of world trade. Whatever the level of world trade, the point is that domestic demand here has grown faster than elsewhere. The Chancellor does not agree with the final sentence of paragraph 1 of the Background Note either.

3. Please could you revise the Background Note accordingly?

A handwritten signature in black ink, consisting of the letters 'A P H' in a stylized, cursive font.

A P HUDSON





270 5006

→ Andrew  
FROM: Deputy Parliamentary Clerk

DATE: 8 February 1988

MR S J DAVIES - MP1

cc **Principal Private Secretary**  
PS/CST  
PS/FST  
PS/PMG  
Mr S Pickford - EB  
Miss J Simpson - EB  
Mr C M Kelly - MP1

ORAL QUESTION FOR THURSDAY 11 FEBRUARY: MR JAMES WALLACE

The following comments arose from today's briefing meeting:

JAMES WALLACE MP

The Chancellor would prefer to reply as follows\_

"The current account deficit last year was precisely in line with the forecast I made at the time of the Budget. (It was the counterpart of a capital inflow into the UK reflecting international confidence in the UK economy.)"

Are you content?

The Chancellor also specified a number of items that he would like incorporated into the supplementary material:

- i) a table showing the current account surplus/deficit, in cash terms and as a % of GDP, for each year since 1970 and those years grouped into Labour/Conservative administrations;
- ii) figures for the balancing item over a number of years and briefing on how far this might overstate the present deficit;
- iii) the UK's net overseas assets at the end of 1973 ie before the last Labour Govt. - which could be added to factual 6;
- iv) the growth of the UK's foreign currency reserves:
- v) the country's export trends (esp. manufacturing) in both absolute terms and as a % of output; and
- vi) coverage of Mr Bryan Gould's comparisons with 1978 - you may wish to consult EB who have already made comments on this.



More generally, Private Secretaries have asked that all changes to existing material should be sidelined and that for all Treasury Ministers, except the Chancellor, fresh material should be supplied on a new sheet of paper in factual/positive/defensive format.

I should be grateful if revised and additional material could be with Parliamentary Section, via Mr Pickford (EB), by 5pm tomorrow, Tuesday 9 February. Copies need only be sent to copy recipients of this minute.

*Richard Savage*

RICHARD SAVAGE



1. Competitiveness bfg still weak. Terry was interested in this - shall I ask him to consider? *Yes p86 nr.*

FROM: DAVID OWEN  
DATE: 9 February 1988

- 1. MR BOTTRILL
- 2. MR PICKFORD

cc: PPS  
PS/CST  
PS/FST  
PS/PMG  
Miss Simpson  
Mr Kelly

2. Now need written answer for Wallace & Jones.

*HHH*

*I have amended format: latter can stand. nr.*

ORAL QUESTION FOR THURSDAY 11 FEBRUARY: MR JAMES WALLACE

I attach a revised version of the briefing for this PQ, incorporating the additional supplementary material requested by the Chancellor.

2. We would advise against using the second sentence of the Chancellor's redraft of the reply. Capital flows data are only available for the first three quarters of 1987 and they show a net capital inflow of just £0.9 billion compared with a current account deficit (not seasonally adjusted) of £2.1 billion over the same period. The difference reflects the balancing item. Although this balancing item is relatively small on present estimates, the data are very volatile and subject to substantial revision. It is quite possible that, when the fourth quarter capital flows figures are published in March, they may show net identified capital outflows for the year as a whole, despite the current account deficit. In fact the latest available figures for the third quarter show an identified net capital outflow of £2.3 billion when the current account was in deficit by £1.2 billion. International confidence was reflected in strong private sector net capital inflows during 1987 which more than offset the current deficit and allowed a rise in the official reserves.

*Worth using?*

3. Of course if the current account is correctly measured then a deficit must imply net capital inflows and the balancing item must reflect errors in the measurement of capital flows. But we have argued in the past that the balancing item may in part reflect current account errors, in particular the possible underestimation of net investment income earnings.

*Yes, in standard budget*

David Owen  
D W OWEN  
EA2



ORAL

THURSDAY 11 FEBRUARY 1988

TREASURY

L - Orkney and Shetland

\* **MR JAMES WALLACE :** To ask Mr Chancellor of the Exchequer, if he will make a statement on the Government's policy towards the balance of payments.

DRAFT REPLY BY CHANCELLOR

The current account deficit last year was precisely in line with the forecast I made at the time of the Budget. ~~[It was the counterpart of a capital inflow into the UK reflecting international confidence in the UK economy.]~~

*The Government's policies are directed towards improving the performance of the economy overall. This is achieved by a combination of measures in the composition of the balance of payments.*

C M KELLY  
MPl Division  
Ext 5508

S J DAVIES  
MPl Division  
Ext 4600



NOTES FOR SUPPLEMENTARIES

(SEE ALSO SUBJECT BRIEF ON INDUSTRY AND MANUFACTURING)

Factual1. UK Current account: trends and prospects

Balances	£ billion				
	<u>Annual Averages</u>		<u>1986</u>	<u>1987*</u>	<u>Autumn Statement</u>
	<u>1974-79</u>	<u>1980-85</u>			<u>Forecast</u>
				<u>1988</u>	
Oil	- 2.6	5.0	4.1	4.2	3
Manufactures	4.0	0.5	- 5.5	- 7.3	- 9
Other goods	- 4.7	- 5.6	- 7.0	- 6.8	- 6
Total visibles	- 3.3	- 0.1	- 8.5	- 9.8	- 12
Invisibles	2.4	3.6	7.5	7.1	8½
Current account	- 1.0	3.5	- 0.9	- 2.7	- 3½
	(- 1.0)	(1.2)	(- 0.2)	(- 0.7)	(- ¾)

(Percentage of GDP in brackets)

\* Invisibles component includes CSO projection for 1987Q4; and current account as percentage of GDP based on Autumn Statement forecast for money GDP in 1987.

Provisional estimate of current account deficit of £2692 million in 1987 close to Autumn Statement forecast of £2½ billion deficit for 1987.

2. Recent quarterly current account developments

Balances	£ billion, seasonally adjusted				
	<u>1986</u>	<u>1987</u>			
	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4*</u>
Oil	0.8	1.2	1.0	0.9	1.0
Manufactures	- 1.8	- 0.7	- 1.9	- 2.2	- 2.5
Other goods	- 1.7	- 1.6	- 1.5	- 1.8	- 1.8
Total visibles	- 2.7	- 1.1	- 2.4	- 3.0	- 3.3
Invisibles	1.7	1.7	1.7	1.9	1.8
Current account	- 1.0	0.6	- 0.7	- 1.1	- 1.5

\* CSO projection for invisibles

- Current account returned temporarily to surplus in 1987Q1, but has shown growing deficit since with deterioration in manufacturing deficit.



- Current account in December 1987 estimated to have been in deficit by £0.6 billion following deficits of £0.6 billion in November and £0.3 billion in October.

### 3. Current account balance

	Current balance £ billion	Per cent GDP
1970	0.8	1.5
1971	1.1	1.9
1972	0.2	0.3
1973	-1.0	-1.4
1974	-3.3	-4.0
1975	-1.6	-1.5
1976	-0.9	-0.7
1977	-0.1	-0.1
1978	1.0	0.6
1979	-0.7	-0.3
1980	2.9	1.3
1981	6.3	2.5
1982	4.0	1.5
1983	3.3	1.1
1984	1.5	0.5
1985	2.9	0.8
1986	-0.9	-0.2
1987	-2.7	-0.7
<b>Annual Averages</b>		
1970-1973	0.3	0.4
1974-1979	-1.0	-1.0
1980-1987	2.2	0.7

GDP in 1987Q4 based on Autumn Statement forecast.

### 4. UK exports and imports of goods: volumes (excluding oil and erratics)

	<u>1987Q4</u>		<u>1986 on</u>	<u>1987 on</u>	<u>1988* on</u>
	<u>on 1987Q3</u>	<u>on 1986Q4</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>
<b>Total goods:</b>					
Exports	1½	4½	2½	8	3½
Imports	3½	11	5½	9½	5
<b>Manufactures**</b>					
Exports	2½	9	1	8½	not
Imports	4½	14	5½	11	available

\* Autumn Statement forecast including erratics

\*\* Overseas trade statistics basis



- Export volumes on upward trend.
- Non-oil import volumes recently risen rapidly. Slower growth projected in 1988 as domestic demand grows less rapidly.

5. Export trends

	Export volume* (excluding oil and erratics) 1980=100	Per cent of GDP	Exports of manufactures (excluding erratics) 1980=100	Per cent of GDP
1973	80.8	15.8	85.0	14.0
1979	100.5	17.0	101.5	15.5
1983	98.2	16.2	96.2	14.5
1984	107.6	17.5	107.0	15.7
1985	114.9	18.4	115.7	16.4
1986	117.7	18.0	116.9	16.1
1987	126.8	18.7	126.7	16.7

Average annual  
percentage change

1973-1979	3 $\frac{3}{4}$	3
1979-1987	3	2 $\frac{3}{4}$

\* BOP basis

- volume of non-oil exports (excluding erratics) 8 per cent higher in 1987 than in 1986 and trend firmly upward. Manufactures (excluding erratics) 8 $\frac{1}{2}$  per cent higher.

6. UK Competitiveness. Between 1986 and 1987 UK manufacturing unit labour costs risen more slowly than average for other major industrial countries. Despite appreciation of sterling during 1987 cost competitiveness still better than in 1984 and 1985.

	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>Q1</u>	<u>1987</u>		<u>Q4</u>
						<u>Q2</u>	<u>Q3</u>	
Sterling exchange rate index (1975=100)	78.6	78.3	72.9	72.6	69.9	72.7	72.7	74.9
Relative manufacturing unit labour costs in common currencies (1980=100)	82.9	85.0	78.0	75.5*	72.4	75.8	75.9	78.0*

\* 1987Q4 figure estimated.



7. Competitiveness - recent trends and comparison with 1978. [Bryan Gould argued (Sunday Times 31 January) that, on variety of measures, competitiveness now worse than in 1978 and had deteriorated over past year.]

(i) Claims correct in terms of bald statistics, but misleading to look only at measures of price and cost competitiveness - non price factors such as quality, speed of delivery, reliability just as important. Overall supply performance of UK manufacturing much improved since late seventies, as demonstrated by stability since 1981 of UK share of total world trade in manufactures, following decades of decline.

(ii) Cost competitiveness has deteriorated over past year as exchange rate has risen but this has only partly offset gains during 1986. Cost competitiveness remains 6-7 per cent more favourable than on average in 1984-85.

8. Invisibles Surplus. OECD figures (OECD Economic Outlook, December 1987) show UK's net overseas invisibles earnings overtaking US in 1986 to become largest in world. OECD projections for 1987 and 1988 indicate UK further consolidating lead position on invisibles surplus.

9. UK net overseas assets increased from £5 billion at end 1973 (7 per cent of GDP) to £13 billion (8 per cent of GDP) at end 1978 to £114 billion (29 per cent of GDP) at end 1986. Highest level since War, highest of all major industrial countries as a percentage of GDP and second only to Japan in dollar terms. Recent falls in world equity markets and exchange rate changes have affected both UK gross overseas assets and liabilities. Too soon to quantify effect on net asset position.

10. CBI Survey. January survey showed sharp deterioration in export optimism for year ahead with balance of firms reporting increase in optimism becoming negative. But export order books remain above normal and manufacturers expect continued growth in export orders and deliveries, albeit at a slower rate than recently.



avg 70s +0.7  
 avg 80s (first) +3.0

11. Balancing Item

	£ billion	Per cent GDP
Average 1970-73	0.1	0.2
Average 1974-79	1.1	0.8
1979	0.5	0.3
1980	-0.2	-0.1
1981	0	0
1982	-1.1	-0.4
1983	1.7	0.6
1984	5.8	1.8
1985	4.9	1.4
1986	11.9	3.1
1987*	1.3	0.4

\* First three quarters.

Positive £11.9 billion in 1986 reflecting either unrecorded net current account credits or net capital inflows. In first three quarters of 1987 balancing item positive £1.3 billion.

12. UK Official Reserves \$6.5 billion at end 1973, \$15.7 billion at end 1978 and \$44.3 billion at end 1987. Reserves fell by \$1.2 billion in January 1988 to \$43.1 billion (rose in sterling terms but fell in dollars as dollar appreciated between December and January).



Positive

1. UK current account deficit in 1987 small as a share of GDP (0.7 per cent) and much smaller than imbalances of mid-1970s. Estimated outturn of £2.7 billion close to Budget and Autumn Statement forecasts of £2½ billion.
2. UKs net overseas assets highest since war and highest of all major industrial countries as percentage of GDP at end 1986 (29 per cent). Contributing about £5 billion a year in interest profits and dividends to total invisibles surplus which is largest in world. Demonstrates benefits of exchange control abolition and wise investment of North Sea oil revenue.
3. Export volumes (goods excluding oil and erratics) in 1987 8 per cent higher than in 1986 and on upward trend.
4. Balance of payments position is one of factors taken into account in framing Government's Medium Term Financial Strategy. MTFS provides safeguard against unsustainable developments.
5. Prudent management of public finances by lowering public sector deficit has relieved pressure on current account deficit from public sector.

Defensive

1. Current account deficit no longer "temporary" as Chancellor earlier claimed? Deficit reflects strong growth of UK domestic demand and activity in 1987: import growth will slow as domestic demand growth moderates. Good supply performance has meant only small deficit as percentage of GDP: boosted exports and also output to domestic market, and should allow manufacturers to take further advantage of rising world trade.



2. Forecast rise in current account deficit in 1988 requires policy response? Projected deficit only  $\frac{1}{4}$  per cent of GDP - much smaller than imbalances in US, Germany and Japan (currently 3-4 per cent of GDP) and UK deficit in mid-1970s (also 3-4 per cent of GDP)
3. Rise in current account deficit indicates economy overheating? No. On basis of January survey CBI concluded economy not overheating.
4. Trend in imports strongly upwards and rising faster than exports. Recent figures for import volumes very erratic, but not surprising imports growing relatively strongly given rapid growth in UK domestic demand and activity. Rise in imports not confined to consumer goods; rising imports of materials, semi manufactures, intermediate and capital goods reflect rising output, stockbuilding and investment rather than surge in consumer spending. Import growth should slow during 1988 as UK demand growth moderates.
5. Export growth projected to slow in 1988. UK projected broadly to maintain volume share of world trade in manufactures, continuing improved performance evident since 1981, following decades of decline. Exports likely to benefit from growth overseas and UK's good competitive position.
6. Sterling's recent strength threatens competitiveness? Not at all. Competitiveness still better than in 1984 and 1985.
7. CBI January survey shows fall in export optimism. Export order books remain above normal and CBI still expects export orders and deliveries to rise in next few months.



8. Size of balancing item implies net overseas assets overestimated. Positive balancing item of £11.9 billion in 1986 implies either unrecorded current account net credits or unrecorded net capital inflows. Would not be surprising if some of errors were in current account. Figure of £114 billion remains best available estimate of end 1986 net overseas asset position. Balancing item in first three quarters of 1987 small.

9. Fall in equity markets reduced net overseas assets? Both gross assets and liabilities affected. Too soon to be precise about effect on net position or corresponding net income, but unlikely to have changed UK's strong position relative to other countries. Also share prices generally back only to end-1986 levels, which is date of latest net overseas assets figures.

10. Effect of dollar's fall on value of UK official reserves. Never discuss detailed reserves transactions. Intervention carried out to support exchange rate policy. As to profitability, much too early to tell. Depends on exchange rate at which intervention unwound (if and when it is) but stabilising intervention has been profitable in past.



BACKGROUND NOTE

The suggested reply is consistent with the written answer given to a similar question from the Member for Alyn and Deeside (Mr Barry Jones) on 14 January (OR vol 125 no 1433 col WA 393, copy attached). But the points about the UK current account deficit being small, and the strength of the UK's net overseas asset position, are reserved for response to supplementaries. Moreover, the line taken until recently attributing the increased current account deficit in 1987 to 'fast growth of the UK economy relative to other major countries' may now look less defensible in view of relatively strong growth of world trade in 1987 (5½ per cent - not for use) and expected for 1988 (6 per cent - not for use). It is probably better to lay emphasis on strong growth of UK domestic demand and good supply performance (see defensive point 1). Also, relatively high growth of output as such does not necessarily imply a current account deficit if domestic supply expands to match domestic demand - moves towards current account deficits emerge only when domestic demand growth outstrips the growth of domestic supply.

2. Provisional estimates of the current account of the UK balance of payments in December 1987 and for 1987 as a whole were released by DTI/CSO Press Notice on 28 January 1988. The figures for the invisibles balance from October to December 1987 are projections which will be superseded by preliminary estimates around the middle of March 1988.

3. Notes for supplementaries have been prepared in close consultation with EA2, and EB are also content with the suggested reply.

*Background Note was also revised following your comments about this nonsense.*



*PHF*

FROM: A G TYRIE

DATE: 10 FEBRUARY 1988

**CHANCELLOR**

*[V. G. Gudgeon's admission from public sources;]  
[z] [unclear] [unclear]*

- cc Chief Secretary
- Financial Secretary
- Paymaster General
- Economic Secretary
- Mr Cropper
- Mr Call
- Mr Hudson
- Mr Pickford

**FIRST ORDER PQ's: OPPOSITION BASHING**

Labour statement

I attach Labour's statement of 'democratic socialist aims and values', together with a short note by Ian Stewart on it. Although marked 'Confidential' Labour's document was being handed out on request from Walworth Road. I think you could quote from it if you want to.

*Likely to cause a row?*

2. Apparently it was drafted by Roy Hattersley and proof-read by Neil Kinnock. Perhaps that explains why Hattersley's name is misspelt!

3. There are not as many pickings as I hoped. Paragraphs 19-23 inclusive are the most useful. Here the paper recommends:

- substantial renationalisation of public utilities;
- new forms of social ownership, including municipal enterprise (surely a contradiction in terms);
- support for market forces (paragraphs 21-23



inclusive). You would have been happy to write the first couple of sentences of paragraph 23.

#### Privatization

4. I also attach some quotes on Labour and privatisation prepared by Ian Stewart from the Research Department. I have highlighted the ones which I think might be useful for First Order PQ's. There is nothing here you won't have seen before.

5. Andrew Hudson thought that the following John Smith quote on social ownership, from pre-election days, might also come in handy:

"I don't see why we should just go round taking over clapped-out companies. It would be nice to get into the new, profitable areas. Stuff that makes money."  
Guardian, 14 February 1986.

Concern over BP?

#### Miscellaneous

6. Looking through the Smith file you might just find an opportunity to use the attached quote, from Tribune in which John Smith, then Shadow DTI Minister, indulged in a bit of Treasury bashing.

Plugged.  
V. useful.

7. For question 13 (FST) I was hoping that Archie Kirkwood might have exposed a flank during the recent merger fracas.



Unfortunately he was distressingly loyal to David Steel,  
supported merger and kicked up the minimum amount of dust  
over the ill-fated MacLennan/Steel policy document.

*M-May*

*pp* **A G TYRIE**



*pip***FROM: A G TYRIE****DATE: 11 FEBRUARY 1988****CHANCELLOR**cc Chief Secretary  
Financial Secretary  
Paymaster General  
Economic Secretary  
Mr Cropper  
Mr Call**FIRST ORDER PQs: LABOUR AND THE MARKET ECONOMY**

You might find Brian Gould's dissent on the NEC/Kinnock/Hattersley document useful. Kinnock and Hattersley's zealous attachment to the role of the market comes in for a bit of stick, see attachment.

*AGT.***A G TYRIE**

*C.*  
Problem, as ever, is that Gould is readier to give his views - on anything - than Smith!

*AGT*



● The Guardian

Monday 8 February 1988.

# Labour poised for public wrangle on party policy

By John Carvel,  
Political Correspondent

Leading figures in the Labour Party appeared last night to be on the brink of reopening a more public debate on its future direction, after several months of discreet silence.

The catalyst has been the statement of democratic socialist aims and values which the leader, Mr Neil Kinnock, and his deputy, Mr Roy Hattersley, presented to the Shadow Cabinet and national executive last week.

Mr Kinnock dismissed reports on Friday that his paper had received substantial criticism from the centre-right and soft left. He denied that it made any attempt to revise Clause 4 of the party's constitution.

It emerged over the weekend, however, that the thrust of criticism was not against Mr Kinnock and Mr Hattersley's views about public ownership of the public utility monopolies.

Shadow Cabinet and NEC members were more concerned about their leaders' acceptance that market forces provide a "generally satisfactory" method

for allocating goods and services. This seemed to many to undermine Labour's commitment to intervention and economic management.

Mr Bryan Gould, shadow Trade and Industry Secretary, and Mr Kinnock's leading lieutenant on the soft left, said yesterday: "For my preference the document is a bit too fulsome in its praise of markets. The balance was wrong."

Market forces had a useful role to play under almost any kind of regime, but Labour had to emphasise its need to intervene to regulate markets. "You have to ensure that the market doesn't run you, but you run the market," he said.

Mr Gould and other critics emphasised that they agreed with the vast majority of the Kinnock/Hattersley paper, but they will require this section to be rewritten.

Mr John Smith, shadow Chancellor, and Mr Robin Cook, shadow Social Services Secretary, argued at the meeting for a stronger commitment to regional intervention.

Dr John Cunningham, shadow Environment Secretary,

called for more emphasis on intervention to encourage science and technology.

Mr Cook was reported by his friends to be seething with fury yesterday at what he believed had been a briefing for Sunday newspaper journalists suggesting that he was criticising the document because he had not fully understood it. The result will be a newspaper article this week setting out his alternative view on markets.

Mr Gould used a television interview to challenge the assumption that Labour will water down its policy on unilateral nuclear disarmament before the next general election.

"I have no doubt that we will adhere to the policy that a Labour government would find nuclear weapons both morally and militarily wrong for this country," he said on BBC television's This Week Next Week.

This atmosphere of franker argument was commended by Mr Tony Benn at Friday's meeting. But there was no sympathy in Shadow Cabinet circles yesterday for it to be extended into a leadership contest.



ORAL

THURSDAY 11 FEBRUARY 1988

TREASURY

L - Orkney and Shetland

\* **MR JAMES WALLACE** : To ask Mr Chancellor of the Exchequer, if he will make a statement on the Government's policy towards the balance of payments.

DRAFT REPLY BY CHANCELLOR

The Government's economic policy will ensure that the UK balance of payments remains fundamentally sound.

? The Government's objective is <sup>secure the</sup> to elimination of international barriers which hinder the free movement of goods, services and capital.

OR either "broad balance over the medium term"  
or "the balance of payments should balance"  
(too flipant for 1st Question).

###

The current account deficit last year was precisely in line with the forecast I made at the time of the Budget. ~~The~~ [it was] ~~reflected a capital inflow~~ ~~to the UK~~

C M KELLY  
MPL Division  
Ext 5508

SJD

S J DAVIES  
MPL Division  
Ext 4600

the counterpart of a capital inflow is the international capital flows in the UK economy.



*Current a/c  
Figs show as % of GDP, 1970; also by Govts.  
Figs of balance of payments  
Not of same essence.  
Reserves. Deficit for 1976  
Structure 1976*

MR JAMES WALLACE

NOTES FOR SUPPLEMENTARIES

(SEE ALSO SUBJECT BRIEF ON INDUSTRY AND MANUFACTURING)

Factual

*Better break down current a/c as % of GDP over last yrs, given the nonsense about 1987 worst since 1974.*

1. UK Current account: trends and prospects

Balances	£ billion				
	Annual Averages		Autumn Statement Forecast		
	1974-79	1980-85	1986	1987*	1988
Oil	- 2.6	5.0	4.1	4.2	3
Manufactures	4.0	0.5	- 5.5	- 7.3	- 9
Other goods	- 4.7	- 5.6	- 7.0	- 6.8	- 6
Total visibles	- 3.3	- 0.1	- 8.5	- 9.8	- 12
Invisibles	2.4	3.6	7.5	7.1	8½
Current account	- 1.0	3.5	- 0.9	- 2.7	- 3½
	(- 1.0)	(1.2)	(- 0.2)	(- 0.7)	(- ¾)

(Percentage of GDP in brackets)

\* Invisibles component includes CSO projection for 1987Q4; and current account as percentage of GDP based on Autumn Statement forecast for money GDP in 1987.

Provisional estimate of current account deficit of £2692 million in 1987 close to Autumn Statement forecast of £2½ billion deficit for 1987.

2. Recent quarterly current account developments

Balances	£ billion, seasonally adjusted				
	1986	1987			
	Q4	Q1	Q2	Q3	Q4*
Oil	0.8	1.2	1.0	0.9	1.0
Manufactures	- 1.8	- 0.7	- 1.9	- 2.2	- 2.5
Other goods	- 1.7	- 1.6	- 1.5	- 1.8	- 1.8
Total visibles	- 2.7	- 1.1	- 2.4	- 3.0	- 3.3
Invisibles	1.7	1.7	1.7	1.9	1.8
Current account	- 1.0	0.6	- 0.7	- 1.1	- 1.5

\* CSO projection for invisibles

- Current account returned temporarily to surplus in 1987Q1, but has shown growing deficit since with deterioration in manufacturing deficit.

*also an % of GDP*



- Current account in December 1987 estimated to have been in deficit by £0.6 billion following deficits of £0.6 billion in November and £0.3 billion in October.

3. UK exports and imports of goods: volumes (excluding oil and erratics)

	<u>1987Q4</u> <u>on 1987Q3</u>	<u>on 1986Q4</u>	<u>1986 on</u> <u>1985</u>	<u>1987 on</u> <u>1986</u>	<u>1988* on</u> <u>1987</u>
Total goods:					
Exports	1½	4½	2½	8	3½
Imports	3½	11	5½	9½	5
Manufactures**					
Exports	2½	9	1	8½	not
Imports	4½	14	5½	11	available

\* Autumn Statement forecast including erratics

\*\* Overseas trade statistics basis

- Export volumes on upward trend.

- Non-oil import volumes recently risen rapidly. Slower growth projected in 1988 as domestic demand grows less rapidly.

4. UK Competitiveness. Between 1986 and 1987 UK manufacturing unit labour costs risen more slowly than average for other major industrial countries. Despite appreciation of sterling during 1987 cost competitiveness still better than in 1984 and 1985.

*Better  
get figures  
back to  
1978, in  
view of Mr  
Gould's  
obsession.*

	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>
Sterling exchange rate index (1975=100)	78.6	78.3	72.9	72.6	69.9	72.7	72.7	74.9
Relative manufacturing unit labour costs in common currencies (1980=100)	82.9	85.0	78.0	75.5*	72.4	75.8	75.9	78.0*

*\* right*

\* 1987Q4 figure estimated.



5. Invisibles Surplus. OECD figures (OECD Economic Outlook, December 1987) show UK's net overseas invisibles earnings overtaking US in 1986 to become largest in world. OECD projections for 1987 and 1988 indicate UK further consolidating lead position on invisibles surplus.

6. UK net overseas assets increased from £13 billion (8 per cent of GDP) at end 1978 to £114 billion (29 per cent of GDP) at end 1986. Highest level since War, highest of all major industrial countries as a percentage of GDP and second only to Japan in dollar terms. Recent falls in world equity markets and exchange rate changes have affected both UK gross overseas assets and liabilities. Too soon to quantify effect on net asset position.

7. CBI Survey. January survey showed sharp deterioration in export optimism for year ahead with balance of firms reporting increase in optimism becoming negative. But export order books remain above normal and manufacturers expect continued growth in export orders and deliveries, albeit at a slower rate than recently.

### Positive

1. UK current account deficit in 1987 small as a share of GDP (0.7 per cent) and much smaller than imbalances of mid-1970s. Estimated outturn of £2.7 billion close to Budget and Autumn Statement forecasts of £2½ billion.

2. UKs net overseas assets highest since war and highest of all major industrial countries as percentage of GDP at end 1986 (29 per cent). Contributing about £5 billion a year in interest profits and dividends to total invisibles surplus which is largest in world. Demonstrates benefits of exchange control abolition and wise investment of North Sea oil revenue.



3. Export volumes (goods excluding oil and erratics) in 1987 8 per cent higher than in 1986 and on upward trend.
4. Balance of payments position is one of factors taken into account in framing Government's Medium Term Financial Strategy. MTFs provides safeguard against unsustainable developments.
5. Prudent management of public finances by lowering public sector deficit has relieved pressure on current account deficit from public sector.

### Defensive

1. Current account deficit no longer "temporary" as Chancellor earlier claimed? Deficit reflects strong growth of UK domestic demand and activity in 1987: import growth will slow as domestic demand growth moderates. Good supply performance has meant only small deficit as percentage of GDP: boosted exports and also output to domestic market, and should allow manufacturers to take further advantage of rising world trade.
2. Forecast rise in current account deficit in 1988 requires policy response? Projected deficit only  $\frac{3}{4}$  per cent of GDP - much smaller than imbalances in US, Germany and Japan (currently 3-4 per cent of GDP) and UK deficit in mid-1970s (also 3-4 per cent of GDP)
3. Rise in current account deficit indicates economy overheating? No. On basis of January survey CBI concluded economy not overheating.
4. Trend in imports strongly upwards and rising faster than exports. Recent figures for import volumes very erratic, but not surprising imports growing relatively strongly given rapid



growth in UK domestic demand and activity. Rise in imports not confined to consumer goods; rising imports of materials, semi manufactures, intermediate and capital goods reflect rising output, stockbuilding and investment rather than surge in consumer spending. Import growth should slow during 1988 as UK demand growth moderates.

5. Export growth projected to slow in 1988. UK projected broadly to maintain volume share of world trade in manufactures, continuing improved performance evident since 1981, following decades of decline. Exports likely to benefit from growth overseas and UK's good competitive position.

6. Sterling's recent strength threatens competitiveness? Not at all. Competitiveness still better than in 1984 and 1985.

7. CBI January survey shows fall in export optimism. Export order books remain above normal and CBI still expects export orders and deliveries to rise in next few months.

8. Fall in equity markets reduced net overseas assets? Both gross assets and liabilities affected. Too soon to be precise about effect on net position or corresponding net income, but unlikely to have changed UK's strong position relative to other countries. Also share prices generally back only to end-1986 levels, which is date of latest net overseas assets figures.



BACKGROUND NOTE

? The suggested reply is consistent with the written answer given to a similar question from the Member for Alyn and Deeside (Mr Barry Jones) on 14 January (OR vol 125 no 1433 col WA 393, copy attached). But the points about the UK current account deficit being small, and the strength of the UK's net overseas asset position, are reserved for response to supplementaries. Moreover, the line taken until recently attributing the increased current account deficit in 1987 to 'fast growth of the UK economy relative to other major countries' may now look less defensible in view of relatively strong growth of world trade in 1987 (5½ per cent - not for use) and expected for 1988 (6 per cent - not for use). It is probably better to lay emphasis on strong growth of UK domestic demand and good supply performance (see defensive point 1). Also, relatively high growth of output as such does not necessarily imply a current account deficit if domestic supply expands to match domestic demand - moves towards current account deficits emerge only when domestic demand growth outstrips the growth of domestic supply.

*James Wallace*

2. Provisional estimates of the current account of the UK balance of payments in December 1987 and for 1987 as a whole were released by DTI/CSO Press Notice on 28 January 1988. The figures for the invisibles balance from October to December 1987 are projections which will be superseded by preliminary estimates around the middle of March 1988.

3. Notes for supplementaries have been prepared in close consultation with EAZ, and EB are also content with the suggested reply.



### European Monetary System

78. **Mr. Livsey:** To ask the Chancellor of the Exchequer what recent review he has undertaken of the Government's policy towards membership of the exchange rate mechanism of the European monetary system; and if he will make a statement.

**Mr. Lilley:** The matter is kept under review.

### Balance of Payments

82. **Mr. Nigel Griffiths:** To ask the Chancellor of the Exchequer what is his latest forecast for the United Kingdom balance of payments figure, for 1987 and 1988.

**Mr. Major:** The Autumn Statement forecast was for a current deficit of £2½ billion in 1987 and £3½ billion in 1988.

88. **Mr. Barry Jones:** To ask the Chancellor of the Exchequer if he will make a statement on the implications for the management of the economy of the current balance of payments.

**Mr. Major:** Present and prospective United Kingdom current account deficits are relatively small as a percentage of GDP and reflect fast growth of the United Kingdom economy relative to other major countries. The United Kingdom also has a very strong net overseas assets position. As such the current account position should not pose any major problems. Policy will continue to safeguard against any unsustainable developments.

### Money Supply

91. **Mr. McFall:** To ask the Chancellor of the Exchequer what is the latest figure for M3, calculated on a yearly basis.

**Mr. Lilley:** The annual growth rate of M3 to November 1987 was 21.3 per cent.

### Unemployment Costs

93. **Mr. Boyes:** To ask the Chancellor of the Exchequer if he will commission research into the total cost of unemployment in the north; and if he will make a statement.

**Mr. Major:** No.

### Tobacco Tax

98. **Mr. Jessel:** To ask the Chancellor of the Exchequer what was the yield from tobacco tax in each of the last five years; and what is the estimated yield for the current year.

**Mr. Lilley:** The information is as follows:

	Excise duty (£ million)	VAT (£ million)	Total tax (£ million)
1982-83	3,446	770	4,216
1983-84	3,806	810	4,616
1984-85	4,140	860	5,000
1985-86	4,459	910	5,369
1986-87	4,768	970	5,738
<sup>1</sup> 1987-88	4,850	<sup>2</sup>	<sup>2</sup>

<sup>1</sup> Estimate.

<sup>2</sup> Not available.

*Note:* VAT receipts on tobacco products are calculated using estimates of consumers' expenditure, forecasts of which are not available in sufficient detail to enable an estimate for 1987-88 to be made.

### Exchange Rates

103. **Mr. Steinberg:** To ask the Chancellor of the Exchequer what mechanisms other than market forces exist for the medium term alteration of the exchange rate.

**Mr. Lilley:** I refer the hon. Member to the answer I gave on 13 November 1987 to the hon. Member for Glasgow, Cathcart (Mr. Maxton).

### Confederation of British Industry

**Mr. Pike:** To ask the Chancellor of the Exchequer when he last met the director general of the Confederation of British Industry; and what matters were discussed.

**Mr. Major:** My right hon. Friend last met the director general of the Confederation of British Industry at the meeting of the National Economic Development Council on Wednesday 13 January. The council discussed the outlook for the economy; a report on the knitting industry and international competitiveness, research and development and action by economic development committees.

### Tax Revenues

**Mr. Adley:** To ask the Chancellor of the Exchequer in what areas he is presently looking for new tax revenues; and if he will make a statement.

**Mr. Norman Lamont:** No. Decisions concerning taxation are, as my hon. Friend is aware, matters for the Chancellor of the Exchequer's Budget Statement.

### Central Office of Information

**Mr. Dobson:** To ask the Chancellor of the Exchequer what is the total staff of the Central Office of Information; and what it was in 1978-79 and 1982-83.

**Mr. Brooke:** The information requested is as follows:

1 January	Permanent staff in post <sup>1</sup>
1979	1,163
1983	969
1987	804

<sup>1</sup> Including part-timers.

### Advertising

**Mr. Dobson:** To ask the Chancellor of the Exchequer what are the conventions governing the content of Government advertising and promotional materials; and if he will make a statement.

**Mr. Brooke:** The conventions on central Government publicity and advertising are set out in the Government's evidence submitted to the Widdicombe inquiry in 1985 and deposited in the Library of the House (published as annex D to "Local Authority Publicity: interim report of the Committee of Inquiry into the Conduct of Local Authority Business, chaired by Mr. David Widdicombe QC").

### SOCIAL SERVICES

#### NHS (Staff Accommodation)

**Ms. Harman:** To ask the Secretary of State for Social Services if he will give the latest available figures for (a) the numbers of units of staff accommodation owned and





PWT

FROM: A P HUDSON

DATE: 11 February 1988

MR DYER

cc PS/Chief Secretary  
PS/Financial Secretary  
PS/Paymaster General  
Mr Bottrill  
Mr S J Davies  
Mr Pickford  
Miss Simpson  
Mr CMKelly (MP1)  
Mr D W Owen

**ORAL QUESTIONS FOR THURSDAY 11 FEBRUARY: MR JAMES WALLACE  
AND MR BARRY JONES**

Now that Mr Wallace's question has gone Written, the Chancellor has decided to answer it as follows:

"The current account deficit last year was precisely in line with the forecast I made at the time of the Budget. The Government's policies are directed towards improving the performance of the economy overall. This is fully consistent with normal fluctuations in the composition of the balance of payments."

2. He is content with the Chief Secretary's suggested Answer to Mr Jones.

A handwritten signature in black ink, appearing to be 'A P HUDSON'.

A P HUDSON





PRIVY COUNCIL OFFICE  
WHITEHALL, LONDON SW1A 2AT

Mr. Gilmore  
PES, EST, AMG, EST  
Sir P. D. Dicks  
Mr. Anson  
Mr. O'Byrne-Jones  
Mr. Evans  
Mr. de Beukelaer

12 February 1988

*Pst let  
quick note on  
Admin in  
Anks. The case for  
Advt studies  
supp - is  
managing  
M.*

*Dear Ken,*

LEGISLATIVE PROGRAMME 1988/89

The Queen's Speeches and Future Legislation Committee (QL) met yesterday to consider the bids made by colleagues for legislation in the 1988/89 Session. I am writing to let you know the Committee's preliminary conclusions on your bids, so that we can take account of any comments you wish to make before I submit our recommendations for next Session's programme to the Cabinet.

It is already clear that there will be several very long Bills that cannot be postponed beyond next Session. We are therefore bound to have another very heavy programme, and we are going to have to fit this into a Session that will inevitably be a good deal shorter than the present one, which began in July. The bids have far exceeded the number that could be accommodated and we have had to exclude many strong candidates.

I regret that, against this background, we were unable to find room for any of the three Bills you proposed - that is, Student Support, Teachers' Pay and Conditions, and Education (Recoupment). I am writing separately to Malcolm Rifkind to explain that, since we are minded to exclude the Teachers' Pay and Conditions Bill, the analogous provisions in his Education (Scotland) Bill would also need to be excluded.

QL will be meeting again at 9.30 a.m. on Tuesday 23 February and, if you wish to put the case for a change in our conclusions, you would be welcome to attend or be represented at that meeting. In any event it would be very helpful if you could let me have your comments in writing by close on Thursday 18 February.

I am sending copies of this letter to QL colleagues, First Parliamentary Counsel and Sir Robin Butler.

*John*  
*Wakeham*

JOHN WAKEHAM

The Rt Hon Kenneth Baker MP  
Secretary of State for Education & Science





FROM: MOIRA WALLACE  
DATE: 15 February 1988

~~RM~~  
BF 17/2  
18/2

PS/FINANCIAL SECRETARY

cc PS/Chief Secretary  
PS/Paymaster General  
PS/Economic Secretary  
Sir P Middleton  
Mr Anson  
Mr Kemp  
Mr Gilmore  
Mr Odling-Smee  
Mr Burr  
Ms Evans  
Mr de Berker

**LEGISLATIVE PROGRAMME 1988-89**

The Chancellor has seen the Lord President's letter to Mr Baker of 12 February, recording the outcome of QL. He has commented that the case for including student support is overwhelming, and he would like to have a note as soon as possible on the Treasury interest in *all* three <sup>Education</sup> Bills. I should be grateful if you could arrange for this to be provided.

*Mpw.*

MOIRA WALLACE





Treasury Chambers, Parliament Street, SW1P 3AG

01-270 3000

16 February 1988

Tom Jeffery Esq  
Private Secretary to the Secretary of State  
for Education & Science  
Elizabeth House  
York Road  
LONDON SE1 7PH

Dear Tom,

#### REVIEW OF STUDENT SUPPORT

Your Secretary of State and Mr Jackson met the Chancellor, Chief Secretary and Paymaster General at 3.30pm in the Chancellor's room at the House today.

Your Secretary of State said it was now important to work up agreed proposals without delay. To achieve implementation in this Parliament he would want to bring out a White Paper after Whitsun and would effectively need legislation next Session. He hoped colleagues could be persuaded to allocate the necessary legislative time.

In the short term, he saw two options for changing the balance of student support. The first would be principally concerned with removing students from Housing Benefit and Supplementary Benefit - which amounted to an estimated £80-100 million a year. Loans could be introduced to replace Social Security entitlement, and the grant would be frozen, with any later upratings replaced by loan. The second option would introduce loans to replace not only benefits but also some specified percentage of grant - Mr Baker envisaged that this might be between 15 and 25% of grant initially, with grant frozen thereafter. This might produce a loan of a little over £800 and Mr Baker thought that it would be helpful to round the amount of loan up to £1,000, with the balance being made up by some reduction in parental contribution, as a sweetener.

The costs of any options were very sensitive to assumptions about take-up. The Chancellor said that he thought if loans were interest-free, as they would have to be for the package to be saleable, it would be sensible to assume take-up of 90%. Mr Baker said that the cost profile could be altered if the scheme included discounts for early repayment, which had been tried with some success in Germany.





The Chancellor agreed that it was essential to remove students from social security entitlement. It was also highly desirable to effect a major shift from grant to loans, and he agreed that some sweetener for the better-off would probably be necessary: hence the idea of parallel reductions in grant and parental contribution. He thought that an initial cut in grant of 15 to 25% was the right range, although he thought that freezing the grant in cash terms in later years was perhaps too timid, especially with low inflation, and a 5% real terms cut each year might be preferable. If this could be achieved, then he would be prepared to concede corresponding moves on the parental contribution.

Mr Baker mentioned that he and Mr Jackson were keen to provide one additional sweetener as part of the move the loans - providing a sum of perhaps £15 or 20 million to the universities and polytechnics to allow them to provide bursaries. They took the view that this would be a useful first step towards encouraging the universities to take on responsibility for running student support schemes in the more distant future, and would be a way of deflecting criticism about the "hard cases" who would lose a lot from the ending of social security entitlement. The Chancellor said he thought there would be very few big losers. He also doubted that institutions' bursaries would be well targetted on social security losers. He said that the matter should be considered in the normal way in the Survey.

It was agreed that the second option ought to be worked up in detail. It was simple enough to be implemented in the time available, and it would be an important first step in changing the culture. Officials should work out agreed costings of the main variants of this option, showing - for a range of take-up options - the effects of initial cuts in grant of 15, 20, and 25%, and the difference between a cash freeze and a 5% real cut in later years. Officials' proposals could then be discussed, if necessary, either bilaterally with the Chief Secretary, who would be taking the lead in the Treasury, or with the same larger group of Ministers. Once DES and Treasury Ministers had agreed joint proposals, the Secretaries of State for Scotland and Wales should be consulted.

The other priority in the short term was to obtain legislative time for the Student Support Bill. Mr Baker said that he would indicate that he was prepared to set aside his other candidates, and argue for student support alone. It would be useful to have the Chancellor's support. The task of persuading colleagues would be easier if it could be said that the broad outline of the proposals was agreed between DES and Treasury Ministers.

I am copying this letter to Cathy Roberts.

Yours,  
Moira Wallace

MOIRA WALLACE  
Assistant Private Secretary



*Spoke to Zoe.*

FROM: T J BURR  
DATE: 17 February 1988

CHANCELLOR

- cc Chief Secretary
- Financial Secretary
- Paymaster General
- Economic Secretary
- Sir P Middleton
- Mr Anson
- Sir G Littler
- Dame A Mueller
- Mr Kemp
- Mr Scholar
- Mr Culpin
- Mr Gilmore
- Mr Hawtin
- Mr C Kelly
- Mr Mountfield
- Mr Odling-Smee
- Mr P G Davis
- Mr Gilhooly
- Mr Bolt
- Mr de Berker
- Miss Evans
- Mr Fellgett
- Mr S Kelly
- Mr Cropper
- Mr Tyrie
- Mr Call

*CL*  
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LEGISLATIVE PROGRAMME 1988-89: EDUCATION AND CROWN AGENTS

Following QL's decision to omit all three of Mr Baker's proposed Bills from the legislative programme for 1988-89, you commented that the case for including student support was overwhelming, and asked for a note on the Treasury interest in these three Bills (Miss Wallace's minute of 15 February). This submission also covers the Education (Scotland) Bill, which has been included in the programme though the case for it seems weak by comparison with Mr Baker's two main Bills.

- 2. Mr Baker will be writing to the Lord President tomorrow



to argue the case for these two Bills, and we recommend that you should also write tomorrow in support. A draft is attached, which also covers the Crown Agents Bill. These three Bills are our top priorities for adding to the Lord President's provisional programme, and we therefore suggest that you write ahead of QL. Divisions are advising separately on the Treasury's interests in Bills which are already in the Lord President's programme.

3. Mr Baker's Bills are as follows:

- (a) the Student Support Bill;
- (b) the Teachers' Pay and Conditions Bill;
- (c) the Education (Recou~~p~~ment) Bill.

The following paragraphs deal first with these in turn, and then with the Education (Scotland) Bill and the Crown Agents Bill.

#### Student Support Bill

4. You are well aware of the background. You have now reached broad agreement with Mr Baker on the shape of a scheme which would progressively switch half of present student support (including social security benefits for students) to loan. Although there would be some medium term costs, the longer term savings would be of the order of £250 million a year. Additional advantages would be a substantial alleviation of the parental contribution; better incentives to students (and through them the higher education institutions) to consider the economic relevance of their studies; and avoidance of a welfare mentality among students. But all this is likely to depend on getting legislation in the next Session of Parliament. Slippage



until the following Session would make the whole proposal very vulnerable to the argument that it would be a mistake for the Government to plan the introduction of loans around the time of the next Election. The Bill would obviously be controversial, but it would have the merit of being short. Neither DES nor ourselves can see why it need amount to more than a few clauses.

### Teachers' Pay and Conditions Bill

5. The pay of teachers in England and Wales is a large item of public expenditure (£7.3 billion in 1988-89). Prior to 1987 there was no effective means of control. The present arrangements are temporary, and we need to establish new arrangements on a permanent basis.

6. The 1987 Teachers' Pay and Conditions Act abolished the Burnham arrangements for negotiating teachers' pay in England and Wales, and suspended their negotiating rights. The Act also gave the Secretary of State for Education powers to appoint the Interim Advisory Committee (IAC) to advise him on the 1988 and 1989 settlements. If necessary, it can also be called upon to advise him on the 1990 settlement.

7. The IAC was set up as a temporary body and the Government is committed to setting up more permanent arrangements. A Green Paper was issued in October. The Government's preferred option is a Teachers' Negotiating Group which would allow the Government to control the management side and, if necessary, to impose a settlement. The Green Paper envisages having these arrangements in place for the 1990 settlement. If the legislation is left until the 1989-90 Session, it will have to be pushed through Parliament very fast to be available for the April 1990 settlement.



8. There is also the possibility that the Government may not wish to use the IAC again for the 1989 settlement. This will depend on our experience in 1988. The Committee has been given a tight remit, and the Chairman, Lord Chilver, is reliable; but his members are known to have found the remit restrictive, and we do not know to what extent he will succeed in controlling them. It would therefore be sensible to delay making the final decision on whether to drop the Bill until the IAC recommendations are available in April.

9. If there is a Teachers' Pay and Conditions Bill for England and Wales, you will want analogous powers for Scotland. It was not necessary to impose a settlement in Scotland in 1987, and currently the arrangements are different. If major differences are allowed to persist, teachers' pay settlements in Scotland could differ from those for England and Wales, with potentially embarrassing repercussions.

10. The Bill would be of short to medium length, but obviously controversial.

#### Education (Recoupment) Bill

11. This Bill would have simplified and altered slightly the arrangements for inter-authority recoupment for pupils who live in one Local Education Authority Area but go to school in another. It would have replaced the existing system of payments between authorities by automatic compensation through the RSG needs assessment. Although originally conceived as a tidying-up measure, the issues are likely to be more significant in the light of the decision to abolish ILEA. There is almost certainly extensive "boundary hopping" within inner-London. But its inclusion



in the 1988-89 Session cannot be said to be a high Treasury priority. LG agree.

### Education (Scotland) Bill

12. The Education (Scotland) Bill has provisionally gained a place in the programme on the basis that it (or at any rate one of Mr Rifkind's 3 Bills) will be introduced in the Lords. It would be up to 30 clauses long. The only significant Treasury interest is in the proposed provisions on teachers' pay and conditions, which parallel the intended provisions for England and Wales and which could be included in that Bill (paragraph 9 above). The remainder is something of a rag-bag of provisions clarifying and tidying-up existing legislation. Its precise coverage has not yet been decided. None of the possibilities, however, would have other than minor expenditure implications. The proposal in which the Treasury has perhaps the most interest after teachers' pay is the one providing for commercial activities in further education colleges. The Scottish Office have identified that as possibly appropriate to a Private Members' Bill.

### Crown Agents (Future Arrangements) Bill

13. You will also want to consider whether, in the light of latest developments, it would be useful to mention Crown Agents as well. A possible paragraph has been included in the draft letter.

### Tactics

14. At his meeting with you yesterday, Mr Baker said that he was prepared to set aside his other candidates and argue for the Student Support Bill alone. We certainly agree that the Education (Recoupment) Bill can be dropped. However there is also a major Treasury interest in the



Teachers' Pay and Conditions Bill. The attached draft letter therefore argues for both Bills, but it may need some adjustment when we see what Mr Baker actually says in his letter. What he is being advised to say is that a final decision to drop the Bill should not be made until after the IAC recommendations for 1988 are known.

15. It will obviously be helpful if, in proposing the addition of the Student Support and Teachers' Pay and Conditions Bills, an offsetting deletion can be suggested. The obvious candidate is the Education (Scotland) Bill, subject to the inclusion of the teachers' pay provisions in the England and Wales Bill. We have suggested to DES that Mr Baker's letter should argue that the Scottish Bill is of a low priority compared with the other main Education Bills, and the attached draft takes the same line.

16. Looking ahead to QL's next meeting on Tuesday, at which Mr Baker will be arguing the case for his main Bills, it will obviously be very helpful if he can convince the Committee that clear policy proposals have already been formulated. To that end DES and ourselves are aiming to get proposals on student support to the Chief Secretary and Mr Baker by the weekend, building on what was agreed at your meeting with Mr Baker yesterday.

17. This submission also reflects the views of MP, FP, Pay, LG and AEF.



T J BURR



DRAFT LETTER FROM: CHANCELLOR

TO: LORD PRESIDENT

copies as indicated

for 3 Bills which

I have seen the minutes of Q/L on 11 February recording ~~the~~ provisional conclusions on the legislative programme for 1988-89. I am writing to express <sup>my support</sup> ~~at a number~~ ~~of the exclusions~~ ~~at a number~~ ~~of the~~ ~~exclusions~~ ~~that are~~ ~~proposed~~, ~~most notably~~ of Kenneth & Baker's Student Support Bill

1988-89 LEGISLATIVE PROGRAMME

I am writing to support strongly the case which Kenneth Baker makes in his letter of 18 February for inclusion of his two main proposed Bills in the 1988-89 legislative programme.

2. I see an overwhelming case for including the Student Support Bill. The benefits from a reform of student support will be considerable, both in public expenditure terms and more generally. ~~Kenneth and I have identified a package which will I believe commend itself both to colleagues and to Parliament.~~ To delay legislation until the 1989-90 Session would mean that the new regime could not be implemented until the time of the next Election, which could present obvious difficulties. I believe we must press ahead now.

3. The 1987 Teachers' Pay and Conditions Act gave Kenneth the powers to appoint the Interim Advisory Committee (IAC) to advise him on the 1988 and 1989 pay settlements. The Green paper we issued in October envisaged that the permanent

*manifest*

*manifesto.*



machinery would be available for the 1990 settlement. The permanent machinery will restore teachers' negotiating rights but give us control of the management side, and the power to impose a settlement if necessary. If the legislation is left until the 1989-90 Session, it will have to be pushed through Parliament very fast to be available for the April 1990 settlement. There is also the possibility that we may not want to go back to the IAC for the 1989 settlement. This will depend on our experience this year. We have given the Committee a tight remit and the Chairman, Lord Chilver, is dependable. But his members are known to have found the remit restrictive, and we do not know what they will recommend. ~~In any event,~~ it would be ~~wise~~ <sup>prudent</sup> to delay a decision to drop the Bill from the next Session until we have the IAC's recommendations in April for the 1988 teachers' pay settlement.

4. I recognise, of course, that this may raise difficult questions of priorities with other Bills. If so, I am very doubtful whether the Education (Scotland) Bill represents the highest priority in the education field. The crucial elements of that Bill, on teachers' pay and conditions, could be included in a joint Bill with DES. I suggest that the other measures in the Bill ~~could~~ be postponed. I note that one item at least, to provide for commercial activities in FE colleges, could appropriately



be offered to a Private Member.

5. Could I finally add a plea for Crown Agents [which we have spoken about]. ~~I understand why QL should want to postpone this Bill once again.~~ But <sup>do</sup> I think we have reached the point where we cannot ~~delay~~ <sup>L this no</sup> ~~the~~ further. We decided and announced in 1984 that our policy was to privatise Crown Agents, but we have repeatedly failed to take the necessary powers. Crown Agents' performance has recently deteriorated. Geoffrey and I commissioned a review by Price Waterhouse which confirmed that privatisation was still the right course if we can achieve it soon. If not, Geoffrey and I are agreed that we cannot let the uncertainty continue further, with growing risk to the Exchequer and of renewed embarrassment. <sup>and high costs to the Exchequer</sup> We ~~shall~~ <sup>should</sup> have to abandon privatisation and resign ourselves to keeping this unsuitable body, in some restricted form, in the public sector, with inevitable continuing risks. We ~~shall not~~ be able to avoid legislation even on that basis.

6. ( To take legislation designed to privatise now would be much less troublesome than the legislation we should almost certainly need in a couple of years' time to rescue an impossible situation.

7. I am copying this to Geoffrey Howe and Kenneth Baker, and to other members of QL.

NIGEL LAWSON



*BF 4/3 7/3*

FROM: N J ILETT

DATE: 17 February 1988

*CA 17/2*

- 1. MISS EVANS
- 2. FINANCIAL SECRETARY

- cc: Chancellor  
 Chief Secretary  
 Paymaster General  
 Economic Secretary  
 Sir G Littler  
 Sir P Middleton  
 Mr Anson  
 Sir A Wilson  
 Mr Byatt  
 Mr Monck  
 Mr Scholar  
 Mr Burgner  
 Mrs Lomax  
 Mr Odling-Smee  
 Mr Peretz  
 Mrs Case  
 Mr MacAuslan  
 Mr Inglis  
 Mr Halligan  
 Mr Neilson  
 Mr Wynn Owen  
 Mr Cropper  
 Mr Tyrie  
 Mr Call

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1988/89 PROGRAMME : DTI BIDS

You said in QL last week that DTI Ministers must consult Treasury colleagues before QL can be invited to endorse precisely which proposals go into the single Companies and Fair Trading Bill (which is all that QL can allocate the DTI for the coming session). It is annoying that neither the minutes of QL last week nor the Lord President's letter of 12 February to Lord Young properly recorded your comment.

2. I suggest therefore that you might write to Lord Young to make this point. I attach a draft to which IAE, AEF and CA have contributed. It suggests that DTI and Treasury officials should prepare the ground urgently.



3. The draft asks for the inclusion of as many deregulatory measures as possible (the Lord President has implied that these deserve less priority). It mentions two accountancy policy objectives to which the Treasury attaches particular importance (price level adjusted accounting and the audit and accounts of small companies). These figure on the list of Treasury candidates for the Bill which Sir P Middleton sent Sir Brian Hayes on 5 February (attached).

4. The draft also supports two wider share ownership "infrastructure" initiatives. The first is to enable the Stock Exchange to introduce its TAURUS system to "dematerialise" shares (ie to use computers rather than share certificates). (The Chancellor has already suggested to Lord Young that TAURUS might be the subject of a separate, faster Bill, but Lord Young has not replied and Mr Wakeham wants to leave this provision out of the main Bill.) The second is to provide for optional short Report and Accounts (cheaper for companies) and for improvements to the lot of shareholders who own via nominee companies (helps mass-market stockbroking services). DTI have not even bid for this provision (DTI officials oppose parts of it.)

5. The draft also emphasises the very high priority attached to including a clause in the omnibus bill that would allow ECGD to minimise and control public expenditure, including by issuing guarantees. In the light of the Solicitor-General's opinion, that ECGD does not have explicit statutory powers to issue guarantees, it will not be possible for ECGD to implement the recent agreement with the banks and deliver public expenditure savings that have already been assumed from FREF refinancing unless new statutory powers are taken. We are advised that only one clause is necessary; at stake are public expenditure savings that build up to £20 million per year.

6. At this stage, it is unrealistic to insist that more goes into the Bill unless we can at the same time suggest what could come out of it. The main parts of the merged Bill will deal with EC accounting requirements and with mergers. As you know, IAE attach importance to the early implementation of the mergers proposals and to their inclusion in the unified Bill. They



will not much lengthen the Bill. The EC obligations require domestic major legislation now.

7. The other major item in the Lord President's <sup>7</sup> for the jumbo Bill is the Financial Markets Bill (FMB). The DTI hoped to get this in the present year's programme and now propose to subsume its 35 clauses in the Companies Bill. The FMB seeks to remedy a defect in insolvency law, namely that if a player in a financial market becomes insolvent, his assets in the form of margin deposited with the market and/or profitable market deals which have been agreed but not yet completed may be claimed by the administrator rather than, as the markets would wish, by the market authorities on behalf of market counterparties. This is argued to increase the risk of domino effect collapse in financial markets.

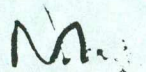
8. The Economic Secretary has been keeping an eye on this Bill. As he knows, it has been prepared by elements of the DTI's Financial Services Act team in the form of a rather complex set of additions to that Act, rather than, as originally billed, a minor amendment to the insolvency legislation. We have reservations about this approach, in part because it is too complex, in part because it may give some markets greater protection against the insolvency of individual members than is actually necessary or can readily be justified. Some of us also have reservations about the strength of the justification for the Bill, at least until the Stock Exchange and other markets have done more to strengthen their internal defences. Put crudely, the critics of the Bill can say that it gives stockbrokers priority over other creditors if one of their number goes down; so we challenge the DTI's assessment that it is unlikely to be controversial.

9. MG, FIM and the Bank are working with the DTI on one particular point of interest to the Treasury which is to go into the FM Bill, namely how to give banks which guarantee payments in the Central Gilts Office (CGO) better security. As the DTI paper says, this work is not yet complete: but it does not justify maintaining this degree of priority for the FM Bill unless it and the rest of the FM Bill can be done in



a simple and defensible manner. While we have made the DTI aware of misgivings about their general approach to the Bill, we have not sought actively to challenge it, mainly because while the Bill had a place in the present session it would have been lost if we expressed doubts or tried to tear up work which DTI had done, partly because of our CGO interest. The position now, however, is that the FM Bill will push things to which we attach greater priority out of the jumbo Bill unless it is shortened. There is time for another look at the way in which the DTI have approached the market insolvency difficulty being done, and the draft letter says so.

10. A brief on these lines for next week's QL will follow, but on tactical grounds you need to write beforehand.



N J ILETT



**CONFIDENTIAL**

DRAFT LETTER FROM: FINANCIAL SECRETARY

TO: The Rt Hon Lord Young of Graffham  
Secretary of State for Trade and Industrycopies: Other Members of QL, Sir Robin Butler,  
First Parliamentary Counsel.**LEGISLATIVE PROGRAMME 1988/89**

John Wakeham sent me a copy of his letter to you of 12 February.

As I emphasised at QL on 11 February, if pressure of space makes it essential to shorten and merge your proposed Companies Bill and Fair Trading Bill, we shall need to take urgent policy decisions on priorities. Pressure on legislative time makes it more than ever important to get the balance right between purely technical measures and measures which make a positive contribution to our objectives such as deregulation, wider share ownership, and minimising public expenditure.

I agree with John Wakeham that the mergers provisions of the Fair Trading Act are important, and that it is necessary to implement the two EC Directives. But I would like to see a number of other provisions added.

These include some of the improvements to accountancy law on which Sir Peter Middleton has recently written



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to Sir Brian Hayes included in the Bill - in particular, on price level adjusted accounting and the audit and accounts of small companies.

Nigel Lawson has already written to you about the importance he attaches to the "TAURUS" (share dematerialisation) part of the Bill, if indeed that cannot, as he suggested, be taken separately and over a faster timescale. I regard it as important also that the Bill should improve the legal infrastructure for our wider share ownership policy, in particular by providing for the shorter report and accounts which Francis Maude has been considering and by facilitating the access of small shareholders who use nominee systems to voting rights and copies of the Report and Accounts of companies in which they hold shares.

A very high priority also attaches to giving ECGD statutory powers to minimise and control public expenditure through such routes as giving guarantees. This was the principle objective of the proposed Export Guarantees and Overseas Investments Bill and I hope that this clause at least can be included in the omnibus bill. Without such powers ECGD would not be able to implement the agreement already reached with the banks and deliver the public expenditure savings on Fixed Rate Export Financing that your programme already assumes.



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I would consider these, and maybe other, proposals as better candidates for the limited space available than the Financial Markets Bill, at least in the form in which that Bill is at present envisaged, that is to say unless it can be simplified and shortened while still meeting the useful objectives which the DTI and the Treasury have in mind. This Bill is not a minor amendment to the insolvency legislation, but a relatively complex set of provisions to be grafted on to the controversial Financial Services Act. It may therefore arouse some hostility in the House, not least from our own supporters, since it can be presented as giving Stock Exchange firms priority over other creditors if one of their number should default. I appreciate of course that Instructions for this Bill were prepared in great haste in the hope that it would be possible to take it in the present session. Now that that is unlikely to happen, and we have the experience of the stock market crash as a basis for further work on these problems, it would make sense to have another look at some aspects of the policy behind the Bill in the hope of saving some space to make room for other priorities.

If QL maintains its provisional conclusion that the Companies and Fair Trading Bills must be merged into one, I hope you would agree that your officials and mine should report to us on priorities before final decisions are taken about exactly what goes



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into the single Bill.

I am sending copies of this letter to John Wakeham, other members of QL, Sir Robin Butler and First Parliamentary Counsel.

NORMAN LAMONT





## H M Treasury

Parliament Street London SW1P 3AG

Switchboard 01-270 3000  
Direct Dialling 01-270 4360

Sir Peter Middleton KCB  
Permanent Secretary

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cc Sir A Wilson  
Mr Byatt  
Mr Monck  
Mr Culpin  
Mrs Lomax  
Mr Odling-Smee  
Mr Houston  
Mr Burgner  
Mr Ilett  
Mr MacAuslan  
Mr Inglis  
Mr Neilson  
Mr Wynn Owen  
Mr Flanagan  
Mr Fray

Sir Brian Hayes GCB  
Department of Trade and Industry  
1-19 Victoria Street  
LONDON  
SW1

5 February 1988

*Dear Sir Brian,*

### COMPANIES BILL

I gather the Companies Bill will be considered alongside other priorities by QL on 9 February. I therefore thought it might be timely to offer you some thoughts on where the Treasury thinks priorities might lie for inclusion in that Bill. This letter also takes the opportunity, in an annex, to note some areas of current EC company directives where we should like to see changes so that our accounting objectives can reasonably be met. We intend to brief our Ministers for QL to support the inclusion of the Companies Bill in the legislative programme, and I hope my suggestions for inclusion in it can therefore be read constructively in the light of that support.

I recognise that space in such a Bill will be at a premium, so these comments are confined to areas where we have identified significant priorities. First, on Accounting for R&D we remain sceptical about the fortunes of the ASC's Exposure Draft for a revised SSAP, particularly given the absence of explicit support from the CBI. We believe that by far the best way to accelerate voluntary action on behalf of the accounting professions and industry would be to include now in the Companies Bill proposed legislative provision to enforce company disclosure of R&D. This would be consistent with what the Chancellor said at NEDC as well as the Government's reply to the House of Lords Select Committee on Science and Technology.

Second, on Fair Value Accounting, there have already been discussions between Tony Wilson and your experts. We remain convinced of the need for regular, consistent revaluation and believe there should be some legislative encouragement from the Government to achieve that aim. I understand your officials have some reservations about the resource implications of including any provisions in the Bill,

2/10  
29/2/88



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But again I think it would be useful if something could be included, if only to spur the accounting profession towards setting its own house in order more quickly.

Third, on Off Balance Sheet Transactions, there have also been discussions between our respective officials. It will, I think, be very difficult for the ASC to produce an effective Standard unless the law is tightened up to convince some lawyers that company accounts must show the economic reality of the financial situation rather than just its narrowly defined legal form.

Fourth, our officials have already been in touch about the Treasury's desire to see arrangements put in place to ensure that small investors who hold shares through nominee systems are placed on a more equal footing to small investors who register in their own names. I believe this is important to the wider share ownership initiative and would urge you to consider this favourably for inclusion in the Bill.

Fifthly, following the Takeover Panel Review your Secretary of State announced that he would shortly be publishing a consultative document with legislative proposals. That was in June, and we have heard nothing since. What progress has been made? I must stress that we have a close interest in this issue, as evidenced by our contribution to last year's review. It is important that you should discuss with us in advance any recommendations you intend making to your Ministers, and subsequently clear with us the draft consultative document. A number of important proposals for legislative change were identified in the review, and we must not miss the opportunity of the Companies Bill for implementing them.

We would also like to deal with a problem (commonly known as the Houldsworth problem) that came to our notice in the BP sale, which we think there would be advantage in putting right at the first opportunity. To that end, I understand Sarah Brown in your department has a copy of a note submitted to the Treasury by Slaughter and May on 22 January.

I understand that you now plan to subsume what was the Financial Markets Bill into the Companies Bill. As you will be aware, though we have always supported you in pressing for legislation in this area, we still have reservations about the complexity of the approach proposed. I also assume you will use the Companies Bill, if necessary, as a vehicle for any necessary amendments to the Financial Services Act.

I would also be interested to hear what your current view is on the desirability of legislating to require a minimum number of independent non-Executive Directors on the Boards of plcs. There are still many companies whose performance is mediocre and which lack any internalised stimulus to improved management performance. Competition, including the threat of take-over, is often too remote to be effective, and the latter particularly can be costly and uncertain as a remedy. I recognise that legislation would not be welcome to many, including the CBI. But the actual requirement need not be particularly onerous. It would presumably be restricted to companies above a certain minimum size and the required minimum number of non-Executives could be small (say 2 or at most 3) provided



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They were genuinely independent from the company. As you know there is legislation on these lines in the US and some observers believe that it has a beneficial effect on the quality of management performance there.

... In considering the proposed provisions of your Bill we separately identified within the Treasury a number of changes it would be desirable to obtain in existing EC company directives, so as to facilitate more improvements in the Accounting Initiative in which our respective officials are engaged under Tony Wilson's chairmanship. I list these in an annex to this letter, since they do not actually require changes in the Companies Bill. In urging you and your officials to carry them forward within the EC context, I fully recognise that not all of them can easily be impressed upon our European partners, but would hope that, if you agree that such changes are desirable, you will nonetheless bat resolutely for them in Brussels and elsewhere.

I should be interested to hear your response to the points raised in this letter and would be grateful if you could keep both me and my officials closely in touch with the Companies Bill as it progresses.

Your sincerely,  
Simon Singer

ff.

P E MIDDLETON

(Approved by Sir Peter Middleton  
and signed in his absence)



**NECESSARY CHANGES IN EC COMPANY LAW**

1. There are a number of areas where EC Directives may distort satisfactory solutions to accounting problems. As the EC moves towards the development of the internal market, it is of great importance that the provisions of the Directives do not hamper the development of accounting principles and disclosure which reflect the true economic performance of companies operating within that market.

2. In this context there are two provisions in the 4th and 7th Directives where amendment is necessary, and two further provisions where amendment is desirable in the interests of clarification.

**NECESSARY AMENDMENTS**

3. Goodwill - the 7th Directive will enforce the requirement to write off consolidation goodwill immediately to reserves or amortise it through the profit and loss account over its useful economic life. Much of the controversy surrounding the treatment of mergers and acquisitions arises from this. If goodwill could be shown in the balance sheet at cost less provisions for necessary diminution in value, much of the pressure to structure transactions artificially would be relieved. This would reflect better the fact that goodwill is often an asset whose value can be maintained and enhanced. In the longer term the development of a comprehensive system for price level adjusted accounting may require that goodwill should be capable of revaluation or restatement in the same way as tangible assets.

4. Extension of the true and fair override to group structures for consolidated accounts purposes - The 7th Directive excludes the structure of a group for



consolidation purposes from the matters to which the true and fair override applies. Until this is changed, we believe that a legal definition of a subsidiary, which is sufficiently precise to ensure that all substantive group relationships, and only such relationships, are consolidated, and which cannot be avoided by the development of forms of relationship at variance with substance, will be almost impossible to draft. The enormous range of different relationships possible between companies means that only a discretion to consider the substance of a relationship in the light of the facts of each individual case can, by means of the true and fair override, ensure that the appropriate accounting treatment is adopted.

#### DESIRABLE AMENDMENTS

5. Profits "realised" or "made" - the requirement in Sch 4 para 12 of Companies Act 1985 that only profits "realised" at the balance sheet date may be taken into account means that certain common accounting practices, (such as marking to market and valuation of long term contract work in progress), are only acceptable as a result of the exercise of the true and fair override. This provision would also inhibit the development of a fully comprehensive system of accounting for price level changes. The 4th Directive refers to profits "made" which is capable of much wider interpretation. Nonetheless, for the avoidance of uncertainty it is desirable for the Directive to make it clear that profits "made" is a broad enough term to include existing accounting practices and possible future ones.

6. True and Fair view - lawyers have used the provisions of the 4th Directive as enacted in the UK to argue that disclosure of additional information in notes to the accounts is the only option available unless this in itself would result in accounts not showing a true and fair view. It is possible that the intended DTI statement on the true and fair override, or the suggested fine tuning of



● The Companies Act to clarify the legal requirements, may be sufficient to achieve the reestablishment of the primacy of the true and fair override. But in the longer term it would be preferable to secure the position by changing the Directive to make this explicit.





ELIZABETH HOUSE  
YORK ROAD  
LONDON SE1 7PH  
01-934 9000

With the Private Secretary's Compliments

MS P TAMPI



CONFIDENTIAL

DRAFT

The Rt Hon John Wakeham MP  
 Lord President of the Council  
 Privy Council Office  
 WHITEHALL SW1

CH/EXCHEQUER	
REC.	18 FEB 1988 ✓ 18/2
ACTION	FST
COPIES TO	

(Ch) - Mr Baker has now <sup>18</sup> February 1988  
~~been~~ written exactly  
 as per this draft

LEGISLATIVE PROGRAMME 1988/89

WJW

Thank you for your letter of 12 February about QL's conclusion that they are unable to find room in the next Session for any of the three Bills which I proposed - Student Support, Teachers' Pay and Conditions and Education (Recoupment).

In my view, and I know the Chancellor agrees with me, it is absolutely necessary to have our new arrangements for student support in place in time to affect students in autumn 1990. I expect to reach early agreement with the Chancellor on a scheme. So we need to legislate in 1988/89 in order to establish the new arrangements. I must therefore ask QL to change its conclusions in respect of my Student Support Bill.

As to my other bids I think it would be premature at this stage to rule out the possibility of a Bill in the next session dealing with Teachers' Pay and Conditions. We have yet to receive the report from the Interim Advisory Committee on School Teachers' Pay and Conditions on the April 1988 settlement and to decide our response. We may then judge a short Bill on Teachers' pay and Conditions in the 1988-89 session essential to put new pay determination arrangements in place in good time for the April 1990 pay settlement.



## CONFIDENTIAL

I recognize that the proposed Education (Recoupment) Bill will have to fall for this session. That is a pity because it is designed to achieve significant savings in administrative costs both for local authorities and the Department which it would have been helpful to implement alongside the introduction of the planned rate reforms. We have yet to consider however the detailed policy implications and I therefore accept that it should not have priority as a separate Bill for the time being.

I welcome the opportunity to attend QL's next meeting at 9.30am on Tuesday 23 February to discuss these points further.

I am sending copies of this letter to the Chancellor of the Exchequer as well as to QL colleagues, First Parliamentary Counsel and Sir Robin Butler.

KENNETH BAKER



D+G

Sent to No. 10  
cleared with

after 503 prop

PRIME MINISTER'S QUESTIONS

OIL REVENUES AND UNEMPLOYMENT-  
MR PARKINSON'S INSTITUTE OF PETROLEUM SPEECH

Oh  
This was DEN's  
line last week.  
Do you want to  
add anything?  
AA

Line to take

My Rt Hon Friend made the point that only the sound and well-managed economy created by this Government could have withstood the enormous challenges of the Falklands Conflict, the Miners' strike, and the fall in the price of oil.

He further pointed out the part played by the oil industry in developing the North Sea, whose revenues have made a major contribution to a sound economy

- which has helped to cushion those people who lost their jobs because of the necessary and radical changes which industry and commerce have had to make

- which has allowed a huge, £22 billion a year infrastructure programme to go ahead

- and which has allowed the building of huge overseas investments which will produce for this country a growing and continuing flow of interest and dividends.

BACKGROUND NOTE

The Guardian article - and particularly its headline - made mischevious use of a quote used entirely outside its context.

Department of Energy  
February 18, 1988

NOT hand from No  
Growth in us pos.  
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our own ~~hand~~  
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5th Nov  
1988





*[Handwritten signature]*  
*[Handwritten signature]*

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Lord Young of Graffham  
Secretary of State for Trade and Industry  
Department of Trade and Industry  
1-19 Victoria Street  
LONDON  
SW1H 0ET

18<sup>th</sup> February 1988

*Dear David*

**LEGISLATIVE PROGRAMME 1988/89**

John Wakeham sent me a copy of his letter to you of 12 February.

If pressure of space makes it essential to shorten and merge your proposed Companies Bill and Fair Trading Bill, we shall need to take urgent policy decisions on priorities. Pressure on legislative time makes it more than ever important to get the balance right between purely technical measures and measures which make a positive contribution to our objectives such as deregulation, wider share ownership, and minimising public expenditure.

I agree with John Wakeham that the mergers provisions of the Fair Trading Act are important, and that it is necessary to implement the two EC Directives. But I would like to see a number of other provisions added.

These include some of the improvements to accountancy law on which Sir Peter Middleton has recently written to Sir Brian Hayes included in the Bill - in particular, on price level adjusted accounting and the audit and accounts of small companies.

Nigel Lawson has already written to you about the importance he attaches to the "TAURUS" (share dematerialisation) part of the Bill, if indeed that cannot, as he suggested, be taken separately and over a faster timescale. I regard it as important also that the Bill should improve the legal infrastructure for our wider share ownership policy, in particular by providing for the shorter report and accounts which Francis Maude has been considering and by facilitating the access of small shareholders who use nominee systems to voting rights and copies of the Report and Accounts of companies in which they hold shares.



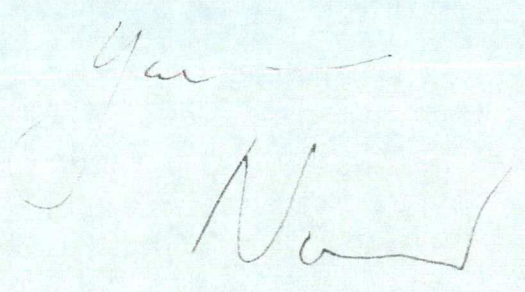
CONFIDENTIAL

A very high priority also attaches to giving ECGD statutory powers to minimise and control public expenditure through such routes as giving guarantees. This was the principle objective of the proposed Export Guarantees and Overseas Investments Bill and I hope that such a short and uncontentious bill can be included in the programme without creating problems. Without such powers ECGD would not be able to implement the agreement already reached with the banks and deliver the public expenditure savings on Fixed Rate Export Financing that your programme already assumes.

I would consider these, and maybe other, proposals as better candidates for the limited space available than the Financial Markets Bill, at least in the form in which that Bill is at present envisaged, that is to say unless it can be simplified and shortened while still meeting the useful objectives which the DTI and the Treasury have in mind. This Bill is not a minor amendment to the insolvency legislation, but a relatively complex set of provisions to be grafted on to the controversial Financial Services Act. It may therefore arouse some hostility in the House, not least from our own supporters, since it can be presented as giving Stock Exchange firms priority over other creditors if one of their number should default. I appreciate of course that Instructions for this Bill were prepared in great haste in the hope that it would be possible to take it in the present session. Now that that is unlikely to happen, and we have the experience of the stock market crash as a basis for further work on these problems, it would make sense to have another look at some aspects of the policy behind the Bill in the hope of saving some space to make room for other priorities.

If QL maintains its provisional conclusion that the Companies and Fair Trading Bills must be merged into one, I hope you would agree that your officials and mine should report to us on priorities before final decisions are taken about exactly what goes into the single Bill.

I am sending copies of this letter to John Wakeham, other members of QL, Sir Robin Butler and First Parliamentary Counsel.



NORMAN LAMONT



# dti

the department for Enterprise

The Rt. Hon. Lord Young of Graffham  
Secretary of State for Trade and Industry

The Rt Hon John Wakeham MP  
Lord President of the Council  
Privy Council Office  
Whitehall  
LONDON  
SW1A 2AT

Department of  
Trade and Industry

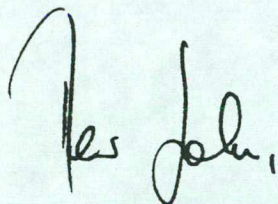
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Direct line 215 5422  
Our ref PS4AFY  
Your ref  
Date 19 February 1988

1988 FEB 23 098  
MK. Ilett  
PPS, CST, PMG, EST  
MK. Odling - SMEE  
MK. MacAuslan  
Ms. Evans



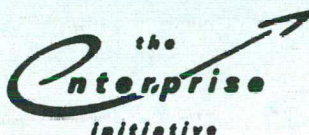
## LEGISLATIVE PROGRAMME 1988/89

Thank you for your letter of 12 February. Francis Maude will attend the further meeting of QL on Tuesday, 23 February, but in the meantime my comments are as follows.

I am glad QL feel able to recommend that a Companies Bill be included in the 1988/89 session, and that this should include the provisions formally bid for as the Financial Markets (Clearing Arrangements) Bill, with which, of course, are linked the changes concerning dematerialisation of securities. Alternatively, as Nigel Lawson suggested in his letter of 4 February, dematerialisation could be dealt with more quickly by way of a separate Second Reading Committee Bill, in view of its importance in the context of wider share ownership.

I should stress that the items QL propose to delete from the Companies Bill are relatively short and uncontroversial, and would thus result in no more than a minimal saving of Parliamentary time. Given that a body of public expectation has been created for these items as a result of consultations,

the  
Enterprise  
Initiative





amendments to add them will inevitably be tabled at Committee stage. We plainly could not oppose them, and Parliamentary Counsel's time would inescapably be needed then to put the amendments into proper order.

Accordingly, I urge the reinstatement of items E (ultra vires reform - 10 clauses), G (registration of charges - approximately 10-15 clauses) and I (audit and accounts of small companies - 2-5 clauses). I would also wish to include the following deregulatory items as mentioned in your letter: elective regime (5-7 clauses) and abbreviated accounts for PLC's (1 clause), neither of which is likely to be controversial. If any items were to be deleted, F and J are the least indispensable.

It is, of course, very difficult with a Bill such as this to give any kind of estimate, but we have examined those items which we would press for inclusion, and consider that, if only this minimum were done, then on this basis the total number of clauses would be about 140. Given this substantial reduction we hope that QL will be able to agree to the Bill on this basis.

We do not believe Mergers would sit at all easily in the same Bill as reform of company law. I think a high priority must attach to a separate Bill to deal with mergers (approximately 20 clauses). In addition, I regard it as essential if the Government's deregulation initiative is to retain credibility that DTI as the lead Department should be able to deliver its deregulation pledges. I do urge very strongly that as a minimum we should be able to add to the Mergers Bill the important deregulatory reforms of the Consumer Credit Act, excluding possible licensing reform, and the self-verification scheme under the Weights and Measures Act. These together add about 25 clauses, and combine sensibly with mergers reform.

I am content to follow QL's suggestion that reform of the law on the sale and supply of goods and the Unsolicited Goods and Services Act be dealt with by way of Private Members' handout bills; and that the Wireless Telegraphy and Telecommunications Bill be left to the following session.





the department for Enterprise

· Lastly, however, I must put in a very strong plea for an amendment to the Export Guarantees and Overseas Investment Act 1978, which I do not expect to be controversial. Since the submission of the original bid in December, the Solicitor-General's advice has been received by ECGD which makes it quite clear that a Bill (which could be of only a single clause) is necessary if we are to fund existing export credit loans through capital markets (with subsequent substantial public expenditure savings). Francis will expand on this as necessary on Tuesday.

I am copying this letter to QL colleagues, First Parliamentary Counsel and Sir Robin Butler.

Paul  
Naird



CONFIDENTIAL

cc



Treasury Chambers, Parliament Street, SW1P 3AG  
01-270 3000

19 February 1988

The Rt Hon John Wakeham MP  
Lord President of the Council  
Privy Council Office  
68 Whitehall  
LONDON SW1

CST  
FST  
PMG  
EST  
Sir P Middleton  
Mr Anson  
Sir G Littler  
Dame A Mueller  
Mr Kemp  
Mr Scholar  
Mr Culpin  
Mr Gilmore  
Mr Hawtin  
Mr C Kelly  
Mr Mountfield  
Mr Odling-Smee  
Mr Burr  
Mr P G Davis  
Mr Gilhooly  
Mr Bolt  
Mr de Berker  
Miss Evans  
Mr Fellgett  
Mr S Kelly  
Mr Cropper  
Mr Tyrie  
Mr Call

A large, handwritten signature in black ink, appearing to be 'John Wakeham'.

#### 1988-89 LEGISLATIVE PROGRAMME

I have seen the minutes of QL on 11 February, recording its provisional conclusions on the legislative programme for 1988-89. I am writing to express my support for three Bills which have not yet found a slot in the programme.

I have to say that I consider the case for including the Student Support Bill overwhelming. The present system of Student Support is in urgent need of reform. In our manifesto we made much of the review we had launched, and of our hopes to bring forward proposals which would retain the best aspects of the present system and at the same time bring in new finance to help students and their parents. I agree with Kenneth that it should soon be possible to present colleagues with proposals that will deliver these promises in a satisfactory and indeed attractive way. To delay legislation until the 1989-90 session would mean that any changes might not be implemented until very close to the next election. I therefore believe we must press ahead now. I understand that the legislation for the kind of changes we are likely to propose will be short, and while it would no doubt be controversial, it should be popular with our own supporters.

As I have said, finding a slot for student support must be the priority. But I also see strength in Kenneth's case for holding open the option of a Teachers' Pay and Conditions Bill in the 1988-89 session. The Green Paper we issued in October envisaged that the permanent machinery for determining teachers' pay would be available for the 1990 settlement. But there is a possibility that





we might want to make the move before then. This will depend on our experience this year. We have given the Committee a tight remit and the Chairman, Lord Chilver, is dependable. but his members are known to have found the remit restrictive, and we do not know what they will recommend. I agree with Kenneth's view that it would be prudent to delay a decision to drop the Bill from the next Session until we have the IAC's recommendations in April for the 1988 teachers' pay settlement.

I regard the Crown Agents Bill as essential. I do think we have reached the point where we can delay this no further. We decided and announced in 1984 that our policy was to privatise Crown Agents, but we have repeatedly failed to take the necessary powers. Crown Agents' performance has recently deteriorated. Geoffrey Howe and I commissioned a review by Price Waterhouse which confirmed that privatisation was still the right course if we can achieve it soon. If not, Geoffrey and I are agreed that we cannot let the uncertainty continue further, with growing risk of renewed embarassment and high costs to the Exchequer. We should have to wind up the Crown Agents altogether, at some political cost and considerable financial cost in terms of redundancy payments.

I am copying this letter to Geoffrey Howe and Kenneth Baker, and to other members of QL.

A handwritten signature in black ink, appearing to read 'Nigel Lawson', with a large, sweeping flourish at the end.

**NIGEL LAWSON**



BF 29/2



BF 1/3

ppp

Alex

As expected, the PPSs were successful in securing the Ten Minute Rule Bill slot on Budget Day - copies below.

Brian D.

I will write to you 24/2 help me see if you can volunteer see it.



- ★†19 Mr Graham Riddick (Colne Valley): To ask the Minister for the Civil Service, what steps he is taking to eliminate sex discrimination in the Civil Service.  
[Monday 7th March]

**FRIDAY 26th FEBRUARY****TRANSPLANT NOTIFICATION PROCEDURES**

Mr Gwilym Jones

To call attention to transplant notification procedures, and to move, That this House welcomes recent advance in transplant technology and in the availability of transplant operations through the National Health Service; especially welcomes the Government's commitment to secure further progress in this vital area; notes that the recently published Hoffenberg Report recommends steps to improve the supply of donor organs; recognises that it is the shortage of suitable organs satisfactory for donation that limits people's opportunities to enjoy a greatly enhanced quality of life; and calls for action to be taken to achieve further improvements by more effective procedures which, whilst being sensitive to the needs of patients, relatives, the bereaved, doctors and other health professionals, effectively identify potential donors and increase the availability of donor organs.

**PROPERTY SERVICES AGENCY**

Mr James Couchman

To call attention to the future of the Property Services Agency; and to move, That this House urges the Government to convert the Property Services Agency as rapidly as possible into a fully commercial organisation whose future would depend upon successful performance at the market place.

**FRIDAY 4th MARCH****DEFECTIVE HOUSES**

Sir John Biggs-Davison

To call attention to defective houses; and to move a Resolution.

**TUESDAY 15th MARCH****AT THE COMMENCEMENT OF PUBLIC BUSINESS***Notice of Motion*

Mr Michael Stern

**PUBLIC HOLIDAYS (SUBSTITUTION):** That leave be given to bring in a Bill to abolish the public holiday on the first Monday in May and substitute a public holiday on June 24th (Midsummer's Day).



C's comments passed on to  
Alicia Brindley by phone,  
26.2. AHH

C. This is Lord Young's  
speech for a debate on  
tomorrow. I've made  
a few marks, but no  
howlers. AHH

LORDS DEBATE : 24 FEBRUARY 1988

The Lord Cledwyn of Penrhos - to call attention to the  
developing disparities in opportunity and income and to  
the case for policies to reduce divisions in the  
Community; and to move for papers.

My Lords, the Government is committed to encourage a  
society in which wealth is created. A society in which  
that wealth creation benefits all the citizens. And a  
society which offers equality of opportunity to its  
citizens.

Our concern is to ensure that our people are better off,  
that they all enjoy rising standards of living, better  
health and education.

But, this does not imply a uniform society in which there  
are no differences. Differences are bound to exist.  
Those differences will change as the economy changes. It  
will always be the case that at any given moment in time,  
some industries in some areas may prosper and develop more  
than elsewhere. Over any given period of time, earnings  
in some occupations will rise more than others because  
skills and talents in limited supply will be rewarded more  
highly.

But differences are not the same as divisions, and people  
who try to elevate the differences which exist into  
divisions within a society are doing that society a  
disservice.

The Noble Lord has used a number of statistics making  
comparisons between different groups. I believe that such  
comparisons, and the basis of the question put, are  
fundamentally flawed.

X is, in my  
opinion a  
Loser - &  
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pays in an  
other  
argued for  
more of same  
and. I wd  
think  
y, by  
contrast, to  
an  
improvement  
for, but v.  
bank  
express.

The point is that, if you (real) average families have  
multiple jobs, a wife on 2 of average families  
take a tax can still have people  
appreciation both of them. This is important  
to a 1/2 average family case.



OF STATE-DT1 TEL NO. 01 215 3400 23,02,88 19.47 P.03

First, they are flawed philosophically. I am sure that no members of this House would see complete uniformity as a desirable aim. We accept that uniformity would be wrong and differences are both inevitable and desirable. For example, differences of income have a purpose. They encourage people to develop the skills which are in demand; they provide incentives for people.

Once this argument is accepted, there can be no certain basis for saying that one set of differences is acceptable and unchanging but another set is not.

Second, these comparisons are flawed practically.

Questions of distributions are largely an academic exercise for individuals. What matters for individuals is

their own life style and whether their needs can be met.

X | Someone at the bottom of the wealth distribution in a rich country may be much wealthier than someone much higher up the distribution in a poor country.

We cannot assume that changes which lead to wider differences are always harmful. Such changes may be beneficial to everyone in society - and I stress everyone - simply because national wealth and income is raised and everyone can share in that growth.

The Noble Lord spoke eloquently about the faster earnings growth of the better off. And, if we look at percentage changes in real take home pay, it is true that between 1978/79 and 1987/88 men on twice average earnings did enjoy real increases in pay faster than those on half average earnings. For single men an increase of 26% compared to an increase of 21%. But that is an increase - there has been a quite remarkable increase at every level of earnings. Perhaps those single people on half average



earnings preferred the situation under the last Labour Government between 1973/74 and 1978/79 when they did better compared to those on twice average earnings. Those low earners only lost 1% in real take home pay while those on twice average earnings lost 4%. Everyone was getting poorer but the low paid were getting poorer at a slower rate than the highly paid were.

And it is not just those in work who have benefitted from real growth in the economy. Pensioners enjoyed an 18 per cent increase in real income between 1979 and 1985.

For those are the most important comparisons. They show that people have had higher incomes [and better opportunities]. For real take home pay has risen substantially at every level of earnings.

[The Noble Lord has argued that tax cuts have benefitted the rich rather than the poor.] The less well off have benefitted, from tax changes, from the cut of 6 percentage points in the basic rate and the increase of 22 per cent in real terms in main personal allowances. The introduction of reduced rate national insurance bands in 1985 benefitted all those earning below £105 a week.

Ornit?

[What is true is that the growth in real earnings has been so significant the people can [afford to] pay more in taxes and still be much better off.]

ly

Of course, we recognise that some element of redistribution is needed - the progressive nature of income tax and the existence of capital taxation show that - and we recognise that society must provide for people's minimum needs. But there are dangers. If pressure for a more equal distribution weakens the process of wealth creation, the poor will lose. Emphasising state intervention and concentrating on redistribution was a



characteristic of the UK in the 1970's when it was consistently bottom of the growth league table of the European Community.

I would identify three main ways to help those who are poorest in our society. First, to encourage individuals to create wealth. Second, to spread the ownership of wealth more widely. Third, to tackle inflation and provide the conditions in which unemployment will fall.

Encouraging individuals to create wealth is not only a matter of tax incentives. It needs a shift towards an enterprise culture in which creating businesses and creating jobs is regarded as a socially - [perhaps even] and morally - acceptable occupation. For the Government, this means looking hard at education, training and encouraging the growth of new businesses.

*Intank  
for  
irony*

We ARE now seeing a change of attitude. 82 per cent of a recent sample survey of 3's customers agreed that there is a new enterprise culture in this country. We have to spread those positive attitudes to enterprise more widely in our society - the enterprise message is for all - it offers challenges, it offers opportunities, and it is not limited to any one section of the community.

Spreading the ownership of wealth has been encouraged by selling council houses - more than a million since 1979 - so encouraging more people to own their own homes.

Wider share ownership has been encouraged by privatisation which has benefitted employees and small shareholders in particular, and by tax incentives for share option schemes. Over one and a half million employees have benefitted or will benefit from all employee share schemes established or improved under this Government. Under this



SEC OF STATE DTI TEL NO. 01 215 5468 25.02.88 15.30 1.00

Government, individual share ownership has trebled; and, the fastest growing group of shareholders is manual workers.

The more widely ownership of assets is spread the better. One of the consequences of privatisation and wider ownership is that people are given more control and more individual responsibility - both to look after their homes and to participate in the companies for which they work. This is giving people real opportunity.

Tackling inflation has been the first priority of this Government. Inflation is now back to the levels of twenty years ago. The way in which inflation destroyed wealth in the past was insidious and unrelenting. We must never forget or underestimate the evil effects of inflation on society. People's savings built up over a lifetime are lost. The old become embittered and the young see no purpose in saving. Inflation causes untold anxiety and undermines personal independence. Its effects have been random, as for example people with war bonds found to their cost. Cutting inflation has reduced real divisions in our community.

Tackling inflation is also vital to reduce unemployment. [For the poorest individuals are the unemployed - and it is a poverty of spirit as much as a poverty of wealth which strikes them so hard.] Tackling unemployment requires low inflation and flourishing enterprise. We have seen unemployment fall by 647,000 since July 1986; *[with the rate falling further down more]* than any other major industrialised country.

We have heard something of the North-South divide. That is a great over-simplification:

- Unemployment has fallen in every region in the past



eighteen months, and fastest in Wales, the West Midlands, the North West and the North.

- The "North's" share of unemployment in 1979 was 69%: it is now 68%.
- About half the steep rise in self employment has been in the North - and more than a third of the additional jobs since March 1983.

[I believe that emphasis on the North/South divide has done the North a great disservice. It has perpetuated the cloth-cap and black-spot image that is wholly undeserved. The so called North has a great deal to offer - and many foreign investors have responded to its advantages. I was intrigued to see recently an analysis of the quality of urban life - of the top tens towns - seven were in the North.]

I am not arguing that everything is just right. Indeed it must be evident to all members of this House that we are pursuing radical changes to widen opportunity, increase choice and to give individuals greater control in key areas of their lives such as housing and education.

[For example, in education:

- more young people aged 16 and 17 are receiving full time education or structured training, up from 49 per cent in 1981 to 62 per cent in 1987;
- City Technology Colleges will provide free, high quality, science and technology based education for pupils of all activities and backgrounds;
- the legislative proposals will give parents more



say and increase educational opportunities.]

Running throughout our policies is the emphasis on individuals, their responsibilities and their opportunities. We have not abandoned the concept of a safety net but we want to make it a safety net not a smothering blanket of state control. That indeed is the key difference between the underlying ideas expressed in the motion and Government policy.

The motion talks about opportunities. My Lords, we should never forget that opportunities came from responsibilities and challenges. They came from self-help in the market not spoon feeding by the state. The will to help yourself is crucial; of course, it needs encouragement and development but the emphasis must be on self-help.

We do not seek to elevate differences to divisions within our community. We do strive to encourage individuals to make and create their own opportunities; that may bring greater diversity, it should certainly bring more growth and more change. That sort of diversity is to be welcomed not opposed.





FROM: R C Berwick  
DATE: 26 February 1988

01-270 5183

MR WALLER - IAE2

cc PS/Chancellor  
PS/Chief Secretary  
PS/Financial Secretary  
PS/Paymaster General  
PS/Economic Secretary

*Noted*

**PRIVATE MEMBERS MOTIONS : BRIEFING FOR LEGISLATION COMMITTEE**

The following Private Motion has drawn *third* position in the ballot, and I understand that it will not be reached on the day. However, briefing instructions at paragraph 2 below stands.

**CITY OF LEICESTER**

Mr Jim Marshall

To call attention to the effects of the Government's policies on the City of Leicester; and to move a resolution.

2. It is expected that this motion will be discussed by Legislation Committee at their meeting on Wednesday 2 March. The Financial Secretary, who usually attends on the Treasury's behalf, will require briefing, and he has requested that it should follow a standard format. Shoulder headings for the essential paragraphs, and the order in which they should be presented are as follows:

INTRODUCTION

(A short paragraph of not more than 5 or 6 lines on the purpose of the motion)

LINE TO TAKE

(This paragraph must be completely contained on the first page of the brief and should be no more than a sentence long)



BACKGROUND

(The rationale behind the line to take. This section may have sub-shoulder headings, typed with initial caps and lower case underlined).

Much of the brief should be contained on one page ie if there is a long list of copy recipients, they should be listed on a separate page.

3. The briefing should be with Parliamentary Section by ~~close~~ Monday 29 February, and copies should be sent to the Private Secretaries to the Chancellor, the Chief Secretary, Financial Secretary, Economic Secretary and Minister of State.

*R.C. Berwick*

R C BERWICK  
Parliamentary Section



PSE King & gov Cas. Office to  
move legislative programme  
to a later Cabinet.



Also can do that  
by phase, & FST  
can make similar  
representations

## STUDENT SUPPORT @ QL.

Ch/

CST has now got HE <sup>CST to</sup>  
steaming ahead to agree <sup>how to</sup>  
an official paper (not easy) <sup>man-aging</sup>

asap with a view to a  
CST | Baker | DHSS meeting on  
Monday. But even if this  
succeeds, hardly leaves time  
to consult colleagues for policy  
approval in an orderly way,  
thus overcoming Lord Pres objections

Miss Evans suggests we  
press Cabinet Office to move this  
issue to a later Cabinet (para 5  
behind). Are you attracted to  
this? If so, FST to raise at QL, or  
you to write? (Also, would you  
by any chance want to hold  
meeting on Monday, rather than  
leave to CST?) mpw 2/3



*debrief?*  
 CONFIDENTIAL

*BF 313 prep*  
 FROM: MISS C EVANS  
 DATE: 2 March 1988

- Agreed*
1. MR ODLING-SMEE
  2. FINANCIAL SECRETARY

cc: **Chancellor**  
 Chief Secretary  
 Paymaster General  
 Economic Secretary  
 Sir Peter Middleton  
 Mr Anson  
 Dame Anne Mueller  
 Sir Anthony Wilson  
*Sir Geoffrey Little*  
 Mr Monck  
 Mr Scholar  
*Mr Phillips*  
 Mrs Lomax  
 Mr Burgner  
 Mr Hawtin  
 Mr Kelly  
 Mr D Moore  
 Miss Peirson  
 Mr Culpin  
 Mrs Case  
*Mr Mountfield*

Mr Turnbull  
 Mr Burr  
 Mr Gilhooly  
 Mr Ilett  
 Mr MacAuslan  
 Mr A White  
 Mr Instone  
 Mr P Davis  
 Mr Saunders  
 Mr Revolta  
 Mrs M Brown  
 Mr McIntyre  
 Mr M Williams  
 Mr Pickford  
 Mr R I G Allen  
 Mr Cropper  
 Mr Tyrie  
 Mr Call  
 Mr de Berker  
 Mr Bolt  
 Mr Guy

**QL 3 MARCH : 1988-89 LEGISLATIVE PROGRAMME : QL(88)4**

You are to attend QL tomorrow at 9.30. The meeting will discuss the Lord President's proposed programme as outlined in QL(88)4. This takes account of the representations made by Ministers on 23 February. In the light of Thursday's meeting the Lord President will put forward QL's recommendations for approval by the Cabinet (probably on 10 March).

2. The Lord President's latest proposals are summarised at Annex B. For comparison I also attach Annex A (from my brief of 19 February) which sets out the previous proposals and the bills we want to add to the programme: Student Support, Teachers' Pay, Crown Agents and London Transport.

3. Ministers' representations have had little impact on the Lord President's proposed programme which is largely the same as before. He has not included any of the measures we were seeking to add, largely because of space problems. The programme he is suggesting contains 16 bills of medium length or greater, 1 more than QL's initial target of 15 bills. On the basis of past experience (details of previous programmes at Annex A to his paper) he argues that this is the maximum that can



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be accommodated, recognising that the 1987-88 programme is likely to finish late. You might try to press him on this - for example the table shows that the 1985-86 session got through 19 medium and larger bills. But in the end Cabinet is likely to accept the Lord President's judgement of what is feasible.

### STUDENT SUPPORT

4. The Lord President recognises the case for this Bill but he is reluctant to add it to the programme because, apart from the space problem, the policy has not yet been agreed by the Cabinet. You will wish to emphasise that Treasury and DES agree on essentials and that the Chancellor is confident of getting colleagues' approval. The main problem is timing if - as the Secretariat envisages - the legislative programme is to be agreed by Cabinet on 10 March. Given the pressure on space, once the programme is agreed, it will be very difficult to get anything added. But it will also be difficult to get Cabinet agreement to including student support without firm proposals. One option might be to try to delay Cabinet's consideration of the legislative programme until after the student support scheme has been approved in principle by E(EP) - see paragraph 5. I gather from the Cabinet Office that there is no overriding reason why the 1988-89 legislative programme must be taken on 10 March. But it does need to be agreed by Easter and the agendas for 17, 24 and 31 March are apparently filling up.

5. HE are considering urgently the scope for speeding up collective decisions on student support and Mr Burr will brief orally on this at QL briefing meeting this afternoon. As a holding position at QL on tomorrow you might argue:

- a) the Chancellor regards student support as a very high priority for the 1988-89 legislative programme;
- b) proposals are nearly ready for collective decision - Cabinet's consideration of the programme as a whole should await this.

### LONDON BUS DEREGULATION

6. The Lord President regards this measure as less urgent than Student Support and can see no way of accommodating it into the programme. As you know this was our fourth priority for adding to the programme, after Student Support, Crown Agents and Teachers' Pay.

### CROWN AGENTS/CROWN SUPPLIERS

7. Sir Geoffrey Littler is minuting the Chancellor separately on Crown Agents. The Lord President recognises the force of the arguments for action in the next



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session but concludes that he can see no way of finding room for it. He proposes to omit Crown Suppliers for the same reason.

### TEACHERS' PAY

8. The Lord President recognises that a bill might be needed to put in place new machinery for negotiating teachers' pay if the present interim arrangements do not work. He appears to accept that such a bill might then be essential but points out that something would have to be dropped to make room for it. You can agree to this.

### CHILDREN AND FAMILY SERVICES/HUMAN FERTILISATION

9. The Lord President proposes to accept Mr Moore's argument that it is not possible to cut the Children's Bill down beyond 80 clauses but he proposes to resist the addition of the Human Fertilisation Bill. We would prefer to drop the Children's Bill altogether, or shorten it, but given the Lord Chancellor's support for Mr Moore, QL are unlikely to agree.

### COMPANIES/FAIR TRADING AND ECGD

10. The Lord President continues to argue for a joint Companies/Fair Trading Bill, resisting Lord Young's case for 2 bills. He proposes that the combined bill include everything in the original bid except for disincorporation of businesses and partnership companies - both useful, but relatively low priority for us. He proposes that the Taurus measures be included in the programme as a separate Second Reading Committee Bill - you can agree on condition that if the Opposition do not accept this, it should be restored to the Companies' Bill. But the Lord President does not propose to add the ECGD measure which we support strongly (it is worth £20 million a year), and there are other measures not in Lord Young's bid for the Companies Bill which we regard as higher priority than some of the measures in the bid. We recommend that you press for the inclusion of ECGD which is a one clause measure.

### MINOR BILLS

11. The Lord President proposes to add a number of minor - non controversial measures:

**NI Elections:** limited to non-controversial provisions dealing with the local government franchise (short);

**National Maritime Museum:** to allow disposals (short);

**Autoguide Provision:** add to Road Traffic Bill (20 clauses).



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In principle, there is no reason to object to any of these but they are low priority and we would prefer to leave them out.

**TACTICS FOR THE MEETING:**

12. These are essentially the same as in my brief of 19 February - except that you need not argue for Teachers' Pay since the Lord President appears to accept the case for it if the interim arrangements go wrong. But you will wish to ensure that the recommendation to Cabinet is sufficiently binding. On the other three Treasury priorities (Student Support, Crown Agents, London Transport) the problem is simply one of space. The proposed programme contains few bills which are low priority. These seem to be Antarctic Minerals, Police, Conveyancing, Elections (NI), National Maritime Museum. These are non-controversial candidates for Second Reading Committee which cannot easily be replaced by the high profile measures we are seeking to add. But Crown Agents should not be controversial and you can realistically argue that some of these low priority measures should make way for it.

13. The proposed Scottish Education Bill is our preferred candidate for dropping. Pay Division have some objections to its provisions on Teachers' Pay in Scotland and dropping its 30 clauses would help with space. The bill consists of a list of low priority measures and you should continue to press for dropping it to make room for our priorities. Your main arguments should be that the bill is not high priority for the Government and Scotland is already getting its fair share (ie Electricity, Transport (Scotland), Housing (Scotland)).

14. To sum up, we think you should continue to press for the remaining three Treasury priorities. On Student Support, it helps that the bill would be very short. Crown Agents would not be controversial and there is a good case for claiming that it is a higher priority than the other non-controversial measures in the provisional list. London Transport is not a short measure - you can continue to try to substitute it for Education (Scotland) but you may have to accept that space constraints will keep it out.

CA

**MISS C EVANS**



**1988-89 LEGISLATIVE PROGRAMME (AS AT 19 FEBRUARY)****A. LORD PRESIDENT'S LIST****Essential/Contingent**

1.	Prevention of Terrorism	Medium	Neutral
2.	Electricity (Scotland) Borrowing	Short	Support: high priority
3.	Road Traffic	Short/medium	Support: low priority
4.	Fiji	Very short	Neutral

**Programme Bills : Treasury objective to keep in**

5.	Atomic Energy	Short	Support: high priority
6.	Electricity (E, S, W)	Long	Support strongly
7.	Continental Shelf	Very short	Support strongly
8.	Water	Long	Support strongly
9.	Housing and Local Government	Long	Support strongly
10.	Social Security	Substantial	Support strongly
11.	Official Secrets	Medium	Support
12.	Broadcasting	Long	Support: high priority
13.	Transport (Scotland)	Medium	Support: high priority
14.	Housing (Scotland)	Long	Support: high priority
15.	Companies/Fair Trading	Long	Support: high priority
16.	Ports	Substantial	Support: high priority

**Programme Bills : Treasury content to drop if feasible**

17.	Pesticides	Very short	Support: low priority
18.	Employment	Short	Support: low priority
19.	Antarctic Minerals	Short	Neutral
20.	Brunei	Very short	Neutral
21.	Children & Family Services	Medium	Neutral
22.	Representation of the People	Short	Neutral
23.	Fair Employment - (NI)	Substantial	Neutral
24.	Education (Scotland)	Substantial	Oppose
25.	Greenwich Hospital	Very short	Neutral
26.	Police	Very short	Neutral
27.	Conveyancing Procedures	Short	Neutral

**B. BILLS TREASURY IS SEEKING TO ADD TO PROGRAMME**

28.	Student Support	Short	Support strongly
29.	Teachers' Pay	Short	Support strongly
30.	Crown Agents	Short	Support strongly
31.	London Transport	Short	Support strongly

**C. BILLS OTHER MINISTERS ARE SEEKING TO ADD TO PROGRAMME**

32.	Human Fertilisation	Medium	Oppose
33.	Fair Elections (NI)	Medium	Oppose
34.	Agricultural Marketing	?	Oppose
35.	Animal Welfare	Short	Oppose



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## ANNEX B

## A POSSIBLE PROGRAMME FOR THE 1988-89 SESSION

Essential

HO	1	Prevention of Terrorism	Medium -
----	---	-------------------------	----------

Contingent

FCO	7	Fiji	Very short
-----	---	------	------------

Programme

MAFF *	8	Pesticides	Very short
*DEmp	3	Employment	Medium (c15-20 clauses)
*DEn	4	Atomic Energy	Short
DEn/SO	15/42	Electricity Privatisation	Long (c100 clauses)
DEn/FCO	16	Continental Shelf (Amendment)	Very short
DOE	17	Water Privatisation	Long (over 200 clauses)
DOE	18	Housing and Local Government	Long (c160 clauses)
FCO	21	Antarctic Minerals	Short
FCO	24	Brunei (Appeals to Privy Council)	Very short
DHSS/LCD	25	Children and Family Services [excluding children's homes; day care; and adoption]	Long (c80 clauses)
DHSS	27	Social Security	Substantial (c30 clauses)
HO	29	Official Secrets	Medium
HO	30	Broadcasting	Long (c60 clauses)
HO	32	Representation of the People	Very short/Short
NIO	35	Fair Employment (NI)	Substantial (c25-30 clauses)
SO	38	Transport (Scotland)	Medium
SO	39	Housing (Scotland)	Long (c70 clauses)
SO	40	Education (Scotland)	Substantial (c30 clauses)
*DTI	5/43	Companies [except for paras F, J and L] and Fair Trading [mergers only]	Long (c160 clauses)
*DTp	6	Road Traffic [limited to the elements required by EC law and to AutoGuide]	Substantial (c30 clauses)

\* Including essential elements

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DTP	47	Ports	Substantial
<u>Uncontroversial</u>			
HO	49	Police (Officers seconded to central services)	Very short
LCD	50	Conveyancing Procedures	Short
NIO	36	Elections (Northern Ireland) [limited to changes to local government franchise]	Very short
OAL	[37]	National Maritime Museum	Very short
DTI	5L	Share Dematerialisation	Short

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Parliamentary Under Secretary of State

Department of Employment  
Caxton House Tothill Street London SW1H 9NF  
Telephone Direct Line 01-213..... 273-5808  
Switchboard 01-213 3000

PATRICK NICHOLLS MP

The Rt Hon John Wakeham MP  
Lord President of the Council  
Privy Council Office  
Whitehall  
London SW1A 2AT

CH/EXCHEQUER	
REC.	03 MAR 1988 313
ACTION	FST
COPIES TO	

Ch/operation  
do-em-down  
being taken v.  
seriously! /  
2 March 1988  
8/3

Dear John,

Michael Stern is seeking leave to introduce a Bill whose purpose is to abolish the first Monday in May Bank Holiday and to replace it with an alternative holiday on 24 June to celebrate Midsummers' Day.

Many of our supporters in the House have shown unhappiness over the first Monday in May Bank Holiday ever since it was introduced by the last Labour Government in 1978. There have been a number of representations on the subject.

In May 1982 the Department of Employment examined the possibility of replacing this holiday with a more suitable date. The proposition then was that the holiday at the end of May should be extended by one day as a substitute for "May Day". This did not find favour with E(A) at the time.

In July last year, following a Question from Lord Mountgarret, Norman Fowler decided that there should be another review of the situation. This has yet to be completed though the canvass of Ministerial colleagues' views shows that there is no consensus about a change or about possible alternative days.

With that background I am sure it would not be sensible to support Michael Stern's Bill at the present time, before our own position is settled. There are in any case certain practical difficulties with his proposal. In particular, moving the holiday to mid-June would be more disruptive to education and tourism than the present arrangement. Moreover legislation is not necessary to abolish the May Day holiday in England, Wales and Northern Ireland, where a change could be effected by Royal Proclamation. The position in Scotland is different: there the May Day holiday is longer established and commemorates the 1707 Act of Union.

It is also relevant that the Jack Committee reviewing Banking services Law is due to report at the end of the year on, among other matters, the harmonisation of Bank holidays in England and Scotland. Any change made in advance of the Committees' findings could result in further lack of alignment and add to existing difficulties.



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For all these reasons I suggest Government Ministers should abstain when the Bill comes up. If it were to go a second reading, as it well might, we should have no choice but to block it.

I am copying this to other members of 'L' Committee.

Tom -

Pat



FROM: SIR G LITTLER

DATE: 2 MARCH 1988

*Page -*

- 1. SIR PETER MIDDLETON
- 2. CHANCELLOR

cc Financial Secretary  
 Mr Davis  
 Miss C Evans

*to discuss with  
 Lo Pres. No new  
 to take further  
 action. See  
 will try to have  
 a way with the  
 PM. See 1/11/88  
 see how a flow*

**CROWN AGENTS PRIVATISATION BILL**

It looks as if we are going to lose the chance of getting this Bill into the 1988-89 programme. The Lord President says in his paper for to-morrow's QL that he cannot easily see how to make room for it. He acknowledges the strong support from yourself and the Foreign Secretary, and the power of the argument that this is the last opportunity to privatise Crown Agents and if it is not seized it will still be necessary to legislate later on for some second best alternative. But he seems unable to find in his provisional programme another Bill that appears to have lesser priority, which could be dropped to make room for Crown Agents. The Foreign Secretary is away and his officials are looking to us for help.

2. I think the only chance now of averting the loss of the Bill would be to get support from the Prime Minister, if you should have the opportunity to speak to her before to-morrow. Something must be done about Crown Agents to avert further substantial risk of loss of public funds. All routes require legislation. A Bill to privatise now would be much less troublesome than the Bill we would almost certainly need in a couple of years to rescue an impossible situation.



SIR G LITTLER



CONFIDENTIAL



FROM: CHIEF SECRETARY

DATE: 3 March 1988

CHANCELLOR

*Thanks -  
I agree with the  
analysis + m/s  
para 4*

 CC:  
Financial Secretary

## 1988-89 LEGISLATIVE PROGRAMME

You asked me to consider tactics for securing the Student Support Bill and the Crown Agents Privatisation Bill in the 1988-89 legislative programme. The Lord President is presently resisting both of these:

- (a) on the grounds that the legislative programme is already crowded and
- (b) that the proposal on student support is not yet agreed.

2 On (b) we expect to receive the agreed officials paper on Friday and I will meet Kenneth Baker early next week (this is now scheduled for 9.00am on Monday morning). There are some difficulties but I hope these can be overcome. You are inclined to seek to defer Cabinet discussion from 10 March and it should therefore be possible to reach policy agreement before Cabinet discussion. The proposal will, of course, also need to be cleared with other colleagues with a direct interest. Providing that these expectations are realised the Lord President's objection (b) falls.

3 There are two points on (a). First, at a pinch, the Crown Agents Privatisation Bill could start in the Lords which should help the Lord President's problems. Moreover, having looked

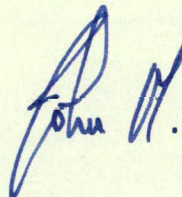


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at the proposed programme and discussed the matter with the Financial Secretary who attended QL today, we could argue to drop:

- (i) the Education (Scotland) Bill - this is a substantial bill (our two proposed additions are both short) that could well wait since the companion bill dealing with England and Wales is not now due to be introduced next year. Moreover Malcolm Rifkind has previously minuted that the two Bills should be introduced at the same time. Since I believe that the intention was to introduce this Bill into the Lords first, our case for replacing it might be strengthened if we agreed that the Crown Agents Privatisation Bill could start there.
- (b) Minor Bills - there are a number of minor bills that could go. The short Antarctic Minerals Bill is an obvious candidate for delay since the Treaty underpinning it is still under negotiation. After it is signed we still have 18 months for ratification. The Brunei Bill is another one we could drop, if we combine that with the promise to legislate the following session. The Police (Secondment) and Convenancing Bills are both non-urgent technical measures. They could wait.

4 I will commission a more detailed rationale for dropping these Bills prior to Cabinet discussion of the legislative programme and after it is clear whether we can agree a scheme with Kenneth Baker.



JOHN MAJOR





CH/EXCHEQUER	
REC.	04 MAR 1988 413
ACTION	FST
COPIES TO	

*Handwritten notes:*  
 PSC Labours  
 Labour Labours  
 State of play  
 8th March

PRIVY COUNCIL OFFICE  
 WHITEHALL, LONDON SW1A 2AT

CONFIDENTIAL

4 March 1988

*Handwritten:* CH/CST and Mr Baker  
 to reconvene this evening  
 on student loans. Burr  
 costings behind. *mapw 713*

*Dear Nigel*

LEGISLATIVE PROGRAMME 1988/89

Thank you for your letter of 19 February commenting on QL's preliminary conclusions on next Session's legislative programme.

QL met yesterday to review our initial decisions in the light of the representations made to us. Although Norman Lamont will no doubt have told you about the decisions we have taken, it may be helpful for me to write to explain our conclusions on the Bills mentioned in your letter.

QL recognised the force of the argument that next Session was the only practicable time to legislate on Student Support during the present Parliament. As you will appreciate, however, a difficulty for us was that colleagues have not yet been invited to give approval to this politically sensitive policy. There is very great competition for places in next Session's programme and we concluded that it would not be right to remove a measure which already had policy approval from the programme we shall be recommending to the Cabinet in order to make way for the Student Support Bill.

Kenneth Baker explained to QL at our meeting on 23 February that he might in due course wish to seek the inclusion of a Bill on Teachers' Pay and Conditions but that he was not in a position to take a decision on that at the present. In those circumstances, we did not feel able to give it a place in the programme we shall be putting forward. Malcolm Rifkind, on the other hand, proposes to include in his Education (Scotland) Bill for next Session provisions to amend the rather different machinery for settling Scottish teachers' pay, and that will be included in QL's recommendations.

QL recognised your concern, which is shared by Geoffrey Howe, that, if the Crown Agents (Privatisation) Bill were delayed beyond next Session, the opportunity of privatisation might be lost and that a Bill providing for a second best solution would probably need to be introduced in a later Session. However, I am afraid that we simply did not see how we could make room for that Bill in addition to the other privatisation measures which we shall be recommending.

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You suggested in your letter of 4 February to David Young that the provisions on share dematerialisation should be removed from the Companies Bill and dealt with instead in a separate Second Reading Committee Bill. I am pleased to say that QL have agreed to this.

Finally, QL have included an essential Bill on European Community Finance in the programme for next Session to give effect to the European Council's decisions on the future financing of the Community budget.

I am copying this letter to members of QL, First Parliamentary Counsel and Sir Robin Butler.

A handwritten signature in blue ink, appearing to read 'John Wakeham', with a stylized flourish below it.

JOHN WAKEHAM

The Rt Hon Nigel Lawson MP  
Chancellor of the Exchequer

**CONFIDENTIAL**





FROM: MISS M P WALLACE

DATE: 4 March 1988

PS/CHIEF SECRETARY

cc PS/Financial Secretary

**1988-89 LEGISLATIVE PROGRAMME**

The Chancellor was grateful for the Chief Secretary's minute of 3 March. He agrees with the Chief Secretary's analysis, and notes that your office will commission a more detailed rationale for dropping other Bills currently in the programme.

A handwritten signature in cursive script, appearing to read "mpw".

MOIRA WALLACE





*mpw*

FROM: MISS M P WALLACE

DATE: 4 March 1988

SIR G LITTLER

*Chief Secretary*  
cc Financial Secretary  
Sir P Middleton  
Mr Davis  
Miss C Evans

**CROWN AGENTS PRIVATISATION BILL**

The Chancellor was grateful for your minute of 2 March. He has discussed this issue with the Lord President. He may also have a word with the Prime Minister when he sees her on Tuesday.

*mpw*

MOIRA WALLACE



Camps to  
ring back



Thanks.  
We need to  
get some  
of you on what  
to displace.  
To  
be done  
@ 11pm

Treasury Chambers, Parliament Street, SW1P 3AG

01-930 1234

Ch/

You wanted to know latest state of play  
on student loans. Jill Rutter's note behind  
records morning meeting yesterday. After  
further meetings yesterday evening the  
following were agreed:

- 25 per cent initial cut, subsequent freeze  
of grant
- 80 per cent take-up assumption

But DES are still pushing for:

- loan of £1,000 (pressure mainly from  
Jackson. CST thinks Baker will come  
down to £850)
- bursaries (Baker weakening)
- administration via universities  
(CST resist v. forcibly)

over





Treasury Chambers, Parliament Street, SW1P 3AG

01-930 1234

CST and Baker to reconvene today or first thing tomorrow, and consider further work by officials on Soc Sec losers.

CST is confident that we will be sufficiently close to agreement by Thursday to say so at Cabinet.

Mr Baker is confident that we will get legislative time at Cabinet, on grounds that it would be too embarrassing to produce nothing as result of review. CST not so sure.

mpw 8/3



cc Chatterbox  
FST  
EST  
Sir Peter Middleton  
Sir T Burns  
Mr Anson  
Mr H. Phillips  
Ms Schuster  
Mrs Cose

Mr Culpin  
Mrs Lomax  
Mr Perez  
Mr Spackman  
Mr Tomball  
Mrs R.J. Turner  
Mr Munnings  
Miss Nobile

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Mr Parnham  
Mr Richardson  
Mr Bate  
Miss C Evans  
Mrs Pugh  
Mr Cooper  
Mr Cole  
Mr Tyrie

Treasury Chambers, Parliament Street, SW1P 3AG

Tom Jeffery Esq  
Private Secretary to the  
Secretary of State for Education and Science  
Department of Education and Science  
Elizabeth House  
York Road  
London  
SE1 7PH

Dear Tom,

7 March 1988

STUDENT SUPPORT

The Chief Secretary held a meeting with your Secretary of State on 7 March 1988 to discuss proposals for a new student support scheme. Also present were Mr Jackson, Parliamentary Under Secretary of State at the DES, Mr Bird, Mr Summers and Mr Baker and Mr Burr and Mr Gibson from the Treasury. The meeting had before it a paper prepared by officials.

Opening, the Chief Secretary said he very much regretted the story that appeared in The Times last week - not least in that it had given currency to a figure for loans of £1,000. Your Secretary of State agreed that it was very unfortunate - since it had been written by political correspondents not education correspondents it appeared to have come from the political net. He did not believe it had come from DES nor from the Treasury.

Your Secretary of State said that the idea of top-up loans - which had been incorporated in the manifesto - had been sold and was now accepted. He had viewed the system of grant and loans in other countries and almost all had some sort of loan. The US experience was an unhappy one - they were now faced with writing off some \$5 billion dollars worth of loans - but this experience was because they had extended loans very widely to cover non-academic training courses. Loans were well established for financing study at the private



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institutions which were the best known in the US. There the finance arrangements were administered by the university who would assess a student's ability to meet fees from a variety of sources - local grants, federal grants, parental money students' own income and then might provide loans or bursaries. He hoped that a loan system in the UK could be administered by the institutions. He thought that would in itself provide a more compelling obligation to repay once students would feel a greater debt towards their place of study than toward the Exchequer. However that was a secondary issue.

Your Secretary of State said certain areas were already agreed. First, it was agreed that the start date should be Autumn 1990 and that it should apply to all students. The paper produced estimates of the effects at constant 1990 prices. The student numbers were based on projection Q in the Higher Education White Paper published last year - that implied an extra 50,000 students by 1992. The costings were based on an up-rated parental contribution scale.

He believed that the starting point should be a cut in the student grant. This would be unpopular. If there were 25 per cent cut in the grant he would be inclined to freeze it thereafter - this would imply a real terms cut, which on the assumption for inflation in the paper, would be equivalent to 3 per cent per annum. With a smaller initial reduction there would have to be cash cuts thereafter.

The Chief Secretary agreed that these areas were common ground. The Chief Secretary said that he would favour a 20 or 25 per cent cut in the student grant. If there were a 20 per cent cut it would have to be followed by further cash reductions in the value of the student grant. He would be prepared to accept the 25 per cent cut and a freeze until the grant:loan elements were in a 50:50 ratio. That was variant (A) in the officials' paper.

Your Secretary of State said that he could accept that subject to reserving his position on the need for a pool for bursaries which could be administered by the universities which would be necessary to cope with the very poor who would be hardest hit by the proposals. The Chief Secretary said that he did not support the idea of bursaries. He would prefer any money available to be ploughed back into the loan facility. The Secretary of State noted that the current assumption was that loans would only be repayable from April following the end of the course. Mr Baker said that this had not been incorporated in the costing although it would not make a marked difference. Your Secretary of State said he would be prepared to advance the repayment date to 1 January. The current repayment assumption was for repayment over 10 years.

On the assumptions in the Paper your Secretary of State said that he thought that the assumed default rate of 10 per cent was too high. He pointed to the example of Sweden where the default rate was only 2 per cent. He noted that



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the Paper had been prepared on the assumptions <sup>7</sup>70 and 90 per cent take-up. He saw no reason to believe that take-up would be higher than for social security benefits which did not have to be repaid. It was agreed that future work should be done on the assumption of an 80 per cent take-up rate.

Discussion then turned to the size of the loan. Mr Baker noted that a 25 per cent cut in the grant would imply a reduction of £565. It was noted that the effect of the social security reforms implemented from April 1988 was to reduce student entitlement to benefit. On the basis of the latest DHSS figures the average student entitlement grant would be £150 in 1990. Financial neutrality would thus mean a loan of £715. Your Secretary of State said that he felt that he could only sell the proposals with a top-up element. The averages disguised some significant losses particularly among poorer students. There was some evidence from the US that loans operated to the disadvantage of Black and Hispanic students. The proposal would be highly contentious and bitterly fought. He would face attacks on two flanks: from middle class parents - hence the need to reduce the parental contribution - but also on limiting access to higher education. Therefore he felt it was important in presentational terms to have a loan of £1,000. This would subsume compensation for the community charge. The Chief Secretary pointed out this sum was already included in the income support rates on which students entitlement to benefit was calculated in 1990-91. The Chief Secretary pointed out that a loan of £1,000 would represent a substantial windfall to many of the student population. He could not accept so high a figure. Your Secretary of State repeated that this was necessary to avoid having to present the policy in a defensive way. The Treasury would still gain in the long run and the public expenditure cost started turning down by 1995. He accepted the Chief Secretary's view that such savings should not be retained in the education programme. He also believed that it would be important to accompany the proposals with a bursary scheme.

Mr Burr pointed out that the £1,000 represented a £300 top-up on the neutral position of £715. The Chief Secretary said he was prepared to concede a smaller element of top-up. Your Secretary of State thought a loan of £900 would be saleable but £800 would not be. The Chief Secretary indicated that he might be prepared to move to a loan of £850, but only if the bursary proposal were dropped. Your Secretary of State thought this would leave a substantial number of people considerably worse off.

Your Secretary of State said it would be important to meet again tomorrow. He would ask his officials to do some work on gainers and losers from the proposal on the basis of the figures on the table. They would do this work during the course of the day. He would need to speak to Messrs Walker and Rifkind before the Cabinet meeting.

The Chief Secretary noted that the DHSS side of the proposals was complex. DHSS would need to take the Law Officers



CONFIDENTIAL

advice on the best way of handling the disentanglement of students from social security. The regulations would be extremely complex to draw up. It was also necessary to consider the position of students who were not eligible for mandatory awards. That was not incorporated in the present proposals but was a question that would need to be addressed before the Cabinet meeting.

Yours,

Jill  
—

JILL RUTTER  
Private Secretary



976/3

FROM: T J BURR  
7 March 1988

CHIEF SECRETARY

cc Chancellor  
Financial Secretary  
Paymaster General  
Economic Secretary  
Sir P Middleton  
Mr Anson  
Mrs Case  
Mr Cropper  
Mr Tyrrie

## STUDENT SUPPORT

At your meeting with Mr Baker this morning we were asked to look more closely at the costings for an option with an initial switch of 25 per cent from grant to loan, and a cash freeze on the grant thereafter, and a total initial loan facility of £850 per student (implying an element of £285 in replacement for social security benefits); and the number of social security losers which that would imply. You also asked me to consider the case which Mr Baker had made for bursaries, and his argument that a loan scheme should be administered by higher education institutions.

2. We have ourselves calculated the figures shown in the attached table. They are consistent with the calculations which DES have also done, although we have not yet had opportunity to check these. But we have also extended them to show public expenditure figures which take account of the expected change on covenanting, and a further set of public expenditure figures which also assume that indexation payments on student loans are treated as revenue rather than negative expenditure.

4. You will see that the PSBR effects in the first line are much as expected. (DES make the peak first year figure £82 million rather than £84 million.) The figures in the second line take account of the covenanting change, and are both public expenditure and PSBR figures. They show lower costs, for two reasons. First, DES assume that covenanting averaged over all students amounts to only 20 per cent of the contribution, whereas



## BUDGET CONFIDENTIAL

the covenanting change entails a reduction of 27 per cent in the contribution. Thus parental contributions are lower and the cost of replacing a given percentage of the contribution with loan is smaller. Second, with parental contributions lower, grants are higher with no covenanting. That means that the saving which results from switching from grant at 100 per cent take-up to loan at 80 per cent take-up is greater.

4. The figures in the third line are little different in the early years but, on a 3 per cent inflation assumption, the longer-term savings fall by about a third as a result of not counting the indexation payments in calculating public expenditure savings. But those savings would of course still benefit the PSBR.

5. DES and DHSS have made some progress on the question of losers during the course of the day, but the position is still unclear as a result of a DES idea that, instead of a loan facility of £850 in each year of a 3-year course, they would like to go for figures of £900 in each of the first two years and only £715 in the third. <sup>The</sup> justification for this would be that students would get no replacement for social security benefits in respect of the long vacation following the completion of their course. At the time of writing they had still not taken their Secretary of State's mind on this idea, but it would have the helpful effect of reducing the number of losers. As far as we can tell at this stage, the costs would not differ significantly from those of the £850 variant.

6. As regards bursaries, the argument which Mr Baker was developing this morning was not really about bursaries for shortage subjects, academic excellence, and to encourage sponsorship, but pointed towards having a hardship fund administered by higher education institutions. The case for such a fund must depend on the number of losers and the amount of their losses, and that is still unclear, although it seems likely that the number of losers will be less than 20,000. <sup>But</sup> it is not at all clear to me, or to DES officials, that higher education institutions will in fact be capable of operating



## BUDGET CONFIDENTIAL

a hardship scheme in the way that Mr Baker appears to envisage. There are some 400 institutions attended by students in receipt of mandatory grant, of which only 100 represent the universities and polytechnics. The remainder are a variety of colleges, often with only a small minority of higher education students. The idea of operating a consistent and defensible hardship scheme (let alone a wider bursary scheme) across such a variety of institutions is not particularly convincing. But we can advise on this further when we have better figures for the number of losers and the amount of their losses.

*ridiculous*

7. Some of the considerations mentioned in the previous paragraph also apply to the idea that loans should be administered by higher education institutions. But there it would not just be a question of paying grant. Each institution would also need to set up systems for collecting repayments, which would entail staying in touch with former students for 10 or more years after they have finished their courses. It is questionable whether the involvement of the institutions would reduce the default rate. Even if Mr Baker is right that students would feel a stronger obligation to repay to their former college, that might be offset by less competence and experience on the part of the institutions in administering the loans and chasing up repayments. Another point is that by inviting financial institutions to compete for the job of administering student loans, we would get it done at a cost which reflected the benefits of competition. Indeed financial institutions might be prepared to treat this as a loss leader in order to improve their chances of getting student custom for other financial services. It is difficult to see how the benefits of competitive tendering could be realised if institutions were given the job.

8. Finally, you asked about students in receipt of discretionary grants. There are some 40-50,000 students in receipt of discretionary grants at mandatory rates, as compared with about 400,000 mandatory award holders. If they had the same regime of loans and grants as mandatory award holders, the cost of



BUDGET CONFIDENTIAL

the proposed new arrangements would rise by about 10 per cent. But it is far from clear that local authorities, who make discretionary awards, would want to replace them by discretionary loans. They might just continue to pay grants in line with the reduced level of mandatory grant, in which case there would be savings. This is an area which has not so far been properly examined, in the absence of any agreement on the shape of the new mandatory support scheme. Once you have reached agreement with Mr Baker on that, urgent work on discretionary awards will be needed. For the time being, you will wish to bear in mind that at worst another £10 million might in the end need to be spent if the new regime for mandatory award holders were extended in full to full value discretionary award holders. There are still further students who get less than a full value award or no award at all. Their treatment is also unresolved.

9. Another point to note on all the costing is that they are for England and Wales only. Scotland (and Northern Ireland) would be entitled to the normal consequential additions.

*T. J. Burr*

T J BURR

✓  
i.e. costs about 15% higher



Table I

£ million, 1990 prices.

	year									
	1	2	3	4	5	10	15	20	steady state	
(1) DES model, PSBR changes	84	83	78	68	55	(23)	(116)	(169)	(201)	
(2) Public expenditure (and PSBR) changes, no covenanting, all repayments classified as public expenditure.	70	68	63	52	39	(45)	(138)	(192)	(224)	
(3) Public expenditure changes, no covenanting and indexation repayments classified as revenue.	70	69	65	56	46	(15)	(84)	(121)	(140)	



PLP

FROM: H G WALSH

DATE: 7 March 1988

PS/CHANCELLOR

Ch. Nigel F. asked for a note to give bank/bananas (for general use, not specifically for Oral PQ) on SAF etc. This is the result. Content?

cc: Mr Evans  
Mr Mountfield  
Mr Pickford  
Mr Bredenkamp  
Ms Life

2/8/3 OK -

**ORAL PQS: UK CONTRIBUTION TO SUB-SAHARAN AFRICA**

You asked for a short factual note on the UK's efforts to support adjustment in Sub-Saharan Africa, [for use in conjunction with Oral PQs on Thursday.] ? I didn't say this!

2. I attach such a note.

But see X: how do we compare with other countries? an other, or the 20 billion, or whatever, or 25 billion

H G WALSH

Spoke Mr. Walton. We can't tell us yet, of the different sorts of contributions. (to be amendment to the note).

2/8/3



## The UK contribution to the alleviation of the Sub-Saharan debt problem

The main characteristic of the very poor countries of Sub-Saharan Africa is their grinding poverty - their GNP per head is typically less than \$350. They are also heavily indebted, with debt per head at about \$260, most of it official. Many of their past problems result from errors in industrial and agricultural policy. We are seeking, through IMF and World Bank programmes, to make major improvements through structural adjustment. But for some time it has been clear that this will not be enough. That is why the Chancellor made the proposal at the Spring meetings of the IMF and World Bank in Spring 1987 that the poorest and most indebted of the countries, where they were pursuing satisfactory adjustment policies, should be eligible for assistance on three fronts:-

- (i) Donors should convert their aid loans into outright grants. The UK has almost completed doing this and it has urged other governments to follow suit.
- (ii) Longer repayment periods - of up to 20 years with grace periods of up to 10 years - should be allowed when these countries' debts are rescheduled in the Paris Club. So far seven countries have been accorded this generous treatment.
- (iii) Creditor countries should join together to reduce the interest rate on the debt to a few points below market levels to give very poor countries a chance to start to reduce their overall burden.

2. We have already succeeded in achieving widespread recognition that the poorest countries need special treatment. Progress has been made on two out of three of the Chancellor's proposals, but we are seeking further progress in reducing interest rates on rescheduled official debt.

3. The UK was instrumental in facilitating the establishment in December of the concessional Enhanced Structural Adjustment Facility at the IMF to back the structural adjustment efforts of Sub-Saharan countries. It has offered a contribution to the interest subsidy on this Facility sufficient to subsidise lending of up to 1 billion SDRs on the basis that others do their share and that differentially



X | favourable access will be given to low income debt-distressed countries. Our contribution is estimated to amount to up to about £330 million over the life of the Facility. A special addition has been made to the present aid programme for this purpose, so that the funds will be additional to those otherwise earmarked for Sub-Saharan Africa. Our contribution will amount to about one sixth of the subsidy on the enlargement of the Facility.

4. Last year the World Bank proposed a Special Programme of Assistance for Sub-Saharan Africa to cover the period 1988-90, to support structural adjustment programmes. The UK has made commitments of aid grants of £250 million over the three years of the programme, £120 million expressly available for co-financing with the World Bank in conjunction with economic reform programmes.

5. Sub-Saharan Africa has top priority in the allocation of UK bilateral aid - accounting for over 40 per cent of total country programmes in 1986-87. The total aid programme for the next three years (1988-89 to 1990-91) is planned to rise in real terms by 3 per cent.







### Antarctic Minerals

Drop  
Gives effect to treaty, not yet negotiated, on exploitation of Antarctic minerals. Short, low priority, not urgent. Good prospects for dropping, Foreign Secretary briefed to volunteer to drop to make room for Crown Agents.

### Brunei

7  
Provides for Privy Council to advise Sultan of Brunei and not Queen on appeal cases for Brunei. Good for relations with the Sultan. Very short, not urgent. Good candidate for dropping.

### Children and Family Services

Reforms law on child care, including reforms post-Cleveland. Mr Moore sees strong political case, Lord Chancellor supports, difficult to drop.

### Representation of the People

Extends the period for which British citizens are qualified to register as overseas electors (from present 5 years to 15 years), fulfills Manifesto commitment. Short. Could be delayed to next Session (but would then need to be taken early in order to ensure new rules in place in time for next Parliamentary elections in 1991 or 1992).

### Fair Employment Northern Ireland

Sets up new agency to act against religious discrimination. Good for Anglo-Irish relations, Mr King has given commitment to legislate soon. Difficult to drop.

### Education Scotland

Drop  
Teachers' pay and conditions, and other miscellaneous, relatively low priority provisions. Possibility of extending to include opting out. In principle good candidate for dropping, but could antagonise Mr Rifkind whose backing we need for Student Support.



### Police

Clarifies status of police officers seconded to Home Office. Non-urgent, technical, low priority, good candidate for dropping.

### Conveyancing Procedure

Deals with formalities on sale of land, disposal of leases and right to damage. Low priority, non-urgent, good candidate for dropping.

### National Maritime Museum

Gives Museum powers to untie from PSA. Non-controversial, low priority, non-urgent. Good candidate for dropping.

### Elections NI

Brings NI local government franchise in line with UK. Very short, uncontroversial, needed for May 1989 elections.

3. Student Support will be a short bill. If the objection to including it was simply the length of the programme it would clearly be possible to make a case for dropping any of the above bills which are low priority and non-urgent ie Pesticides, Antarctic Minerals, Brunei, Representation of the People, Police, Conveyancing, National Maritime Museum. However, the Lord President's apparent concern in QL has been that the programme contains too many controversial bills and that it is therefore not feasible to offer a low priority, uncontroversial measure to make room for Student Support. If this is the case the only feasible candidates in the above list appear to be Children and Fair Employment Northern Ireland which are both very difficult to drop.

4. Given the difficulty of finding plausible controversial bills to drop among the bills of low Treasury interest we have looked again at the bills which the Treasury positively supports to see if there are any of lower priority which could make room for Student Support. Of these, Electricity, Water, Housing and Local Government (and the equivalent Scottish measure), Social Security, and Ports are top priorities. This leaves Continental Shelf, Official Secrets,



Transport (Scotland) and Broadcasting. We need Continental Shelf to enact the North Sea Fiscal Regime measures. Official Secrets reform is a high priority for the Government. To argue against Transport (Scotland) could undermine Mr Rifkind's support for Students. Broadcasting is a priority but is less urgent than Student Support. While we would be reluctant to see it go, if dropping a potentially controversial and important bill is necessary in order to get Student Support in, this looks like the most feasible candidate. If you agree, the briefing\* tomorrow will reflect this line, with speaking notes on the relative urgency of the two measures and the implications of postponing Broadcasting.\*\* But it would be helpful to know if you think there are other feasible candidates for dropping.

5. We understand that Mr Channon will be pressing for the addition of London Bus Deregulation - you will want to support in principle but he will have to suggest candidates for dropping.

CEW

MISS C EVANS

\* proposed brief now attached: No. 30

\*\* brief at No. 15.



## 1988-89 LEGISLATIVE PROGRAMME

A. LORD PRESIDENT'S PROPOSALSEssential/Contingent

1.	Prevention of Terrorism	Medium	Neutral
2.	European Communities (Finance)	Very Short	Support strongly
3.	Fiji	Very short	Neutral

Programme with essential elements

4.	Employment	Short	Support: low priority
5.	Atomic Energy	Short	Support: high priority
6.	Companies	Long	Support: high priority
7.	Road Traffic	Short/medium	Support: low priority

Programme Bills : Treasury objective to keep in

8.	Electricity (E, S, W)	Long	Support strongly
9.	Continental Shelf	Very short	Support strongly
10.	Water	Long	Support strongly
11.	Housing and Local Government	Long	Support strongly
12.	Housing (Scotland)	Long	Support: high priority
13.	Social Security	Substantial	Support strongly
14.	Official Secrets	Medium	Support
15.	Broadcasting	Long	Support: high priority
16.	Transport (Scotland)	Medium	Support: high priority
17.	Ports	Substantial	Support: high priority

Programme Bills : Treasury content to drop if feasible

18.	Pesticides	Very short	Support: low priority
19.	Antarctic Minerals	Short	Neutral
20.	Brunei	Very short	Neutral
21.	Children & Family Services	Medium	Neutral
22.	Representation of the People	Short	Neutral
23.	Fair Employment - (NI)	Substantial	Neutral
24.	Education (Scotland)	Substantial	Oppose

Uncontroversial

25.	Police	Very short	Neutral
26.	Conveyancing Procedures	Short	Neutral
27.	National Maritime Museum	Very short	Neutral
28.	Share De Materialisation (Taurus)	Short	Support strongly
29.	Elections NI	Very short	Neutral

B. BILLS TREASURY IS SEEKING TO ADD TO PROGRAMME

30.	Student Support	Short	Support strongly
31.	Teachers' Pay	Short	Support strongly
32.	Crown Agents	Short	Support strongly
33.	London Transport	Short	Support strongly



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Title: Prevention of Terrorism (Temporary Provisions)

Sponsor: Home Office

Background information

(i) Update of 1984 legislation concerning detention, port powers, exclusion, proscription, contributions to acts of terrorism, and withholding information. Review by Lord Colville published early December recommended permanent legislation and some widening of powers. Agreement from H to re-enact main provisions of 1984 Act and to bring powers currently exercised by police at ports into primary legislation. Proposal for detailed consultation with banks and other deposit-taking institutions about powers to investigate and freeze terrorist finances.

(ii) Low priority for Treasury; QL consider essential

(iii) Medium length

(iv) Urgent: current provisions expire on 22 March 1989

(v) Some recommendations are controversial; likely to meet opposition in both Houses

Line to take

Neutral. But Treasury will have an interest in protecting the position of the banks and other deposit-taking institutions when (and if) proposals for tracing terrorist funds are brought forward after consultation.

Background note supporting Line to take

Main interest is in ensuring adequate consultation with banks and other deposit-taking institutions on proposals to enforce disclosure of terrorist funds held by UK banks and other deposit-taking institutions, and blocking their transfer. Officials currently considering possible proposals for consultation.

The only potential expenditure implication is the Colville recommendation for facilities for the police at all ports to examine suspects. However there is no need for this aspect to be included in the legislation.

Contact: P H Brook HE1 x4708  
N J Kroll FIM1 x4478

7 March 1988



2

CABINET 10 MARCH 1988

1988-1989 LEGISLATIVE PROGRAMME

Title

European Communities (Finance) Bill 1988

Sponsor

Treasury

Background information

(i) Purpose: to obtain Parliament's approval (a) for an increase in the Community's own resources ceiling, changes to the structure of own resources and technical changes to the UK abatement system, by adding a new Council decision on own resources (when agreed) to the list of Community Treaties in the EC Act 1972; and possibly (b) for an intergovernmental agreement (IGA) to provide extra finance in 1988. Arises from Feb 1988 European Council agreement.

(ii) Priority: will be **essential** to meet Community obligations.

(iii) Length: very short (1985 Bill had 2 clauses).

(iv) Timetable: Depends when Council of Ministers agrees legal texts. Ideally the Own Resources Decision and IGA would be covered in the same Bill, to be introduced in **June 1988** and completed by the summer recess. If Community timetable does not permit that, a special estimate for the IGA will be needed in June or July. The Bill for the Own Resources Decision would then need to be introduced in the **autumn** and completed by the **end of 1988**.

(v) Controversy: criticism of increase in own resources likely from some Government backbenchers and from Opposition.

(vi) Public announcement: substance contained in PM's statement following European Council.

Line to take

Essential to pass Bill either in June/July or in the autumn, depending on Community timetable.

Background note supporting line to take

(i) Essential (see (ii) above). Treasury lead.

(ii) Financial implications: increase UK's net contribution to EC budget by £200-300 million a year.

Contacts

C B Evans - EC1 - Ext 4433 / J E Mortimer - EC1 - Ext 4709

7 March 1988



CABINET 10 MARCH 1988

1988-1989 LEGISLATIVE PROGRAMME

EUROPEAN COMMUNITIES (FINANCE) BILL 1988

SPEAKING NOTE

- This Bill arises from the recent European Council agreement to increase and restructure the Community's own resources. As QL recognised, the Bill will be essential to enable us to meet our Community obligation to implement that agreement.

- It will be very short. The last one like it, in 1985, had two clauses.

- The timetable depends on how quickly the Community agrees the necessary legal texts. Two main possibilities:

(i) We would seek Parliamentary approval for both the own resources decision, and for an intergovernmental agreement to cover the 1988 budget, in one Bill before the 1988 summer recess.

(ii) Alternatively we may need to introduce a Bill at the beginning of the next session, with completion before the end of the year. In that case we shall need separately to take a special estimate this summer to get Parliamentary approval for the IGA.

- We shall not know for another month or two which of these timetables will apply. In the meantime both possibilities will need to be kept open.

EC1  
7 MARCH 1988



## 1988-89 LEGISLATIVE PROGRAMME

Title: Fiji

Sponsor: FCO

Background information

(i) Objectives: to make provision following Fiji's constitutional changes and her leaving the Commonwealth. No policy clearance: to be sought when situation has become clearer. Fiji has yet to produce new Constitution.

(ii) Medium/low priority to FCO.

(iii) Very short: 4-5 clauses: to remove Fiji from statutes dealing with Commonwealth members - eg on immigration, nationality etc. Suitable for House of Lords: instructions not before June at earliest.

(iv) Urgency: a tidying up exercise: no obvious pressure at present.

(v) Unlikely to arouse opposition.

Line to take. Neutral.

Background

No public expenditure implications or any obvious Treasury interest.

Contact: J C May, AEF1, extension 4902.



1988-89 LEGISLATIVE PROGRAMME

**Title:** Employment

**Sponsor:** Department of Employment

**Background information**

The Bill is essential in order to bring UK Sex Discrimination Act (SDA) 1975 into line with European legislation by repealing S51 of the SDA. The opportunity is being taken to deregulate the employment of women and young people. H Committee gave policy approval in correspondence in November 1987 subject to the completion of a consultation exercise. Although the Bill does not represent an important part of the government's programme it does include significant deregulatory provisions including a further reduction in the number of Wages Councils which Treasury Ministers have always sought.

Treasury may later wish to further extend the coverage of the bill to make changes in the funding of nuclear safety research saving £20 million a year and to place a duty on civil service unions not to affiliate to a political party.

The bill will be short but with a number of repeals listed in schedules. It will be ready for introduction in November 1988.

Passage of the bill will not be urgent from a Treasury point of view. Expenditure consequences are small by comparison with Students grants provisions and many of the deregulatory provisions will be repealing little-used restrictions. We would not however wish to see its introduction deferred indefinitely as there could be significant supply side benefits. There will however be urgency on the part of DE and FCO in order to avoid an unfavourable judgement of the European Court.

The bill will have a few mildly controversial provisions such as deregulating the hours worked by young people (may be seen as leading to their exploitation) and allowing women to work underground (which British Coal fear would incur costs and the NUM fear would take work from men).

**Line to take:** Support

**Background to Line to take:** This Bill commands Treasury support despite importance of other measures being supported. If a reference were to be made to the European Court we would certainly lose and it would be difficult for the Treasury to argue that we should brave such a judgement, particularly since this Bill was dropped from the current programme on the basis that the EC were given a categorical assurance that it would be included in 1988-89. It will produce minor savings in public expenditure and reduce restrictions on industry. There should also be some supply side benefits as it will increase opportunities for women and young people.

If the bill is extended to cover nuclear safety research there would be considerable public expenditure savings.

Since it is a relatively short Bill Parliamentary time saved by dropping it would not be great.

**Contact:** A G Finnegan; IAE3; Ext 4476

7 MARCH 1988



## 1988-89 LEGISLATIVE PROGRAMME

Title ATOMIC ENERGY BILLSponsor DEnBackground information

- (i) **Objectives** (Policy agreed)  
 (a) to raise limit on BNFL's guaranteed borrowing  
 (b) to ratify IAEA convention on mutual assistance
- (ii) **Priority:** important on commercial and propriety, rather than political, grounds
- (iii) **Length:** short  
**Timing:** could be ready at start of session if desired, but timing within session not crucial
- (iv) **Urgency:** essential for 88-89 session (in respect of increase to BNFL borrowing limit)
- (v) **Controversial:** yes, but only because of nuclear sensitivities. Measures unremarkable.

Line to take

Support: high priority

Justification/Background

- (a) Commercially undesirable and risk of PAC criticism if BNFL unable to borrow as cheaply as possible because government guarantees cannot be given. [Recognised by Cabinet Office as this part of the Bill is designated as "essential"]
- (b) International conventions agreed post-Chernobyl leave Government with contingent liability to help in event of foreign nuclear accidents. Such liabilities should be given Parliamentary endorsement by ratification of conventions.

The Bill could also be a suitable vehicle to introduce powers allowing NII charges to cover the costs of generic nuclear safety R&D. Officials' recommendations will shortly be submitted to Ministers. These powers are important to the Treasury as they could reduce public expenditure by some £25 million a year. There may be other vehicles in the programme (eg the Employment Bill) but the risk that they may not be available underlines the need to ensure that the Atomic Energy Bill is included.

Contact: M L Williams, PE1, 270 4769

\* The Employment Bill is in the provisional programme; but Mr Fowler is likely to resist the inclusion of the extra clauses.



**Title: Companies Bill**

**Sponsor: Department of Trade and Industry**

**Background information**

The Bill is a composite formed by adding the mergers provision in the Fair Trading Bill Lord Young unsuccessfully bid for at QL to most of the provisions stated for the Companies Bill. The resultant Bill covers:

- EC 7th and 8th Company Law Directives (on consolidated accounts and auditors respectively);
- changes to company law arising from the takeover panel review;
- improvements in DTI investigatory powers;
- Financial markets measures to counteract the adverse impact of the insolvency legislation on various markets;
- changes to procedures on mergers regulation;
- changes to the law on delivery of annual accounts and returns to the Registrar of Companies; ultra vires; registration of charges and small companies audit and accounts.

2. Measures on disincorporation, partnership companies, consumer credit and weights and measures have now have dropped. Share dematerialisation (TAURUS) will be run as a separate Bill.

**Line to take**

3. Support: high priority



Background to line to take

4. The EC Directives will have to be implemented, and most of the remaining items from the original Companies Bill bid are desirable or at least harmless. Changes to mergers control announced in the DTI Department policy paper "Mergers Policy" (voluntary pre-notification of mergers; allowing acceptance of statutorily binding undertakings; and charging for merger control) are desirable from a competition policy angle, so it is helpful that these at least have survived from the Fair Trading Bill. The measures being dropped would have had a useful deregulatory effect, but they were not essential (this includes the Consumer Credit measures, which were aimed at speeding up administrative procedures, and at removing business credit from the scope of the 1974 Act).

5. The financial markets provision has been shortened, but we still have some reservations about the DTI approach and they have not bid for the extra wider share ownership measures we have pressed for (a shorter form of report and accounts; more recognition of shareholders who hold through mass-market nominee account systems like Barclayshare). It is, however, doubtful whether it is worth raising these at Cabinet, given other objectives.

6. Lord Young's bid for an Export Credit Guarantee Department Bill was turned down by QL. Since this was intended to be a single clause, he might suggest adding it to this Bill, given its portmanteau nature. We do not suggest you raise this off your own bat, but you might support Lord Young if he suggests this approach, as the ECGD provision involves £20 million savings.



**Title:** Road Traffic Bill

**Sponsor:** Department of Transport

**Background information:**

(i) **Objectives:** to replace existing ordinary and vocational driving licences by single licence, in accordance with EC law; and to provide for development of automated traffic guidance systems.

Both elements have policy approval.

(ii) **Priority:** single licence clauses essential; automated traffic guidance relatively low priority

(iii) Substantial Bill (30 clauses). Ready by November 1988

(iv) Single licence necessary by end 1988-89 session.

(v) Uncontroversial.

**Line to take:** Support (low priority).

**Background note supporting line to take:**

Single licence will cost £1m to develop but will yield running costs savings of £1m a year. Automated traffic guidance systems, if successful, would speed <sup>up</sup> traffic flow (economic benefits) and assist British companies to compete in international markets for such systems. Public expenditure costs might possibly be up to £5m. Chief Secretary has agreed to policy on both items.

**Contact:** A R Williams, HE1; x 4721



**CONFIDENTIAL****1988-89 LEGISLATIVE PROGRAMME**

**Title** ELECTRICITY PRIVATISATION BILL

**Sponsor** DEn (with Scottish Office)

**Background information**

- (i) Bill provides for the privatisation of the electricity industry in England and Wales and in Scotland. Some decisions yet to be taken but White Papers now published for both England and Wales and Scotland.
- (ii) High priority. Manifesto commitment to privatise electricity.
- (iii) Likely to be very long. Unlikely to be ready before November 1988 at earliest.
- (iv) Bill required in 1988-89 if commitment to be met this Parliament (although partial privatisation might be possible with later Bill.)
- (v) Potentially very controversial.

**Line to take**

Support strongly.

**Background note supporting Line to take**

Electricity privatisation is a major part of Government's privatisation programme with benefits both in relation to more efficient use of resources and wider share ownership etc. Treasury and DEn Ministers have emphasised need to introduce competition, especially in generation, and to get right industry structure and regulatory arrangements. These issues are complicating decision making process and are likely to be controversial. But slippage to 1989-90 would leave little change of privatising generation this Parliament, although it may be possible to sell distribution and the industry in Scotland.

**Contact:** M L Williams, PE1, 270 4769



9

CONFIDENTIAL

1988-89 LEGISLATIVE PROGRAMME

Title Continental Shelf Act (Amendment)

Sponsor DEn

Background Information

- (i) **Objectives:** to remove problems of overlapping jurisdiction (with the Irish Republic) in certain areas of the UK Continental shelf. Depends on successful negotiations with Irish, but problems not expected. [Bill also to be used as vehicle for certain oil taxation changes which require DEn, as well as Finance Bill, legislation. For budget confidentiality reasons, inappropriate to explain to QL].
- (ii) **Priority:** high [since it is to be used as vehicle oil taxation changes].
- (iii) **Length:** very short [even with oil taxation provisions].
- (iv) **Urgent:** early passage essential [to give effect to oil taxation changes].
- (v) **Urgent:** no (although Ulster Unionists may object).

Line to take

Support strongly. [Worthy of Treasury support anyway; but essential to have legislative slot for oil taxation changes].

Justification/Background

1. Removal of overlapping justification releases more area for oil exploration. Potentially substantial benefit to economy and Exchequer.
2. Will also help combined UK/Irish approach to claims from Iceland and others.

Contact: M L Williams, PE1, 270-4769



**1988-89 LEGISLATIVE PROGRAMME****Title**

Water Bill

**Sponsor**

DOE (with Welsh Office)

**Background information**

(i) Bill enables privatisation of the water authorities in England and Wales. Includes provisions for regulation of prices and standards of service, restructuring the authorities as PLCs, and creating the National Rivers Authority. L Committee has approved advance drafting authority, so Bill can be introduced at outset of 1988-89 Session.

(ii) High priority. Essential part of Government's privatisation programme. Manifesto commitment.

(iii) Likely to be very long. (c.110 clauses, 15 Schedules). Expected to be ready for introduction at start of 1988-89 Session.

(iv) Essential to complete in second session to leave room for implementation. Already delayed by 1987 Election and decision to create National Rivers Authority.

(v) Potentially very controversial.

**Line to take**

Support strongly. Resist inclusion of additional clauses on environmental pollution.

**Background**

Legislation in 1988-89 firmly agreed by Cabinet in Summer 1987: essential if sales to be completed this Parliament. Bill has advance drafting authority. Drafting now in hand. Aim is to achieve Royal Assent by July 1989 in order to allow first sale(s) in Autumn 1989.

Mr Ridley may propose addition of environmental pollution clauses, as QL have rejected his bid for Environmental and Planning Bill. These would add to industrial costs and complicate passage of Water Bill.

**Contact**

Mrs M E Brown, PE2 Division, 270-4640  
Mr D R Instone, LG2 Division, 270-4729

**7 MARCH 1988**



CONFIDENTIAL

## 1988-89 LEGISLATIVE PROGRAMME

Title

Housing and Local Government Bill

Sponsor

Department of the Environment

Background Informationi. Objectives and Policy Approval

- a. Reforming local authority capital control system. E(LF) has approved new approach and consultation paper to be issued shortly.
- b. Establishing ring-fenced local authority housing accounts covering both capital and current expenditure. No detailed policy approval yet, E(LF) will consider shortly.
- c. Reforming home improvement grants; including targeting through means-tests. E(LF) approval already given.
- d. Bring local authority companies within capital control system. No policy approval yet.
- e. Implement certain Widdicombe proposals to combat politicisation of local authorities. No policy approval yet.
- f. Minor changes: abolition of homeloan scheme; capitalisation of existing specific grants to local authorities; special provision for transfers of New Town housing to new landlords; to give specific authority for "Bellwin" expenditure on emergencies, disasters, etc. Policy approval for all these items has not yet been given - Ministers likely to consider in first half of 1988.

ii. Relative Priority

Commitment in Housing White Paper, to item c and to revised accounting arrangements for local authority housing (although ring fencing proposal as in b not specified). Details of c already agreed and priority. Items a and d also priority if detailed proposals prove adequate, and are necessary to remove scope for avoidance of present and new capital expenditure controls. Minor items marginal.

iii. Length and Readiness

Long Bill, and unlikely to be ready before October/November 1988.

iv. Urgency

Capital controls, ring-fenced housing accounts, home improvement grants and controls over local authority companies are urgent. The remaining items are not.



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v. Controversial

Quite controversial, especially urgent items.

Line to Take

Support strongly, subject to adequate meeting of Treasury interests on the details of policy when approval sought. Support Mr Ridley if he argues for inclusion of additional clauses on planning.

Background

Treasury interest in improving value for money and reducing spending pressures through home improvement grant proposals. New capital control system will tackle backlog of accumulated receipts and improve distribution of resources. Ring-fenced housing accounts should encourage local authorities to control spending more closely and make efficient use of resources.

QL agreed Environmental and Planning Bill be dropped. Mr Ridley likely (reluctantly) to accept this. FST wrote to Mr Ridley suggesting planning clauses from that Bill be added to the Housing and Local Government Bill (they would help towards simplification of planning system). However Mr Ridley was not keen. So doubt if it is now worth your pressing hard for this, as Cabinet are unlikely to agree and other parts of Housing Bill are higher priority.

Points to Make

- i. Home improvement grants changes and reform of capital control system already approved, so support strongly. Highly desirable to have new capital control system on statute book by July 1989 at the latest, so the basis of the 1989 Survey discussions on LA capital are clear.
- ii. Agree planning clauses (but not other clauses) from Environmental and Planning Bill could be added to this Bill. They represent important contribution to deregulation and speeding of planning process.
- iii. Other major items potentially useful but approval must depend on agreement on details.
- iv. Minor items require further work. Treasury may wish to oppose unless adequately justified.

Contact

D R Instone LG2 Division Ext 4729  
M C Betenson LG2 Division Ext 4746



## 1988-89 LEGISLATIVE PROGRAMME

Title

Housing (Scotland)

Sponsor

Scottish Office

Background Information**i. Objectives and Policy Approval**

- a. Establishing ring-fenced local authority housing accounts covering both capital and current expenditure. No detailed policy approval yet, E(LF) will consider in early 1988.
- b. Reforming home improvement grants including targeting through means tests. E(LF) approval already given.
- c. Other minor matters. Scottish Office have not come forward with any details on these.

**ii. Relative Priority**

Commitment in Scottish Housing White Paper to and to revised accounting arrangements for local authority housing (although ring-fencing proposal as in a. not specified).

**iii. Length and Readiness**

A long Bill, will follow the equivalent English Bill

**iv. Urgency**

Ring-fenced housing accounts and home improvement grants are urgent.

**v. Controversial**

Both urgent items are quite controversial

Line to Take

Support high priority, subject to adequate meeting of Treasury interests on the details of policy when approval sought.

Background

Treasury interest in improving value for money and reducing spending pressures through home improvement grant proposals. Ring-fencing housing accounts should encourage local authorities to control spending more closely and make more efficient use of resources.

Points to make

- i. Home improvement grant changes already approved, so support strongly. Much closer targeting of resources.



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ii. Need to agree details of changes to housing accounts. However, welcome in principle.

iii. Minor items unspecified. Treasury may wish to oppose unless adequately justified.

Contact

Gina Haskins LG2 Division Ext 4743



**Social Security Bill****Sponsor: DHSS****Background Information**

Main objective would be to make changes in benefit regime, if these are agreed by Ministers. Following last year's Survey, officials working up options in several areas, including child benefit. If agreed, proposals would further aims of concentrating help on needy and containing cost of social security programme. Bill also needed for running repairs to existing legislation and for other measures. DHSS guess is for 30 clauses. Would be introduced November/December. Could be very controversial depending on policy decisions still to be taken.

Included in Lord President's proposals for programme.

**Line to Take**

Support strongly.

**Background Note**

[NOT FOR USE: Main Treasury interest in PES savings from new measures. (Also earliest vehicle for abolishing Treasury Supplement). But could be tactically unwise to stress this in discussion, in case other Ministers become unduly alarmed/curious. Important that options not aired prematurely in wider fora before we and DHSS have considered further.]

Against background of increasing attention to next month's reforms, colleagues might query need for further social security changes. If Mr Moore needs support on this issue, key points are:

- (i) No decisions taken on further changes requiring legislation. But size of social security programme and rapid growth in recent years mean that it needs to be kept under review.
- (ii) Bill needed in any case eg to put right provision in Social Security Act 1986 enabling pension schemes to take steps to run down their surpluses in line with requirements of Finance Act 1986.

**Contact:** J P McIntyre, ST(1): 4799



CONFIDENTIAL

Title: Official Secrets

Sponsor: Home Office

Background information

(i) Following Review, principally to examine alternatives to Section 2 (catch all section), Home Secretary committed to issuing White Paper in June and has dropped broad hints that he will legislate in coming session. Policy approved by OD(DIS) in November and has Prime Minister's support. Proposals for change will inevitably narrow coverage of Act. But unauthorised disclosure of sensitive material not covered by Act could still attract disciplinary proceedings (though not legal action).

(ii) Subject to results of consultation, Home Secretary committed to legislate.

(iii) Medium.

(iv) Virtual commitment by Home Secretary to legislate in 1988-89 session; included in QL programme.

(v) Likely to be controversial

Line to take

Support

Background note supporting Line to take

No significant expenditure implications; no direct Treasury policy interest, but considerable Treasury and OMCS management interest (responsibility for 600,000 civil servants - trade unions concerned about contractual obligations of confidentiality for civil servants (notwithstanding the recent Armstrong memorandum on duties and obligations of civil servants); also unhappy with workings of present Official Secrets Act).

Contact: P H Brook HE1 x4708

7 March 1988



CONFIDENTIAL

1988-89 LEGISLATIVE PROGRAMME

Broadcasting

Sponsor: Home Office

Background Information

The Bill will deal with the reform of radio including the introduction of independent national radio and the deregulation of radio at local level; the establishment of the Broadcasting Standards Council (a manifesto commitment) and other measures for programme regulation; the financing of the Cable Authority; and the transfer to the BBC of responsibility for the collection of the licence fee. Policy on radio now announced; some other details still under consideration.

The Bill is of high priority and potentially controversial. It was agreed in MISC 128 (28 October 1987) that such a Bill should be introduced in the 1988-89 session and it will probably be ready for introduction in November 1988. It will be more than 60 clauses long.

**Line to take**

Support (high priority) (but see below)

**Background note supporting line to take**

Treasury interest lies in arrangements which are likely to enable rapid progress to be made towards a competitive market in broadcasting. We therefore support the measures contained in this Bill. However, it will be followed by a second Bill in the 1989-90 session (also as agreed in MISC 128) covering the reform of the ITV system and of Channel 4, the provision of additional television services and subscription. Treasury interests would not be much affected if the first Bill were delayed until the 1989-90 session. Although it would be desirable to get this one out of the way, it could be offered up to make room for a Student Support Bill if necessary. A speaking note is attached.

Contact point: C W Bolt, HE2, 270 4728



**BROADCASTING BILL: SPEAKING NOTE**

To be used only if this Bill has to be offered up to make room for a Student Support Bill; no need to intervene otherwise.

Points to make

- Timing of Bill not crucial: **national commercial radio** could still be on air before next election if Bill delayed to next Session. Negotiations on transfer of BBC MF frequencies still not complete, and VHF frequency not available until 1990, so unlikely that broadcasters would be ready to operate until late 1990 or early 1991 in any case.

- Measures on **obscenity** clearly important, but **Broadcasting Standards Council** is being established ahead of legislation. Unlikely that there will be a threat from **non-DBS satellites** until in the 1990s. Delay of one year does not therefore present significant risk of decline in programme standards.

Defensive

**Combined Bill in 1989-90 Session too long?**

- Bill necessary in 1989-90 Session to legislate on ITV franchises; adding measures from this Bill would not overload the Bill, though it would be long. May even avoid arguments about competition in broadcasting being raised in both Sessions.



TITLE : Transport (Scotland) Bill

SPONSOR : Scottish Office

Background Information:

- (i) Objective: to secure powers for privatisation of Scottish Transport Group (STG). Decision in principle to privatise bus and coach operations taken and announced on 27 January. Mr Rifkind is expected to return to E(NI) in March for decision on method of privatisation - flotation of Scottish Bus Group (SBG) as single entity, piecemeal disposal of subsidiaries separately or restructuring into several regional companies. Future of Caledonian MacBrayne (STG subsidiary providing subsidised ferry services to Western Isles) yet to be considered.
- (ii) Priority: Medium priority in overall programme, but intention to seek early legislation already announced, and early disposals important to improve transport sector in Scotland.
- (iii) Medium length bill. Ready for introduction beginning 1988-89 session.
- (iv) Disposal of SBG not urgent as such, but long overdue.
- (v) Passage through Scottish Grand Committee could be controversial and Mr Rifkind fears that decision to breakup SBG could add to controversy if opposed by STG board.

Line to take: Support: high priority. Not a major privatisation, but important in maintaining impetus of privatisation and competition programme.

Background Note supporting line to take: Privatisation of SBG should increase competition in Scottish bus and coach services. Following completion of National Bus Company disposals in April 1988, continued presence of SBG in public sector would be anomalous. Intention to seek 'early' legislation announced in January 1988. Necessary to end speculation on future of industry. Already considerable interest in sale; should not be allowed to go off boil. Continuing expenditure implications minimal, but disposal proceeds in excess of £200 million possible and reduction of 10,000 in public sector manpower.

Contact: W GUY, PE2, x4907



## CONFIDENTIAL

Title: Ports Bill

Sponsor: Department of Transport

Background information:

(i) Objectives: to strengthen port efficiency and competitiveness by converting trust and local authority ports into PLCs, and eliminating Government financial assistance to ports of London and Liverpool.

Policy accepted in principle by Ministers but decision to proceed awaits decision on dock labour scheme

(ii) Priority: high if Ministers decide to proceed. No public commitments

(iii) Substantial Bill. Ready by Spring 1989 if decision to proceed by end of 1988. May be preceded by White Paper

(iv) No deadline

(v) Converting ports to PLCs likely to be controversial with Labour, local authorities and unions

Line to take: Support (high priority)

Background note supporting line to take:

Bill desirable because it would promote freer, more competitive market for ports industry, and would remove liability for Government support of ports of London and Liverpool (which cost £25m in 1987-88). Government proceeds from sale of trust ports might be about £100m. Repayable grants to London and Liverpool of some £240m would need to be written off. No significant manpower consequences.

Contact: A R Williams, HE1; x 4721



Title: Dock Labour Scheme Repeal Bill (?)

Sponsor: Either Department of Employment or Department of Transport

Background information

(i) Objectives: to repeal dock labour scheme and licensing of employers in scheme ports.

Ministers have decided that a slot for Bill should be reserved in 1988-89 legislative programme but a final decision on whether to go ahead will not be taken until after Queen's Speech

(ii) Priority: no public commitment yet, but will be high priority if Ministers decides to proceed

(iii) Short Bill. Could be ready by early 1989

(iv) Urgent if Ministers decide to proceed

(v) Very controversial

Line to take: Support (high priority)

Background note supporting line to take:

Dock labour scheme severely curtails flexible use of labour by port employers as surplus registered dockworkers cannot be made compulsorily redundant. Government is faced with unpredictable periodic demands for public expenditure on voluntary severance payments. Treasury has interest in repeal of scheme, for both supply side and public expenditure reasons. Chancellor strongly supports repeal. Cost about £20m in over 4 years for severance compensation, plus possible small cost from winding up National Dock Labour Board. Repeal likely to lead to dock strike, with significant economic costs in short term

Contact: A R Williams, HE1; x 4721



**1988-89 Legislative Programme****Title** Pesticides**Sponsor** MAFF**Background information**

Under Regulations introduced in 1986 all pesticides have to be licensed before they are offered for sale; the Food and Environment Protection Act provides powers to charge for the work involved, for MAFF, in approving products and issuing licences. The Solicitor General has, however, recently advised that the Act does not provide power to collect charges in the way preferred by the trade, which has to agree to the charging system. Agreement has now been reached on a system of charges which will enable MAFF to recover most of its costs but this is a stopgap and legal advisers consider that MAFF will be open to challenge. If this happened MAFF would lose receipts of £1.5 million a year. The Chief Secretary agreed, in his letter of 25 January, to support a bid for legislation.

The Bill would amend S18(3) of the Food and Environment Protection Act to provide a firm legal base for charges to recover the full costs of dealing with pesticides applications.

Policy agreement to be sought by March 1988. Very short Bill (1 clause), could be introduced in November. Unlikely to be controversial.

**Line to take**

Support in principle <sup>but</sup> ~~best~~ low priority : prefer to drop

**Speaking note**

Bill not absolutely essential; arrangements to recover costs have been agreed. These can continue even if less than ideal.

**Contact**

Mr Donovan IAE(1) 270 4601



## 1988-89 LEGISLATIVE PROGRAMME

Title: Antarctic minerals.

Sponsor: FCO

Background information

(i) Objectives: to give effect to Treaty (presently under negotiation) regarding development of Antarctic minerals. Policy objectives - agreed, but no decision on whether UK should ratify. Some policy issues yet to be settled - Background (4).

(ii) Priority: depends on eventual content of Treaty: UK likely to wish to ratify, but no pressure to do so quickly.

(iii) Short: 10-11 clauses: to allow ratification, need to deal with responsibilities of operators, penalties and jurisdiction. Much detail to be dealt with by subsidiary legislation. Financial protocol - dealing with liabilities - to be agreed later.

(iv) No obvious urgency: likely to be 15 month period after June for countries to sign Convention, plus further period for ratification. No requirement to provide for legislation now.

(v) Potentially controversial: depends on Treaty, and particularly on environmental safeguards.

Line to take: Neutral (at present).

Background

Prospects for dropping: good: the Foreign Secretary is being advised to drop this Bill to accommodate that for Crown Agents.

(1) There are no public or manifesto commitments, nor have Ministers decided if they will wish to ratify. Bid for slot is premature.

(2) There is no urgency: the UK will not have to sign Treaty until September 1989, and ratification thereafter may not be urgent. 1989-90 timetable is more than sufficient.



(3) Slower timescale will enable UK to determine intentions of our co-claimants on the British Antarctic Territory, Argentina and Chile. It could also help to diffuse environmental objections.

(4) Treasury interest depends on nature of Treaty, and particularly the financial protocol covering costs. Neutral at present: No PES consequences until 1995 at earliest and question of contingent liabilities on HMG - which we oppose - has yet to be settled.

Contact: J C May, AEF1, extension 4902.



## 1988-89 LEGISLATIVE PROGRAMME

Title: Brunei (Appeals to Privy Council).

Sponsor: FCO

Background information

(i) Objectives: to provide for advice by the Judicial Committee of the Privy Council on appeals from Brunei courts direct to the Sultan of Brunei rather than to Her Majesty in Council: at request of the Sultan. No policy clearance, depends whether primary legislation required: may be possible without.

(ii) Medium priority to FCO.

(iii) Very short: instructions ready by May 1988.

(iv) Urgency: FCO say as early as possible: request made mid 1987.

(v) Not controversial.

Line to take: Neutral.

Background

Prospects for dropping: slight: delay to 1989-90 would mean two years since request made. The FCO are very keen to keep Sultan happy: defence sale interests and large assets held in UK.

No public expenditure implications or any obvious Treasury interest. However, would prefer to drop to make room for higher priority legislation.

(i) Not high priority for overall Government objectives: important that legislative programme reflects these priorities.

(ii) Appeals relatively rare. Would not promise of slot next year keep Sultan happy?

Contact: J C May, AEF1, extension 4902.



## 1988-89 LEGISLATIVE PROGRAMME

### CHILD CARE AND FAMILY SERVICES BILL

Sponsored by DHSS

#### Background information

The purpose of the Bill is to improve and clarify the law on child care and protection, putting greater emphasis on the need for support for families with children.

There is a commitment by DHSS Ministers to Parliament to legislate as soon as the Parliamentary timetable permits, implementing recommendations from the Child Care White Paper (Cm 62) published in January 1987. Advance drafting authority for the Bill was given in July 1987. The original proposal was for a 100 clause Bill. Because of time constraints, QL considered limiting the Bill to a minimum response to the Cleveland enquiry, but decided that this was unsustainable given the pressure from Parliament and public for a comprehensive measure. Mr Moore has agreed instead to reduce the Bill to 80 clauses, cutting out some minor provisions relating to children's homes, day care and adoption.

The Bill is unlikely to be controversial in the sense that there is general agreement that legislation is urgently needed to rationalise and clarify existing child care law. (There could of course be disagreement about particular solutions proposed.) There is pressure to introduce legislation whenever public interest has been aroused by tragic cases of child abuse or the role of social workers in protecting children's interests.

#### Line to Take

Neutral

#### Background Note supporting Line to take

Although the line to take is neutral, the Bill is in no sense crucial from the Treasury's point of view and could ideally be further shortened or even dropped altogether to make room for higher Treasury priorities. There is however little prospect now of either eventuality in view of QL's conclusions.

Costs are around **£5 million** in a full year, of which £2 million would fall to local authorities, and the rest to the Lord Chancellor's Department and the Home Office. There would be a further **£4 million** one-off training costs for local authorities in Year 1. No offsetting savings have yet been identified and this would need to be resolved (in the 1988 Survey) before the timing of legislation was agreed. The Bill could also add to existing pressures for a **Family Court** (currently under study by an interdepartmental group), for which the cheapest option would be unlikely to cost less than £10 million a year.

Contact: D RAYNER, ST2 (270 5224)



22  
revise

CONFIDENTIAL

Title: Representation of the People Bill

Sponsor: Home Office

Background information

(i) The Bill would extend the period for which British citizens are qualified to register as overseas electors (probably from 5 years at present to 15 years) and thus be eligible to vote by proxy at parliamentary and European assembly elections. Other minor changes to the Representation of the People Act 1985. Ministers have yet to decide on the length of the extension.

(ii) Manifesto commitment to extend voting rights of residents abroad;

(iii) Short.

(iv) Not urgent. But Home Secretary likely to argue that Act should be operative by time of next Parliamentary elections in 1991 or 1992. Overseas residents will need to be registered by October 1990 to vote in that election. Allowing time for necessary regulations to be made under Act, forms to be printed, and applications to be made, suggests Bill would have to be taken in 1988-89 session or very early in 1989-90 session.

(v) Likely to be controversial

Line to take

Neutral. Prefer to drop to accommodate others of higher priority.

Speaking Note

Do not think that dropping would be particularly damaging. Note Q(L) dropped Bill from 1987-88 session. Although Manifesto commitment, it is vague and could be satisfied by introduction of Bill any time during life of Parliament. Not necessary for Bill to be operative in time for next General Election. [FALLBACK: Allowing for necessary regulations etc, taking Bill very early in 1989-90 session should still give time for it to be operative for next General Election].

Contact: P H Brook HE1 x4708

9 March 1988



Title Fair Employment (Northern Ireland)

Sponsor Northern Ireland Office

Background information

Bill amends Fair Employment Act 1976; the existing Fair Employment Agency will be replaced by a Fair Employment Commission with a new investigatory and monitoring role and a Fair Employment Tribunal will be established whose decisions will be legally enforceable. Secretary of State announced outline of the proposals on 2 March. H Committee policy approval obtained (although trial procedure for offenders to be resolved).

Substantial, could be close to 50 clauses. White Paper will be published late Spring; legislation ready late Autumn.

Irish and international pressure on Government to respond to last year's report from Standing Advisory Committee on Human Rights by strengthening legislation against job discrimination in Northern Ireland. Delay would be damaging to Anglo-Irish relations and encourage US disinvestment campaign.

Anglo-Irish context gives the issue a high political profile and failure to be seen to be taking action would be damaging politically and would encourage disinvestment.

Unionists will oppose the bill but otherwise uncontroversial.

Line to take

Neutral

Background note supporting Line to take

Doubtful about the urgency of fresh legislation when weighed against other priorities.

Proposals would add to regulatory framework putting investment and jobs at risk.

Adds to form-filling burden of companies.

Additional measures unlikely in themselves to bring about change; appear to be more of a defensive move to counter difficulties in Anglo-Irish relations and US boycott campaign.

Contact: M Sharratt (ST3), 270-5057



CONFIDENTIAL

1988-89 LEGISLATIVE PROGRAMME

Title

Education (Scotland) Bill

Sponsor

Scottish Office

Background

The Bill gained a place in the programme on the basis that it (or at any rate one of Mr Rifkind's 3 Bills) would be introduced in the Lords. His letter of 22 February to the Lord President, however, suggested that was unlikely to be practicable. Even as originally bid for, the Bill would have been up to 30 clauses long and highly controversial. The main Treasury interest is in the provisions on teachers' pay and conditions: to establish new teachers' pay and conditions negotiating machinery and separate machinery for heads and deputies. These provisions have not, however, yet received policy clearance. Indeed, Mr Rifkind's proposals are likely to be unwelcome since we understand that, unlike the Green Paper for England and Wales, he will not propose powers for central government ultimately to impose a settlement in Scotland.

Since his original bid Mr Rifkind's letter of 26 February to Lord Belstead proposed expanding the Bill to include provisions he has agreed to drop from this Session's Bill. More important, there is also a proposal, we understand backed by the Prime Minister, to include in the Bill provisions for GM schools in Scotland. Whatever the merits (see below), to include those provisions would almost certainly ensure that the Bill was not appropriate for Lords introduction.

Line to take

Oppose, but avoid provoking opposition from Mr Rifkind to inclusion of the Student Support Bill (see below).



Background note supporting line to take

Priorities for education legislation in next Session are, first, Student Support Bill and, second, Teachers' Pay and Conditions Bill (see Chancellor's letter of 19 February to Lord President). Subject to policy clearance, provisions on teachers' pay etc in Scotland could be subsumed in Joint Bill with DES if that Bill is included in programme.

Few, if any, Scottish schools are likely to be able to benefit from GM status in the short term, at least until the new school boards to be established in the current Session's Bill have found their feet. There therefore seems no need to rush opting-out provisions for Scotland. This was until recently Mr Rifkind's own view, endorsed by the Prime Minister, and the reasons he had expressly not proposed such provisions for Scotland.

You will therefore wish to question the case for including this Bill, pointing out that it seems doubtful whether the condition that it should be introduced in the Lords can be met. Even with Lords introduction, it will still use up scarce time which might just have permitted inclusion of another measure for which the timing of legislation was more critical. It is doubtful whether reform of student support will be achieved at all if it is not done in the next session. But these arguments should not be pressed to the point at which Mr Rifkind counter-attacks the Student Support Bill, since he is an education Minister and this Bill is unlikely to gain a place if he opposes it.

Contact

T J BURR HE2 270-4819



CONFIDENTIAL

1988-89 LEGISLATIVE PROGRAMME

Education (Scotland) Bill

Speaking Note

i. Priorities for education legislation in next Session are, first, Student Support Bill and, second, Teachers' Pay and Conditions Bill.

ii. Subject to policy clearance, provisions on teachers' pay and conditions in Scotland could be subsumed in Joint Bill with DES.

iii. Other proposed provisions could similarly be postponed in light of other, higher immediate priorities.

iv. One item (to provide for commercial activities in FE colleges) acknowledged as appropriate to be offered to a Private Member.

v. Not clear that, even if provisions for GM schools in Scotland are included in this Bill, more than a very few - if any - Scottish schools could take quick advantage of them. Of course support opting-out in Scotland. But school boards, to be established by current Session's Bill, will first need to find their feet. This was until recently Malcolm's own view.

vi. Surely inclusion of GM schools would make the Bill unsuitable for Lords introduction, which was a condition of QL's agreement to its inclusion in the programme.

vii. Even with Lords introduction, would use up scarce time which might otherwise just make it possible to include Student Support - which probably will not happen at all if not in next Session.



CONFIDENTIAL

Title: Police (Officers seconded to Central Service)

Sponsor: Home Office

Background information

(i) The Bill would allow police officers seconded to central service to continue to have their police powers; at present Section 43 of the Police Act dictates that officers on central service cease to be members of police forces, so they lose various rights (eg to wear uniform, drive police cars, be represented by a union, powers that police officers have to take certain actions). Policy has been cleared by H.

(ii) Low priority

(iii) Very short

(iv) Not urgent, but included in QL programme on condition that it will be dropped if controversial

(v) Unlikely to arouse much controversy

Line to take

Neutral. Prefer to drop to make room for others of higher priority.

Speaking Note

The Bill makes a marginal technical change only. Not urgent; [issue has been around for some time].

Contact: P H Brook HE1 x4708

9 March 1988



## CONFIDENTIAL

Title CONVEYANCING PROCEDURES

Sponsor Lord Chancellor's Department

Background information

- (i) To give effect to 4 Law Commission reports covering largely technical formalities on sale of land, disposal of leases and right to damages where contract is broken because of defect in vendor's rights of title. Policy approval to be sought when decision on inclusion in programme is known.
- (ii) Non-priority.
- (iii) Short.
- (iv) Not urgent.
- (v) Uncontroversial, except possibly to some landlords.

Line to take

NEUTRAL. Can readily be dropped in favour of matters of greater priority.

Speaking Note

This Bill is largely of a technical and precedural nature relating to conveyancing. It is unlikely to have any significant effect on sales and purchase of houses and land. It could easily be postponed to a future year in order to make room for matters of higher priority to the Treasury.

Contact: J Lawrie (HE1) 270-4736



CONFIDENTIAL

1988-89 LEGISLATIVE PROGRAMME

Title

National Maritime Museum Bill

Sponsor

Office of Arts and Libraries

Background Information

A two clause, uncontroversial Bill to transfer the National Maritime Museum buildings from the Secretary of State for the Environment and vest them in the Museum trustees, who would be given new powers to hold land. The provisions are necessary in order to enable the Museum to untie from the PSA, to a revised timetable of 1 April 1989. The clauses had already been drafted when it was intended to include those provisions in the wider Museums and Galleries (Miscellaneous Provisions) Bill. Policy approval could be obtained very quickly, and the Bill be ready for introduction at the beginning of the Session.

Line to take

Neutral

Contact

S KELLY HE2 270-4714

7 March 1988



Title: Share Dematerialisation Bill

Sponsor: Department of Trade and Industry

Background Information

This (short) Bill will make the changes needed to allow TAURUS (the Stock Exchange's dematerialised share transfer system) to operate. This is an HMT priority on wider share ownership grounds; TAURUS is a key measure in reducing the cost of share transactions for small investors. The Stock Exchange aim to introduce TAURUS by September 1989 (and have considered an earlier start). These measures were initially in the Companies Bill, but this left a risk that the provisions would not be in place by the time the Stock Exchange wanted to implement TAURUS. The Chancellor wrote to Lord Young proposing a separate Bill dealing with TAURUS, to be introduced under the Second Reading Committee procedure. Lord Young has agreed, and the Bill now has a provisional place in the programme.

The measures themselves are uncontroversial - providing for electronic rather than physical transfer of shares - so the Opposition may well accept its accelerated passage. But if they do not (they may want a debate on City versus Commission costs for small investors) **it is essential that, as a fallback, these provisions are included in the Companies Bill.**

Line to take

Support strongly

Background note supporting Line to take

This legislation has a high priority on wider share ownership grounds. The Stock Exchange cannot implement their electronic share transfer system (TAURUS) without it, and TAURUS is **a key component in reducing small investors' share dealing costs.** The Second Reading Committee procedure will ensure accelerated passage, so that the legislation is in place in good time - the Stock Exchange intends to implement by summer 1989. Essential that Government does not attract criticism for delaying TAURUS by failing to pass the legislation in time.

If Opposition are unwilling to accept Second Reading Committee procedure essential that these provisions are included in Companies Bill.

Contact: M Neilson, FIM(2), 270-4502



Title Elections (Northern Ireland)

Sponsor Northern Ireland Office

Background information

Amending bill to bring NI local government franchise in line with rest of UK. Main groups affected are citizens of the Irish Republic resident in NI but who were not on register in 1962 and wives of servicemen.

In 1985, then Secretary of State gave commitment in principle to extend the local government franchise in NI.

Very short and uncontroversial bill. Draft legislation could be ready at short notice.

Some urgency as local government elections due in May 1989.

Originally, included with more controversial proposals, now dropped, to require candidates in local government elections to make a declaration dissociating themselves from terrorism.

Line to take

Neutral

Background note supporting Line to take

Difficult to justify difference between Northern Ireland and rest of UK. Removal of anomalies will be regarded as positive step by Irish Republic and will assist Anglo-Irish relations.

Small reduction in costs from alignment of local government and parliamentary registers of voters. Savings will flow back to NI block budget.

Contact: M Sharratt (ST3), 270-5057



Title: ELECTIONS (NORTHERN IRELAND)

Sponsor: Northern Ireland Office

Background Information

- i. To require candidates in Northern Ireland Assembly and district council elections to make a declaration dissociating themselves from terrorist organisations and acts of terrorism, to provide mechanisms to enforce the declaration.
- ii. Not important in terms of Government's overall programme; probably strong expectations of some such measure among Unionist community in Northern Ireland.
- iii. Short; ready for introduction by November 1988.
- iv. Need to be implemented in time for local elections May 1989.
- v. Controversial in Northern Ireland.

Line to Take

Oppose.

Speaking Note Supporting Line to Take

Public expenditure implications small but not quantified, including further demands on legal aid. Largely a window-dressing measure unlikely to satisfy Unionists, while SDLP will see it as a further piece of unreasonable discrimination. Practical enforcement of such a declaration not easy to conceive; may resemble a highly-charged political infringement of basic freedom. There must be more worthwhile, enforceable and politically beneficial things to spend Parliamentary time on.

Contact: P Russell (HE1) 270-4733



**1988-89 LEGISLATIVE PROGRAMME****Student Support**

Sponsor: Department of Education and Science

**Background Information**

The Bill will provide for a reform of student support, including the introduction of student loans. The Manifesto said that "Top-up loans to supplement grants are one way, among others, of bringing in new finance to help students and relieve pressure on their parents".

Proposals which have now been substantially agreed between Treasury and DES Ministers will achieve this. Both the grant and the parental contribution would be reduced at the outset by 25 per cent, and frozen thereafter until they represented only 50 per cent of total support. Students would also be removed from the social security system. Loans would be introduced at a level substantially higher than needed to replace the reduction in grant and the loss of benefit.

Legislation will be needed in the coming Session if the new arrangements are to be introduced by the start of the academic year 1990-91. Postponement to the following Session would mean that loans were not introduced before October 1991, around the time of the next Election. This timing would be unattractive, and QL did not dispute that the coming Session could well be the only opportunity to legislate on student support in this Parliament.

QL declined to include the Bill in their recommended programme, on the grounds that the policy had not yet been agreed collectively. But it would now be possible to bring forward agreed DES/Treasury proposals for early collective endorsement. There is certainly no reason why legislation should not be ready for introduction at the start of the next Session.

The introduction of loans will be controversial, although the Bill will also considerably reduce the burden on parents. It



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need not amount to more than a few clauses in length.

**Line to take**

Argue strongly for inclusion in the programme.

**Background note supporting line to take**

The present opportunity to reform student support may not recur. That would mean indefinite reliance by students on welfare benefits, and no prospect of relieving the parental contribution burden. It would also forfeit the potential incentive effects of loans on students.

There is therefore the strongest case for the Bill, which cannot simply be postponed. The timing of the education Bill which is in the programme, the Education (Scotland) Bill, is much less critical. Care will however be needed in opposing that Bill to avoid antagonising Mr Rifkind, since the prospects for the Student Support Bill would be greatly reduced if he opposed it (see separate brief on his Bill).

If there seems likely to be no prospect of getting the Student Support Bill included without getting something else dropped, a last resort would be to propose that it be substituted for the Broadcasting Bill. Although the provisions of this Bill are attractive, including to the Treasury, little harm would in practice be done if it slipped into the following Session, when it would be subsumed in the further Broadcasting Bill which will in any case be necessary in that Session (see separate brief on the Broadcasting Bill).

The attached speaking note focuses on the positive arguments for including the Student Support Bill. There is a separate speaking note attached to the brief on the Broadcasting Bill in case you need to propose that it be dropped.

We have asked DHSS to brief Mr Moore to speak in support of the Bill, on the grounds that it represents the only prospect



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of getting students out of the social security system. Mr Baker also intends to speak to Mr Rifkind ahead of Cabinet.

Contact point: T J Burr, HE2, 270 4819



**CONFIDENTIAL****STUDENT SUPPORT BILL: SPEAKING NOTE****Points to make**

- Specific reforms of student support now agreed between DES and Treasury Ministers to implement Manifesto proposals.
- These will both increase the amount of support available to the average student and reduce the burden on parents.
- Instead of debilitating dependence on welfare benefits, student motivation will be much improved through loans.
- Undue burdens on graduates will nevertheless be avoided by favourable loan terms and by the retention of a major element of grant in student support.
- All this is however likely to be lost if there is no Bill in the next Session, since legislation in the following Session would mean implementing the new system at the time of the next Election, which would probably be judged too risky.

**Defensive****No collective agreement to the policy**

- Given the substantial financial implications, it was felt that colleagues would find it most helpful if proposals were first agreed between DES and Treasury Ministers. This has now been done, and proposals are ready to put to colleagues for early decision.

**Another highly controversial measure**

- Should not overstate potential controversy on loans: most other comparable countries have them. Proposals also mean substantial reduction in parental contribution, which will be highly attractive politically. Bill also very short.



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What existing Bill is of lower priority?

- In the education field, timing of Education (Scotland) Bill appears to be a good deal less critical. [If pressed] Little harm would in practice be done by postponing Broadcasting Bill until following Session, when it could be subsumed in the further Bill which will in any case be needed in that Session (see separate speaking note).



## 1988-89 LEGISLATIVE PROGRAMME

**BILL:** Teachers' Pay and Conditions  
**SPONSOR:** Department of Education and Science  
**LENGTH:** Short/Medium

**BACKGROUND**

This Bill has been provisionally dropped for the 1988-89 session. The Lord President appears to have accepted in his paper QL(88)4 that a Bill might be needed if the present interim arrangements do not work but pointed out that something would have to be dropped to make room for it. This is acceptable although less than we would have wished.

The proposed Act would allow the government to exercise effective control over teachers' pay (£7.3 billion in England and Wales) on a permanent basis. The present arrangements were set up under the 1987 Teachers Pay and Conditions Act which abolished the Burnham arrangements for negotiating teachers' pay in England and Wales and suspended their negotiating rights. The Act gave Mr Baker powers to appoint the Interim Advisory Committee (IAC) to advise him on the 1988 and 1989, and if necessary the 1990, pay settlements.

The government is committed to setting up more permanent arrangements. A Green Paper was issued in October. It was agreed at E(EP)(87)5 that the government's preferred option in the Green Paper would be a Teacher's Negotiating Group which would allow the government to control the management side and if necessary impose a settlement. The presumption is that the Bill would follow this model but the policy has not yet been finally agreed. The legislation is likely to be controversial. The Green Paper envisages the new arrangements being in place for the 1990 settlement, but it may be necessary to have them in place earlier. The Committee has been given a tight remit, and the Chairman (Lord Chilver) is reliable, but some members are known to have found the remit restrictive and we do not know to what extent he will succeed in controlling them.

**Line to Take**

Delay the final decision on the Teachers' Pay and Conditions Bill until late April. By then Ministers will have had the recommendations of the IAC and considered what to do with them.

Contact

J de BERKER

PAY 1

270 5605



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SPEAKING NOTE: **TEACHERS' PAY AND CONDITIONS**

- i. We may not want to use the IAC again for the 1989 settlement the Committee has tight remit and Chairman (Lord Chilver) reliable, but members known to have found remit restrictive and we do not know to what extent he will succeed in controlling them. Sensible to delay final decision until late April when we will have IAC recommendations and considered what to do with them.
  
- ii. Must ensure proper control of Teachers' pay. Teachers' pay major item of public expenditure - £7.3 billion in England and Wales - must ensure this is properly controlled and get value for money.
  
- iii. Bill controversial - need to allow reasonable time for passage through Parliament. If bill delayed until 1989-90 session it will have to be pushed through Parliament very fast to be available for the April 1990 settlement.



## 1988-89 LEGISLATIVE PROGRAMME

Title: Crown Agents (Future Arrangements)

Sponsor: FCO (ODA)

Background information

(i) Objectives: to enable Crown Agents to be privatised; policy announced in 1984 and recently confirmed by Foreign Secretary, Chancellor [and Prime Minister].

(ii) High priority to Treasury and FCO (ODA) to recover as much as possible of CA's debt to NLF and minimise future contingent risks to Exchequer; Chancellor says essential

(iii) Medium length (15-20 clauses); ready Autumn 1988

(iv) Urgent; last chance to get rid of CA from public sector;

(v) Not controversial. Not typical privatisation measure: aim simply to settle future of body.

Line to take: Treasury seeking to add to programme.

Background

1. Since OD decision to privatise, announced in 1984, CA obliged to try to develop business. Results: more risk, over £1 million trading loss in 1987, still unable fully to service NLF debt (£17 million). This is last chance.

2. If no Bill in next session, Ministers are agreed privatisation must be abandoned. But alternatives (i shrink and keep in public sector, or ii wind up) are second best and would still require later Bill. A Bill now would be less troublesome.

3. Foreign Secretary understood to be willing to give up 19 Antarctic Minerals, of broadly similar length, less urgent and potentially more controversial.

Contact: P G F Davis, AEF1, extension 4719.



**CROWN AGENTS****Speaking Note**

1. This is last chance. Uncertainty, since privatisation announced in 1984, cannot continue further. Future of CA must be settled. If Bill excluded, Foreign Secretary and Chancellor agreed alternative action must be taken (ie slim-down and keep in public sector, or wind up).
2. All action requires legislation.
3. Better a Bill now for the best alternative than a Bill later for second-best. Risk in meantime of further loss of public funds. Potential serious embarrassment. Critics would accuse us of indecisiveness and procrastination.
4. Understand Crown Agents could replace Antarctic Minerals (No 19), of similar length, less urgent and potentially more controversial.
5. Recognise two large privatisation measures already in programme. But Crown Agents not privatisation in usual sense. Rather a means of settling, at last, future of vulnerable and misplaced body.
6. This is best opportunity. Wrong to let it pass.



**CONFIDENTIAL****TITLE: TRANSPORT (LONDON) BILL****SPONSOR: DEPARTMENT OF TRANSPORT****BACKGROUND:**

(i) **Objectives** To facilitate deregulation of local bus services in London; enable the privatisation of London Buses Ltd; and to amend as necessary the statutory duties of London Regional Transport. Policy supported by Treasury Ministers subject to details. E(A) paper seeking policy approval has not met opposition on substance of proposals. Supported strongly by DTI.

(ii) **Priority** High. Already public commitment to deregulation in early 1990s.

(iii) **Length** Short. Ready for introduction at beginning of 1988-89 session.

(iv) **Urgency** If no legislation in 1988-89 session, could not deregulate satisfactorily in this Parliament.

(v) **Controversy** Likely to be controversial.

**LINE TO TAKE:** Support strongly.

**BACKGROUND NOTE:** Bill would lift burden of regulations on bus services in London area, which is uniquely still subject to regulations lifted elsewhere in 1986. Would reduce public subsidy requirements, increase competition and benefit consumer. Privatisation of London Buses would reduce size of public sector and raise significant proceeds.

**CONTACT:** W GUY, PE2 Division, Ext 4907



**CONFIDENTIAL****LONDON TRANSPORT BILL****SPEAKING NOTE**

Strongly support inclusion of Bill in 1988-89 programme. Mr Channon has been very helpful in dropping other measures to make this a short Bill confined to London bus services.

Existing burdens of regulations on London buses does Government no credit. Consumers get bad deal. LRT dictates what services to provide and regulations effectively prevent entry by competitors.

Deregulation of London bus services is a matter of urgency. Should not deny Londoners benefits which have occurred elsewhere. But to be fully successful need to link deregulation with break-up and privatisation of LRT bus operations, and amendments to LRT statutory duties.

Benefits would include: highly visible reduction in burden of regulations; greater choice for London travellers; more profitable services; lower public expenditure on subsidies and better value for money from subsidies; reduction in size of public sector; disposal proceeds.

Action on Inner Cities document refers to benefits of bus deregulation. Should not deny these to London. If don't legislate in 1988-89, could not deregulate/privatise in this Parliament.



**TITLE: HUMAN FERTILISATION AND EMBRYOLOGY (CONTROL) BILL****Sponsor: DHSS****BACKGROUND INFORMATION**

The Government is committed to legislate on issues covered by the 1984 Warnock Report. Following consultations on a Green Paper (Cm 46), proposals for legislation were published in a White Paper "Human Fertilisation and Embryology: A Framework of Legislation" (Cm 259) on 26 November 1987. A key proposal is to set up a Statutory Licensing Authority (SLA) to regulate certain infertility treatments and embryo research. DHSS have agreed to absorb costs which (assuming licensing is self-financing) should be small. The Government's stated aim is to introduce legislation in this Parliament, including alternative draft clauses on embryo research, to be put to a free vote.

2. The bill should not be controversial politically, but will cover issues raising strong individual views and be substantial. The Secretary of State for Social Services has argued that delay would make handling the legislation more difficult and meanwhile there is a continual risk of a Private Member's bill. But QL considered the legislative programme could only bear one non-party political bill and preferred the Children and Family Services Bill.

**Line to take**

3. Oppose.

**Background note supporting line to take**

4. The bill covers no Treasury interests. It would be controversial and take up much Parliamentary time. We therefore oppose any move to include it in 1988-89 as there are bills of higher Treasury priority we would like included. The Government is not committed to legislate in this session, and will still be able to state that it intends to legislate.

**Contact: E MORHANGE**

ST2 X5217



## 1988-89 LEGISLATIVE PROGRAMME

Title

Privatisation of The Crown Suppliers


Sponsor

Secretary of State for the Environment

Background Information

- i. The objectives of the Bill will be to enable The Crown Suppliers to be privatised. Mr Chope (DOE) has recently announced intention of privatisation.
- ii. The Bill is likely to be of medium degree importance in terms of the Government's overall programme. But now that Ministers have decided to pursue privatisation, rather than a policy of streamlining The Crown Suppliers without privatisation, it will be an essential step in improving efficiency and effectiveness.
- iii. QL rejected its inclusion. Mr Ridley expected to argue strongly for its reinstatement.
- iv. It is likely to be a short Bill. It should be ready during Spring 1988. Main content of Bill is to prevent (expensive) payments to staff on privatisation on grounds of technical redundancy.
- v. Mr Ridley will argue it is important to proceed with Bill as quickly as possible so that the next steps in the process of privatisation can be taken without delay. Without early Bill it will not be possible to pursue offers of purchase from the private sector (already stimulated by the announcement); momentum will be lost; and Ministers' announcement of early privatisation will have lost credibility: it will look like a Government retreat in face of union opposition. Mr Ridley may be writing about this before Cabinet. Treasury accept DOE's arguments.
- vi. Likely to be controversial - the unions will be opposed to privatisation.

Line to Take

Support 

Background Note Supporting Line to Take

The main reason for proceeding with the Bill from the Treasury's point of view is (i) to improve the effectiveness and the efficiency of The Crown Suppliers; (ii) show that it is possible to privatise a Government Department - a new and interesting departure which could serve as a pilot for others especially in the "Next Steps" context. Privatisation of TCS will only provide a small contribution to the privatisation programme. Public expenditure/PSBR and supply side implications have yet to be assessed in detail. The aim would be to achieve benefits to the PSBR.

Contact

Mr D R Instone. LG2 Division. 270-4729.



CONFIDENTIAL

Title: Prohibition of Torture

Sponsor: Home Office

Background information

(i) Needed for ratification of the UN Convention on torture. Countries party to the UN Convention are responsible for expenses incurred by the Committee Against Torture, in proportion to the UN scale of assessment. The Foreign Office are confident that this can be absorbed within their existing resources. (AEF are content).

(ii) Low priority for Treasury, but higher for Home Office and Foreign Office. Home Secretary wrote on 18 February seeking QL agreement to inclusion in programme as an uncontroversial measure, to be dropped if any controversy. If unable to secure place in 1988-89 programme, Home Secretary may seek agreement to include clause in (already overburdened) Criminal Justice Bill now before Parliament.

(iii) Short

(iv) Not urgent

(v) Uncontroversial

Line to take

Oppose

Background note supporting Line to take

There are other Bills to which Treasury accords higher priority for 1988-89 Session. Doubts as to whether sufficiently urgent for inclusion in current Criminal Justice Bill.

Contact

P H Brook HE1 x4708

7 March 1988



FROM: MISS C EVANS

DATE: 9 MARCH 1988

*not seen*

- 1. MR ODLING-SMEE cc Chief Secretary Mr Turnbull
- Financial Secretary Mr Burr
- 2. CHANCELLOR OF THE EXCHEQUER Paymaster General Mr Gilhooly
- Economic Secretary Mr Illet
- Sir Peter Middleton Mr MacAuslan
- Mr Anson Mr A White
- Dame Anne Mueller Mr Instone
- Sir Anthony Wilson Mr P Davies
- Sir Geoffrey Littler Mr Saunders
- Mr Monck Mr Revolta
- Mr Scholar Mrs M Brown
- Mr Phillips Mr McIntyre
- Mrs Lomax Mr M Williams
- Mr Burgner Mr Pickford
- Mr Hawtin Mr R I G Allen
- Mr Kelly Mr Cropper
- Mr D Moore Mr Tyrie
- Miss Peirson Mr Call
- Mr Culpin Mr de Berker
- Mrs Case Mr Bolt
- Mr Mountfield Mr Guy

*Student Support*  
*Crown Suppliers*  
~~Agents~~  
*Mr: B.M. (G.M.)*  
*or Rep. of Home*  
*(Civil) case (bagging)*  
*no name*  
*Blasphemy (not sat. no 2)*

**1988-89 LEGISLATIVE PROGRAMME: CABINET 10 MARCH**

The Lord President's paper, C(88)5 makes proposals for the 1988-89 legislative programme. My note of yesterday enclosed briefs on all the bills he proposes to include as well as those we are seeking to add. This brief advises on tactics in the light of your discussion at Prayers today. I attach speaking notes and revised briefs to reflect the Prayers discussion and new briefs on bills other Ministers will be seeking to add: Human Fertilisation, Elections NI (expanded), Crown Suppliers and Prohibition of Torture.

*These briefs have been merged with the ones behind Ms. Evans minute 4 8/3*

2. Most of the discussion in Cabinet is likely to focus on the bills listed in paragraph 6 of the Lord President's paper, which are those he identifies as important but which he has been unable to find room for: Student Support, Crown Agents, London Bus Deregulation, Human Fertilisation and Elections NI.



## Student Support

3. The Lord President records your view that the next session is the only politically feasible opportunity for legislation on student loans. But he says that the policy has not yet been agreed. The speaking note (at 30c) responds to this. A further point to make is that the Government is committed to publishing the results of the Student Support Review later in the year. It would be very difficult to leave those conclusions hanging in the air without doing something about them. The next legislative session may be the only opportunity for that.

4. Mr Baker is confident of getting Cabinet support for the scheme but colleagues may look to you and him to suggest options for dropping. You have identified Children and Family Services and Scottish Education as the main targets. Speaking notes with arguments for dropping on both these bills are attached. The Prayers note suggests that Mr Rifkind may argue that the Scottish Teachers' Pay provisions need a separate bill. We see no reason why there should not be a single bill for England, Wales and Scotland (if necessary, see paragraph 11 below). Indeed we are anxious that there should be a single bill - if not Mr Rifkind may seek less stringent provisions in Scotland which could make it harder to get the tougher England and Wales provisions in place.

5. Scottish Education should be easier to drop than Children. To avoid antagonising Mr Rifkind we suggest that your aim should be to undermine Scottish Education along with other low priority candidates (Pesticides, Antarctic Minerals, Brunei, Representation of the People, Police, Conveyancing).

## Scottish Transport

6. The Prayers note asks about the feasibility of dropping Scottish Transport. The bill provides for privatising the Scottish Transport Group: the brief explains the background. Privatisation would remove the anomaly of a nationalised industry exploiting its competitive advantage in a deregulated bus market. Postponement would allow this unfair competition to continue. Mr Rifkind has



given public commitment to legislate<sup>early</sup> - it will be a high profile privatisation in Scotland. We would much prefer to drop Scottish Education

### Crown Agents

7. The Lord President recognises that if we lose the opportunity to privatise Crown Agents in the next session there will still have to be legislation later to implement a less satisfactory and more expensive solution. The Foreign Secretary is being briefed to argue for Crown Agents and to offer to drop Antarctic Minerals to make room for it. You will want to support him.

### London Bus Deregulation

8. The paper records Mr Channon's view that without legislation in the next session deregulation will not be feasible in this Parliament. Mr Channon will argue for adding it to the programme. The brief includes a speaking note in support of Mr Channon: you will judge whether it is feasible to support this addition as well as Students and Crown Agents.

### Human Fertilisation

Brief 34 9. Mr Moore is likely to argue for adding this to the programme. You will want to oppose: the bill would be controversial and take up much Parliamentary time, there is no commitment to legislate in the next session.

### Elections Northern Ireland

Brief 29  
B 296 10. The Lord President's proposed programme includes a short non controversial bill to bring the Northern Ireland franchise in line with the UK. Mr King's original bid for this bill also included controversial provisions which would require candidates to declare that they did not support terrorist organisations. QL decided that this would take up too much Parliamentary time and could be dropped. Mr King is likely to argue for adding the declaration measure. Given that the programme already includes one Northern Ireland bill he is unlikely to succeed.



## Teachers' pay

11. The Lord President's paper does not mention a possible bill on teachers' pay and conditions. QL recognised that a bill to set in place new arrangements for teachers' pay might be needed in the next session if the interim arrangements prove too generous. They recognised that this would in the event mean dropping something from the programme. Mr Baker appears to have accepted this and does not propose to raise the possibility of a bill at Cabinet tomorrow. There is no advantage in your doing so.

## Other bills

Brief 35  
Brief 36  
12. We understand that Mr Ridley is likely to argue for adding Crown Suppliers to the programme. In principle we would like to see Crown Suppliers in but it will not be feasible for you to support this bill as well as the other Treasury priorities. Mr Hurd may argue for adding Prohibition of Torture which ratifies the UN convention on torture. There is no Treasury interest, you will wish to oppose on space grounds.

CE

MISS C EVANS



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## 1988-89 LEGISLATIVE PROGRAMME

## Education (Scotland) Bill

Speaking Note

- i. Priorities for education legislation in next Session are, first, Student Support Bill and, second, Teachers' Pay and Conditions Bill.
- ii. Subject to policy clearance, provisions on teachers' pay and conditions in Scotland could be subsumed in Joint Bill with DES. Hardly makes sense anyway to legislate for Scotland in advance of England and Wales.
- iii. Other proposed provisions could similarly be postponed in light of other, higher immediate priorities.
- iv. One item (to provide for commercial activities in FE colleges) acknowledged as appropriate to be offered to a Private Member.
- v. If real aim of Bill is to permit Scottish schools to opt out, that would surely make the Bill unsuitable for Lord's introduction (which was a condition of QL's agreement to its inclusion in the programme).
- vi. Not clear that, even if provisions for opting out of Scottish schools are included in this Bill, more than a very few - if any - could take quick advantage of them. Of course support opting-out in Scotland. But school boards, to be established by current Sessions Bill, will first need to find their feet. This was until recently Malcolm's own view.
- vii. Even with Lords introduction, would use up scarce time which might otherwise just make it possible to include Student Support - which probably will not happen at all if not in next Session.



## **SPEAKING NOTES FOR THE CHANCELLOR**

### **Child Care and Family Services Bill**

\* **Bill does not introduce any major new reform.** It is a mass of complicated, detailed technical proposals, with **no clear theme.** Illustrated by terms in which DHSS summarise it:

- Main bull point in White Paper (January 1987) was that it would provide a "clearer and fairer framework" for the provision of child care services
- A primary justification of the Bill in John Moore's letter of 18 February to QL was that "the law is confusing and unnecessarily complex" and that an absence of early legislation would be a "failure to support family life"

\* existing arrangements not perfect, but **reform not urgent**

\* John Moore says we will need to legislate quickly in response to **Cleveland, but**

- **we don't yet know what the Cleveland report will say, or how wide its coverage will be, etc**
- we will in any case need to give the report detailed consideration when it is published before proceeding with legislation - **this will take time**

\* The commitment to legislate was explicitly subject to the **Parliamentary timetable permitting**

\* **I recognise that we've lost a handful of cases (5) in the European Court. But the cost is small (around £50,000 in total so far) compared with potential benefits of other legislation**

\* Several other **major DHSS policy areas are already under review** this year

- Social Security Bill already in 1988-89 programme
- implementation of social security reforms
- health review
- Griffiths/Wagner
- computerising all social security offices

**Can do without Child Care Bill as well**