

PO-CH/NL/0733 PART A

2/3

Carbon



FROM: A ROSS GOOBEY  
 DATE: 29 OCTOBER 1986

CHANCELLOR'S MORNING MEETING

111th MEETINGNOTE FOR THE RECORD

Present: Chancellor of the Exchequer  
 Chief Secretary  
 Financial Secretary  
 Economic Secretary  
 Minister of State  
 Mr Lilley MP  
 Mr Heathcoat-Amory MP  
 Mrs Chaplin  
 Mr Cropper  
 Mr Tyrie  
 Mr Ross Goobey

1. RATES

Mr Heathcoat-Amory foresaw an increasing row over rates, and Mr Lilley warned of a substantial revolt by Hertfordshire and Northamptonshire members.

The discussion which followed agreed that the crucial factors to be borne in mind were the effects of high rateable values and the increased resources for education.

2. EMS

Mr Lilley wondered whether there was a suitable brief on this subject. The Economic Secretary suggested the Treasury paper submitted to the TCSC about 18 months ago and a speech he made in a debate this year on suitable sources of the ~~UV~~-text.

3. IOD ON SELF EMPLOYMENT

The subject of self-employment has been exhaustively studied by successive Financial Secretaries. The current Financial Secretary has recently met Mr Trippier with some suggestions which will



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add certainty to the problem, which Mr Trippier has welcomed. The subject should be raised at the forthcoming meeting with Lord Young. Meanwhile Mr Cropper undertook to investigate the employment status of Rank Xerox's "networkers"!

4. CUSTOMS AND EXCISE

The Minister of State said he intended to authorise the closure of the ICD inland depot at Braehead.

5. SUPPLY SIDE

Mr Lilley reported that his article on the Laffer effect should be published by The Times on or before Treasury question day.

6. VAT

The Minister of State warned that there might be a storm over the art sales market's liabilities to VAT.

ARK

A ROSS GOOBEY



float



FROM: A ROSS GOOBEY  
DATE: 29 OCTOBER 1986

CHANCELLOR'S MORNING MEETING

111th MEETINGNOTE FOR THE RECORD

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Chief Secretary  
Financial Secretary  
Economic Secretary  
Minister of State  
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ARK

A ROSS GOOBEY



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FLOAT  
RW

FROM: A ROSS GOOBEY  
DATE: 31 OCTOBER 1986

CHANCELLOR'S MORNING MEETING

112th MEETINGNOTE FOR THE RECORD

Present: **Chancellor of the Exchequer**  
Financial Secretary  
Economic Secretary  
Minister of State  
Hon T Sainsbury MP  
Mr P Lilley MP  
Mr Cropper  
Mr Tyrie  
Mr Ross Goobey

1. PERSONAL EQUITY PLANS

The Financial Secretary undertook to send the Treasury brochure and a covering letter to Conservative Members and talk to Mr Tebbit about other potential addressees. Mr Cropper is to organise two lists of registered and already active plan managers.

2. BUSINESS

Mr Sainsbury reported that Mr Baker's statement on teachers' pay and conditions has been well received by the 1922 Committee.

Continued irritation at the RSG settlement was expressed at the backbench Environment Committee meeting despite good advocacy from Mr Ridley. The Chancellor pointed out that irritation was being expressed primarily by district councils despite the fact that the county settlements would outweigh any district costs; this might mollify some complaining Members. Those with better reasons to moan should recall that it was backbench pressure which led to the abandonment of "targets" with the current consequences.



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Mr Lilley said that since the shires would have 2-3% fewer pupils to educate, even a standstill might not be a disaster. The Minister of State suggested a teach-in for Whips at the DOE. Mr Ross Goobey undertook to obtain a transcript of Mr Jenkin's interview on this morning's Today programme.

3. **EDUCATION**

The Chancellor said that it was very important to maintain the initiative, to appeal to parents and individual teachers that the whole wrangle had gone on too long, and that the LEAs and unions were clearly incapable of solving the problems alone. It was felt that the Professional Association of Teachers might have an important role.

The Minister of State thought that emphasis should be placed on the conditions being imposed to unlock the pay deal, not that the pay deal was being imposed. The Chief Secretary is making a speech on teachers' pay.

4. **TAXATION OF WOODLANDS**

The Financial Secretary is to discuss this subject with the Secretary of State for the Environment.

5. **THE LILLEY CURVE**

The Chancellor will want to use the evidence contained in Mr Cropper's note of 30 October on the tax paid by the top 5% in Thursday's economic debate. It will be crucial to find out the share of tax paid by the whole range of deciles over similar periods, on which Mr Cropper will follow up.

Private Offices should liaise over the bench roster for Thursday.

6. **PAY-ROLL GIVING**

The Minister of State is to have a meeting which the Economic Secretary is to attend. The Chancellor will have to make the



announcement but would prefer to make it after 13 November meeting if that can be arranged. The Economic Secretary asked whether MPs would be eligible.

7. PENSION FUNDS

In order to discover what Central Office is doing to stir up the pension funds, Michael Dobbs is to be invited to attend a Prayers meeting by Mr Cropper.

*ARL*

A ROSS GOOBEY

DISTRIBUTION:

Chancellor  
FST  
MST  
EST  
Sir P Middleton  
Sir T Burns  
Sir G Littler  
Mr F Butler  
Mr Cropper  
Mr Tyrie  
Mr Scholar  
Mr Dyer  
Mr Culpin  
Mrs Lester  
Hon T Sainsbury MP H/C  
Mr P Lilley MP  
Sir A Fraser (C&E)  
Mr Battishill (IR)



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FROM: A ROSS GOOBEY  
DATE: 3 NOVEMBER 1986

CHANCELLOR'S MORNING MEETING

113TH MEETINGNOTE FOR THE RECORD

Present: Chancellor of the Exchequer  
Chief Secretary  
Financial Secretary  
Economic Secretary  
Minister of State  
Mr T Sainsbury, MP  
Mr P Lilley, MP  
Mr Cropper  
Mr Tyrie  
Mr Ross Goobey

*Alex*  
*1. Alex*  
*2. [unclear]*  
*3. Cathy*  
*4. Andrew*  
*5. Cathy*  
*6. [unclear]*

1. ECONOMIC DEBATE

It was agreed that any opposition displeasure was of their own making.

2. BACKBENCH BRIEF

The Chancellor wished to discuss the draft with the Chief Secretary and Mr Tyrie for 10-15 minutes today.

3. SPEECH IN DEBATE

Ideas for inclusion would be welcomed from Ministers and Advisers today. Mr Lilley is to provide the final text of his Times article.

4. DEFENDING THE RESERVE

The Chancellor will pay tribute to Revenue Departments on a suitable speaking engagement. The Revenue should respond to the Kay article



BF Prager  
Wed 12/11  
pmp

Ch

Did you discuss X  
below with Mr Ridley when  
you saw him last week  
re Public Expenditure Control?  
If not, shall we fix a  
meeting now? **No**

~~Prager's Wed~~

AA

discuss



in Fiscal Studies provided that the draft is robust enough.

5. MICHAEL DOBBS

Michael Dobbs has accepted an invitation to Prayers in about 2 weeks time.

6. BUSINESS

X | Mr Sainsbury reported little change since Friday; he confirmed that unease about rates was not confined to Members for "losing" counties. It was agreed that it could be advisable to fix a meeting for the Chancellor and/or the Chief Secretary to meet Mr Ridley and/or Mr Jenkin in a couple of weeks (Private Office to bring forward).

7. ECONOMIC DEBATE (II)

Emphasis should be put on total investment rather than simply the public sector, but within the public sector the high profile areas should be underlined.

The Chancellor is to brief the Lobby and then attend a special meeting of the Finance Committee at about 6.30 pm. The Backbench brief will be available in the Whip's Office, its existence to be advertised at the Backbencher Finance Committee and copies brought to that meeting.

8. SCRUTINY COMMITTEE

The Minister of State reported that the Committee concentrated on agriculture and the VAT contribution to EEC finance.

ARL



DISTRIBUTION

Chancellor

CST

FST

MST

EST

Sir P Middleton

Sir T Burns

Mr F E R Butler


Mr Cropper

Mr Tyrie

Mr Scholar

Mr Dyer

Mr Culpin

Mrs Lester 

Hon T Sainsbury, MP, H/C

Sir A Fraser - C&E

Mr Battishill - IR



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FROM: A ROSS GOOBEY  
DATE: 7 NOVEMBER 1986

CHANCELLOR'S MORNING MEETING

114TH MEETINGNOTE FOR THE RECORD

Present: Chancellor of the Exchequer  
Chief Secretary  
Financial Secretary  
Economic Secretary  
Mr T Sainsbury, MP  
Mr P Lilley, MP  
Mr Cropper  
Mr Tyrie  
Mr Ross Goobey

1. APOLOGIES were received from the MST.

2. TREASURY WHIP

The Chancellor thanked Mr Sainsbury for his positive contribution to the Treasury's activities over the past year, and asked him to pass the secret of his success to Mr Neubert, his successor.

3. REACTIONS TO THE AUTUMN STATEMENT

Mr Sainsbury reported that reaction among backbenchers was strangely muted, being uncertain about interpretation. Sir Peter Hordern was worried about the City reaction, and ruminated that the City demands red meat from the Treasury but would probably gag on it if it was delivered.

The Chancellor pointed out the gulf between perception and reality. Whereas hitherto the Government had been portrayed as cutters while real public expenditure had been rising at over 1% per annum, now, with a similar growth rate in prospect, they are portrayed as profligates.

The Chancellor and Chief Secretary will be briefing the Sunday press this morning, pointing out amongst other factors that the social



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security plan is based on a more rigorous analysis of take-up, and that the major part of the reduction in the Reserve is the inclusion of a 'real' figure for LAs, whereas last year a cash figure was merely projected forward, and the passage of time accounted for the balance.

It was hoped that the size of the overrun might dissuade Members from asking for a higher RSG, although Mr Lilley expressed the view that they might feel that, since constraints had been broken, they would like to put their snouts in the trough as well.

**4. LABOUR'S £28 BILLION**

The Chief Secretary saw a good prospective vein in the Opposition's plans for bolstering local authority jobs, playing up the activities of the extreme left as examples.

The Chancellor agreed that this was good material but did not want it to detract from the £28 billion programme. This must be continually updated and where commitments had been abandoned, (viz early retirement), a new column listing these should be added.

**5. TECHNICAL NOTE**

To mark the end of the session, I intend to number future Prayers' minutes from 1.

*ARG*

**A ROSS GOOBEY**



DISTRIBUTION

Chancellor <sup>e</sup>

Chief Secretary

Financial Secretary

Economic Secretary

Minister of State

Sir P Middleton

Sir T Burns

Sir G Littler

Mr F E R Butler

Mr Scholar

Mr Culpin

Mr Dyer

Mrs Lester

Mr Cropper

Mr Tyrie

Hon T Sainsbury, MP, H/C

Mr P Lilley, MP

Sir A Fraser, C&E

Mr Battishill, IR



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FROM: A ROSS GOOBEY  
DATE: 10 NOVEMBER 1986

CHANCELLOR'S MORNING MEETING

1st MEETINGNOTE FOR THE RECORD

Present: Chancellor  
Financial Secretary  
Economic Secretary  
Minister of State  
Mr Michael Neubert, MP  
Mr Peter Lilley, MP  
Mr Cropper  
Mr Tyrie  
Mr Ross Goobey

1. APOLOGIES were received from the Chief Secretary.
2. TREASURY WHIP

The Chancellor welcomed Mr Neubert to the meeting and assured him of a tenure unperturbed by alarums and excursions.

3. PARLIAMENT

Mr Neubert then reported that the Tory benches had left in good heart, bolstered by the Conference and opinion polls. Reaction to the Autumn Statement had been, by and large, good, enabling all strands of opinion to take comfort. The tax cutters were a little more circumspect in their welcome.

RSG is still a problem; the Whips are trying to separate individual members from the prevailing influence of their County Treasurers.

The Financial Secretary reported some bewilderment over the Autumn Statement amongst his contacts. The Chancellor has arranged for



the relevant parts of the transcripts of "This Week, Next Week" to be distributed to the financial journalists. Mr Cropper undertook to liaise with Central Office over a Member's Brief covering these points.

4. SIB RULES

The current rule whereby an intermediary may either promote only his own products or those of everyone but himself has been questioned again by the TSB. The non-bank promoters of such products hold that any undermining of the rule will be against the intention of the Act. The Economic Secretary and Alastair Ross Goobey are to look into this problem further.

5. SELF EMPLOYMENT

Although the position of Xerox's "networkers" is now clear, consistency is not sufficiently rigorous in the determination of the employed/self-employed boundary.

The Financial Secretary is already taking this forward in consultation with the Department of Employment.

6. SMALL BUSINESSES

In response to a request from Peter Morrison, Mr Cropper is to undertake to provide tit-bits to Central Office for inclusion in the Small Business Bureau magazine.

The Minister of State reported that the Customs and Excise Keith Consultative Paper had been well received.

7. BRITISH AIRWAYS

The Chancellor is still very apprehensive about the consumer advertisements for the issue. There were two alternatives:

(1) to go back on the authorisation of such adverts, or



(2) to make sure allotment favoured the institutions.

Mr Ross Goobey suggested that, in addition, under (2), a high minimum application might be advisable.

The Financial Secretary undertook to return to this subject with the Secretary of State for Transport, with the aim of limiting advertisements and the number of small holders.

8. PHILLIPS AND DREW

The Chancellor asked Mr Ross Goobey to find evidence of P&D's work for the Labour Party and, if this could be established, the fact should be allowed to become known.

9. PEPS

The Chancellor thought that this was now going well and thanked the Financial Secretary for his well-timed efforts. The list of participants is to be established and published at a suitable moment.

10. TOBACCO

Although the Chancellor agreed with advice for the Minister of State not to have a special meeting with Gallaher, he suggested that they might ask him to lunch, with a Special Adviser.

11. PAYROLL GIVING

The Minister of State's letters to Departments was approved by the Chancellor, who enquired whether Mr Hurd had been dissuaded from touching on this subject on November 13.

12. OPPOSITION SPOKESPERSONS

The Economic Secretary reported Terry Davies to be less than grunted about Mr Gould's elevation, and enquired of the Whip



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whether there was any possibility of Dr McDonald suffering a similar fate. He pointed out that she had been rattled by the subject of mortgage relief. Mr Tyrrie mentioned an intervention in this debate by Mr Rooker, which he undertook to look at.

The Financial Secretary is to take up the subject with Mr Patten to try to drive a wedge between the Treasury spokesmen and Kinnock/Rooker.

**13. BOROUGH COUNCILS**

Mr Ross Goobey reported that Hackney Council were now dead set on an illegal rate, a matter which Departments were addressing with care but urgency.

**14. VAT ON ANTIQUES**

The Minister of State's suggestion that he and Mr Luce should jointly address the backbench Heritage Committee, was approved. The actual likelihood of VAT being applied was low.

*AGG*

**A ROSS GOOBEY**



DISTRIBUTION

Chancellor *e*  
Financial Secretary  
Chief Secretary  
Minister of State  
Economic Secretary  
Sir P Middleton  
Sir T Burns  
Sir G Littler  
Mr F E R Butler  
Mr Cropper  
Mr Tyrie  
Mr Scholar  
Mr Dyer  
Mr Culpin  
Mrs Lester  
Mr Michael Neubert, MP, H/C  
Mr P Lilley, MP  
Sir A Fraser, C&E  
Mr Battishill, IR



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FROM: A ROSS GOOBEY  
DATE: 13 NOVEMBER 1986

CHANCELLOR'S MORNING MEETING

2ND MEETINGNOTE FOR THE RECORD

Present: Chancellor  
Chief Secretary  
Financial Secretary  
Economic Secretary  
Mr Neubert, MP  
Mr Lilley, MP  
Mr Lord  
Mr Henderson  
Mrs Chaplin  
Mr Cropper  
Mr Tyrie  
Mr Ross Goobey

1. APOLOGIES were received from the Minister of State.
2. HOUSE OF COMMONS

Since Parliament had been prorogued Mr Neubert had nothing to add to Friday's report. Mr Lilley was concerned that the Government's response to the AIDS problem might be about to go overboard, although he acknowledged that there were those who wanted more to be done. These included the Member for Oldham West, who had reached another £50-100 million for the problem. The Chancellor felt that AIDS was the number one concern for the first time voters (and their parents), and we would reap the whirlwind if nothing was done. The Chief Secretary said that the proposed leaflet may be more explicit than some would like but, in his opinion, it was quite staid. He also pointed out the public expenditure implications of not pursuing the preventative solution.



3. AUTUMN STATEMENT BRIEFS

The Members' Brief went out in Monday's Central Office package. Mr Tyrie has bid for more space in this week's bundle but is doubtful of success.

The Chancellor will expand on the line to take in the Debate on the Address and he will take the opportunity to moderate expectations on revenue in his appearance before the TCSC.

4. BGC

The Financial Secretary should attend the price fixing meeting.

5. WEEKEND WORLD

The Chancellor asked whether any briefing had been given to the programme prior to Mr Hattersley's appearance. It was noted that Mr Hattersley had already disowned Mr Prescott over a training levy.

Mr Tyrie is to prepare material on the £28 billion package for the weekend for inclusion in the Speech in the Debate on the Address.

6. RATES

The Chief Secretary is to liaise with Mr Ridley about any Treasury role in spreading the message. (This refers back to Minutes of Meeting No.113, 3 November.)

7. PRIVATISATION

The Chancellor warned against crediting Labour with the good sense to drop their intention to renationalise. The impression should not be given that any Government achievement is irreversible ..... yet.



8. LOCAL AUTHORITIES

Referring back to the case of Hackney, the Chancellor enquired whether the PWLB had been alerted. Mr Ross Goobey is to make sure DOE is up to date on the position. Officials should keep the Chancellor and Chief Secretary informed of any developments. Mr Lord suggested the line that it had been by voting Labour that the chaos and poor conditions had been created.

ARLh

A ROSS GOOBEY

DISTRIBUTION

Chancellor *C*  
Chief Secretary  
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Economic Secretary  
Minister of State  
Sir P Middleton  
Sir T Burns  
Sir G Littler  
Mr F E R Butler  
Mr Cropper  
Mr Tyrie  
Mr Scholar  
Mr Dyer  
Mr Culpin  
Mrs Lester  
Mr Michael Neubert, MP, H/C  
Mr P Lilley, MP  
Sir A Fraser, C&E  
Mr Battishill, IR



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*psf*

FROM: P D P BARNES  
DATE: 13 November 1986

MR ROSS GOOBEY

cc: PS/Chancellor  
PS/Chief Secretary  
PS/Financial Secretary  
PS/Minister of State  
Sir P Middleton  
Sir T Burns  
Sir G Littler  
Mr F E R Butler  
Mr Cropper  
Mr Tyrie  
Mr Scholar  
Mr Dyer  
Mr Culpin  
Mrs Lester  
Mr Neubert MP  
Mr P Lilley MP  
Sir A Fraser C&E  
Mr Battishill IR

**CHANCELLOR'S MORNING MEETING**

The Economic Secretary has seen your note for the record of 13 November.

2. The Economic Secretary would be grateful if officials could keep him informed of any developments on Hackney and the PWLB.

*fb*

P D P BARNES  
PRIVATE SECRETARY



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FROM: A ROSS GOOBEY  
 DATE: 14 NOVEMBER 1986

CHANCELLOR'S MORNING MEETING

3RD MEETINGNOTE FOR THE RECORD

Present: Chancellor  
 Chief Secretary  
 Financial Secretary  
 Minister of State  
 Mr Neubert, MP  
 Mr Lilley, MP  
 Mr Cropper  
 Mr Tyrie  
 Mr Ross Goobey

1. APOLOGIES were received from the Economic Secretary.
2. BUSINESS

Mr Neubert reported that the backbenchers continued in good heart, buoyed by the PM's heavy points win over the Leader of the Opposition in the Debate on the Address. It has proved difficult to sustain interest in the Debate in two days, let alone the six it is scheduled for; perhaps only 5 days will be needed next year.

There is to be a debate on AIDS next week, which will test the balance between the calm and the concerned wings of opinion. The Financial Secretary wondered whether allowing generic advertising of condoms had been considered. The Chancellor enquired what the status of Wellcome's AZT treatment was.

3. MINISTERIAL ENGAGEMENTS

The Chancellor wanted to remind private offices that all Ministers' speech engagements should be notified to the Chancellor of the



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Duchy's Office. Cabinet Ministers are being urged not to undertake engagements for single constituencies but to try to involve groups of constituencies on one occasion. Any ministerial visits should include time for local party functions, and any time out of the office spent on party functions should be increased in value by including visits to local establishments of the Chancellor's Departments.

The Speaker's Department at Central Office should be informed of ministerial visits through the Special Advisers. On any trip, opportunities should be set aside for interviews on local radio and TV and with local newspaper editors. Of course, any visit should be notified to the local Member.

**4. VAT ON HOLIDAY TOURS**

It was agreed that this matter should be introduced in 1987, which the Chief Secretary and Minister of State will be responsible for.

**5. US DEMOCRATS**

Mr Ross Goobey reported that Senator Hart addressed a dinner at which he was present and made a speech which could have been written by Mr Kinnock. The Chancellor said that the new Senate majority leader, Mr Byrd, had made equally ominous statements, which should be looked at.

**6. ANY QUESTIONS**

Subjects likely to be raised included Mr Reagan's dealings with Iran (Mr Ross Goobey to find the FCO's line to take), the BBC interviewing Gary Adams, the Perzival EDM on the death penalty and, possibly, the fatality caused by a BBC stunt.

**7. STRASBOURG**

The Minister of State reported that there was a mood which suggested a settlement of the Budget by Christmas. There was



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disagreement with the Commission about expenditure classification, but there was a very tough attitude being taken over agriculture.

8. DEBATE ON THE ADDRESS

The Financial Secretary wanted to emphasise the continuity of policy to counteract the accusations of cynicism. The Chancellor asked for the real increases of both planning total and total expenditure by programme taking plans for 1987-88 over estimated outturn for 1986-87 allocating the reserve pro rata to programmes.

The Chancellor and Financial Secretary will liaise over their statements on PEPs.

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A ROSS GOOBEY

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Chancellor  
Chief Secretary  
Financial Secretary  
Economic Secretary  
Minister of State  
Sir P Middleton  
Sir T Burns  
Sir G Littler  
Mr F E R Butler  
Mr Cropper  
Mr Tyrie  
Mr Scholar  
Mr Dyer  
Mr Culpin  
Mrs Lester  
Mr Michael Neubert, MP, H/C  
Mr P Lilley, MP  
Sir A Fraser, C&E  
Mr Battishill, IR

~~Alex~~  
Did you know X?

~~Alex~~  
Alex Thanks

A. Turnbull has this in hand. Like you & me, he thinks it an unhelpful presentation & will ~~try to~~ explain why.

AMH





**FROM: A ROSS GOOBEY**  
**DATE: 19 NOVEMBER 1986**

**CHANCELLOR'S MORNING MEETING**

**4TH MEETING**

**NOTE FOR THE RECORD**

**Present:** Chancellor <sup>e</sup>  
 Chief Secretary  
 Financial Secretary  
 Economic Secretary  
 Minister of State  
 Mr M Neubert, MP  
 Mr P Lilley, MP  
 Mr M Lord, MP  
 Mr B Henderson, MP  
 Mr M Stern, MP  
 Mrs J Chaplin  
 Mr Cropper  
 Mr Tyrie  
 Mr Ross Goobey

**1. NEW PARLIAMENTARY PRIVATE SECRETARY**

A general welcome was accorded Michael Stern, MP on his appointment as Parliamentary Private Secretary to the Minister of State.

**2. BUSINESS**

Mr Neubert reported a continuing rumbling about rates, although some complainers had been stiffened in their arguments against their County Treasurers.

There were mixed opinions about what to do about the teachers.



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He discerned some unease still about the Autumn Statement, evidenced at last night's Backbench Finance Committee.

The debate on Europe on Monday was looming, and a briefing from the Minister of State suggested that the documents to be debated were not new and the Scrutiny Committee had not been difficult. However, as the Chancellor pointed out, the potential problems of the Community Budget would certainly be raised.

3. RATES

Mr Lilley and Mr Stern detected some calming of the early dissidents particularly among PPSs. Mr Lord said a meeting of two Suffolk MPs with Mr Ridley had been noted for Mr Ridley's rigour (especially with a County which was receiving an increased grant). He asked whether there was any room for manoeuvre on the settlement. The Chancellor and Chief Secretary emphasised that there was no possibility of increased funding, and that even if another rejigging of the settlement were to be made, there would be some new losers as well as gainers.

Mr Henderson suggested that the actual formulae for determining support might be made public. Mr Lilley pointed out that there had been large increases in specific grants, like for the police, and these should be used to determine the total picture.

4. TEACHERS

Mr Lilley reported that at a meeting held in his constituency, addressed by Mr Baker, no head teacher supported the ACAS deal. Mr Stern detected no enthusiasm for increasing the money available to reach the ACAS settlement, and Mr Henderson thought that even Opposition Scottish members thought the settlement generous. The Chancellor felt that if the settlement was imposed, the unions would try to organise further disruption, but it would be interesting to see if their members followed.

Mr Lord wondered whether it really was possible for local authorities to opt out of national pay agreements, although this did not



● apply to the teachers settlement.

Mr Henderson had written to 160 correspondents who had contacted him about education in the last year, of whom only a dozen had replied. Some of these felt that the settlement proposed by Main was satisfactory.

5. SUNDAY TRADING

The Economic Secretary asked the Treasury Whip whether the Government intended to revive Sunday trading legislation, to which he received a negative reply. However, the Government might support a Private Member's Bill on licensing hours.

6. INDEX-LINKED GILTS

The Chancellor encouraged the Economic Secretary to persuade the Bank to be a little more daring in these issues.

7. APRT/BANKING BILLS

The Financial Secretary will make the second reading speech on the APRT Bill. The Chancellor was very happy for the Economic Secretary to do the same for the Banking Bill, but was concerned lest the shadow of Johnson Matthey Bankers would mean that his own presence was required. Mr Neubert was inclined to think it was, but hearing the evidence from the Economic Secretary that Dr MacDonald had shown no inclination to make the Bill a big noise, he preferred the quieter option of leaving it to the Economic Secretary. It was decided that the decision to ask the Economic Secretary to do the second reading debate was subject to review if evidence of potential problems arose.

8. PEPS - MINISTERIAL INVOLVEMENT

It was inevitable that Ministers were going to have to refuse most of the invitations from commercial operators to help them launch their PEP schemes. However, some attractions were seen in the Chief Secretary being associated with the Allied Provincial



Brokers launch. Such invitations would be accepted only if there were similar attractions.

9. SPEECH IN DEBATE ON THE ADDRESS

The Chancellor asked for any final comments within the next half hour. The remaining question was whether a new figure for Labour spending was put into play. The general feeling was to stick to the £28 billion, but provided Mr Tyrie was able to provide a defensible figure on pensions by lunchtime, the new commitments should be totalled.

The Chief Secretary recommended using Mr Prescott's renewed pledge for a training levy expressed in last night's debate.

10. PARIS CONFERENCE

The Chief Secretary reported he was under heavy pressure from No.10 to attend in the Financial Secretary's place as the organisers could only promise a speaking slot for a Cabinet Minister. The feeling of the meeting was that the Chief Secretary should not be blackmailed into going at such short notice.

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A ROSS GOOBEY



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FROM: A ROSS GOOBEY  
DATE: 21 NOVEMBER 1986

CHANCELLOR'S MORNING MEETING

5TH MEETINGNOTE FOR THE RECORD

Present: Chancellor  
Financial Secretary  
Economic Secretary  
Minister of State  
Mr Neubert, MP  
Mr Lilley, MP  
Mr Cropper  
Mr Tyrie  
Mr Ross Goobey

In attendance: Mr Michael Dobbs

1. BUSINESS

Mr Neubert reported that EEC farm spending was beginning to be seen as a threat to the 1.4% VAT ceiling. This would be resisted by many backbenchers; the Chancellor reassured him it would also be resisted by the Government. Mr Lilley suggested that farm support should be repatriated, but the Chancellor said that although this might be the result of a collapse in the CAP, its consequences need more thought. The Minister of State reported that his sources indicated that the Germans would also stoutly defend the 1.4% limit. Mr Dobbs said that Central Office was intending to make a mail-shot to farmers in the new year; the feeling of the meeting was that this should not be delayed.

2. MR DOBBS

Mr Dobbs was asked about the mobilisation of the pension and other funds against Mr Hattersley's repatriation of capital policy. Mr Dobbs



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reported that he was aware that a group of businessmen were about to form a lobby group (supported by Ian Greer) to make public statements about economic policy, notably that:

- (1) The economy was strong and successful.
- (2) The policies should be persevered with.
- (3) There were dangers in a radical change of course.
- (4) There was a climate of forward momentum in industry.

There would be a sub-group covering City and other areas (eg, tourism). The City group might be the right source of the lobbying on investment, but use of such people as Henry James (about to retire from NAPF) would also be possible. The Minister of State remembered that the life assurance companies boasted of their lobbying success in 1985. Mr Lilley suggested a draft letter be worked on so that Members could send it to those who lobbied them in 1985.

3. CHARITIES

The question arose of how much support should the Government or Central Office give to the launching of the Charities Package. The Chancellor thought it might form part of a Party Political Broadcast, but support was best given through the Charities themselves, by Ministerial attendance etc. The Economic Secretary believed that the best approach was a constituency-based one involving local charities. It was suggested that Tim Yeo and Virginia Bottomley might be persuaded to co-operate with CCO and Treasury Ministers to visit marginals and talk to local charities. The Economic Secretary and Mr Dobbs were to put this idea to the two MPs.

4. CENTRAL OFFICE

Mr Dobbs reported that the direct mail shots had proved very successful, particularly with BT shareholders, so much so that a profit was being made on the exercise. Other target groups were



BGC shareholders, farmers, clergy, head teachers, and the Chancellor suggested war ex-servicemen. The Minister of State wondered whether CCO might not sponsor its own agency for the charitable giving exercise. Mr Dobbs then left the meeting.

5. CHARITIES PRESS RELEASE

The Chancellor had seen the Economic Secretary/Mr Cropper's draft and other than suggesting the substitution of "famine" for "food crisis" was content.

6. TCSC

It was agreed that the TCSC report is likely to take the Phillips and Drew line. Mr Lilley undertook to talk to John Townend, MP, to point out that public spending is under control but for local authorities and social security. The accusation that the phrase "broadly constant in real terms" has been abandoned is not a weakness, but the danger is that, having breached published planning totals once, the market will assume that succeeding year totals are also suspect. Next year's round must reinstate the authority of planning totals.

7. SHARE OWNERSHIP SURVEY

There was discussion as to who might finance such a survey. There was agreement that it was absurd for Treasury ministers not to be able to quote a sound figure for share ownership which has been a deliberate result of policy. The best prospect seemed to be to share costs with the Stock Exchange. The Financial Secretary is to take this plan forward.

8. ECONOMIC DEBATE

The Financial Secretary had been shocked by the unprecedented barracking from the Leader of the Opposition and the rest of the Labour front bench. He wondered why government backbenchers had not raised Points of Order on this or, alternatively, started barracking the Opposition front bench at every opportunity. Mr Neubert



undertook to raise this question at the Whip's meeting.

9. "ANALYSIS"

The Economic Secretary had been asked by the BBC to appear on a programme about home ownership. It was felt that John Patten should appear, since the only area in which the Economic secretary would be questioned would be the "risky lending" one.

ARg

A ROSS GOOBEY

DISTRIBUTION

Chancellor *e*  
Chief Secretary  
Financial Secretary  
Economic Secretary  
Minister of State  
Sir P Middleton  
Sir T Burns  
Sir G Littler  
Mr F E R Butler  
Mr Cropper  
Mr Tyrie  
Mr Scholar  
Mr Dyer  
Mr Culpin  
Mrs Lester  
Mr Michael Neubert, MP, H/C  
Mr P Lilley, MP  
Sir A Fraser, C&E  
Mr Battishill, IR



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FROM: A ROSS GOOBEY  
DATE: 24 NOVEMBER 1986

CHANCELLOR'S MORNING MEETING

6TH MEETINGNOTE FOR THE RECORD

Present: Chancellor  
Financial Secretary  
Economic Secretary  
Minister of State  
Mr Lilley, MP  
Mr Cropper  
Mr Tyrie  
Mr Ross Goobey

1. GREEN PAPER ON PERSONAL TAX

The General Purpose Committee of the Conservative National Women's Advisory has come out against Transferable Allowances, reportedly unanimously. The Chancellor agreed that Mandatory Separate Taxation or Transferable Allowances both had pluses and minuses, but on balance, he still preferred the latter. The only thing the lobbyists were agreed upon was that the current system was unsatisfactory. There remained the possibility of making allowances semi-transferable and no more. Mr Cropper said that privacy was the critical criterion for the Conservative Women, and he undertook to find out the composition of the GPC to see whether it was biased towards working women. A meeting should be arranged with Emma Nicholson, attended by the Chancellor, Financial Secretary, Economic Secretary and Mr Cropper to determine whether the Committee can be brought back into the fold, or otherwise to explain to them why their view will not prevail.

2. SUMMER LEAVE

The Chancellor asked for private offices to organise the recess



duty roster before he can authorise leave periods for Ministers.

3. FISCAL STUDIES ARTICLE

The article by Mr Beighton was not conceived of as a direct response to John Kay but as an opportunity for the Revenue to explain publicly how they see their role. The Economic Secretary suggested, therefore, that the reference to Mr Kay in line 4 should be deleted, which was agreed. FP should see the draft and communicate any suggested changes to Mr Beighton. Mr Cropper and Mr Tyrie thought that the article was not in the usual Fiscal Studies style, but the Chancellor responded by saying that it must be up to Ministers to make any more political response to Mr Kay and that because his Lecture had not raised much interest, it was better to allow that lying dog to sleep.

4. FREESTANDING ACV'S

In advance of the meeting with Mr Fowler and Mr Major, a discussion was held as to what points should be made. The Chancellor felt that Inland Revenue discretion as to disallowing schemes was not the most satisfactory regime to cover abuse. Limitation of employers' contribution in some way was more satisfactory. Option 2 in the joint paper was only acceptable if they simply topped-up final salary schemes within Revenue limits.

5. AGRICULTURE

It was most unhelpful that reports of a meeting on agricultural surpluses earlier this month, had been the subject of discussion on the 'Today' programme this morning. The Minister of State said it would make the EEC Debate today that much more difficult. Mr Lilley is to inform the Chancellor at what time the Debate is expected to start. Mr Lilley left the meeting.



6. BETTING TAX (For HMT, IR, C&E only)

The Chancellor agreed that the package suggested to balance revenue in this area is attractive. He also thought that the Minister of State's option of increasing the Littlewoods' tax rate should be pursued although in general he was against company-specific taxes.

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A ROSS GOOBEY



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FROM: A ROSS GOOBEY  
DATE: 26 NOVEMBER 1986

CHANCELLOR'S MORNING MEETING

7th MEETINGNOTE FOR THE RECORD

Present: Chancellor  
Chief Secretary  
Financial Secretary  
Mr Lilley, MP  
Mr Lord, MP  
Mr Heathcoat-Amory, MP  
Mr Henderson, MP  
Mr Stern, MP  
Mrs Chaplin  
Mr Cropper  
Mr Tyrie  
Mr Ross Goobey

1. APOLOGIES were received from the Economic Secretary and the Minister of State.

2. ALLIANCE SPENDING

The Chancellor thanked Mr Tyrie for obtaining the fascinating document which confirmed him in his view that "we should do nothing and let them sweat".

3. FREESTANDING AVC'S

Mr Cropper's minute is probably right to say that the DHSS has not thought this matter through. Mr Cropper and Mr Ross Goobey are to do a special note on the matter for Mr Major.



4. PERSONAL PENSIONS CONSULTATIVE DOCUMENT

The Chancellor objected to the colour of the cover. The question of how the document was to be launched was discussed. It was agreed that there should be a press release from the Financial Secretary, possibly with a contribution from a DHSS Minister, subject to Mr Fowler accepting the document in its final form. The Chancellor will inform the Prime Minister of its imminent publication. Mr Stern suggested that copies should be sent to the Backbench Members of the relevant Bill's Standing Committee.

5. ARRANGED QUESTION ON AFTER-TAX EARNINGS

It was agreed that this should go ahead as it was useful to have it on the record.

6. LEAKS

The Chancellor said he was concerned by the number of leaks and quasi-leaks in the press on Treasury matters. He insists that everyone should be very careful in their dealings with the press and the City. Everything said might have a market impact or is relevant to the Budget and journalists are professionals at piecing together various snippets.

7. PARLIAMENTARY PRIVATE SECRETARIES

Mr Heathcoat-Amory wondered if there was any possibility of widening the City Editors' choice of commentators on economic matters from the City, as the usual 6 or 7 were often hostile by persuasion. The Chancellor said that this was unfortunate since the senior management in these firms was usually supportive.

Mr Heathcoat-Amory also reported that he detected a head of steam building up against the introduction of a Community Charge and Uniform Business Rate, in which he was supported by Mr Lord. Mr Lilley and Mr Stern thought that views had not crystallised



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yet but might move that way under the influence of the local authority lobby. Mr Henderson said that Scottish Backbenchers were unanimously in favour of the change, having been subjected to a revaluation. He reported that the Tory Reform Group was agitating against this particular reform.

Mr Stern relayed the Whip's Office view that there had been no surprise abstainers in Monday's EEC Debate.

Mr Henderson thought that the small number of contests for Backbench Committee posts indicated the renewed determination not to rock the boat in the run-up to an election.

*ALG*

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DISTRIBUTION

Chancellor *P*  
Chief Secretary  
Financial Secretary  
Economic Secretary  
Minister of State  
Sir P Middleton  
Sir T Burns  
Sir G Littler  
Mr F E R Butler  
Mr Cropper  
Mr Tyrie  
Mr Scholar  
Mr Dyer  
Mr Culpin  
Mrs Lester  
Mr Michael Neubert, MP, H/C  
Mr P Lilley, MP  
Sir A Fraser, C&E  
Mr Battishill, IR





FROM: A ROSS GOOBEY

DATE: 28 NOVEMBER 1986

CHANCELLOR'S MORNING MEETING

8TH MEETING

NOTE FOR THE RECORD

Present: Chancellor of the Exchequer  
Financial Secretary  
Minister of State  
Mr Lilley MP  
Mr Cropper  
Mr Ross Goobey

1. APOLOGIES

From Chief Secretary, Economic Secretary and Mr Neubert. Mr Neubert had also presented his apologies before the previous meeting.

2. EUROPE

The Minister of State reported that the Second Reading had been achieved within the Budget discipline. The Council of Agricultural Ministers will be meeting at the time the Euro-Parliament will be voting on the Budget, which might cause problems. There is also a group within the Parliament who might want deliberately to create a crisis (and a return to provisional twelfths). There are several outstanding disagreements over classification; the Spanish are not certain what they want; there is a disagreement between Council and Treasury legal advice over the precedence between unrejected Parliamentary amendments and the legal maximum rate.

3. ADVERTISING PEPS

Kate Mortimer's letter setting out the SIB's prospective rules was discussed. The Chancellor saw no problem in restricting discretionary PEPS to alpha and beta stocks, but was more concerned with the requirement to provide a statement for each month in which there are



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dealings. He thought perhaps the plan holder might be permitted to request statements but not to receive them by right. Mr Ross Goobey is to copy the Mortimer letter to the Chancellor and Financial Secretary and the Chancellor may call SIB.

**4. CHARITIES**

There was a discussion about Mr Cropper's note expressing alarm that there was likely to be only one agency charity (CAF) and that it was unlikely to be able to cope with the administration. The Economic Secretary and Inland Revenue are to explore this potential problem. The question of charity numbers was considered a second order problem.

**5. PADDY ASHDOWN MP**

The Minister of State asked for guidance on whether he should have a private meeting with Mr Ashdown to satisfy him about the Government data network. The Financial Secretary and Chancellor thought a private meeting would not risk very much but the Minister of State should probe further why officials are against such a meeting.

ARK

**A ROSS GOOBEY**



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*AGT*

FROM: A G TYRIE

DATE: 1 DECEMBER 1986

CHANCELLOR'S MORNING MEETING

9TH MEETING

NOTE FOR THE RECORD

Present: Chancellor of the Exchequer  
Financial Secretary  
Economic Secretary  
Minister of State  
Mr Neubert MP  
Mr Lilley MP  
Mr Cropper  
Mr Tyrie

1. APOLOGIES

Apologies from Chief Secretary and Mr Ross Goobey.

2. PARLIAMENT

Mr Neubert reported that the PRT bill debate would be virtually unattended. Concern about the RSG had subsided for the time being. There was a lot of concern on the backbenches about the Australian court case.

3. WIDER SHARE OWNERSHIP SURVEY

Mrs Lomax's minute of 28 November on Surveys of Wider Share Ownership was discussed. The Financial Secretary would be taking the matter further tomorrow. The Chancellor's view was that a



joint survey between the Stock Exchange and the Treasury would be appropriate and that it was urgent to put something in hand.

4. TRAINING LEVIES

The Chancellor asked Mr Tyrie to produce a short paper setting out the Labour Party's position on training levies and the cost of these schemes to business.

5. GOVERNMENT CONTRACTS

There was a discussion of the decision making process in cases where Government contracts attracted tenders both from home and abroad.

AGT.

A G TYRIE

DISTRIBUTION

Chancellor  
Chief Secretary  
Financial Secretary  
Economic Secretary  
Minister of State  
Sir P Middleton  
Sir T Burns  
Sir G Littler  
Mr F E R Butler  
Mr Cropper  
Mr Ross Goobey  
Mr Scholar  
Mr Dyer  
Mr Culpin  
Mrs Lester  
Mr Michael Neubert, MP, H/C  
Mr P Lilley, MP  
Sir A Fraser, C&E  
Mr Battishill, IR





FROM: A ROSS GOOBEY  
DATE: 3 DECEMBER 1986

CHANCELLOR'S MORNING MEETING

10TH MEETING

NOTE FOR THE RECORD

Present: Chancellor  
Chief Secretary  
Financial Secretary  
Economic Secretary  
Minister of State  
Mr Neubert MP  
Mr Lilley MP  
Mr Lord MP  
Mr Heathcote-Amory MP  
Mr Henderson MP  
Mr Stern MP  
Mrs Chaplin  
Mr Cropper  
Mr Tyrie  
Mr Ross Goobey

1. BUSINESS

The Treasury Whip reported that events down under were beginning to be used effectively against Mr Kinnock; points of order from the Government side were diminishing the effect of Mr Campbell-Savours.

Today's impending announcement about RSG will mollify many counties, but four will be adversely affected.

Both Treasury-sponsored Bills received unopposed Second Readings.

2. BANKING BILL

The Economic Secretary reported that the Bill should go into Committee next Tuesday and re-emerge in January. The only controversy seems to be over the composition of the Board of Supervision which has been criticised as being not independent enough.



3. APRT BILL

There seems little interest in the Bill on either side of the House.

4. SPEECH DISTRIBUTION

Mr Lilley asked if the practice could be revived of distributing the Chancellor's speeches to the "trustys" 48. The Chancellor asked Mr Lilley, Mr Cropper and Mr Ross Goobey to update the list and reinstitute such a distribution.

5. BETTER MADE IN BRITAIN

The Chancellor reported that the Dinner had a very good turnout of retailers but that BMIB was a two men and a dog organisation. The manufacturers are still very slow at following up the opportunities offered to them by the retailers.

6. PPSS

The only Member who detected any adverse reaction to the MI5 case was Mr Henderson. The Economic Secretary thought that, far from being the negative factor it was perceived as last week, he felt it might now be a plus.

Mr Henderson expressed surprise that Labour are reported to be lifting the edges of Conservative carpets in attempt to find some dirt. The Chancellor thought this showed how effective the Government campaign against the Labour local authorities had been. The Chief Secretary commented that John Banham's comments about London Labour authorities would be helpful ammunition.

Mr Heathcote-Amory reported continual stirrings in the art market about the VAT proposal. The Minister of State said that Hugh Leggat had apologised for starting this hare, which now seemed unstoppable. The Minister of State was firmly of the opinion that there was no crisis, at least for another 5 years.



Mr Stern opined that the education argument was going the Government's way.

Mr Henderson expressed concern at reports that FMI was bogged down. The Chancellor said he thought the report sounded like a misapprehension although he acknowledged that some Departments were implementing it more successfully than others.

7. TAX AND THE SELF-EMPLOYED

The Chancellor said that Mr Cropper's minute expressed a good point. He was not of a mind to rush into a half-day seminar but asked the Financial Secretary/Minister of State to take the matter forward, involving PPSs who have day-to-day examples of the problems. The Chief Secretary does not relish the idea that everyone should have an accountant.

Mr Lilley asked about the enforcement of VAT. The Minister of State said that his letter of 30th June and the consultation document should answer most questions. The line to be drawn on cash accounting for VAT is bound to bring protests from those just over it wherever it is drawn.

8. DHSS/HMT

Social Services Ministers were anxious to nail the canard "the rich get richer and the poor get poorer". The Chancellor referred to the recent Written Answer (col. 470 1 December) and contrasted the increased standard of living of the lowest decile with the decline under Labour. Mr Lilley is to investigate whether DHSS Ministers need more Treasury ammunition or some of the 48 "Trusties" to proselytise what information there is.



9. EEC BUDGET

The Minister of State reported the receding likelihood of a Budget agreement. Mr Lord thought that the milk quota problem is building up and the Chancellor, concurring, linked this with the EEC surplus/African famine contrast as a likely source of comment.

*ARK*

A ROSS GOOBEY





FROM: A G TYRIE  
DATE: 5 DECEMBER 1986

## CHANCELLOR'S MORNING MEETING

11TH MEETING

NOTE FOR THE RECORD

Present: Chancellor of the Exchequer  
Chief Secretary  
Financial Secretary  
Economic Secretary  
Minister of State  
Mr Neubert MP  
Mr Lilley MP  
Mr Cropper  
Mr Tyrie  
Mr Ross Goobey

1. PARLIAMENT

Mr Neubert reported that the APRT Bill had gone through without any problems. The Banking Bill would go into Committee on Thursday, not Tuesday as had been anticipated. The membership of the Committee looked satisfactory - Brian Sedgemore was not on it.

2. The Chancellor said that the Banking Bill might encounter problems in the Lords, and he had spoken to the Lord President about them.

3. Mr Neubert reported that there had been a generally good reaction to the announcement on the RSG settlement by the Secretary of State for the Environment.

4. Mr Neubert reported that backbenchers had expressed dismay that the Prime Minister had felt unable to clear Lord Rothschild.

AUTUMN STATEMENT DEBATE

5. The Chancellor said that the Autumn Statement debate would



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be held on 17 December. He would open and the Chief Secretary would close. He would welcome thoughts from advisers and officials.

6. The Chancellor said that he thought that the material in Mr Tyrie's note on the Prescott training levy might be appropriate for the Autumn Statement debate.

7. The Chancellor asked Mr Lilley to ensure that the Treasury "backbench team" were well briefed to intervene in Mr Hattersley's speech during the Autumn Statement debate, and give support from the backbenches.

**RECORDED TELEPHONE MESSAGES**

8. The Chancellor had received a request from the Party Chairman for a recorded 2-minute telephone message, on the economy, to be diallable like the cricket score service: the Chancellor asked advisers to prepare a draft.

**FARM-POLICY**

9. Mr Cropper reported an enquiry from Mr Dobbs about the presentation of policy on farm policy: did the Treasury have a position on publication of a Green Paper? The Chancellor said that Mr Dobbs should be referred to MAFF.

**OTHER MATTERS**

10. The Chancellor had agreed to speak at a celebrity golf dinner on Wednesday 10 December. He would welcome golfing and political jokes.

11. The Chancellor was displeased to find that someone had placed a story with the Financial Times about the Labour Party's fund-raising letter without having consulted him.

12. Mr Tyrie said that opportunities to attack Labour Party's defence policy were being missed. The Chancellor agreed and suggested that Mr Tyrie speak to Mr Sherbourne to see if the Prime



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Minister could give greater prominence to some of Labour's recent statements.

13. Mr Lilley reported there was considerable concern among his constituents that people were being encouraged to borrow excessive amounts of money. The Chancellor pointed to the Banking Bill as a Government measure designed to prevent increases. Mr Lilley was asked to make proposals.

Revenue matters minuted separately.

M-May

pp A G TYRIE



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FROM: A ROSS GOOBEY  
 DATE: 10 DECEMBER 1986

CHANCELLOR'S MORNING MEETING

12TH MEETINGNOTE FOR THE RECORD

Present: Chancellor  
 Chief Secretary  
 Financial Secretary  
 Economic Secretary  
 Mr Neubert, MP  
 Mr Lilley, MP  
 Mr Lord, MP  
 Mr Heathcoat-Amory, MP  
 Mrs Chaplin  
 Mr Cropper  
 Mr Tyrie  
 Mr Ross Goobey

1. APOLOGIES were received from the Minister of State.
2. BUSINESS

Mr Neubert warned that many backbenchers were posturing about Nimrod/AWACS before the event, and usually in ignorance.

Mr Kinnock has returned to launch the Labour defence policy document, but there are signs that Labour is losing interest in the MI5 case since it does not seem to be winning them any votes.

Labour are determined to make an all-night sitting out of the Education Bill although the Chancellor doubted whether they have the stomach for it. It is possible tomorrow's business will be lost.



3. EMMA NICHOLSON

Mr Cropper is to liaise with private offices to organise a meeting with Ms Nicholson and the Chancellor, Chief Secretary and Financial Secretary about her apparent conversion to the cause of MST (Mandatory Separate Taxation, not Minister of State).

4. TRAINING LEVY

The Chief Secretary's letter to Mr Hattersley will be sent this morning, with the £6 billion figure inserted. The Chief Secretary is co-ordinating this with a similar letter from Mr Channon to Mr Smith.

5. PRIVATISATION

The IFS-sponsored book, which was launched at yesterday's conference, must have a prepared rebuttal. The two points of potential damage are the lack of competition introduced for British Gas and the net "cost" of the wider share ownership target in the policy. On the former it can be pointed out that the common carrier element has already forced British Gas to be more commercial in its supply. The latter is a spurious calculation based on ignorance of markets and the plain fact is that, without the pioneering efforts of the Government in an entirely new field, the policy would never have been possible at all.

6. PARLIAMENTARY PRIVATE SECRETARIES

Mr Lilley confirmed the rumblings about Nimrod/AWACS. If the decision was to favour AWACS, then the basis of such a decision being entirely technical must be spelt out, even if it is damaging to GEC. Mr Tyrie suggested that defence correspondents were important allies on this factor.

Mr Heathcoat-Amory detected further unease about the possibility of a further call on British funds for the EEC after the Prime Minister's statement. Mr Lord hoped that, whatever the short-term outlook, the farmers might be offered some long-term hope



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of a positive future.

ARG

A ROSS GOOBEY

DISTRIBUTION

Chancellor  
Chief Secretary  
Financial Secretary  
Economic Secretary  
Minister of State  
Sir P Middleton  
Sir T Burns  
Sir G Littler  
Mr F E R Butler  
Mr Cropper  
Mr Tyrie  
Mr Scholar  
Mr Dyer  
Mr Culpin  
Mrs Lester  
Mr Michael Neubert, MP, H/C  
Mr P Lilley, MP  
Sir A Fraser, C&E  
Mr Battishill, IR



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FROM: A ROSS GOOBEY  
DATE: 10 DECEMBER 1986

PPS/CHANCELLOR

cc PS/Chief Secretary  
PS/Financial Secretary  
PS/Economic Secretary  
PS/Minister of State  
Mr Cropper  
Mr Tyrie

PS/Inland Revenue

PS/Customs&amp;Excise

POST PRAYERS TAX MATTERS

Payroll giving

The Chancellor was not inclined to increase the limit more than currently agreed, despite Mr Corlett's suggestion. He believed that since there had been few, if any, representations on the limit, it was better to bed the policy in and have a further increase as a "lollipop" for the future.

Freestanding AVCs

Mr Major's reply to Mr Cropper's letter was discussed. It was worrying that the DHSS did not seem alive to the danger of allowing breaches in the 2/3 final salary limit for a hybrid occupational plus money purchase AVC scheme. Mr Cropper and Mr Ross Goobey were to meet Mr Major to take this further before the meeting with officials.

ARG

A ROSS GOOBEY



SECRET

FROM: A G TYRIE  
DATE: 5 DECEMBER 1986

PS/CHANCELLOR

cc PS/Chief Secretary  
PS/Financial Secretary  
PS/Economic Secretary  
Mr Cropper  
Mr Ross Goobey

After Prayers there was a brief discussion of several Revenue matters.

### Private Rented Sector

There was a discussion of the Financial Secretary's recent meeting with Mr John Patten.

2. The Chancellor said that he would not be keen to do anything in the forthcoming Budget to ease the fiscal regime for the private rented sector. The renaissance of the private rented sector would depend first and foremost on deregulation.

### Lloyds

3. The Chancellor said that the Revenue had a strong case in their wish to legislate to let them investigate "reinsurance to close". Other Revenue matters on Lloyds would probably better be handled in the First Finance Bill of the next Parliament.

*M-May*

A G TYRIE

*pp*



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FROM: A ROSS GOOBEY  
DATE: 12 DECEMBER 1986

CHANCELLOR'S MORNING MEETING

13TH MEETINGNOTE FOR THE RECORD

Present: Chancellor  
Financial Secretary  
Economic Secretary  
Minister of State  
Mr Neubert, MP  
Mr Lilley, MP  
Mr Cropper  
Mr Tyrie  
Mr Ross Goobey

1. APOLOGIES were received from the Chief Secretary.
2. BUSINESS

The Bill on Teachers' Pay passed its Commons' stages giving all sides some satisfaction: the Government that it has passed so soon, the Opposition that they have demonstrated their virility. The Banking Bill Committee gave no indication of posing any problems.

3. EEC

The Chancellor welcomed the return of the Minister of State and thanked him for all his efforts as President of the Budget Council.



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The Minister of State reported that despite the failure of the Parliament to agree to the Council's Budget, no acerbity had arisen and the differences between the two bodies could easily have been even greater. He suggested that the MEPs were quite happy to let the problem fester for a time. The Chancellor remarked that there was an identity of interest in that approach between the MEPs and the Government, although not for the same reasons.

The Minister of State is likely to return to Brussels for a trilogue with the Commission and Parliament next week.

### 4. BANKING BILL

The Economic Secretary confirmed that the progress of the Bill through Committee is likely to be cordial. Dr MacDonald would be happy to finish by the end of January. The Chancellor asked whether the Committee should sit on Thursday; the Economic Secretary and Mr Neubert thought this was desirable, since Opposition members were on parade for a Social Security debate anyway.

### 5. MORTGAGE RELIEF

Mr Neubert warned that there was still some muted opposition from the backbenchers to the cut in benefit to the unemployed. The Chancellor made the point that almost every group of backbenchers who visited No.11 complained that the differential in net earnings between those in and out of work was not high enough.

### 6. BUDGET PURDAH

The Chancellor thought the general rule should be that non-public engagements (ie no press or press release) were acceptable up to the end of January, but even those should be foregone in February. On this basis the Financial Secretary could do the City Liaison Group but it was probably unwise for the Minister of State to talk to CIPFA in February.



## 7. AUTUMN STATEMENT DEBATE

The Chancellor said he would spend some time refuting the TCSC report. Any contributions or suggestions by this evening please.

## 8. STOCK EXCHANGE

Christmas Lunch - Mr Lilley and Mr Ross Goobey are to liaise with Mr Allen over the draft of this speech which should contain some humour and a passage on the post Big Bang reflecting a mood of confidence in the future but sternness over any misdeeds.

## 9. ADJOURNMENT DEBATE

The Economic Secretary reported that he is likely to have to respond to an adjournment debate initiated by Colin Moynihan on international debt.

## 10. NEVILLE SANDELSON

The Financial Secretary drew attention to Mr Sandelson's repeated advice to vote Conservative which might yield some fruit.

## 11. DEFENCE

Mr Tyrie promulgated the line he thought worth taking on the Labour defence document. He suggested that the obfuscation on the timing of a US withdrawal be ignored. The Chancellor advocated a single line of attack on which every spokesman will concentrate, not being diverted to questions about conscription. Mr Kinnock must be asked whether his policy on US withdrawal has changed. If "yes" then he will be in trouble with the Left and if "no" then his previous time horizon stands.

Gerry Neale, MP, is organising a pro-nuclear defence group.

The Minister of State suggested looking through a paperback which Denis Healey wrote 30 years ago about the immorality of neutralism.



Mr Ross Goobey thought the Labour Party was divided on the question of whether or not they will shelter under the US nuclear umbrella.

As to the Alliance, whilst it is true that Mr Owen will not say what the ultimate Polaris replacement will be, the Chancellor believes that we should concentrate fire on Labour. Disaffected Labour voters might well come right across to the Conservatives, and, because the Alliance is muddled, potential Tory deserters have no alternative hole to go to.

On conventional weapons expenditure, the Labour Party must be explicit about the net effect of the transfer of funds. There are to be no apparent net savings but of course, to coin a phrase, nuclear defence gives much more bang for your buck than conventional deterrents.

AG

A ROSS GOOBEY



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FROM: A ROSS GOOBEY  
DATE: 15 DECEMBER 1986

CHANCELLOR'S MORNING MEETING

14TH MEETINGNOTE FOR THE RECORD

Present: Chancellor  
Chief Secretary  
Financial Secretary  
Economic Secretary  
Minister of State  
Mr Neubert, MP  
Mr Lilley, MP  
Mr Cropper  
Mr Tyrie  
Mr Ross Goobey

1. BUSINESS

Mr Neubert reported that there was some anxiety over the AWACS/Nimrod decision but no overwhelming concern had been expressed over the weekend. In a lengthy discussion of the implications of any possible decisions, the Chancellor suggested that it could be helpful to allow some senior backbenchers, such as Mr Parkinson, sight of the evaluation paper on a Privy Councillor basis.

2. NO.11 PRESS PARTY

The Chancellor made a warning against inadvertent loose talk at this evening's party, which the media did not treat as an off-the-record social occasion. Those attending are likely to be particularly interested in the run-up to the Budget and the date of Chevening, both of which should not be subject to disclosure.



3. FINANCIAL TIMES ECONOMIC CORRESPONDENTS PARTY - 8 JANUARY

The Chancellor thought it best that no Minister or Adviser attend.

4. CARE IN THE COMMUNITY

The Chancellor expressed concern that this policy was being carried out without an assessment of the social and financial consequences. The Chief Secretary agreed to look at this problem. Mr Neubert wondered whether the policy had ever actually been subject to Parliamentary approval.

5. DEBATE ON THE CITY

The Minister of State had been invited to speak at the Oxford Union in the latter half of January, but the Chancellor thought, on reflection, that Budget purdah should prevail.

6. CHANCELLOR'S TELEPHONE MESSAGE

The Chancellor had taken no decision on whether or not to provide a taped message for Central Office. Meantime, no work was to be done drafting such a message.

*ARg*

A ROSS GOOBEY



CONFIDENTIAL



FROM: A ROSS GOOBEY  
DATE: 17 DECEMBER 1986

CHANCELLOR'S MORNING MEETING

15TH MEETINGNOTE FOR THE RECORD

Present: Chancellor ←  
Chief Secretary  
Financial Secretary  
Economic Secretary  
Mr Lilley, MP  
Mr Heathcoat-Amory, MP  
Mr Lord  
Mr Stern  
Mrs Chaplin  
Mr Cropper  
Mr Tyrie  
Mr Ross Goobey

1. APOLOGIES had been received from the Minister of State and Mr Neubert.

2. MRS CHAPLIN

The Chancellor noted that this would be Mrs Chaplin's last appearance at prayers, thanked her for all her helpful contributions and wished her well at the Institute of Directors.

3. BUSINESS

The Chancellor drew attention to the new Whip for Thursday and the likelihood of Ministers being asked to vote on 16 January and possibly the 12, 13 January as well.



4. LETTER FROM MR TEBBIT

The Chairman of the Party had written suggesting that the Treasury should calculate the cost of Alliance commitments before publication of an updated "Partnership for Progress" in January. It was unanimously agreed that this would be foolish, and a costing should await publication. Mr Tyrie undertook to draft a reply to Mr Tebbit. The line to take after the publication was to emphasise costs of agreed published programmes, point out commitments apparently omitted, and draw attention to the differences between Liberal and SDP commitments.

5. GREEN PAPER ON PERSONAL TAX

Since there had been no real feed-back of individual reactions to the Green Paper the Chancellor wondered whether the Inland Revenue should commission a reputable opinion poll on the subject. The FST questioned whether such a poll on a complex subject would actually advance the state of knowledge and Mrs Chaplin said that we would have to be prepared for it to come up with an unwelcome answer. Mr Cropper suggested referring the subject to the Select Committee. There was no consensus on the next step to be taken.

6. PARLIAMENTARY PRIVATE SECRETARIES

Mr Heathcoat-Amory said that the CAP settlement had already been welcomed in Somerset, since it was not as bad for dairy farmers as had been feared. The Chancellor commented that it seemed grain farmers had been spared the necessary pain, while the Chief Secretary understood that there were elements of both national aids and compensation payments after 1988 which enabled the agreement to be reached.

Mr Stern said there was concern that a choice of AWACS would have knock-on effects on the rest of the defence budget as a result of its higher cost. Mr Lilley detected the undermining of opposition to AWACS, provided that the decision was to be made on technical grounds which were to be spelt out, a point endorsed by Mr Lord.



**BANKING BILL**

The Economic Secretary reported that two sessions of the Committee had processed only two clauses, because the only controversial element, the Board of Banking Supervision, was involved. He was confident of much more rapid progress hereafter.

**8. BAC K.BENCH FINANCE COMMITTEE**

Tim Congdon had reported to the assembled hordes (10 Members) that he had been wrong about the Autumn Statement. Government had actually done rather well at controlling goods and services expenditure and it was only transfer payments which were causing real trouble; even here he saw more promising signs. Without abandoning his concern about £M3, he did not confirm that an 18% rise in that aggregate necessarily assured us of 18% inflation in two years.

**9. AUTUMN STATEMENT DEBATE**

The Chancellor said that he was relying on the Chief Secretary to provide the knock-about in his winding up of the debate. He himself is concentrating on the demolition of the TCSC Report, and he is disinclined to pull his punches. Backbenchers are encouraged to try to provoke Mr Hattersley to respond to the £28 billion costing or his indecision as to whether the "spending spree" is "too little". Mr Stern pointed out a report in today's Times which suggested Mr Hattersley wished pensioners to control their pension fund assets.

It was agreed to concentrate the criticism of the TCSC Report on the facts and the specialist advisers rather than the Committee itself (other than Mr Mitchell).

Mr Tyrie wondered whether the dubious legality of the Labour policy on investment direction could be raised, but it was agreed that this was too slender an item to pursue.

ARG

A ROSS GOOBEY



CONFIDENTIAL



FROM: A ROSS GOOBEY  
DATE: 19 DECEMBER 1986

CHANCELLOR'S MORNING MEETING

16TH PRAYERSNOTE FOR THE RECORD

Present: Chancellor  
Chief Secretary  
Financial Secretary  
Economic Secretary  
Minister of State  
Mr Neubert, MP  
Mr Lilley, MP  
Mr Cropper  
Mr Tyrie  
Mr Ross Goobey

1. BUSINESS

Mr Neubert considered that the AWACS debate had gone rather well, and on the most pessimistic assumptions only 15 had deliberately abstained. The Chancellor thought the debate had very satisfactorily drawn a line under the subject and that GEC would be likely to rethink any intentions they may have had to attack the Government or the Ministry of Defence.

2. AUTUMN STATEMENT DEBATE

The Chancellor asked Mr Neubert whether the Whips had drawn any conclusions about how best to combat the Opposition chorus as a result of the debate. He opined that, although the likelihood of a similar engagement necessitating his absence was small, the



Opposition were certainly likely to organise similar barracking in future. The Chancellor asked the Whips in co-operation with Mr Lilley and other PPSs to mount a counter-operation consisting of a "heavy" mob who would not sit down and a surgical team with suitable incisive interventions and points of order.

Mr Ross Goobey was to check with Mr Culpin to ensure that the text of the Chancellor's speeches to the House would not in any circumstances be distributed to the media before he utters the words therein contained.

The Economic Secretary suggested a sustained campaign to undermine the status of Mr Hattersley, which the Chancellor thought could be best achieved by pointing out the relative superiority of Mr Gould. However, good ammunition must be machined to attack Mr Gould at the appropriate time which the Special Advisers are to amass; with the help of Officials (principally Miss O'Mara) his speech to the House on Wednesday should be perused for passages economical with the truth.

### 3. JANUARY ECONOMIC DEBATE

The next likely occasion for debate is the PEWP. However, before that, Labour is certain to keep escalating expectations about tax cuts, and the line that there is "little scope" for such cuts must be maintained.

The publication of the PEWP may coincide with an Opposition supply day which may be positively desirable.

There are two areas on which the Opposition seem to be concentrating - international comparisons of inflation and real interest rates. On the latter, Special Advisers were asked to think of a snappier retort.

### 4. PRIVATE MEMBERS' BILLS

The whip said there was the possibility of requiring attendance of Ministers on 13 and 20 February in addition to 16 January.



5. BACKBENCH BUDGET CONSULTATIONS

Mr Lilley reported that he had divided the backbenchers between the Ministers but if the Ministers had particular likes and dislikes they should so indicate and he would do his best to reallocate accordingly.

6. REPORT FROM STIRLING UNIVERSITY

The Chancellor emphasised that he was more concerned with the wasteful expenditure involved rather than the result. The Survey was defined in terms which excluded longer term effects and the date related to 1980 which was scarcely a representative year. He intends to allow publication through placing a copy in the House Library.

ARG

A ROSS GOOBEY

DISTRIBUTION

Chancellor  
Chief Secretary  
Financial Secretary  
Economic Secretary  
Minister of State  
Sir P Middleton  
Sir T Burns  
Sir G Littler  
Mr F E R Butler  
Mr Cropper  
Mr Tyrie  
Mr Scholar  
Mr Dyer  
Mr Culpin  
Mrs Lester  
Mr Michael Neubert, MP, H/C  
Mr P Lilley, MP  
Sir A Fraser, C&E  
Mr Battishill, IR



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1. Cathy  
 2. Alex  
 3. Andrew  
 4. Debbie

FROM: A ROSS GOOBEY  
 DATE: 7 JANUARY 1987

5. Nigel

CHANCELLOR'S MORNING MEETING

17TH MEETING

NOTE FOR THE RECORD

Present: Chancellor  
 Chief Secretary  
 Financial Secretary  
 Minister of State  
 Mr Neubert, MP  
 Mr Lilley, MP  
 Mr Stern, MP  
 Mr Cropper  
 Mr Tyrie  
 Mr Ross Goobey

1. APOLOGIES were received from the Economic Secretary.

2. BUSINESS

Mr Neubert reported that no new issues had surfaced during the recess. The Chancellor suspected that the Opposition might use a supply day to debate the City, which could involve Treasury Ministers: Mr Neubert is to keep Ministers informed.

3. PARLIAMENTARY PRIVATE SECRETARIES

Mr Lilley, reporting on a Hogmanay visit to Scotland, said the Scots were entirely unaware of the higher than average public expenditure per head being showered upon them, which made such



## CONFIDENTIAL

expenditure doubly wasteful: they don't appreciate it and it makes them a client state. He also thought it would be useful to have a DTI Minister make a comment on Guinness in Scotland, where sensitivity about Distillers is high.

### 4. LABOUR'S SPENDING PLANS

Mr Tyrie was asked to circulate an update on the £28 billion exercise concentration on the status of pledges old and new (including the training levy). Mr Ross Goobey undertook to follow up the Chief Secretary's request for a Kremlinological study of Bryan Gould's winding-up speech in the Autumn Statement Debate.

### 5. STATISTICAL DISCREPANCIES

The Chancellor pointed out that there were unprecedented discrepancies between the three measures of GDP and a rapid rise in the balancing item of the balance of payments. He asked Mr Lilley to suggest to Roger Nightingale of Hoare Govett that he might like to make a public study of these since it seemed probable that the published statistics were unnecessarily pessimistic.

### 6. CONGLETON

The Chancellor asked for a volunteer to speak in Congleton in his place. The Minister of State volunteered and was warmly thanked.

### 7. MR MEACHER

The addition of Makes Eccentric Anti-American Comments Hysterically to his previous acronym of Makes Extravagant Additional Commitments Hourly did not call for rebuttal. The Chancellor will want to make a comment on our net external asset position when the 1986 figure is available.

### 8. BISHOPS STORTFORD

It is clear that Mr Hattersley is concentrating on any weakness in the balance of payments to try to achieve further sterling



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weakness, but there is little evidence of a well argued alternative economic policy emerging from the Shadow Cabinet discussions.

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**A ROSS GOOBEY**

**DISTRIBUTION**

Chancellor  
Chief Secretary  
Financial Secretary  
Economic Secretary  
Minister of State  
Sir P Middleton  
Sir T Burns  
Sir G Littler  
Mr F E R Butler  
Mr Cropper  
Mr Tyrie  
Mr Scholar  
Mr Dyer  
Mr Culpin  
Mrs Lester  
Mr Michael Neubert, MP, H/C  
Mr P Lilley, MP  
Sir A Fraser, C&E  
Mr Battishill, IR



UNCLASSIFIED

*pub*



FROM: CATHY RYDING  
DATE: 8 January 1987

MR ROSS GOOBEY

cc Chief Secretary  
Financial Secretary  
Economic Secretary  
Minister of State  
Miss O'Mara  
Mr S King  
Mr Cropper  
Mr Tyrie

**NET OVERSEAS ASSETS 1986**

The Chancellor was most grateful for your minute of 7 January.

2. The Chancellor has noted that the Treasury will receive a preliminary estimate in March, and would <sup>as</sup> like to see this as soon as possible.

*CR*

CATHY RYDING



1252/10

ASAP.

FROM: A ROSS GOOBEY  
DATE: 7 JANUARY 1987

CHANCELLOR

*M. ...  
...  
... X*

cc Chief Secretary  
Financial Secretary  
Economic Secretary  
Minister of State  
Miss O'Mara  
Mr S King  
Mr Cropper  
Mr Tyrie

NET OVERSEAS ASSETS 1986

You asked at Prayers today when the first estimate of this figure will be available.

- X 2. The Treasury will receive a preliminary estimate in March which is usually first published in the FSBR.
- 3. This figure is subject to substantial revision and the substantive figure appears in the Pink Book in August.
- 4. The CSO is the originating agency.

*ARLH*

A ROSS GOOBEY



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pwp

FROM: A ROSS GOOBEY  
DATE: 9 JANUARY 1987

CHANCELLOR'S MORNING MEETING

18TH MEETINGNOTE FOR THE RECORD

Present: Chancellor <sup>e</sup>  
Financial Secretary  
Minister of State  
Mr Neubert, MP  
Mr Lilley, MP  
Mr Cropper  
Mr Tyrie  
Mr Ross Goobey

1. APOLOGIES were received from the Chief Secretary and the Economic Secretary.

2. SUPPLY DAY DEBATE

The Chancellor thought it important to organise backbenchers to intervene and raise points of order in Mr Hattersley's speech, and give vocal support and raise points of order against the organised disruption from the Opposition Front Bench during his own speech. Mr Neubert agreed and also suggested that members of the Backbench Finance Committee such as Messrs Foreman and Smith and other "trusties" such as Alan Howarth, should make speeches in the Debate and thus be present during the opening speeches. He also asked that the Treasury bench should be full.

The precedents regarding the publication of the PEWP should be investigated in case it gave cause for Opposition complaints.



The question of the preferred wind-up speaker was unanimously resolved in favour of Mr Clarke, since the Debate was couched in North/South unemployment terms. Since Mr Clarke is currently in Japan, this should be resolved as soon as possible.

The Chancellor asked the Special Advisers to meet with their counterparts at Employment, Industry and Policy Unit to discuss a common line on the North/South debate.

**Mr Ross Goobey** undertook to investigate the whereabouts of the 400,000 unemployed building workers and the capacity restraints in that industry. **Private Offices** are asked to organise a Bench roster and inform PPSs.

### 3. LABOUR SPENDING POLICIES

The admitted commitments to an additional £6 billion borrowing added to the £7 billion PSBR forecast and no privatisation proceeds would bring a Labour PSBR to £18 billion. Of the total £9.6 billion package (£3.6 billion poverty package and £6 billion jobs package) a calculation is necessary on how much is current and how much capital expenditure. **Mr Tyrie** was also asked to identify which of the £28 billion pledges were included in the £9.6 billion packages so that the Opposition may be challenged as to the apparently abandoned pledges.

The Chancellor asked whether **Mr Higgins** might be roused to indignation at the size of a Labour PSBR.

On Mr Tyrie's paper, the Chancellor thought it inevitable that the Chief Secretary would want an update for the PEWP debate. On the other matters, it was agreed not to include either a consequential bureaucracy figure or a renationalisation figure. A pledges abandoned list should be added and a journalist might also be taken through the workings of the costings. The public spending status of the Prescott training pledge was unclear and better omitted.



4. CENTRAL COUNCIL/ANY QUESTIONS

The Chancellor wished to speak on Friday afternoon, 20 March, and asked the Chief Secretary to appear on that day's Any Questions since he could not do both.

5. BRITISH PROPERTY FEDERATION

The Minister of State was able to accept the speaking invitation provisionally, to be firmed up on after the announcement of the Budget Date.

*ATC*

A ROSS GOOBEY



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NOTE:  
 X/overtake by  
 meeting at  
 noon or Wed

DL  
 14/1

FROM: A ROSS GOOBEY  
 DATE: 12 JANUARY 1987

CHANCELLOR'S MORNING MEETING

19TH MEETINGNOTE FOR THE RECORD

Present: Chancellor  
 Chief Secretary  
 Financial Secretary  
 Economic Secretary  
 Minister of State  
 Mr Neubert, MP  
 Mr Cropper  
 Mr Tyrie  
 Mr Ross Goobey

1. APOLOGIES were received from Mr Lilley.

2. EMS REALIGNMENT

The Chancellor reported on his half-day trip to Brussels. The problems which arose during what should have been a straightforward meeting came from strains within the Belgo-Luxembourg currency union. Progress was also interrupted by the sudden proposal by M. Delors to broaden the debate to include the dollar and monetary policies. The consequential cost on agricultural support is much smaller than the (Otmarsun) realignment.

Although the publicity over the realignment was unhelpful to the image of the ERM, the fact that such changes as have been made are of such small amounts meets the demands of industrialists. The Chancellor would prefer a regime in which the "demandeur" whomsoever it might be from time to time and the Germans would agree a new parity, with other countries being free to slot themselves in wherever they please within those limits.



3. OPPOSITION DEBATE

Mr Clarke has yet to be confirmed as the winder-up of the debate. **Mr Lilley** has arranged a meeting of the "trusties" in the Chancellor's room with the Chancellor after PM's questions tomorrow. **Mr Tyrie** will be providing a "bull points" sheet for them. Points of order about the Opposition front bench's behaviour should be organised by the Whip's Office and such heavyweights as Cranley Onslow, Terence Higgins and perhaps David Howell and Barney Hayhoe should be briefed. **Mr Neubert** undertook to contact Mr Lilley today to liaise on these matters.

The Chancellor called for further contributions to his speech as soon as possible. He particularly requested the breakdown of Labour's £9.6 billion spending package as between current and capital expenditure. The **Minister of State** pointed out that Mr Gould seems to have said that part of the £6 billion package will have to be financed through taxation (and will look out the source). The Chancellor requested briefing on the removal of the UEL on employees' NICs, on the pledges outside the £9.6 billion package which are most difficult to disavow, Mr Kinnock's quote about a "crime wave" in the City, the figures for real net incomes at all levels of the income spectrum under this Government and any evidence of living standards by region.

4. BANKING BILL

X) The three sessions of the Committee had done only 9 out of the 100 clauses. The Opposition want to increase the pace, but some issues, such as the takeover clause, must be debated and some technical ones may be debated. The Chancellor and **Economic Secretary** will meet after Wednesday's vote to discuss progress.

5. ALLIANCE COSTINGS

(A clarification to the minutes of the 18th Meeting: **Mr Tyrie** has been asked to provide a "sitrep" not a full update for the Chief Secretary for use in the PEWP debate.) **Mr Tebbit** has agreed our proposed handling of the Alliance relaunch, and any early



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version Mr Tyrie can lay his hands on would be helpful.

6. NATIONAL LOTTERY

The **Financial Secretary** expressed his enthusiasm for the concept, although he reported that Mr Hogg takes the Home Office line against it. The **Chief Secretary** was also strongly in favour but foresaw difficulties over the distribution mechanism to the beneficiaries, and the dangers of substitution for other charitable giving. The **Financial Secretary** pointed out that some of the substitution would be on newspaper competitions. The **Economic Secretary** expressed himself moderately in favour and pointed out that the standard letter he currently sends out to lobbyists is rather stale; the **Financial Secretary** and he will look to see whether a better epistle may not be formulated. **Mr Cropper** was slightly in favour although he had the uneasy feeling he ought to be against. **Mr Ross Goobey** was in favour in principle and would like to link it with current work being done on DNS offerings, the National Stock Register and sub-post office counter provision.

7. GOVERNMENT DATA NETWORK

The **Minister of State** reported that he was going to sell his small investments in two of the ten companies which had tendered for this contract. To maintain their independence, other Ministers would prefer not to know the names of the tenderers.

ARG

A ROSS GOOBEY



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FROM: A ROSS GOOBEY  
DATE: 16 JANUARY 1987

CHANCELLOR'S MORNING MEETING

21ST MEETINGNOTE FOR THE RECORD

Present: Chancellor  
Chief Secretary  
Economic Secretary  
Mr Neubert, MP  
Mr Lilley, MP  
Mr Cropper  
Mr Tyrie  
Mr Ross Goobey

1. APOLOGIES were received from the Financial Secretary and the Minister of State.

2. BANKING BILL

Will resume at Clause 22, the "national interest" clause having been passed. The Chancellor thanked Mr Neubert and the Economic Secretary for the consummation which had been devoutly wished and had depended on the exercise of their respective skills. The Economic Secretary said there remained a strong undertone of demand for a national interest clause, which might, as the Chancellor suggests, merely reflect the backlash against bids generally. The Chancellor and the Chief Secretary will want to read the Hansard report of the Committee's Debate on the Clause which Mr Ross Goobey is to sideline. There followed a general discussion on merger policy.

3. TUESDAY'S ECONOMIC DEBATE

The Special Advisers undertook to analyse Mr Hattersley's speech of 15 January and make suggested counter points for the Chancellor's box this evening.



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4. DAVID HOWELL

Mr Cropper is to try to contact him today and report to the Chancellor.

5. WORLD DEVELOPMENT MOVEMENT

They are asking for the Chancellor to speak on debt. The **Economic Secretary**, to whom this would naturally devolve, is willing to appear but thinks there are peculiar difficulties about speeches on debt alone. It was agreed that, if Messrs Hattersley and Jenkins agree to appear, the **Economic Secretary** will participate; otherwise **Mr Lilley** will deputise. The preferred date is after the IBRD/IMF meetings.

6. LORD VINSON

The Chancellor agreed to see Lord Vinson, together with the **Financial Secretary**.

7. SCOTTISH BACKBENCHERS

Mr Lilley is to check with Mrs Lester whether the Chancellor has received an invitation to speak to the Whisky Lobby.

ARL

A ROSS GOOBEY



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FROM: A ROSS GOOBEY  
DATE: 14 JANUARY 1987

CHANCELLOR'S MORNING MEETING

20TH MEETINGNOTE FOR THE RECORD

Present: Chancellor  
Financial Secretary  
Economic Secretary  
Minister of State  
Mr Lilley, MP  
Mr Heathcoat-Amory, MP  
Mr Lord, MP  
Mr Stern, MP  
Mr Cropper  
Mr Tyrie  
Mr Ross Goobey

1. APOLOGIES were received from the Chief Secretary.

2. BUSINESS

The Chancellor told the strange tale of the disappearing debate on the economy. The Opposition have been offered next Tuesday as a replacement and their response should be known today.

3. MEMBER'S PAY

Since under present plans Member's pay is set to jump to £23,000 next year (up 24%), the Chancellor wondered whether this might not be a potential problem in an election campaign, although the potential beneficiaries present seemed for some reason or another to think not. Mr Lilley pointed out that to try to reverse the decision would draw attention to it and cause more trouble than letting the increase go. It was also agreed that the only time any attention might be paid to it was in an Autumn election.



4. BACKBENCH FINANCE COMMITTEE

David Nickson of the CBI addressed the Committee and said that the Government had done what needed to be done and now it was up to industry to deliver.

5. CUSTOMS SMALL BUSINESS CONSULTATION

The Mail Order Association, in the person of Sir Geoffrey Finsberg, were miffed at not being consulted as they believe the proposals create problems over bad debts. The **Minister of State** was optimistic about smoothing the ruffled feathers and it was agreed no conclusions based on the consultation would be announced before the Budget.

6. FIRST ORDER QUESTIONS - 29 JANUARY

Mr Lilley asked for suitable themes. Public expenditure, taxation, PEPs and wider share ownership, and charities (if there is any hard news to add), and an ingenious formulation along the lines of "what representations has the Chancellor had from the Opposition about increases in public expenditure?" were recommended.

7. CHARITIES

Mr Heathcoat-Amory wondered whether the Charities Commission ever warned a charity that its overtly partisan politicking threatened its status. Mr Cropper is to investigate and may suggest to Mr Ridley that he looks at the case of Shelter.

Mr Lilley also questioned the motives of some charities in relation to Third World Aid and the Eastern Block's attitude thereto.

8. HEATING ALLOWANCES

Mr Tyrie suggested briefing backbenchers and the DHSS on the desired line of questioning of Mr Meacher, which it was agreed was an excellent plan.



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9. 1922 COMMITTEE

The Chancellor agreed to address the 1922 Committee on plans for the manifesto on 12 February. 17

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A ROSS GOOBEY

DISTRIBUTION

Chancellor  
Chief Secretary  
Financial Secretary  
Economic Secretary  
Minister of State  
Sir P Middleton  
Sir T Burns  
Sir G Littler  
Mr F E R Butler  
Mr Cropper  
Mr Tyrie  
Mr Scholar  
Mr Dyer  
Mr Culpin  
Mrs Lester  
Mr Michael Neubert, MP, H/C  
Mr P Lilley, MP  
Sir A Fraser, C&E  
Mr Battishill, IR



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POST PRAYERS (MINISTERS AND ADVISERS ONLY)

10. NATIONAL LOTTERY

The Chancellor preferred to link a national lottery with the abolition of Premium Bonds but this should be a matter for a new Parliament.

11. 1984 SHARE OPTIONS

The Chancellor wondered whether there would be support for the abolition of the 4X salary rule on 1984 share options. The **Financial Secretary** will talk to Sir John Egan of Jaguar and this might be an item for a future finance bill, but not 1987.

12. VAT ON MOUNTAIN RESCUE EQUIPMENT

The **Minister of State** reported that Customs was content to go ahead. Although there was a case for making an early announcement, **Mr Cropper** said that Peter Jenkins (ex Treasury) believed some tidying up of last year's concessions was needed and a package might be required in this year's Budget. The **Minister of State** was to investigate.

13. POLICY GROUP REPORT

X | Ministers and Advisers should meet, preferably after Friday's vote to discuss the final report.

ARG

A ROSS GOOBEY





FROM: A ROSS GOOBEY  
DATE: 19 JANUARY 1987

CHANCELLOR'S MORNING MEETING

22ND MEETING

NOTE FOR THE RECORD

Present: Chancellor  
Chief Secretary  
Financial Secretary  
Economic Secretary  
Minister of State  
Mr Neubert, MP  
Mr Lilley, MP  
Mr Cropper  
Mr Tyrie  
Mr Ross Goobey

1. BUSINESS

Mr Neubert reported that the "secret" defence contract might cause trouble, although the reported statement by Mr Sheldon of the PAC should calm the situation.

2. OPPOSITION DAY DEBATE

The Chancellor perceived that the BTR/Pilkington bid would be more likely to be a subject for concern. Mr Ross Goobey undertook to draft a passage about reference policy. The Minister of State reminded the Chancellor that the ex-Chief Scientific Adviser (Robin Nicholson) had chosen to go to work for Pilkington.

3. EC BUDGET COUNCIL

The dead-heat of 38 all was considered a more satisfactory outcome than had been anticipated; indeed, the Council was only one vote



away from a qualified majority on an even more acceptable solution. Mr Christofferson had attempted to persuade the Mediterranean hold-outs to join a unanimous decision but his message had been misunderstood by the youthful Belgian President.

4. VAT AVOIDANCE

Grand Metropolitan is orchestrating a backbench campaign against the proposals. The **Minister of State** agreed to do a counter-brief.

5. TV LINCENCES

Mr Cropper is to ensure that Edward Bickham at the Home Office is aware of the ramifications for sub-post offices of the decision to allow the BBC to collect its own licence fees.

6. LICENSED VICTUALLERS

The Chancellor agreed to see their lobby and Mr Colvin with the **Minister of State**.

7. BACKBENCH GROUPS

In the pre-Budget consultations with backbenchers, a Special Adviser or PPS should be present, record all views of all participants and circulate them to Ministers and Advisers.

8. STATISTICAL UNDERRECORDING

Roger Nightingale may produce something on this subject.

9. EUROPEAN COMMISSION ON HUMAN RIGHTS

The **Minister of State** pointed out that the Commission was ruling tomorrow on whether they had jurisdiction in the GCHQ case.

ARG

A ROSS GOOBEY



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POST-PRAYERS (MINISTERS AND ADVISERS ONLY)

10. IMPROVEMENT LOANS

It was agreed not to take action in this Parliament but the regime should be looked at critically in the new Parliament.

11. LLOYDS

The **Economic Secretary** had understood from Chevening that only "reinsurance to close" was to be dealt with this year, not the administrative elements of a Lloyds package. His recollection was confirmed.

12. PREMIUM BONDS

No action is required this Parliament.

ARg

A ROSS GOOBEY



CONFIDENTIAL



FROM: A ROSS GOOBEY  
DATE: 19 JANUARY 1987

CHANCELLOR'S MORNING MEETING

22ND MEETINGNOTE FOR THE RECORD

Present: Chancellor *e*  
 Chief Secretary  
 Financial Secretary  
 Economic Secretary  
 Minister of State  
 Mr Neubert, MP  
 Mr Lilley, MP  
 Mr Cropper  
 Mr Tyrie  
 Mr Ross Goobey

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NOTE OF  
PRAYERS

22 MEETING

19/1



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Mr Cropper is to ensure that Edward Bickham at the Home Office is aware of the ramifications for sub-post offices of the decision to allow the BBC to collect its own licence fees.

6. LICENSED VICTUALLERS

The Chancellor agreed to see their lobby and Mr Colvin with the **Minister of State**.

7. BACKBENCH GROUPS

In the pre-Budget consultations with backbenchers, a Special Adviser or PPS should be present, record all views of all participants and circulate them to Ministers and Advisers.

8. STATISTICAL UNDERRECORDING

Roger Nightingale may produce something on this subject.

9. EUROPEAN COMMISSION ON HUMAN RIGHTS

The **Minister of State** pointed out that the Commission was ruling tomorrow on whether they had jurisdiction in the GCHQ case.

ARL

A ROSS GOOBEY



19/1/87

POST-PRAYERS (MINISTERS AND ADVISERS ONLY)

10. IMPROVEMENT LOANS

It was agreed not to take action in this Parliament but the regime should be looked at critically in the new Parliament.

11. LLOYDS

The **Economic Secretary** had understood from Chevening that only "reinsurance to close" was to be dealt with this year, not the administrative elements of a Lloyds package. His recollection was confirmed.

12. PREMIUM BONDS

No action is required this Parliament.

ARg

A ROSS GOOBEY





FROM: A ROSS GOOBEY

DATE: 21 JANUARY 1987

**CHANCELLOR'S MORNING MEETING**

**23RD MEETING**

**NOTE FOR THE RECORD**

Present: Chancellor  
Chief Secretary  
Financial Secretary  
Economic Secretary  
Minister of State  
Mr Neubert MP  
Mr Lilley MP  
Mr Heathcote-Amory MP  
Mr Henderson MP  
Mr Stern MP  
Mr Cropper  
Mr Tyrie  
Mr Ross Goobey

**1. OPPOSITION DAY DEBATE**

The Chancellor thanked the PPSs and the Whips for the excellent briefing and organisation exhibited in yesterday's debate; the Treasury Whip reflected that having a full Front Bench was also greatly beneficial.

Although the Newsnight interview went well, the Chancellor considered the format favoured the "Alliance" spokesman who took one-third of the airtime and sought to be the mollifying "reasonable" man.

Mr Jenkins is expected to make a major speech tomorrow which is a coded attack on Dr Owen.

Mr Smith's effectiveness in the Debate had been diminished by the assassination of Reynard.

The tone of the discussion of North/South is very important, but even on the narrower issue of Government spending the Chancellor



**CONFIDENTIAL**

pointed out there are vital messages to get across: regional aid does not include the heavy bias in training and employment scheme spending to the less wealthy areas.

2. **BANKING BILL**

The Economic Secretary reported some progress in Committee but that there remain 70 Clauses still to do.

3. **PPSs**

The PPSs jointly and severally reported backbench satisfaction with the outcome of yesterday's debate. On City scandals, there was agreement that more emphasis might be put on the statutory nature of the regime but that it is practitioner based, rather than using the short-hand "self-regulation". Only the Takeover Panel has no statutory power.

On merger policy Mr Heathcote-Amory thought the decision on Pilkington/BTR was right and there must be no panic change. The Chancellor pointed out that you can make public or national interest a criterion but it cannot be defined satisfactorily. Mr Henderson and Mr Stern thought that individuals were affected politically by takeovers which touched on their local area (Distillers and Imperial Group).

It was hoped that the fact that only 3 out of 15 Oral Questions are from Conservatives was just the luck of the draw.

4. **AUDIT COMMISSION REPORT**

Mr Tyrie had a copy of the draft report on local authorities. It was agreed that this should receive wider exposure before the expurgated edition was published. Mr Tyrie is to prepare a note as to what the draft report contains. Mr Ross Goobey agreed to work up a line contrasting the attitude of the Government and City to new financial service controls with that of Labour to the corruption within local authorities.

ARG

**A ROSS GOOBEY**



CONFIDENTIAL



FROM: A G TYRIE

DATE: 23 JANUARY 1987

CHANCELLOR'S MORNING MEETING

24TH MEETING

NOTE FOR THE RECORD

Present: Chancellor  
Chief Secretary  
Financial Secretary  
Economic Secretary  
Minister of State  
Mr Neubert MP  
Mr Lilley MP  
Mr Cropper  
Mr Ross Goobey  
Mr Tyrie

1. OPPOSITION DAY DEBATE

Mr Neubert reported that a debate on Zircon and associated matters would take place next Tuesday. There would be an Opposition Day Debate on the City on Wednesday of next week. Special Advisers agreed to liaise with their opposite number in the DTI to ensure that a good backbench brief was available for this debate.

2. BANKING BILL

Mr Neubert reported that it might be possible to complete the Banking Bill with another four sittings. The Chancellor said that it would be advisable to get this on the statute book as quickly as possible. It was agreed that business managers would try and speed it along.



3. LABOUR AND CITY REGULATION

The Minister of State undertook to research the details of Labour's attempts to put a regulatory Companies Bill on to the statute book at the end of their last term of office.

4. ALLIANCE

Andrew Tyrie was asked to to advise on how to respond to Partnership for Progress.

5. CENTRAL COUNCIL

Mr Ross Goobey agreed to sort out the time of the Chancellor's speech and to inform the organisers that the Chancellor would want to get back to London as early as possible on the Friday evening.

6. SUMBERG

The Chancellor asked for a note from Mr Lilley before their dinner with Mr Sumberg on 29 January.

7. CHARITIES

Mr Cropper reported that BRACS, the clearing bankers' money handling co-operative, did not see its way to undertaking the job of a charity agency. The Chancellor requested preparation of a brief which would enable him to speak directly to bank chairmen. Mr Cropper would arrange this and it would come up via the Economic Secretary.

8. THE BREWERS

After a discussion it was agreed that the MST would try and



**CONFIDENTIAL**

go ahead with a deal with the brewers. But if the deal looked less than certain it was essential that the Law Officer's advice was obtained on whether the proposed Finance Bill Clauses and Regulations would be consistent with the EC 6th VAT Directive.

*M. May*

*pp*

**A G TYRIE**



*purp*

## BUDGET CONFIDENTIAL

FROM: A ROSS GOOBEY  
DATE: 26 JANUARY 1987

CHANCELLOR OF THE EXCHEQUER

Chief Secretary  
Financial Secretary  
Economic Secretary  
Minister of State  
Mr Cropper  
Mr Tyrie  
PS/Inland Revenue  
PS/C&E

## POST PRAYERS - 26 JANUARY

1 Shipping. It would not be desirable to pursue the industry about off-shore agency employment at the moment.

2 Charities. The Inland Revenue are not ready to proceed with abuse legislation this year.

3 Coinage. The current system of public expenditure accounting for coinage issue, whereby an increase in the issue increases public spending, is clearly anomolous. It was agreed that the issue should revert to the Mint, who would pay seigneurage to the Treasury.

*ARG*

A ROSS GOOBEY





FROM: A ROSS GOOBEY  
DATE: 26 JANUARY 1987

CHANCELLOR'S MORNING MEETING

25TH MEETING

NOTE FOR THE RECORD

Present: Chancellor  
Chief Secretary  
Financial Secretary  
Economic Secretary  
Minister of State  
Mr Neubert MP  
Mr Lilley MP  
Mr Cropper  
Mr Tyrie  
Mr Ross Goobey

1. BUSINESS

Mr Neubert had nothing new to report from the weekend. Messrs Channon and Howard are to speak in the City Debate.

2. PAYROLL GIVING

Mr Corlett is visiting Liverpool in pursuit of another potential agency.

3. "ALLIANCE" POLICY

Mr Jenkins' speech did not need a direct response, but no doubt it would be raised in the House. Mr Cropper is to ask Mr Willetts to annotate the speech for the Chancellor.

"The Time Has Come" document is launched today. On a weekend's reading it seems many commitments have been watered down and it is a ragbag of uncosted policies. Despite the "Alliance" poll standings, a response is required today. A meeting will be held between the Chancellor, Chief Secretary and Advisers at 2.30 p.m. today in HMT.

4. CENTRAL COUNCIL

Mr Ross Goobey reported that Mr Nelder had indicated that



the Chancellor would be speaking in the first debate in Torquay, at 3.00 p.m.

**5. CHANCELLOR'S LETTER ON CUSTOMS AND EXCISE**

The Chancellor is content that C&E use his reply for the Leicestershire Chamber of Commerce as an answer to Greville Janner MP.

**6. CASH ACCOUNTING LIMIT**

The Minister of State is to make enquiries of the appropriate authorities as to the best form of drafting for the draft regulations on cash accounting.

**7. GERMAN ELECTION**

Mr Lilley thinks there may be lessons for the Government in the result. The Chancellor thought the main lesson was that the FDP was the beneficiary of a desire to make sure they did not slip below the crucial 5%. However, it was clearly desirable that no complacency arose during our election campaign whenever it occurred.

**8. WORKPLACE NURSERIES**

The Financial Secretary is to speak to Emma Nicholson to put her straight on this issue.

*ARK*

**A ROSS GOOBEY**





Nigel  
✓ Prayes  
minutes for Wed please  
Alex  
Peter Barnes rang.

- are you taking forward  
X Takeover Panel +  
Q raised at Prayes

~~Nigel  
No ref to X  
Jul rang can you look @  
earlier minutes  
Ferb's draft min  
CST → PM. Why not  
discuss at Friday's  
meeting  
Alex~~



CONFIDENTIAL



FROM: A ROSS GOOBEY  
DATE: 28 JANUARY 1987

CHANCELLOR'S MORNING MEETING

26TH MEETINGNOTE FOR THE RECORD

Present: Chancellor  
Chief Secretary  
Financial Secretary  
Economic Secretary  
Minister of State  
Mr Neubert, MP  
Mr Lilley, MP  
Mr Lord, MP  
Mr Heathcoat-Amory, MP  
Mr Henderson, MP  
Mr Stern, MP  
Mr Cropper  
Mr Tyrie  
Mr Ross Goobey

1. ZIRCON DEBATE

Mr Neubert observed that many backbenchers had supported the idea that the question should be referred to the Privileges Committee. The Chancellor did not think this matter was one with any positive features for the Government although the public was likely to be uninterested. Mr Kinnock may have made trouble for himself with his Left Wing. The Financial Secretary found it reassuring that the Opposition was spending so much time on matters which the public was largely indifferent to, although the Chancellor thought there was some logic in their attempts to call into question the competence of the Government.



**2. BANKING BILL**

Some further progress had been made but Anthony Nelson had introduced two new clauses covering non-executive directors and audit committees. The **Economic Secretary** suggested that it might be possible to introduce an amendment at report stage which included vetting of non-executives as part of the Bank's supervisory role but that putting a legal obligation was unacceptable.

**3. LOLLIPOP TRAWLS**

Ministers, PPSs and Advisers were invited to submit suggestions for "lollipops" for the Budget.

**4. PAYROLL GIVING**

Mr Cropper is to let the Chancellor know which of the Moores family are on the Littlewoods Board. The **Financial Secretary** suggested preparing letters for backbenchers to send to local business and charities, although the **Minister of State** wondered whether too great a success will overwhelm existing systems at agencies.

**5. PPSs**

Mr Lilley reported that Alan Budd had given an upbeat report to the Backbench Finance Committee. Mr Henderson had spoken to a recent recruit to the ranks of the self-employed who had praised the Government's efforts to simplify his life. Mr Cropper is to investigate what Central Office material is available on this subject.

The **Chief Secretary** was concerned that the Enterprise Allowance Scheme was getting out of hand and he will raise his concern with Lord Young.

Mr Stern advised that the British Aerospace Lobby on the A340 is just about to start. He also enquired whether Ministers would welcome their PPSs to meetings at which they were being lobbied; this was affirmed.



6. BOOTHFERRY

Lord Swinton was suggested as a suitable speaker at the Boothferry Centenary Dinner.

7. PRESIDENT OF BOPUTHATSWANA

Since this Homeland is not recognised by Her Majesty's Government, any approach on behalf of the President to Ministers should be reported to the Foreign and Commonwealth Office.

8. BACKBENCH MPs

Mr Henderson enquired as to whether any obvious pattern had emerged from the pre-Budget meetings. The Chancellor had observed less tension than hitherto between the spenders and the tax cutters.

ARK

A ROSS GOOBEY





FROM: A ROSS GOOBEY  
DATE: 28 JANUARY 1987

CHANCELLOR 

cc Chief Secretary  
Financial Secretary  
Economic Secretary  
Minister of State  
Mr Cropper  
Mr Tyrie

PS/IR

PS/C&E

POST-PRAYERS, 28 JANUARY

1. SHIPPING

Since the offshore agency question is a complex one, the **Financial Secretary** will discuss it further with the Inland Revenue.

2. NEW ISSUE QUEUE

The Chancellor wondered whether the Bank's queue had outlived its usefulness. The **Economic Secretary** will look at this in due course.

3. BT INDUSTRIAL ACTION

The Chancellor suggested that the Government should not involve itself in this publicly.

4. LOSS-MAKERS IN PRP

The Minister of State's meeting had concluded that loss-makers should not be included. The Chancellor said he was content for instructions to the Parliamentary Draughtsman to be given on this basis, although we should be ready to be flexible during the passage of the Finance Bill.



5. TAX ON INSURANCE PREMIUMS

The **Minister of State** had been asked whether the Treasury were aware of the tax advantages the German companies were able to make use of. The Chancellor thought the international dimension should be part of the Inland Revenue's review of insurance taxation.

6. CCTA

This Lobby thinks that British Telecom are obstructing some available opportunities. The **Minister of State** is to discuss this with Professor Carsberg.

7. PAYROLL GIVING

The Chancellor was attracted to Mr Isaac's suggestion that the Treasury/Charities Commission compile a computer-readable database of charities for sale to potential agency charities. The **Economic Secretary** and **Mr Cropper** are to take this idea forward.

8. TAKEOVER PANEL

The **Economic Secretary** wondered whether the Governor's suggestion about using their supervisory powers to ensure observance of the Takeover Panel's rulings should be formalised in the Banking Bill.

The Chancellor asked that officials work up a paper on options for the Takeover Panel to put to Treasury and DTI Ministers as a matter of urgency.

*ATG*

A ROSS GOOBEY



CONFIDENTIAL



FROM: A ROSS GOOBEY  
DATE: 28 JANUARY 1987

CHANCELLOR'S MORNING MEETING

26TH MEETINGNOTE FOR THE RECORD

Present: Chancellor *C*  
Chief Secretary  
Financial Secretary  
Economic Secretary  
Minister of State  
Mr Neubert, MP  
Mr Lilley, MP  
Mr Lord, MP  
Mr Heathcoat-Amory, MP  
Mr Henderson, MP  
Mr Stern, MP  
Mr Cropper  
Mr Tyrie  
Mr Ross Goobey

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A ROSS GOOBEY



CONFIDENTIAL



FROM: A ROSS GOOBEY

DATE: 30 JANUARY 1987

CHANCELLOR'S MORNING MEETING

27TH MEETINGNOTE FOR THE RECORD

Present: Chancellor  
Chief Secretary  
Financial Secretary  
Economic Secretary  
Minister of State  
Mr Neubert, MP  
Mr Lilley, MP  
Mr Cropper  
Mr Tyrie  
Mr Ross Goobey

1. BUSINESS

The Chancellor asked Mr Neubert if Allan Stewart's Private Member's Bill on licensing hours had any prospect of success. After discussion, it was thought this was unlikely.

Next week's business included the Rate Support Grant Bill; some counties were still unhappy but the debate was for three hours only.

2. TCSC

The Chief Secretary is appearing before the TCSC on Monday. His Opening Statement will be press released.



3. BANKING BILL

The **Economic Secretary** asked for views about a potential new clause. The Bank can prevent anyone who is not a "fit and proper" person from being a shareholder controller or indirect controller (15% holding), subject to appeal to a Tribunal and judicial review. Should a new clause permit the Bank to determine that such a controller had ceased to be fit and proper for some reason? After lengthy discussion, it was agreed that such a clause should be introduced, covering existing as well as new controllers, with the **Economic Secretary** being prepared to concede the retrospective element of existing controllers where the character of that control has not changed, but retaining the power for existing controllers where either new evidence becomes available or the character of the controller changes.

4. MEMBERS

The **Minister of State** reported that there were still two Members who had apparently not registered for VAT.

5. GOVERNMENT DATA NETWORK

The **Minister of State** reported that it seemed likely EDS may now no longer be tendering for this contract.

6. £28 BILLION

**Mr Lilley** wondered whether this might not be a useful subject for PM's questions. The Chancellor is raising the possibility with the PM.

**Mr Tyrie** said there were difficulties arising over the calculation of a new figure. The Chancellor felt that we should try to maintain the £28 bn even if the constituent elements change. **Mr Tyrie** is submitting a note on the subject.

*AR*

A ROSS GOOBEY



BUDGET SECRET

FROM: A ROSS GOOBEY

DATE: 2 FEBRUARY 1987

CHANCELLOR

cc Chief Secretary  
Financial Secretary  
Economic Secretary  
Minister of State  
Mr Cropper  
Mr Tyrie

PS/Inland Revenue

PS/Customs&amp;Excise

PRE- AND POST-PRAYERS - 2 FEBRUARY

Customs Project 5

The Chancellor has reached the conclusion, in the light of the most recent minute from Customs and Excise, that this should not be proceeded with. No further work should be done on this by Customs prior to the Budget.

There remained a question of whether there should be a passage on consumer credit in the Budget.

VAT REFORM GROUP

The Chancellor agreed with the Minister of State that the tidying up should be contained to the concession on drug purchases, bathrooms and transport for charities and mountain rescue.

ARG

A ROSS GOOBEY



CONFIDENTIAL



FROM: A ROSS GOOBEY  
 DATE: 2 FEBRUARY 1987

CHANCELLOR'S MORNING MEETING

28TH MEETINGNOTE FOR THE RECORD

Present: Chancellor *e*  
 Chief Secretary  
 Financial Secretary  
 Economic Secretary  
 Minister of State  
 Mr Neubert, MP  
 Mr Lilley, MP  
 Mr Cropper  
 Mr Tyrie  
 Mr Ross Goobey

1. BUSINESS

Mr Neubert reported a relatively quiet weekend and this week's contentious business is set for Wednesday and a 7 pm vote. The payroll vote has been stood down for 6 February but is still on alert for 20 February.

2. BANKING BILL

The Economic Secretary thought that, with luck, this would be out of Committee this week.

3. EMMA NICHOLSON

The Financial Secretary is scheduled to meet la grande dame.

4. UNITARY TAX

The Chancellor thought it would be worthwhile the Financial Secretary meeting the UTC representatives.



5. NEW ISSUES

Following the discussion about the new issues queue, it was agreed to ask Officials to submit a paper to the **Economic Secretary** on "Whither/wither the queue?".

6. OPPOSITION COSTINGS

The Chancellor thought that the PSBR/Privatisation interface should be approached with care. Labour seem a better target and the adding back of current proceeds together with their own £6 bn extra PSBR commitment would bring the PSBR to £18 bn. This is a good subject for backbench intervention and **Mr Lilley** is to approach Sir Peter Horden and Ian Gow on the subject.

It was agreed that a revision to the Labour costings table, to take account of the withdrawal of some pledges and the new pledges made since July, would be needed for the PEWP Debate.

The Chancellor also asked for a full recosting to be done at 1987-88 prices and reflecting the Government's spending plans in the PEWP. This would be needed by the Easter recess (April 10) at the latest.

7. "THE TIME HAS COME"

There was no apparent necessity to make a rebuttal except on taxation which was the only area of reasonable clarity.

The **Minister of State** reported that he had been told that Mr Saunders had been a staunch Alliance supporter. **Mr Tyrie** is to see how this can be checked.

8. ITALY AND THE UK

It was agreed to ask **Mr Culpin** to work up a powerfully drafted Written Answer on the relative size of the UK and Italian economies (Mr Dolphin's minute), which he will then draw to the attention of his clients.



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On the less advantageous comparisons on manufacturing output, it is advisable to stick to total output figures.

9. OUTSIDE ENGAGEMENTS

Private Offices should note that pre-notifications of outside engagements for Ministers should be directed to the Chancellor for clearance and the Permanent Secretary for information.

10. IFS

Mr Ross Goobey noted that the IFS is to publish a study on Labour's capital repatriation policy. Mr Tyrrie undertook to see if he is able to ascertain its contents before publication.

ARG

A ROSS GOOBEY



CONFIDENTIAL



FROM: A ROSS GOOBEY  
DATE: 4 FEBRUARY 1987

## CHANCELLOR'S MORNING MEETING

29TH MEETINGNOTE FOR THE RECORD

Present: Chancellor  
Chief Secretary  
Financial Secretary  
Economic Secretary  
Minister of State  
Mr Neubert, MP  
Mr Lilley, MP  
Mr Lord, MP  
Mr Henderson, MP  
Mr Stern, MP  
Mr Cropper  
Mr Tyrie  
Mr Ross Goobey

1. BUSINESS

The passage of the Channel Tunnel Bill was secured at an ungodly hour with the help of the Minister of State. The Banking Bill has reached Clause 103 with new Clauses and the Schedules to be processed as well as the vexed question of non-executive directors and audit committees. Mr Neubert expressed reasonable optimism that the Conservative supporters of these latter clauses might be persuaded that they cannot stand in law. It was agreed to try to expedite all Commons stages this month.

2. BACKBENCHERS

The Finance Committee was addressed by Sir John Hoskyns, who advocated lower tax rates and a higher PSBR. Tim Smith and Patrick Jenkin expressed the view that a lower PSBR leading to lower



## BUDGET SECRET

FROM: A ROSS GOOBEY

DATE: 4 FEBRUARY 1987

CHANCELLOR

cc Chief Secretary  
Financial Secretary  
Economic Secretary  
Minister of State  
Mr Cropper  
Mr Tyrie

POST-PRAYERS - 4 FEBRUARY

INLAND REVENUE

The Chancellor agreed the **Financial Secretary's** renegotiation of the Inland Revenue's Supplementary Estimate.

RUSSIAN COMPENSATION

**Tim Eggar** had requested that this fund be allowed to accrue gross until it was actually paid to the claimants themselves. The Chancellor accepted this potential lollipop but the **Economic Secretary** should be ready to announce it before the Budget should the FCO press him strongly.

CUSTOMS

The idea that a zero-rate for on-course betting duty was necessary to justify the presence of Customs and Excise officers on the courses seemed absurd. The **Minister of State** is to check whether the fact that they were checking that off-course betting duty was not being evaded was not sufficient cause. He would also prepare a stiff letter for sending to the Jockey Club to warn them of dire consequences if evasion was to become widespread; this would of course be sent after the Budget.



WRITTEN ANSWER - D WALTERS

The **Minister of State** is to refer to "Budget time" in his answer about the timing of the announcement of the results of the small business review. The Chancellor has made some suggested amendments to the answer.

ARM

A ROSS GOOBEY



**CONFIDENTIAL**

interest rates were as important as tax cuts but the Chancellor pointed out that interest rates showed no strong correlation with PSBR levels and that public borrowing was now a small portion of total borrowing.

**3. PPSS**

Mr Lilley asked for subjects for this month's Treasury Questions (26 February, polling day in Greenwich). The subjects suggested for January remained valid, but a better result in the ballot was desirable! Additional subjects included Privatisation/Wider Share Ownership/PEPs since British Airways will be out of the way and Labour Councils. Mr Tyrie is to assemble a brief on this latter item, using the Audit Commission Report and Labour's weekend conference as source material.

Mr Henderson thought that pensioners were not convinced that they had done well under this Government. The Chancellor agreed that this was an important group to which Central Office should address itself. Mr Ross Goobey was asked to assemble the evidence and points to make about the pensioners' lot. Mr Henderson thought the cheapest lollipop for pensioners was a doubling of the Christmas bonus.

Mr Lord noted that the new Alliance theme "The Time Has Come" is from the well-known Charles Dodgson poem.

Mr Stern reported that there were cadres of students in his constituency grouping together to buy large mansions through the use of their individual £30,000 mortgage relief and who were concerned that the Green Paper would confine it to one relief per building.

**4. MR TWYMAN**

The new head of the Economic Section at Central Office should be invited to Wednesday's Prayers.

**5. SLOW PAYERS**

The Minister of State wondered whether it would be worth asking



**CONFIDENTIAL**

the ESRC to fund a study into the distribution of slow payers between large and small companies. There was no such information currently available. This was agreed and the **Minister of State** will follow it up.

**6. GREENWICH BY-ELECTION**

There was no Budget purdah problem about the **Chief Secretary** accepting an invitation to speak at a Greenwich by-election press conference. **Mr Tyrrie** is to suggest a date around the time of the PEWP Debate.

*ALG*

**A ROSS GOOBEY**



*Director*  
*[Signature]*

cc **Ministers**  
**Advisers**  
**Mr Scholar**

POST-PRAYERS - 6 FEBRUARY

CASH ACCOUNTING

The **Minister of State** reported that, although outputs may certainly be put onto a cash basis, it was not clear whether a derogation might be needed for inputs under the 6th Directive. The **Law Officers** will report by the end of February. Since the derogation procedure takes three months, it will be possible even then for the Chancellor to announce the plan in the Budget in terms of "I am today applying", for the clauses to be included in the Finance Bill and clearance to be received in time for Report Stage. The **Minister of State** suggested that draft submissions to the Commission be made without figures before the Budget to achieve their support, and he believed this was more likely to be forthcoming with a £¼ million rather than a £½ million limit. The **Minister of State** will look into the practicalities and costs of having cash accounting for outputs but not inputs.

SPECIFIC DUTIES

Those present were asked to consider the desirable shape of a duties package for discussion on Monday.

MORTGAGES

The **Economic Secretary** wondered if there was any technical way to avoid the RPI impact of any reduction in the basic rate. The **Financial Secretary** will enquire.

*ARg*

A ROSS GOOBEY



CONFIDENTIAL



FROM: A ROSS GOOBEY  
DATE: 6 FEBRUARY 1987

CHANCELLOR'S MORNING MEETING

30TH MEETINGNOTE FOR THE RECORD

Present: Chancellor  
Chief Secretary  
Financial Secretary  
Economic Secretary  
Minister of State  
Mr Neubert, MP  
Mr Cropper  
Mr Tyrie  
Mr Ross Goobey

1. BANKING BILL

The two new clauses added yesterday were unworkable in their present form and took us into uncharted areas of company law. It was regrettable that the new clauses had been deemed to be in order while the Government's new clauses on the same subject had been rejected by the Table Office. The **Economic Secretary** will hold a meeting between Treasury Officials, Bank of England and the DTI to come to some conclusion as to how this should be approached. The Chancellor will need a line to take for Cabinet on 12 February. Report Stage was expected to be in the week beginning 16 February.

2. MR NEUBERT

**Mr Neubert** raised an enquiry from John Butterfill as to the desirability of him attending a seminar of Tax Exempt Bonds at which David Steel is speaking. It was thought undesirable to give credence to this, since the **Economic Secretary** had gone to great lengths to listen to this proposition over the last year and was convinced that it was a non-starter.



3. LOTTERIES

The Chancellor's views had been misrepresented. His inclination was to encourage a national lottery but that the sums raised should be distributed directly to the charities. The Exchequer should benefit through the reduction in direct government support therefore.

4. LITTLEWOODS

The Chancellor will not meet the Clearing Bank Chairmen until the Littlewoods position is clarified. The Inland Revenue's willingness to help is a positive bonus to people who wish to set up agency charities.

5. MP'S CAPITAL ALLOWANCES

The Chief Whip's wheeze seems a good one. The question of how this may be brought to the attention of Members can wait until the **Financial Secretary** has reached agreement with the other Parties.

6. DRAFT REPLY TO TONY BANKS, MP

The **Economic Secretary** is to consult **Mr Culpin** in the drafting of a new answer to the question about the "Brown Study" and the Chancellor would like to see the draft.

7. ECOFIN

The **Chief Secretary** warned the **Minister of State** that Mr Clark was trying to unravel the OECD Consensus about subsidies, wishing them to be maintained for the Soviet Block. This should be ignored in Ecofin. The Chancellor suggested that, while taking a back seat during general discussion of EMS realignment improvements, the **Minister of State** will want to question the agrimoney adjustments which increase costs each time.

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CONFIDENTIAL



FROM: A ROSS GOOBEY  
DATE: 9 FEBRUARY 1987

CHANCELLOR'S MORNING MEETING

31ST MEETINGNOTE FOR THE RECORD

Present: Chancellor  
Chief Secretary  
Financial Secretary  
Economic Secretary  
Mr Neubert, MP  
Mr Lilley, MP  
Mr Cropper  
Mr Tyrie  
Mr Ross Goobey

1. APOLOGIES were received from the **Minister of State**.

2. BUSINESS

Mr Neubert reported peace on Treasury issues. Mr Lilley said he had been asked to speak in this week's Employment Debate, which he was cleared to do if he wished, and he was asked to re-emphasise the Opposition's commitment to using Brent and Haringey as "engines of growth".

3. BRITISH AIRWAYS

The success of the issue will help further privatisations.

4. EMMA NICHOLSON

Her circular on behalf of Cosmopolitan magazine should not have been sent out without reference to the Party Chairman or the Chief



**CONFIDENTIAL**

Secretary. It was agreed that the best solution was to ignore the questionnaire. **Mr Neubert** will make such a reminder for Ministers at the Whip's meeting and the **Chief Secretary** will write to the Chairman of the Party to put on record his disapproval of the way this has come about.

5. LITTLEWOODS

Indications continue to suggest they are still interested. The attachment of clearing bank clearing and account numbers seems a less daunting problem.

6. CHRISTOPHER SMALLWOOD

His article in the Sunday Times reads strangely for an Alliance economic adviser. The Chancellor will have a word with the Chairman of the Party to see if it can be given some currency amongst Members.

7. LOCAL AUTHORITY ACCOUNTING

If the Ministerial meeting which the **Chief Secretary** is to attend develops unfavourably, the Chancellor will wish to be present for the second meeting.

8. TCSC

The draft report contains some absurd economic analysis but two substantive points. The first about the absolute total of spending and, more important, the question of capital receipts of local authorities is raised again. The **Chief Secretary** reported that the most likely date for the PEWP Debate is 18 February, for which he would be grateful for a good turnout on the backbenches and some good backbench speakers. **Mr Tyrie** is to assist in the preparation of the Backbench Brief, which the Chancellor and **Chief Secretary** would like to see before publication, particularly the line taken on capital receipts.

ARg



**BUDGET SECRET****FROM: A ROSS GOOBEY**  
**DATE: 11 FEBRUARY 1987**CHANCELLOR *e*cc Chief Secretary  
Financial Secretary  
Economic Secretary  
Minister of State  
Mr Cropper  
Mr Tyrie**POST-PRAYERS - 11 FEBRUARY****ROYAL ORDNANCE**

It was agreed that the MOD's suggestion represented the worst of all worlds. The choice lay between letting the contract on current bids or asking for "best and finals". On balance the contract should be let on the existing bids.

**SPENDING PLANS**

Since it was possible that the idea that Labour's programme could be "easily financed" may gather credence, it may be necessary to have a new (and higher?) figure for the Budget Debate. Mr Tyrie is to investigate this possibility and report back.

**CHARITY AGENCIES**

The Chancellor thanked the **Economic Secretary** for the satisfactory outcome of his discussion with Littlewoods.

*ATG***A ROSS GOOBEY**



**CONFIDENTIAL**

**FROM: A ROSS GOOBEY**  
**DATE: 11 FEBRUARY 1987**

**CHANCELLOR'S MORNING MEETING****32ND MEETING****NOTE FOR THE RECORD**

**Present: Chancellor**  
**Chief Secretary**  
**Financial Secretary**  
**Economic Secretary**  
**Minister of State**  
**Mr Neubert, MP**  
**Mr Lilley, MP**  
**Mr Lord, MP**  
**Mr Henderson, MP**  
**Mr Stern, MP**  
**Mr Twyman**  
**Mr Cropper**  
**Mr Tyrie**  
**Mr Ross Goobey**

1. **APOLOGIES** were received from David Heathcoat-Amory, MP.
2. **WELCOME**

**Mr Paul Twyman** was welcomed to the Wednesday Prayer meeting on his appointment as Head of the Economic Section of CRD.

3. **BANKING BILL**

**Mr Neubert** foresaw problems ahead for the Bill in the Lords. The Report Stage was now likely to be delayed a further week (to week beginning 23 February). There was a possibility that the reciprocity powers could be augmented, which would cover Japan and Australia, but only prudential controls will cover European or American banks. The MMC certainly has the power to block these latter.



**CONFIDENTIAL**

Support for the Government's stance was desirable for Report. Some senior backbenchers should be mixed with a few of Mr Lilley's trustees to counteract the current xenophobia. Any "national interest" clause is a very thick wedge to drive into competition policy.

**Mr Neubert** asked whether any progress had been made on the question of non-executive directors. The **Economic Secretary** reported that although he had offered the dissenters a non-executive director clause, they were still unwilling to withdraw their own clause. Further discussions are to take place.

**4. BACKBENCH FINANCE COMMITTEE**

Peter Miller of Lloyds addressed the meeting. He undertook to accept all the Neill recommendations, the bulk of which will be implemented within a year. His complacency continues to annoy.

**5. AGRICULTURE**

**Mr Lord** reported concern of the results of the ALURE discussions. The apparent conflict between MAFF and the DOE was largely a media invention but the leak of the documents was likely to be mischief at the DOE (by officials?). **Mr Ross Goobey** is to encourage Mr Ridley via his Special Adviser, Mrs Ramsay, to continue to take the vigorous line he has taken, since the thinking press is now changing its tune, and the issue is not a good one for the Opposition.

**6. TORY REFORM GROUP**

**Mr Cropper** is to draft a letter for the Chancellor to send to Lord Whitelaw querying the role of Ministerial "Patrons" of the Group.

**7. MANIFESTO**

The Chancellor requested a greater emphasis on the record of the Government against the preceding periods in the draft passages of the Treasury parts.



CONFIDENTIAL

8. BUDGET BACKBENCHERS BRIEF

The **Advisers** will try to adhere to the timetable suggested by Sir P Middleton.

9. INSTITUTE OF TAXATION

The **Chief Secretary** will attempt to persuade this body to hold its annual lunch before Christmas in future.

10 MEMBERS' LETTERS

The Chancellor was dismayed by the rise in the number of constituent letters forwarded by Members without a covering letter. Action to stop this discourtesy would have to wait for a new Parliament.

11. IFS CONFERENCE

**Mr Tyrie** is attending a conference on the subject of Labour's capital controls and will report back.

12. CUSTOMS CONSOLIDATION ACT

Customs have been confiscating inflatable dolls under the Obscene Publications Act not the Customs Act. It is possible that this will be challenged in the court and legislation would ensue. Legal advice was necessary as to whether such a device is an allowable subject for a Finance Bill. It would be preferable for such a clause to be lost in the Finance Bill because it was agreed that these dolls should not be blown up out of all proportion.

*ARg*

A ROSS GOOBEY



## BUDGET SECRET

FROM: A ROSS GOOBEY  
DATE: 13 FEBRUARY 1987

CHANCELLOR *P*

cc Chief Secretary  
Financial Secretary  
Economic Secretary  
Minister of State  
Mr Cropper  
Mr Tyrie

## POST-PRAYERS - 13 FEBRUARY

Lord Young

The briefing paper prepared by Department of Employment Officials contains proposals in the main for 1988 not 1987. Lord Young asked that since we were thinking of making the extra-statutory concession on learn-as-you-earn statutory, could we extend it. There were two possible areas: how much the training has to be related to the current employment and the fact that employer support has to be either 100% or nil for relief to be given.

Lord Young also commented on the apparently different definitions of self-employment used by IR and DHSS. The **Financial Secretary** undertook to provide a letter on this for the Chancellor to send to Lord Young.

Pensioners

It was debated whether any specific measures might be included in the Budget to benefit the pensioner, particularly those not paying tax. The Christmas Bonus was ruled out. The uprating of those over 80 who do not have a long enough contribution record to qualify for a full pension to that status was attractive. It will be necessary to know how many people it covers and how much such a change will cost. Advisers are to ask Miss Noble whether she has any other pensions lollipops.

Unleaded Petrol

The **Minister of State** is to be asked to enquire whether the



**BUDGET SECRET**

differential agreed is sufficient.

**IHT PACKAGE**

There were divided views on the advisability of including this package in this year's Budget.

ARh

**A ROSS GOOBEY**



CONFIDENTIAL



FROM: A ROSS GOOBEY  
 DATE: 13 FEBRUARY 1987

CHANCELLOR'S MORNING MEETING

33RD MEETINGNOTE FOR THE RECORD

Present: Chancellor  
 Chief Secretary  
 Financial Secretary  
 Economic Secretary  
 Mr Neubert, MP  
 Mr Lilley, MP  
 Mr Cropper  
 Mr Tyrie  
 Mr Ross Goobey

1. APOLOGIES were received from the Minister of State.

2. BUSINESS

The PEWP Debate is on Wednesday and the Banking Bill Report Stage on Thursday. Ministers are no longer required for the 20 February vote.

3. BANKING BILL

The Economic Secretary is to meet some members of the Committee and will enquire of Cecil Parkinson and Ian Gow whether they would be prepared to speak on the national interest clause. Alastair Ross Goobey is to prepare a Bankbenchers' Brief which covers particularly the national interest clause and the non-executive directors' clause.

4. PEWP DEBATE

The TCSC Report will now not criticise the capital releases of council house sale proceeds. The Backbench Brief should not, therefore, make reference thereto.



●. TREASURY QUESTIONS BRIEFING

Because this will take place as usual on Monday, 23rd, Prayers that morning will be at 9.30 am in HMT. There are likely to be some absences amongst the PPS's as they will be starting their 10 minute rule bill sleep-in.

6. WORLD DEVELOPMENT MOVEMENT

Since Messrs Hattersley and Jenkins have turned down their invitations, Mr Lilley will now make the speech on debt and will seek Treasury briefing.

7. IFS ON CAPITAL CONTROLS

It was agreed that the study could safely be ignored and the attack on the plan continued on previous lines.

8. FCO FURNITURE

The Chief Secretary will investigate the apparently profligate disposal of FCO furniture.

9. PRESS SPECULATION

Mr Neubert asked whether there was a difference between the Treasury and the Bank, and was assured this was more apparent in the prints than real. The Chief Secretary is to add a passage to his PEWP Debate Speech to try to damp down expectations for the Budget.

10. LAYARD ARTICLE

The Financial Secretary wondered whether there might be a response. The Chancellor warned that there was an unhelpful paper by Walter Eltis which will come before the next NEDDY. One fact which might be used is that the Government view that the high level of unemployment is caused not by insufficient demand but by supply-side constraints, is being borne out.



CONFIDENTIAL

1. TREASURY RESEARCH

The Chancellor authorises new projects but he will ask the **Minister of State** to monitor existing ones.

12. £28 BILLION

**Mr Tyrie** reported that although officials will do their best, there is no absolute guarantee of having a robust figure for the Budget Debate. He has spoken to Mr Major to encourage him to expedite progress in the DHSS.

13 RATE SUPPORT GRANT

**Mr Chope** is planting a Written Answer about the cost in income tax of the restoration of Rate Support Grant to 1979 levels. It was agreed this should be worded in the form that "this would add x pence to whatever was the basic rate of tax current at the time".

ATG

A ROSS GOOBEY



FROM: A ROSS GOOBEY  
DATE: 16 FEBRUARY 1987

CHANCELLOR

cc Chief Secretary  
Financial Secretary  
Economic Secretary  
Minister of State  
Mr Cropper  
Mr Tyrie

POST-PRAYERS

IHT

The **Minister of State** was invited to give his view on the postponement of the IHT "Four point 90" proposal. He was in favour of going ahead.

PENSIONERS

The Chancellor had come to the conclusion that, while he would not want to do anything with public expenditure implications, further tax lollipops for pensioners were attractive. He asked for views on allowing private health insurance premiums against tax for pensioners or the tax-free roll-up on "sale and leaseback" of pensioners' houses. This will be raised at today's Overview.

VAT ON HERITAGE

It was agreed that, at the margin, the **Minister of State** should meet Patrick Cormack and his Heritage Lobby.

ICD AT BRAEHEAD

The **Minister of State** will have a private word with Ian Lang on this matter.

ARg

A ROSS GOOBEY



CONFIDENTIAL



FROM: A ROSS GOOBEY  
DATE: 16 FEBRUARY 1987

CHANCELLOR'S MORNING MEETING

34TH MEETINGNOTE FOR THE RECORD

Present: Chancellor  
Chief Secretary  
Financial Secretary  
Economic Secretary  
Minister of State  
Mr Neubert, MP  
Mr Lilley, MP  
Mr Cropper  
Mr Tyrie  
Mr Ross Goobey

1. BANKING BILL

The letter from the DTI on reciprocity is unhelpful. The **Economic Secretary** is prepared to meet Mr Channon if officials are unable to agree. The point is that the amendments are an attempt to head off special protective measures for banks. Reciprocity is specifically mentioned in the Financial Services Act but the drafting is not watertight. The **Economic Secretary** aims to put all new amendments down today but at worst all but the reciprocity amendment could go down leaving that specific item for tomorrow. The Bank has not made known its views as yet.

2. PEWP DEBATE

The Daily Telegraph seems the only newspaper to have made anything of the TCSC Report. The **Chief Secretary's** speech will reply to the TCSC, a draft is being prepared today. **Messrs Neubert and Lilley** are working on backbench support for the debate. **Ministers** would need a transcript of Mr Kinnock's broadcast to compare with Mr Hattersley's line. Some play might be made of his £30,000 tax limit in the debate.



3. CAMPAIGN GUIDE

The case for tax cuts should appear in Section 8 of the Economy chapter. Alastair Ross Goobey is to discuss with David Willetts. Copies of the Economy and Taxation chapters are to be sent to all Ministers.

4. MANIFESTO DRAFT

Mr Lilley's draft is in preparation.

5. MINISTER OF STATE ON "THE MAINLAND"

It was a pity that two fiddles, on the spending increase third decimal and the negative reserve had to be used to reach agreement at the Budget Council. Dr MacDonald had tabled a PNQ on the outcome but this is to be resisted since nothing new had transpired; the meeting could be reported as planned in a planted Written Answer.

6. COMMUNITY CHARGE

A sudden introduction of the community charge in Scotland might increase pressure for a higher grant, with consequences for England and Wales. The Chief Secretary's draft letter is neutral but the political importance must be flagged.

7. VIRES BILL

The Financial Secretary was unhappy with the parliamentary consequences of a general Vires Bill. On the other hand, such a Bill could supplant the Water Vires Bill in the programme and would prevent a separate Vires Bill being introduced for each privatisation. The Financial Secretary is to write to QL with this suggestion.

8. "QUESTION TIME"

The Chief Secretary finds himself double-booked on 19 March and the Chancellor is appearing on 'This Week' that evening. The Chief Secretary undertook to see if he could change his other engagement.



9. COSMO QUESTIONNAIRE

The Chief Secretary will raise the question of the clearance of the Central office brief with Smith Square. Ministers have not responded to the questionnaire. Mr Tyrie is to investigate why it was not referred.

10. NATIONAL GALLERY

The making up of VAT on the extension by a grant was considered a doubtful precedent. The Minister of State is to draft a comfort letter which asks the Trustees to use best endeavours to raise any shortfall caused by VAT and the balance will be made good by a special grant.

11. RADIO GREEN PAPER

Officials have been asked to take on board Mr Ross Goobey's comments.

12. UNDERWOODS

Mr Woolf of Underwoods seems to have a legitimate gripe about Clause 3 of the NHS (Amendment) Act 1986. The establishment of a limit on "franchises" seems contrary to general government policy, but perhaps these franchises can be traded in a secondary market.

13. ITALY PQ

The proposed answer, with the Chancellor's amendments, will go ahead.

ARK

A ROSS GOOBEY





CHANCELLOR

cc Chief Secretary  
Financial Secretary  
Economic Secretary  
Minister of State  
Mr Cropper  
Mr TyriePOST-PRAYERS - 20 FEBRUARYCBI LETTER

The mail-order portion of the VAT package is to be shelved this year, but the rest is to be introduced.

BETTING DUTY

The Minister of State is to see if he can find a figure for the football pool duty which reduces the overall cost of the package to nil. The Economic Secretary is to investigate the issue of Sterling Commercial Paper for private companies.

PENSIONER LOLLIPOPS

A good case can be made against all but the over-80s special age allowance, which can be introduced by double indexing their tax allowance. This takes 25,000 out of tax altogether.

UNLEADED PETROL

The duty differential proposed should lead to a close approximation in prices at the pump. This is an important principle.

PRESENTATION

Ministers agreed the distribution of responsibility for presentation of the various items in the Budget. This did not have any implications for taking various parts of the Finance Bill. The Chancellor



**BUDGET SECRET**

asked that the overall record since 1979 and/or 1983 be brought into account.

**BENEFITS IN KIND**

The Chancellor will hold a meeting with officials on this matter when the **Financial Secretary** has made his comments on his own meeting. There are four options available: a de minimis non-pursuance policy, the extinguishing of the liability by statute, the transfer of the liability to the provider or the charging on the benefit a withholding tax on the provider and allowing the entertainment cost against tax. This would cover overseas clients as well as domestic clients but would not leave companies worse off.

**BENEFITS OF TAXIS/CARS**

The proposed solution is not satisfactory since there is always likely to be some alternative transport even if its use is entirely unreasonable.

ARL

**A ROSS GOOBEY**



CONFIDENTIAL



FROM: A ROSS GOOBEY  
DATE: 20 FEBRUARY 1987

CHANCELLOR'S MORNING MEETING

36TH MEETINGNOTE FOR THE RECORD

Present: Chancellor  
Chief Secretary  
Financial Secretary  
Economic Secretary  
Minister of State  
Mr Neubert, MP  
Mr Lilley, MP  
Mr Cropper  
Mr Tyrie  
Mr Ross Goobey

1. BANKING BILL

The Chancellor congratulated the **Economic Secretary** and **Mr Neubert** on their expert navigation of the Bill in its final form through the Commons. He will write to Lord Whitelaw to emphasise that the "national interest" lobby will make no progress. The **Economic Secretary** is to draft this letter. The **Economic Secretary** expects no substantive Lords amendments to be necessary.

2. COURT OF AUDITORS REPORT

The **Minister of State** will respond to this Debate next Wednesday at 10 pm.

3. PEWP DEBATE

The Debate went well but it was disappointing that backbenchers did not howl "answer" when Mr Gould avoided the difficult question.

4. QUESTIONS FOR OPINION POLL

**Mr Tyrie's** draft has been amended by the Chancellor and may be sent to Central Office.



5. LABOUR COSTINGS

This costing must be the last before a General Election. It must be up-to-date, fireproof and expressed in 1987 prices. **Mr Tyrie** is to allocate pledges into firm and vague lists as with the Meacher commitment.

6. MINISTERS' TRIPS

**Ministers** should use their own discretion as to how much to involve PPC in the constituencies they visit.

7. JOHN LEWIS PARTNERSHIP

Although he had been invited to lunch by JLP initially in a constituency role, the **Minister of State** suggested he might take a Treasury official. It was agreed that **Mr Monck** is the obvious candidate.

8. KINNOCK BROADCAST

**Mr Lilley's** research assistant will record the sound track from the video in the House of Commons Library, and it can then be transcribed.

9. SAVORY MILLN

It was suggested that the **Minister of State** speak on the Community Budget, problems and progress.

ATG

A ROSS GOOBEY





FROM: A ROSS GOOBEY  
DATE: 23 FEBRUARY 1987

CHANCELLOR'S MORNING MEETING

37TH MEETING

NOTE FOR THE RECORD

Present: Chancellor  
Chief Secretary  
Financial Secretary  
Economic Secretary  
Minister of State  
Mr Neubert, MP  
Mr Lilley, MP  
Mr Cropper  
Mr Tyrie  
Mr Ross Goobey

1. CRITICISM OF MR SPEAKER

It was agreed that the personal attack by Mr Hickmet was not a sensible approach.

2. G5/G6

The Chancellor will not make a statement but would respond to a PNC if one is tabled. Otherwise he will make a written answer. Like the Plaza, the outcome was a consequence of the US changing their policy on the level of the dollar and their willingness to co-operate in intervention; and like the Plaza it remains to be seen whether the dollar was already on the turn. Stabilisation for the time being may now be a message to which the markets will listen.

Resistance to a ditching of G5 comes because G7 is too big a forum and would push the Japanese, Germans and Americans into creating a G3. The written answer on Italy vs UK has not received much attention. Mr Culpin is to be asked to give it another whirl, concentrating on the PPP figure. If this fails, consideration should be given to asking Eric Forth to write to Dr Owen challenging his previous assertions.



3. SIZEWELL

The Chancellor thought it simpler that PPSs should not take part in the debate. The Chief Secretary will talk to Mr Lord and the Financial Secretary to Mr Heathcoat-Amory.

4. ALLIANCE BUDGET

This interesting document should be stored for future use. The Alliance stance of opposing tax cuts but not promising to restore any cuts was typical. Mr Wallace made some obfuscation on last week's Question Time.

5. FINANCE BILL TIMETABLE

It was agreed that publication should be 9 April. Since progress should be as fast as possible, the Lord's Debate should be in the week beginning 13 July if it can be arranged. Mr Neubert is to be added to the circulation list of any Finance Bill timetable.

ARg

A ROSS GOOBEY



FROM: A ROSS GOOBEY  
DATE: 25 FEBRUARY 1987

CHANCELLOR 

cc Chief Secretary  
Financial Secretary  
Economic Secretary  
Minister of State  
Mr Cropper  
Mr Tyrie

POST-PRAYERS - 25 FEBRUARY

MEDIA EXPOSURE

Ministers were content with their allocations.

COOLERS

On the hypothesis that there would be no revalorisation of Customs duties, a change for "coolers" would look strange. It was agreed not to do anything if the hypothesis was brought forward, thereby eliminating any necessity for any Finance Bill clauses on alcohol.

The **Minister of State** pointed out that the Government was open to challenge in the British Courts over "made wines" by a disgruntled importer, but it was agreed that being forced to move by a court at a later date (especially if that court was to be British) was preferable to any clauses in the Finance Bill.

PRE-TRADING R&D

The Chancellor will have a private meeting with Mr Channon to explain the position on this (and PRP) before the Budget.

ESOPS

The **Financial Secretary** will arrange to see Mr Forman on Budget Day, after the speech, to explain why ESOPS had not been introduced.



BUDGET SECRET

MISC 66

The Chancellor will minute the Prime Minister.

ARL

A ROSS GOOBEY



CONFIDENTIAL



FROM: A ROSS GOOBEY  
DATE: 25 FEBRUARY 1987

CHANCELLOR'S MORNING MEETING

38TH MEETINGNOTE FOR THE RECORD

Present: Chancellor  
Chief Secretary  
Financial Secretary  
Economic Secretary  
Minister of State  
Mr Neubert, MP  
Mr Lilley, MP  
Mr Lord, MP  
Mr Heathcoat-Amory, MP  
Mr Henderson, MP  
Mr Stern, MP  
Mr Twyman  
Mr Cropper  
Mr Tyrie  
Mr Ross Goobey

1. 10 MINUTE RULE BILL

The PPSs were thanked for their devotion to duty in securing the 10 minute Rule Bill slot for Budget Day, if only by a whisker. It was agreed that this procedural nonsense should be addressed in the new session.

2. PPSs

Mr Lilley reported that a second wave of Members was even now queueing to achieve a Ten Minute Rule Bill for the first day of the Budget Debate under the title "The Costing of Opposition Budget's Bill". This would have to be worded very carefully to achieve its place on the Order Paper.

3. PENSIONS

Mr Heathcoat-Amory enquired whether a brief had been prepared on the Alliance document "The Time Has Come" which drew attention



to the equivocation on pensions and the earnings link. Mr Tyrie is to investigate. Mr Heathcoat-Amory is to organise a member of the public to write to Dr Owen.

Mr Stern pointed out that, in addition to the number of pensioners registered as tax payers by the Revenue who were mostly over 65, there were substantial numbers of single and married women over 60 but not yet 65. Furthermore, every pensioner with a bank or building society account was paying the composite rate.

It was agreed to group Questions 17 and 19 in First Order Questions. The Economic Secretary would now answer Question 20 on British Airways instead.

4. BACKBENCH FINANCE COMMITTEE

Professor Minford was very bullish, assuming a 25p basic rate to be easily achievable and 2% inflation in 1988.

5. RATE INCREASES

In shire counties, the average increases are: Conservative control +6¼%; no overall control +9½%; Opposition control +10%.

6. PWLB

Suggestions as to possible appointments to a current vacancy would be welcomed.

7. IBA

Mr Henderson reported that the IBA has four vacancies on its Board. He is taking this up with the Home Office.

8. PAYROLL GIVING

It was agreed that any information campaign on the scheme initiated by the Government would be welcome. There was support for the



idea of encouraging companies who joined to make public announcements and for Inland Revenue to keep a tally.

9. BOW GROUP PAPERS

Mr Ross Goobey reported that the Bow Group had a paper in draft which would add fuel to the Opposition scare story on VAT. It should be discouraged (and has since been so).

10. ITALY

Eric Forth is to be activated by Mr Lilley into writing to Dr Owen challenging his assertion that Italy had overtaken the UK.

ARh

A ROSS GOOBEY



FROM: A ROSS GOOBEY  
DATE: 27 FEBRUARY 1987

CHANCELLOR *e*

cc Chief Secretary  
Financial Secretary  
Economic Secretary  
Minister of State  
Mr Cropper  
Mr Tyrie

POST-PRAYERS - 27 FEBRUARY

GOVERNMENT ANNOUNCEMENTS

*(prescription charges).*  
Any adverse news should be grouped with a lollipop and made on 13 March if possible.

ACCEPTANCE IN LIEU

It was agreed to offer the Chancellor's suggested option

- Status Quo
- Election to accept the valuation at the date of offer.

When this has been finally decided, the **Financial Secretary** will have a private meeting with Mr Luce.

QL

Can the General Practitioners Maintenance Fund winding up be added to another DHSS bill in the next session? The **Financial Secretary** will investigate.

*ARL*

A ROSS GOOBEY



CONFIDENTIAL



FROM: A ROSS GOOBEY  
DATE: 27 FEBRUARY 1987

CHANCELLOR'S MORNING MEETING

39TH MEETINGNOTE FOR THE RECORD

Present: Chancellor  
Chief Secretary  
Financial Secretary  
Economic Secretary  
Minister of State  
Mr Neubert, MP  
Mr Lilley, MP  
Mr Cropper  
Mr Tyrie  
Mr Ross Goobey

1. BUSINESS

The middle of next week is given over to local authority questions. On Monday there is a 3-line Whip on the milk inspection order, which the Chancellor will attend at 11.30 pm. On Friday there is a 2-line Whip on a Private Member's Motion.

2. GREENWICH

There was a general discussion about the implications of the by-election. Since Labour must be seriously discomfited by the result, there is no need for the Government to be seen to over-react: the line that "tactical voting let in a socialist" does not seem credible.

There is no point in attacking the Liberals/SDP over policy, since even they do not expect to form a Government. Their weaknesses are that half their potential supporters will not go along with an Alliance/Labour pact which is the desired outcome for most of the Alliance activists, and the fact that the population does not relish hung parliaments and the consequent confusion.



**CONFIDENTIAL**

There is little danger in Conservative voters voting tactically in seats Labour currently holds, but clearly there is great danger of Labour voters voting tactically, since we cannot appeal to them directly.

The solution seems to be to identify all the Opposition parties as much as possible on critical issues, and by persuading Labour supporters in Conservative seats to keep voting Labour by building them up as the serious Opposition. This should prevent too much of a squeeze on the Labour vote and dissuade the "soft" Conservative vote from switching to an opposition party so clearly identified with Labour.

As to Greenwich itself, the references to Bermondsey and Edge Hill are helpful, and the idea that the campaign was a referendum on the extreme left candidate is also credible.

**3. PUBLIC PURCHASING**

It was agreed to use paragraphs 2B and 5B in the Minister of State's draft letter.

**4. PWLB**

Suggestions were still being sought. The **Economic Secretary** is to trawl through the Accepting House boards.

**5. OPPOSITION BUDGETS**

The Alliance is to issue its document on 10 March, Labour on 11 March. The Treasury (Chancellor and Chief Secretary) must be consulted about the line Central Office will take although clearly other Ministers will have to take the lead in the pre-Budget period. **Mr Tyrie** will ensure this. The Chancellor will raise the question at Monday's Policy Group meeting at No.10.



**CONFIDENTIAL**

Government announcements should be timed to spoil the effects of the counter-budgets as much as possible. **Mr Tyrie** is to suggest to Mr Clarke's office that he might like to write to Mr Prescott on 10 March in pursuit of some pre-emptive hits.

6. LAMBETH

Although it seemed the Valuation Office was doing a closet revaluation, it must be allowed to run its course. The **Economic Secretary** is to check how much progress towards restricting appeals to the occupier is being made.

7. 300 GROUP

**Ministers** must use their discretion in replying to the piece of furniture which wrote to them asking for support.

AR 9

A ROSS GOOBEY



**BUDGET SECRET**

INCREDIBLES

Copy No. 1 of 9.

FROM: A ROSS GOOBEY  
DATE: 2 MARCH 1987

CHANCELLOR e

cc Chief Secretary  
Financial Secretary  
Economic Secretary  
Minister of State  
Mr Cropper  
Mr Tyrie

BUDGET DEBATE

The **Economic Secretary** and **Minister of State** would agree between them which of them would not speak in the Debate. As to non-Treasury Ministers, it was agreed to invite Messrs Clarke and Channon to speak.

The **Chief Secretary** is seeing the Chief Whip today about the timing of the Bill.

A.R.G.

A ROSS GOOBEY



CONFIDENTIAL



FROM: A ROSS GOOBEY  
DATE: 2 MARCH 1987

CHANCELLOR'S MORNING MEETING

40TH MEETINGNOTE FOR THE RECORD

Present: Chancellor  
Chief Secretary  
Financial Secretary  
Economic Secretary  
Minister of State  
Mr Neubert, MP  
Mr Lilley, MP  
Mr Cropper  
Mr Tyrie  
Mr Ross Goobey

1. BUSINESS

Although the Opposition did not seem unduly upset, there was growing opposition to the Milk Order on Government backbenches. The whipped vote on Tuesday was likely to be late.

2. MANIFESTO

Mr Cropper is to circulate to interested Ministers for drafting comments by tomorrow, and will then send the corrected draft to Mr Sheilbourne. His covering letter will make three relevant comments, including a request that the Chancellor sees every draft in good time.

There was a discussion as to whether there might be a passage on living standards, particularly for pensioners.

3. TAMILS

Mr Tyrie registered his concern that there might be unwelcome consequences of the proposed fines on airlines. Although it was



accepted that there might be problems, this policy was seen as a necessary stop gap whilst the courts were overturning the intent of existing legislation, until the legislation itself might be made lawyer-proof.

There was some concern that Department of Transport officials were not expressing their reservations to the Secretary of State.

4. STRIP SEARCHING

The **Minister of State** would look at a video of the "That's Life" programme and see if any more needed to be done.

5. LIVING STANDARDS

It was agreed that nothing could be done prospectively about Britain's increasing relative position vis a vis France, although a specific target like doubling living standards over a generation had its attractions.

The **Minister of State** suggested using the Italy statistic as an oral question for next First Order Questions.

6. LABOUR COSTINGS

The Department of Health and Social Security letter which registered reservations over interpreting Labour pledges, should be noted. Treasury official had been as co-operative as was proper and these niceties should continue to be observed, even if it means **Mr Tyrie** having to brief DHSS Ministers as to what is required.

7. QL

General dismay was registered at having a second reading of an English/Welsh rate abolition bill in a short session. The **Financial Secretary** and **Chief Secretary** are not to reopen this in QL, but it may be necessary to discuss it at Cabinet.



8. MINISTER OF STATE'S ENGAGEMENTS

The Minister of State has a speaking engagement on 9 April which would make it impossible for him to reply to any possible adjournment debate on 10 April. Mr Lilley agreed to deputise on the speaking engagement if necessary and if possible.

9. CUSTOMS

The Minister of State was about to chastise the Customs & Excise for submitting evidence to the Race Relations Sub-Committee without his knowledge.

10. PRIME MINISTER'S QUESTIONS

Mr Lilley has the first question tomorrow. He would accept suggestions gladly.

ARG

A ROSS GOOBEY



PRAYERS MINUTES  
2 MARCH 1987

1254/23

BUDGET SECRET

Copy No. 1 of 9.

FROM: A ROSS GOOBEY  
DATE: 2 MARCH 1987

CHANCELLOR (C)

cc Chief Secretary  
Financial Secretary  
Economic Secretary  
Minister of State  
Mr Cropper  
Mr Tyrie

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A.R.G.

A ROSS GOOBEY



CONFIDENTIAL



FROM: A ROSS GOOBEY  
DATE: 2 MARCH 1987

CHANCELLOR'S MORNING MEETING

40TH MEETINGNOTE FOR THE RECORD

Present: Chancellor  
Chief Secretary  
Financial Secretary  
Economic Secretary  
Minister of State  
Mr Neubert, MP  
Mr Lilley, MP  
Mr Cropper  
Mr Tyrie  
Mr Ross Goobey

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ANQ

A ROSS GOOBEY



FROM: A ROSS GOOBEY

DATE: 4 MARCH 1987

CHANCELLOR

cc Chief Secretary  
Financial Secretary  
Economic Secretary  
Minister of State  
Mr Cropper  
Mr Tyrie

**POST-PRAYERS - 4 MARCH**

CGT was discussed.

**VAT QUESTION**

Mr Patrick Thompson's question was to be studied by the **Minister of State** who will suggest to the Chancellor how it should be handled.

**NATIONAL GALLERY**

The **Chief Secretary** has spoken to Mr Luce and is writing setting out the position on VAT.

**CBI**

The **Minister of State** will write to the CBI confirming the April start date for the new VAT regime.

**BRAEHEAD**

The **Minister of State** warned that Scottish Office were getting very excited over the proposed closure.

ARK

A ROSS GOOBEY



CONFIDENTIAL



FROM: A ROSS GOOBEY  
 DATE: 4 MARCH 1987

CHANCELLOR'S MORNING MEETING

41ST MEETINGNOTE FOR THE RECORD

Present: Chancellor  
 Chief Secretary  
 Economic Secretary  
 Minister of State  
 Mr Neubert, MP  
 Mr Lilley, MP  
 Mr Lord, MP  
 Mr Heathcoat-Amory, MP  
 Mr Henderson, MP  
 Mr Twyman  
 Mr Cropper  
 Mr Tyrie  
 Mr Ross Goobey

1. APOLOGIES were received from the Financial Secretary.
2. BACKBENCH FINANCE COMMITTEE

Mr Neubert reported that Sir Nicholas Goodison had been certain of a third Government term. He was also personally in favour of making non-executives a condition of listing but was not confident of carrying his members with him.

3. BANKING BILL

There is clearly going to be trouble on the national interest front. The Economic Secretary will discuss with Lord Denham whether they can identify individual Peers who might be amenable to personal persuasion.

4. AGRICULTURE

The farming interest were very upset by the milk inspection order. The feeling was that the money involved was not worth upsetting



137,000 dairy farmers. Beef farmers are now becoming more concerned with the Green Pound.

5. SCOTTISH PARTY

The seminar held over the weekend was well organised and in good spirits.

6. FIMBRA

Mr Twyman noted that FIMBRA changes were likely to become an item of discontent. He is to make DTI aware of this problem.

7. STANDING CHARGES

Mr Tyrie is to suggest to Department of Energy that a Written Answer detailing the cost of abolition be planted. Mr Heathcoat-Amory's tame member of the public is now anxious to write to Mr Kinnock and the subject of Mr Kinnock's commitment on standing charges is a possible one. It was decided to concentrate on the Exchequer cost rather than any potential price effect to keep the policy in the £28 billion package.

8. LOCAL GOVERNMENT

The effect of the Lib-Lab pact in Bedfordshire in increasing the rate by 20% plus against the Conservative recommendation of 10% and the Ealing (+60%), Waltham Forest, Hammersmith and Fulham new Labour councils should be drawn attention to. Mr Tyrie is to check on plans with Mrs Ramsay at Department of Environment.

9. OPPOSITION LAUNCHES

Mr Tyrie is to present a paper to Prayers on Friday about the plan of campaign he suggests to upstage the Opposition launches next week. Mr Tebbit is still keen on costing Alliance policies but it was pointed out that the pledges were so vague that little useful could be elicited. The Chancellor suggested that the alternative was to point out that since the cost of implementing



all the half-promises would be astronomic and there is clearly no intention of doing so, The Time Has Come is a dishonest document. Mr Heathcoat-Amory suggested trying to drive a wedge between the two Davids and some of their wilder spokesmen. Mr Jenkins has clearly espoused a 3% of GDP borrowing target.

10. INTEREST RATES

Mr Ross Goobey is to point out to some friendly journalist the interesting contrast between Mr Hattersley accusing the Chancellor of keeping interest rates down for political reasons last October and Mr Blair accusing him of keeping them up for political reasons today.

11. PAY

The press coverage was unfortunate, but inevitable since the industrial correspondents usually sport the union line. A briefing note for backbenchers will be prepared today (Alastair Ross Goobey).

AR

A ROSS GOOBEY



CONFIDENTIAL



FROM: A ROSS GOOBEY  
DATE: 6 MARCH 1987

CHANCELLOR'S MORNING MEETING

42ND MEETINGNOTE FOR THE RECORD

Present: Chancellor  
Chief Secretary  
Financial Secretary  
Economic Secretary  
Minister of State  
Mr Neubert, MP  
Mr Lilley, MP  
Mr Cropper  
Mr Tyrie  
Mr Ross Goobey

1. ALLIANCE SUPPLY DAY

The subjects chosen are Defence and Disparities in the Regions. Because Denis Healey has chosen to speak, Mr Younger will also speak and this will inevitably make the first debate overrun.

2. ENCOUNTER ARTICLE

Mr Tyrie will find the date of Mr Jenkins article.

3. TRANSFERABLE ALLOWANCES

The Minister of State had divined the reasons for Ms.Lait's anti-pathy to the married state.

4. BRITISH AIRWAYS

The Chancellor will minute out his disinclination to use Hill Samuel for future privatisations.



5. LA FINANCE

The question of creative accounting. Mr Ridley has made clear in a Written Answer that the Government does not stand behind local authority debt, but he wanted the Governor to write to banks to alert them to this fact. Although there were good reasons not to do this, the Chancellor wondered whether the Bank could merely draw attention to the Written Answer. The **Economic Secretary** is to see the correspondence.

6. BANKING BILL

The Clearing Banks are happy about EFTPOS but Parliamentary Counsel is not sure such a clause can be attached to this Bill.

The **Economic Secretary** is seeking suitable Peers to give the Government support on the National Powers clause.

7. INTEREST RATES

The Chancellor commented that although the tone of markets was good, such sentiment is often fragile and the last thing desired was for a fall in interest rates to be followed rapidly by a rise. The market is likely to have a more complete picture after the Budget.

8. OPPOSITION INITIATIVES

Mr Tyrie is to brief Mr Potts of the Daily Express on the Liberal/SDP book, to be renamed "The Time May Come", using Michael Lord's comment that the Alliance candidate, when asked what the time is, replies "What time would you like it to be?". The subtitle of the book is not "The Ten Commandments", but "The Ten Suggestions" - the list of weasel words from the book then follow.

The Chancellor is to hand Mr Tyrie's draft passage on Labour to Mr Tebbit today and ask him to respond to the launch by asking what commitments are being dropped and how the total is to be



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paid for.

On the Alliance, **Mr Lilley** suggested using Mr Horam, which proposal the Chancellor will convey to Mr Tebbit. The obvious targets for this launch are the tax/benefit mess, and, to a much lesser extent, the effect of Alliance local government on the rates. In all speeches (and in the above passage) care must be taken never to refer to the Alliance, but to the Liberals and SDP.

*ASG*

**A ROSS GOOBEY**



FROM: A ROSS GOOBEY

DATE: 10 MARCH 1987

CHANCELLOR *e*cc Chief Secretary  
Financial Secretary  
Economic Secretary  
Minister of State  
Mr Cropper  
Mr Tyrie

BUDGET NONES\* - 9 MARCH

FT ENERGY CONFERENCE

There was no apparent benefit to be gained by the **Financial Secretary** speaking at this conference.

MR WALKER

Mr Cassell is drafting a reply. Sir G Littler and Mr Cassell are also drafting a telegram to explain the oil price assumption to oil men in the desert.

GAMING MACHINES

The increase will cause some upset in the pubs and clubs. A simple way to offset this will be to increase the maximum cash prize. Since this is a Home Office matter, they should be asked for approval as soon as possible.

GORBACHEV

The suggestions in Mr Tyrie's note are already in hand and Mr Tyrie might like to liaise with the Special Advisers in Defence and the Foreign Office.

---

\* Note: For the irreligious, nones is the ninth hour of the church day, a service celebrated by prayers at 3 pm.



PRESENTATION

There are four areas of potential problems in presentation:

1. Excise duties
2. Section X
3. The borrowing requirement
4. No public expenditure measures.

Taking them in reverse order:

X |  
On 4, public expenditure is dealt with in the Autumn Statement and in that there was an increase in plans of £4.7 bn. On 3, the PSBR is a matter of Chancellorial judgment, with the unspoken implication that this is a prudent and not a give-away package. The justification for the step-down in the borrowing profile should be left for the Chancellor in front of the TCSC, but the Ur-text is a speech he made to an FT conference in January 1980. Advisers should work up knocking copy on the opposition parties' approaches to PSBR/Income Tax/Interest Rates etc. The **Financial Secretary** will reveal the BP sale in his speech.

SECTION X

If asked why this has not been done before, it will be useful to attribute movement to the Community initiative, and the fact that circumstances have changed so much as to make the legislation anachronistic (answer to apparent contradiction of Sir Geoffrey Howe's Written Answer).

EXCISE DUTIES

The first point is to ask why there is any complaint at keeping prices low and the second is to point to the overall over-



**BUDGET SECRET**

revalorisation over the period since 1979. The Sam Brittan outrage which is expected should be contrasted with his similar outrage in 1979 at the "deliberate stoking up of inflationary expectations".

On the Hattersley line on VAT doubling, the crystal balls rebuttal is the best to use.

**OTHER**

On top rates, questions should be referred to the Chancellor's interview with the FT.

**PRP**

It was agreed to ask the **Minister of State** to speak on PRP on the second day of the debate, subject to no urgent need for the **Economic Secretary** to speak on broader economic matters.

**BACKBENCH BRIEF**

Mr Cropper will circulate his draft on Thursday evening.

**LOCAL AUTHORITY DEBT**

Mrs Lomax's note warned that no-one in the banking market had seen Mr Ridley's Written Answer. The **Economic Secretary** is to encourage the Banking Supervisor to draw the answer to the attention of the BBA.

**BRITANNIA**

Will be announced on Wednesday.

**BUILDING SOCIETIES**

Regime will also be published on Wednesday.

ARG

A ROSS GOOBEY



FROM: A ROSS GOOBEY  
DATE: 11 MARCH 1987

CHANCELLOR'S MORNING MEETING

43RD MEETINGNOTE FOR THE RECORD

Present: Chancellor  
Financial Secretary  
Economic Secretary  
Minister of State  
Mr Neubert, MP  
Mr Lilley, MP  
Mr Lord, MP  
Mr Heathcoat-Amory, MP  
Mr Henderson, MP  
Mr Stern, MP  
Mr Twyman  
Mr Cropper  
Mr Tyrie  
Mr Ross Goobey

1. APOLOGIES were received from the Chief Secretary.
2. BUSINESS

Mr Neubert reported that there was no opposed private business on Budget Day. The Chancellor thought this unwise since, despite the current availability of the Minister of State for Bench duty, it was better for Treasury Ministers to be appearing on the media. He suggested a debate on some non-financial EEC document should be organised.

3. BANKING BILL

The Economic Secretary had scrutinised the amendments and other than a national interest one in Lord Elton's name, they were of a technical nature. He will approach Lord Harris of High Cross to see whether he will make a robust speech against a national interest clause.



4. BACKBENCH FINANCE COMMITTEE

Peter Riddell had asked more questions than he had answered, but considered that Labour would gain 40/50 seats, the Alliance 40/50 seats and yet the Government would win the election. This seems a mathematically implausible combination.

5. EDWARD LEIGH

Mr Lilley and Mr Tyrie are to discuss with Mr Leigh the format of his Ten-Minute Rule Bill preceding the Budget Debate on Wednesday.

6. ALLIANCE

Mr Heathcoat-Amory pointed out some of the anomalies in the Lib/SDP economic passage as well as Dr Owen's interesting distinction between SDP, Alliance and Liberal defence policies. The special advisers are analysing the Lib/SDP alternative budget.

7. PENSIONERS

Mr Henderson mentioned a letter from Mr Major which set out the bull points about pensioner incomes. It was agreed to send out Mr Ross Goobey's more extended brief to backbenchers via the Whip's Office and also via Central Office as soon as possible, with the possibility of achieving some press coverage over the week-end. Mr Twyman will organise this.

8. TEN-MINUTE RULE BILL

The Bill organised for next Tuesday will be withdrawn tomorrow.

9. BACKBENCH BRIEF

Mr Cropper will write to Mr Biffen to inform him of the conditions under which the brief will have been prepared (including cost charge-out).



CONFIDENTIAL

10. ECOFIN

The Minister of State reported that it had been left to him to scupper the Iberian claim to exemption from paying for the dispersal of the butter mountain.

*Arg*

A ROSS GOOBEY



CONFIDENTIAL



FROM: A ROSS GOOBEY  
DATE: 13 MARCH 1987

CHANCELLOR'S MORNING MEETING

45TH MEETINGNOTE FOR THE RECORD

Present: Chancellor <sup>e</sup>  
Chief Secretary  
Financial Secretary  
Economic Secretary  
Minister of State  
Mr Neubert, MP  
Mr Lilley, MP  
Mr Cropper  
Mr Tyrie  
Mr Ross Goobey

1. BUSINESS

Apart from a Statement by the Chancellor next Tuesday and an ensuing four-day debate, the only business of note is an adjournment debate in the name of Sir Brandon Rhys-Williams on pension fund trustees on Thursday which will be fielded by DHSS.

2. LIBERAL/SDP/LABOUR DOCUMENTS

The Chancellor thanked **Mr Tyrie** for his analysis of these effusions and it was agreed that they did not merit any immediate response from the Treasury. The points made in the analysis should be included in the Backbench Budget Brief.

The line to take on Labour continues to be the number and cost of their commitments outwith the "jobs" and "benefits" packages.

**Mr Lilley** and PPSs are to organise suitable interventions on the policy documents as necessary.



3. LABOUR COSTINGS

Mr Tyrie reported that Labour are to launch another initiative on 24 March. It was agreed to have a final figure for the Chief Secretary's speech in the Debate but to refer incredulously to the possibility that there will be further additions in the near future.

4. EDWARD LEIGH'S BILL

There is likely to be a ploy to force Labour to vote down its own Bill. Mr Neubert expressed concern that the Opposition might attempt to get their retaliation in first on Budget Day itself. The Speaker will need to be very firm to maintain the decorum of Budget Day.

5. FINANCE COMMITTEE

33 is the preferred number. It was agreed that some backbenchers had earned places on the Committee and some not.

6. PUBLIC EXPENDITURE DEBATE

The Chancellor said that having this Debate in the pre-Budget period caused problems but he was persuaded by the Chief Secretary that other times had as great if not greater problems.

7. C4 TAKE-UP CAMPAIGN

It was agreed that the DHSS must not be thought of as trying to suppress this campaign.

8. BRIDGE STRENGTHENING

The Chief Secretary will speak to Mr Moore about the way in which this programme should be promulgated.



9 TUESDAY BENCH ROTA

The **Chief Whip** had agreed with the Opposition exerts from the Chamber for Treasury Ministers between 7 and 9 pm. The **Minister of State** would be in place between 9 pm and 10 pm.

10. CUSTOMS AND EXCISE LETTER

The draft on the Government's tax plans will be changed by the **Minister of State** and resubmitted to the Chancellor for approval.

ARK

A ROSS GOOBEY



CONFIDENTIAL



FROM: A ROSS GOOBEY  
DATE: 16 MARCH 1987

CHANCELLOR'S MORNING MEETING

46TH MEETINGNOTE FOR THE RECORD

Present: Chancellor *C*  
 Chief Secretary  
 Financial Secretary  
 Economic Secretary  
 Minister of State  
 Mr Neubert, MP  
 Mr Lilley, MP  
 Mr Cropper  
 Mr Tyrie  
 Mr Ross Goobey

1. BUSINESS

It has been agreed that the Minister of State will do the wind-up on Thursday night.

2. LETTER FROM THE FAMOUS 5

The letter in the FT showed both an allegiance to the Charter for Jobs and the SDP/Liberal camps. Had all these gentlemen signed the 1981 364 economists letter? Advisers are to advise.

3. WINE DUTIES

This should be a Written Answer on Tuesday as suggested by the Economic Secretary

4. POST-BUDGET

The party had grown so that perforce wives could not be invited.



CONFIDENTIAL

5. LABOUR COSTINGS

Mr Tyrie and officials were congratulated on their Herculean efforts to produce a new costing. There were some policy decisions to be made, namely:

Industrial support - Although the place the pledge was made may not have the substance of others, the fact that Smith will find it difficult to resile from leads to its inclusion.

Power Stations - Could the Labour Party say that this cost could be met out of Sizewell B?

Infrastructure - Although the detailed costings come from a 1981 document, the pledges are contained in the "jobs package".

Public Service Employment - There should be a figure for the numbers in local authorities and their earnings should be checked.

Jobs Package - Department of Employment should have provided figures by this afternoon.

Education Package - It should be determined whether the school buildings figure is subsumed in the "jobs package".

Pensions - The £13.85 bn figure is conveniently consistent with £2.8 bn per year building over 5 years.

Minimum Wage - The most recent document continues to call for a minimum wage in the public sector, and it would cause Labour embarrassment to back off. Included



Councillors Remuneration/Alcohol Abuse      Included

As to presentation, we must not be diverted by second and third order effects such as flow-back or behavioural effects. But it would be very helpful to have a first year figure.

The formula of the spending being "equivalent to" rates of VAT or income tax is to be adhered to.

As background, a debt interest figure might be worked out. The transcript of Mr Hattersley's appearance on the Business Programme should be studied.

ARG

A ROSS GOOBEY



CONFIDENTIAL



FROM: A ROSS GOOBEY  
DATE: 18 MARCH 1987

CHANCELLOR'S MORNING MEETING

47TH MEETINGNOTE FOR THE RECORD

Present: Chancellor  
Financial Secretary  
Economic Secretary  
Minister of State  
Mr Neubert, MP  
Mr Lilley, MP  
Mr Lord, MP  
Mr Heathcoat-Amory, MP  
Mr Henderson, MP  
Mr Stern, MP  
Mr Twyman  
Mr Cropper  
Mr Tyrie  
Mr Ross Goobey

1. APOLOGIES were received from the Chief Secretary.

2. BUSINESS

Mr Neubert reported universal approbation of the Budget, specifically for its judicious and skillful organisation.

3. BUDGET REACTIONS

Mr Stern had seen little comment on the VAT package which he thought good and popular; he was assured that both the Chief Secretary



and the **Minister of State** are to advert to this aspect in their speeches.

**Mr Henderson** remarked on the unanimity of approval across the Party spectrum. The man in the Westminster taximeter expected the Conservatives to win the election but to be a bit "kinder". **Mr Henderson** also approved of the Budget Broadcast.

**Mr Lord** welcomed the fact that the Budget was even sounder than had been expected.

**Mr Heathcoat-Amory** liked the packages for small businesses and asked that David Trippier's Department produce a small format pamphlet on all the pro-small business measures taken since 1979. **Mr Twyman** is to investigate this possibility.

4. THE "HAT TRICK"

A small brief on the total economic package for 1986-87 should be prepared for circulation to backbenchers and other suitable bodies.

**Mr Ross Goobey** is to work up a brief on the effects of the Fowler reforms on the relative benefits of higher allowances/lower tax rates.

5. TOBACCO

Mrs Currie has agreed not to make smoke.

6. SHANDWICK

**Mr Tyrie** reported that bankers present were extremely bullish. One thought that the exchange rate would go through \$1.70 after



2% cuts in interest rates.

7. EXCISE DUTIES

It was not thought advisable to attach too much importance to the stand-still as it might tie hands for a future Budget.

8. ALLIANCE PROGRAMME

Backbenchers might try to elicit some firmer commitments from Mr Jenkins on policy. **PPSs** are to see a copy of David Willetts' analysis of Mr Jenkins' LSE speech. The Liberals and SDP were trying to draw a spurious distinction between Budgets which are good for the economy and Budgets which are good for jobs: the latter is conditional on the former. Mr Jenkins is very vulnerable about his equivocation over tax cuts.

FRG

A ROSS GOOBEY