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PREM 19/2076

PART ONE

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NEW FILE COVER

CONFIDENTIAL FILING

Access to Paper by members of the PM's Policy Unit

Organisation and function of the Policy Unit

Relations with CPRS

144

DOWNING STREET

May 1979

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PREM 19/2076

PART ONE ends:-

"The Role of the Policy Unit"
by D. Willetts

PART Two begins:-

D. Willetts to B. Griffiths 6.4.87

Handed to me by David Willett.
pa
NW.

THE ROLE OF THE PRIME MINISTER'S POLICY UNIT

The Prime Minister's Policy Unit, also known as the Number 10 Policy Unit, comprises a team of eight advisers each responsible for briefing her in a major area of policy (excluding such issues as foreign policy and security). Together with three secretaries they occupy a set of rooms straddling 10 and 11 Downing Street (a modest encroachment on the Chancellor's residence of such long standing that it appears not to be resented).

Location is of course crucial in the higher realms of administration. The Number 10 Policy Unit is not part of the Cabinet Office at 70 Whitehall. The locked door between Number 10 and the Cabinet Office serves a constitutional as well as a security function: the Policy Unit is on the Prime Minister's side. But the Policy Unit is just slightly removed from the Private Office where the Prime Minister is served and supported minute by minute. If necessary a competent member of the Policy Unit (just like a good official anywhere in Whitehall) should be able to produce a good clear piece of policy advice within an hour of a problem coming up. But normally the Policy Unit works on a timetable determined by that night's box, the weekend box, or a meeting planned several days in advance.

## History

Although only created in 1974, the history of the Policy Unit already falls into three clear periods matching the Parliaments of 1974-79, 1979-83, and since 1983. The changes in the Policy Unit's role in these periods have been marked.

## First Phase, 1974-1979

The Policy Unit was created by Harold Wilson when he came back to power in 1974. Bernard Donoghue, its head in that period, has written about his work then. There doubtless were many similarities with the work carried out now. But there were also some crucial differences.

No Whitehall officials worked in the Unit then. And with the Central Policy Review Staff still a major presence, the Policy Unit's work may have been more narrowly party political. It would be wrong to press this suggestion too far however as members of the Unit certainly became known around Whitehall during this period.

The work of the Unit under Bernard Donoghue seems to have focussed more heavily on economic policy than is the case now. This was doubtless because the economic crises of 1975 and 1976 made economic policy a much more time consuming part of

the Government's agenda than has been the case subsequently. Bernard Donoghue's account makes clear that the Unit played a major role in economic policy, partly as neither Harold Wilson nor James Callaghan trusted the Treasury (Harold Wilson because he had not worked there and James Callaghan because he had).

Second Phase, 1979-1983

During this phase the Policy Unit was afflicted by a wider uncertainty about the best arrangements for serving the new Prime Minister. There were several important changes at the centre:

- Value for money scrutinies were pioneered by Lord Rayner and then institutionalised in the Efficiency Unit.

- Political Advisers, after some initial reluctance, spread further around Whitehall.

- The Civil Service Department was abolished.

- The CPRS changed leader several times and searched for a new role.

- Economic policy advice - a crucial role in the earlier Policy Unit - was carried out ably by Sir Alan Walters

as the Prime Minister's Economic Adviser a post which was not part of the Unit.

- The Policy Unit itself appeared to be pulled in different directions - the first officials arrived from Whitehall and worked effectively with Private Office whilst on the other hand the new outside members were closely identified with the radical new Thatcher programme.

Those outsiders who worked in the Policy Unit during this period have subsequently displayed more fundamental hostility to Whitehall than either their predecessors or successors. If they were radicalised by their experience it may suggest that in this period the Unit was less successful in achieving significant influence over policy.

Third Phase, 1983-

The latest phase of the Policy Unit's activity begins with the demise of the Central Policy Review Staff in May. Today's Policy Unit is in some ways as much a successor to the CPRS as to earlier Policy Units.

The abolition of the CPRS was controversial then and remains so. It is almost de rigueur for any self respecting politician or commentator with a plan for reforming Whitehall

to advocate the recreation of the CPRS. The intelligent, articulate former members of the CPRS provide powerful advocates. But they need to confront the four crucial reasons underlying the Prime Minister's decision to abolish it.

First, this Prime Minister is better aware than most that a strategy is nothing without the right tactical decisions. The strategic direction of her government has been clear from the start - the reduction of inflation, extending the operation of markets, and allowing greater scope for personal responsibility and choice. The challenge is to ensure that the day-to-day decisions coming before Ministers fit in with these strategic objectives. Yet the CPRS seemed to become more donnish and detached from hard day-to-day decisions. When an awkward problem comes up, it may be most helpful for the Prime Minister and her team to get a short paper within a few days setting the decision within its strategic framework. But instead the CPRS - partly at the behest of Ministers - was more orientated towards providing a 100 page report within 3 months. The CPRS carried out this work with distinction, but other Whitehall departments often believed they could do it themselves.

Secondly, the CPRS was a Cabinet Office body serving all of Cabinet. So any major review would get wide circulation. It was very likely that at least one Minister would have such an interest in opposing the CPRS's recommendations that he would

be sorely tempted to leak against them. Unfortunate episodes like this afflicted the CPRS in its later years.

Thirdly, CPRS papers could divert the conduct of Cabinet and Cabinet Committee business in a way unwelcome to other departments as much as to the Prime Minister. If a department circulates a paper with a major policy proposal it legitimately expects that its paper will form the centrepiece for Ministerial discussion. But a CPRS paper, circulated to all Ministers attending the meeting, could overshadow the original work and itself set the framework for the meeting. Whilst this might seem as an advance - the neutral central body setting the terms of the debate - in the long run it could undermine the Department's morale and sense of lead responsibility for policy in their areas. The Policy Unit by contrast only briefs the Prime Minister leaving the relevant Minister (and maybe the Treasury with a counter proposal) much more influence over the agenda. It is an irony that the Policy Unit is sometimes seen as undermining departments whereas in this important procedural respect it returns the focus of Ministerial debate to where it properly lies, the ministerial head of the responsible department.

Finally, and perhaps most importantly, institutional innovations at the centre may have an inherently short life. The grit in the machine is worn smooth. Prime Ministers all need arrangements around them with which they personally feel comfortable. So perhaps it is a delusion to pursue a "right"

organisational answer. Instead, Whitehall is engaged in a permanent process of creative destruction.

The demise of the CPRS was followed by another change which was important in setting the style of the Unit in its third phase. Professor Alan Walters had been established separately as the Prime Minister's Economic Adviser, a post in which he exercised considerable influence. But he took on heavy academic commitments in America so his work at Number 10 became increasingly part-time. Economic advice came back within the purview of the Policy Unit.

When the CPRS was abolished, two of its most recent and most promising outside recuits were moved over to the Policy Unit, boosting its strength. Under the leadership of Ferdinand Mount in 1982 - 1983 the Policy Unit went through a period of transition with the new style emerging clearly under John Redwood who arrived in November 1983 and became head in January 1984. Professor Brian Griffiths, who became head of the Unit in October 1985, carried on in the framework that John Redwood had successfully established.

It is this new model Policy Unit which now must be investigated. Some of the information provided will be of a rather elementary, factual kind. But the Policy Unit is a shadowy body about which little has been written so an introductory account of its workings may be useful. This focus on elementary information is also born of necessity - it

would be a breach of faith as well as the Official Secrets Act to discuss specific advice given by the Policy Unit and issues where its interventions have been effective. Such evidence would probably be misleading anyway - no-one this close to events can match the historians' perspective. An account of individual examples of the influence of the Unit no more reveals its overall role than accounts of individual daring comprise a military history.

Composition

For the past three years the Policy Unit's membership has stayed pretty stable at 8 to 9. As at 1 November 1986 it comprises:

Professor Brian Griffiths, former Professor of Money and Banking at the City University Business School: Head of the Unit, specialising in education and economic policy.

Norman Blackwell, on secondment from McKinseys; specialising in employment, EEC, agriculture, and trade.

Hartley Booth, Barrister and former Conservative Parliamentary candidate: specialising in Home Office and "Green" issues.

George Guise, on secondment from Consolidated Gold

Fields: specialising in industry and research and development.

David Hobson, retired senior partner of Coopers and Lybrand: part-time adviser on accountancy issues.

Peter Stredder, civil servant on secondment from DTI: specialising in the Department of the Environment.

David Willetts, formerly a civil servant in HM Treasury: specialising in DHSS and Treasury issues.

John Wybrew, on secondment from Shell: specialising in energy and transport.

The Policy Unit aims to cover most areas of domestic policy. Its style is collegiate and friendly - the whole Unit will discuss any major issue before advice is sent to the Prime Minister. Peer review helps to keep the Unit's advice sharp and purposeful. The range of experience and skills of its members is crucial to the Unit's success. A lawyer, an economist, a management consultant, an industrialist can all give their angle on a problem. In this respect the Policy Unit is very different from the Civil Service which recuits early and for life. A Permanent Secretary is a Principal with 25 years of experience. He may be more wise and more experienced, but all members of the team below him are likely to have fundamentally similar backgrounds and experience. This relative homogeneity may be one of the main reasons that

the Civil Service can be hierarchical and deferential - officials are only differentiated by age and rank. The crucial distinctions in the Policy Unit are not vertical but horizontal - one individual may have the small businessman's perspective whilst another takes the "Treasury view".

Neither John Redwood nor Brian Griffiths have behaved at all autocratically, though they have provided leadership. Above all, the head of the Unit acts as a quality controller. Important pieces of work are, if time permits, shown to him so he can ensure it is up to the Unit's normal standards of clarity and vigour. But each member of the Unit establishes their own character with the Prime Minister and the department in the areas they cover. Work goes in under their signature, not that of the head of the Unit.

One, rather bland way of understanding the functions of the Policy Unit is to consider how members spend their time. So the account below begins with the pattern of the Unit's work. At the opposite extreme would be a rather broad account of the Policy Unit's commitment to and exposition of the Thatcherite agenda. That is covered because of the issue of 'politicisation' which it raises. But the most useful and interesting analysis lies between the understated and over-blown. So the account then focusses on the seveen practical functions which the Policy Unit carries out for the Prime Minister. Major lines of criticism are then considered - that the Unit is a dangerous step towards

Presidential Government and that it is unnecessary and ineffective.

## The Pattern of the Unit's Work

The pattern of the Policy Unit's work is largely determined by the papers and meetings coming up for the Prime Minister. Liaison with the private office helps ensure that the Unit sends the Prime Minister work that is relevant to her immediate preoccupations. The Unit meets collectively on Monday and Thursday mornings to review the Prime Minister's diary, discuss issues coming up and allocate tasks. Some of the rooms where the Unit works served as a flat until a few years ago - so a serious discussion of a tricky point of policy make take place against the incongruous background of flowery 1950s wallpaper and domestic curtains.

Papers sent in to the Prime Minister concerning domestic policy (but not covering appoinments, foreign affairs, security etc) would normally be copied to the Policy Unit giving an opportunity for comment. Of course, if a department sends in a paper late in the day needing an urgent decision there will be little time to prepare a properly considered appraisal. That is one reason why contacts with departments are essential to the smooth running of the machine - if a paper recommending a certain course of action is known to be on its way then advice can be prepared before it arrives. But members of the Unit must be prepared to stay late and brief at

short notice so that departments don't believe they can escape Policy Unit scrutiny simply by sending a paper in after 6 o'clock with a reply needed the following morning. Private Office are crucial allies here in ensuring that departments do not bring issues to the Prime Minister at short notice without good reason.

The next step after papers have come to the Prime Minister may be for her to chair a meeting. The relevant member of the Unit will normally provide the Prime Minister with a brief for such a meeting and will expect to attend. The member would usually not speak unless asked to or unless the meeting was particularly informal.

The Policy Unit's work is not entirely determined by the actions of departments. An important part of the job is to send in free-standing think pieces to prompt Prime Ministerial interest in an issue. If she thinks it worth pursuing then the responsible department can be approached.

The head of the Unit has a regular Friday morning meeting with the Prime Minister. Other members may occasionally brief her personally before major meetings. But communication in writing is probably more important than personal discussions. Members of the Unit should develop a distinctive and lively prose style which attracts the Prime Minister's attention when confronted with an unappealing pile of papers on some tricky issue. Members of the Unit should be masters of the

classic civil service art of the crisp and fair precis.

Ideally, members of the Unit spend one day a week outside the office visiting factories, hospitals, schools etc. This ensures that members of the Unit do not lose touch with valuable outside experience.

Furthering the Government's Strategic Goals

At its grandest, the function of the Unit is to act as support to the Prime Minister in implementing the strategic goals of her government - improving and extending the operation of markets, controlling public expenditure, maintaining the social fabric of the nation by initiatives such as controlling drug abuse, and improving the efficiency and sensitivity of essential services like health and education.

This reveals what is perhaps the crucial distinction between the Policy Unit and the Cabinet Office. Some of the work carried out by the Unit may resemble tasks normally ascribed to the Cabinet Office. But the Cabinet Office cares about procedure and the Policy Unit about substance. The Cabinet Office ensures the machinery of government runs smoothly. A remarkable number of elegant briefs to steer Ministerial discussions are prepared by remarkably few people at remarkably short notice. Lucid minutes of meetings appear with similar speed. But a Cabinet Office official with a strong view about the right conclusion of a meeting would be a

menace, because then the task of elucidating decisions and communicating them to Whitehall would be corrupted by someone with a policy interest. The Policy Unit is the opposite. A Policy Unit brief without solid practical policy conclusions would be useless. And because of this the Policy Unit does not minute meetings or sign letters reporting the Prime Minister's views: the Unit would be seen as parti pris.

This role of giving substantive policy advice to further the objectives of the Government, raises the question of whether the Policy Unit is simply "party political".

One reaction to the charge of politicisation would be to accept the description with pride. Certainly, some members of the Unit have been active members of the Conservative Party and nobody would wish to join the Unit unless they relished the prospect of working with this Prime Minister. But it would be wrong simply to settle for this as conclusive evidence of politicisation. First, it would be unfair to the civil servants who have done a useful job within the Unit as part of a normal civil service career. Secondly, it is but a short step from accepting party political loyalty to appearing to accept that the Unit is merely a group of sycophantic courtiers. Thirdly, the very concept of politicisation is difficult and complicated. It is worth investigating in more depth.

The conventional view is that the Civil Service gives "objective" advice to Ministers and that the Policy Unit because of its close personal loyalty to the Prime Minister cannot be objective. Historians and philosophers of science have invested enormous energy in investigating notions of objectivity in their own disciplines but this has not yet been fully reflected in the Whitehall formulations of the role of a civil servant. Whilst not advocating any jejeune relativism, it is clear that one can't just treat objectivity as unproblematic.

First, there is no such thing as policy advice resting solely on objective facts. Hume'sfamous statement about the move from 'is' to 'ought' should rest on the desk of every "objective" civil servant. Any piece of useful policy advice must involve evaluative as well as descriptive statements whether implicit or explicit. Some evaluative judgements will have to be implicit because it would be clumsy and wooden for every piece of advice of Ministers to bring out the range of policy assumptions embedded in it. No serious official would put up to a Minister in the current Government the proposal to solve a major industrial problem by nationalising the industry concerned. But similarly it would be a waste of everybody's time it every brief began by stating that the policy framework was one in which nationalisation was ruled out. That just forms part of the unstated common currency of Whitehall advice under this Government and there are equivalent examples for other Governments. Ministers and

civil servants work together within this shared framework which is a mixture of the programme of the elected party and the classic values of Whitehall.

The second problem with a simple notion of objectivity is that it is not clear what constitutes an objective descriptive analysis. The very choice of the relevant data will reflect a certain view of the world. As Keynesianism came to dominate the conduct of British policy one of the first tasks was to start collecting the macro economic statistics which a Keynesian policy required. Nowadays, any attempt by the Treasury to model the economy "objectively" has to take a view about for example the role of financial aggregates in determining the rate of inflation.

Thirdly, we can all fall into the trap of believing that "I am objective, you have strong views, and he is politicised". The average Whitehall civil servant may have a view of the world which tends to believe in the public sector's basic rationality and capacity to do things, so he may well also favour modest increases in public expenditure though nothing too extreme Anybody who doesn't share these attitudes may stand out and be thought rather viewy. But is the neutral base case against which his views are measured itself any less viewy? Civil servants as sophisticated policy advisers must be expected to develop their view of the world and it will be influenced by their professional experience as with anybody

else. That is not wrong. But it is important to be self aware and to think rigorously.

It may be best therefore to abandon ideas of "objectivity" though not simply to replace it with empty and cynical relativism. The best approach may be to use the terminology of the modern philosophy of economics and think in terms of the 'research programme' of an elected government. All advisers in Whitehall, whether in the Policy Unit or not, work within that research programme. The task is to do so with rigour and without sycophancy.

## Seven Practical Functions

Seven working functions of the Unit can be identified. The Unit is distinctive is that all are brought together within one institution - but other bodies such as the Private Office, the Political Office and the Cabinet Office may carry out some of these functions.

First, the Policy Unit is a small creative Think Tank, members of the Unit are always on the lookout for new policy ideas, the fresh angle, the policy proposal worth putting before the Prime Minister. Most Cabinet Ministers must have had the experience of expressing interest in an idea and 3 months later getting a 50 page report. In the Policy Unit the tendency is to put in a short note to the Prime Minister at quite an early stage rather than delaying for too long and

carrying out abortive work. If the Prime Minister is interested in an idea the Private Office can commission further work on it. The Policy Unit does not have the resources of departments and any idea which has the Prime Minister's authority will need a major contribution from the relevant department in working it up. This is one of the many reasons why it is not in the interests of either departments or the Unit to get into confrontation - the relationship is one of mutual dependence.

The second function is that of adviser. The Policy Unit has many opportunities to comment on the work of departments. This function has to be exercised with tact, and self restraint because it is departmental Ministers who are running policies in their areas and departments have enormous accumulated wisdom and expertise. They would get justifiably irritated if they thought the Policy Unit was constantly interfering from the sidelines. But when a department puts a paper to the Prime Minister the relevant member of the Unit can ask himself some basic questions such as:-

Is there a less interventionist solution which has not been properly considered or has been wrongly rejected?

Is there a less expensive option?

Are the arguments consistent?

What is the evidence to back them up?

Are there other relevant facts which the Prime Minister needs to know?

Just a few elementary questions like that can get one a long way in assisting the Prime Minister to decide how to respond to a departmental proposal.

A third function is to follow-up on the implementation of policy decisions. Departmental Ministers are so enormously busy that once one policy problem has been resolved, they then move on to the next one. Civil servants may encourage them in this - much higher status is accorded to baking fresh new policy advice than to ensuring that an agreed policy doesn't go stale. This is a hazard for members of the Unit also, but it is one to fight against. The Policy Unit can help the Prime Minister by sending her progress reports on where a policy is heading.

The fourth function is to raise important issues which might not otherwise have been passed to the Prime Minister. Issues tend to be thrown up for Prime Ministerial consideration because different departments have different interests. Policy issues which do not cross many department may not get such review. The involvement of several different departments is not necessarily a good guide to their inherent

significance. Subsidising a third world ally to buy a warship from a British shipyard in a deprived area may well involve the MOD, ODA, FCO, DTI, Northern Ireland Office and Scottish Office and of course the Treasury in elaborate manoeuvres. The Cabinet office machine will swing into action. Reconciling our interests in a vigorous drugs industry, the safety of medicines, and a fair deal for NHS from its £2b+ annual drugs expenditure is by contrast largely an internal DHSS issue though with the ubiquitous Treasury interest. The Policy Unit can help bring out important issues not thrown up by the chance divisions of Whitehall.

The fifth function is to lubricate relations between Number 10 and departments. If a departmental Minister is bringing a subject to the Prime Minister he may feel that he is shooting in the dark. What are her concerns? Is she deeply worried or is the meeting simply to report progress? Members of the Policy Unit, without in any way comprising their prime loyalty to the Prime Minister, may be able to help by answering such questions in advance. That saves time at the actual meeting, helps focus on crucial issues and avoid unnecessary conflict.

Sixth, by the time departmental advice reaches the Prime Minister it can sometimes have a strangely generalised fuzzy abstract quality. And if there are concrete facts they don't seem to be fully real, but rather the details in an accomplished surrealist painting. It is refreshing and useful for the Prime Minister to have a direct report from someone who has visited the real world, seen it unadorned and heard it

uninhibited. So the Unit can help give a non-Whitehall perspective drawing on outside visits or contacts with outsiders.

Finally, there are a lot of good ideas swimming around in Whitehall and outside in Universities etc which don't get fertilised by contact with someone with sufficient influence. Without suborning civil servants, the Unit tries to discover the frustrated reformer and help give his or her ideas another chance - this function could be called "repechage". The Unit operates as a grand suggestions box. The ideas may indeed be defective, but sometimes the reformer may be constrained by someone else's overcautious political judgement. And that political judgement may be part of the problem. Few things irritate Ministers so much as feeling that their officials are eliminating politically "impossible" options too early when that is what the Minister is there to do. A crucial achievement of this Government has been to roll back the frontiers of the "politically impossible". The Policy Unit, because it is directly subordinated to the most senior and astute politician of the lot, is not afraid of putting forward what might initially appear to be politically far fetched.

This description of the functions of the Prime Minister's Policy Unit leaves it open to two main lines of criticism - that it is a dangerous step towards presidential Government, and that the Policy Unit is unnecessary, simply getting in the way of good Government. These criticisms will be looked at in turn.

Presidentialism: a Prime Minister's Department?

This is not the place for a detailed assessment of the difference between the American President and the British Prime Minister. Suffice it to say that any American Presidential staffer with whom one compares notes is amazed that the British Prime Minister has a staff of advisers directly helping her in No 10 which totals at most 15 - 20 (including the Private Office and Political Office). The only thing which amazes them even more is that this should be regarded in some quarters as a dangerous step towards Presidential Government. Virtually every other Western leader would expect to have much more direct official support. To create a Prime Minister's Department would be a major and misconceived constitutional departure. This Government has rightly been constitutionally conservative - unless there are exceptional circumstances it is more productive for Ministers to use their limited time and energies to get on with the real job of pursuing their policies rather than the less fruitful game of reorganising Whitehall.

It is the pure traditional doctrine of the Prime Minister's role which has a sort of perverse Presidentialism to it. A caricture of the traditional doctrine would be that all other Ministers are provided with carefully considered official advice to help in reaching policy decisions or replying to proposals from colleagues. But the Prime Minister should stand alone receiving advice solely from other Ministers and reaching decisions by the exercise of pure political intuition. This puts the Prime Minister in a more unique and distinctive role than the mundane view that maybe the Prime Minister could be helped with a little bit of in-house advice, just like any other Minister. Of course, there would be serious problems if the Prime Minister only took in-house advice and did not listen to Ministerial colleagues. But that is far from the case. The role of the Policy Unit is to supplement the Prime Minister's sources of information and advice, not to undermine those which already exist.

The charge of Presidentialism also needs to be looked at alongside changes in the pattern of Cabinet work over the decades preceding the creation of the Unit. Generalism has been in retreat. Other Cabinet Ministers have become departmental experts, strong on their own subjects and reluctant to intervene where there is no direct dpeartmental interest. This creates the problem that when a particular

policy comes up for discussion the Cabinet debate may tend to involve the specialists with the others remaining silent. The Prime Minister is one of the few remaining generalists trying to participate in the discussion. One role of the Unit is to help the Prime Minister deal on more equal terms with a departmental expert armed with a weighty brief.

Perhaps the most sophisticated version of the argument that the Policy Unit is a dangerous step towards Presidentialism is that it encourages the tendency for No 10 to be seen as the active area of Government, suggesting ideas and pushing forward initiatives, whilst Departments become passive, reacting to ideas from elsewhere. This certainly can happen if a policy vacuum is created by a weak Minister or a weak Department. But it is not in anybody's interests and certainly not something to be encouraged by No 10. It is much healthier if Departmental Ministers are coming forward with proposals and trying to persuade the Prime Minister of their value. One of the difficulties is that Cabinet Ministers tend only to put proposals forward for wider Ministerial deliberation when they have already been heavily worked upon. They are understandably reluctant to try out ideas at an early stage and have them knocked down. The Policy Unit can help here by trying out proposals at a much earlier stage than a Departmental head would wish to see them circulated to colleagues.

The conclusion is therefore that to see the Policy Unit as an agent of Presidentialist encroachment on the responsibilities of Ministers is hysterical in the extreme.

Is the Policy Unit really necessary?

The wheels of Whitehall would turn perfectly smoothly, perhaps more smoothly, if there were no Policy Unit. Civil servants would still advise Ministers. If the subject were important enough they would take the matter to a Cabinet Committee chaired by the Prime Minister or a senior college. Decisions would emerge. The Private Office and Cabinet Office would ensure the efficient conduct of business. And perhaps there are some officials in Whitehall - if they were Christians they would be Unitarians - who still hanker after this way of doing things. But even if such a world ever did exist it doesn't exist now. Ministers understandably and legitimately want other sources of advice and information to supplement that of the classic civil servant. Sir Robert Armstrong's remarks to the Treasury Committee recognised this when he said that

> "I think that their /Ministers'/ duty, if they have a duty in relation to civil servants or a responsibility, is to read, mark, learn and digest the information and advice which the Civil Service has to offer, to put it together with whatever advice or information they have from other sources, and to take that seriously. (my underlining)"

Paradoxically, the Policy Unit's strength and effectiveness may partly be attributed to the very fact that in some narrow sense it is unnecessary. Members of the Unit are remarkably autonomous and independent compared with civil servants. They do not have to draft Parliamentary Answers or handle the day to day work of a department. So to some extent they are free to choose to focus on issues where most progress can be made. Moreover, there is no better guarantee of quality than knowing that nobody is obliged to read anything one writes. The Prime Minister can skip anything written by the Policy Unit and the work of government will continue. If she reads the Unit's work - and it gets remarkably close attention from her - it is because she believes it will offer her striking facts, new ideas, and practical proposals.

Any person trying to break into the world of Whitehall policy advice wants to get into the virtuous circle of being recognised as influential and therefore worth providing with information which in turn increases one's ability to provide influential advice. The vicious circle, into which the Policy Unit may have fallen in the past, is not to have Whitehall sources of information and thus to lose influence with the Prime Minister and then to be further cut out of Whitehall deliberations. (In passing, journalists fail to understand that the leak is only rivalled as a Whitehall weapon by the accusation of leaking. If one can successfully create the impression that another organisation or person is leaky then

its sources of information may dry up and it can be easier to cut out of decision taking. Most members of the Policy Unit have experienced this). To get into the virtuous circle it is important to have good relations with knowledgeable, conscientous, and intellectually honest Whitehall officials. They will deal with the Unit once it is clear that the Unit exists to help carry the business of government forward, not just to throw a spanner in the works, nor to write fanciful briefs of the "Wouldn't it be nice if the weather were better" variety. Over the past few years the Policy Unit has successfully got into this virtuous circle without in any way surrendering its prime loyalty to the Prime Minister and commitment to this Government's strategic objectives.

WAJL

STAFF IN CONFIDENCE

cc Mr. Warry
Mr. Norgrove
Mr. Powell

PROFESSOR GRIFFITHS

MR. PETER WARRY

I mentioned to both you and Peter that I think that arrangements should now be made, in view of Peter's impending departure for Plessey's, for him not to see any papers, or receive any information, while in the Policy Unit, which involve his future company, its business or its competitors. From what you and he tell me, I do not think this should cause any difficulty for the work of the Policy Unit, or for Peter.

Please could you consult David Norgrove or Charles Powell here, as relevant, about any cases of difficulty.

Let me emphasise that in asking for these arrangements to be made, I am in no way casting any doubt on Peter's integrity. Far from it. But I think that it is in everybody's interest that they are made, so that we are properly guarded against risk of criticism, however remote.

(N. L. WICKS)
29 September 1986

FILE DA

SIR PERCY CRADOCK

cc Sir Patrick Wright,
FCO
bc Mr. Ingham

Thank you for your minute of 12 September about the invitation from the BBC Current Affairs programme.

I have shown your minute to Bernard Ingham. He has commented:

"I still see difficulties, even if the BBC keep off politics/policy. Sir Percy cannot divorce himself from the Prime Minister and as a consequence he may well be inhibited from giving a frank and accurate account of what it is like to live in China. If, however, he feels he can present an accurate picture without difficulty I see no reason to object, for he will be able to steer clear of any attempt to lure him into forbidden territory."

I share Bernard's doubts. My doubts would be modified if the BBC were unable to find a suitable replacement to give the sort of interview on China which the BBC Current Affairs programme are looking for. But I would guess that even you are replaceable! So I think the answer to the BBC's interview ought to be NO.

(N.L. WICKS)

15 September 1986

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What do you think?

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Jp.0217

Mr Wicks

c: Sir Patrick Wright, FCO

I have been asked by the BBC Current Affairs programme whether I would be prepared to appear on television in October for a short interview on China as background to The Queen's visit. They are aware of restrictions on my public activities and say they will keep away from policy and concentrate on what it is like living in China, how it has changed etc. We cannot of course be absolutely sure that they will adhere fully to these limitations on the day, and the programme as a whole is still in an early stage, but I would guess the interview could be made fairly harmless.

2. I have warned them I would have to seek advice and that the answer might well be "No". I have no strong preference myself.

Sir.

PERCY CRADOCK

12 September 1986

Mr Wicks

I still see difficulties, even if the BBC keep off politics/policy. Sir Percy cannot divorce himself from the Prime Minister and as a consequence he may well be inhibited from giving a frank and accurate account of what it is like to live in China. If, however, he feels he can present an accurate picture without difficulty I see no reason to object. For he will be able to steer clear of any attempt to lure him into forbidden territory.

15

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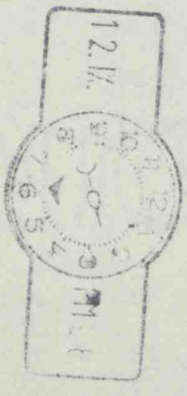

STAFF IN CONFIDENCE

PROFESSOR BRIAN GRIFFITHS

MR GEORGE GUISE

You asked me whether it would be possible for Mr Guise to attend one or two general policy meetings and to receive certain documents for information.

I have now discussed this with Nigel Wicks and Charles Fountain. They are content for this to happen subject to the following provisos:

a. no access to documents above the Restricted classification is to be allowed,

b. whilst in the building Mr Guise must be supervised by a No 10 member of staff,

c. his access to No 10 must not be taken as a commitment to future employment here. This is important since at this stage the final outcome of his PV cannot be assessed.

I should be grateful if you would let me know whether this is acceptable to you. I am copying this minute to Nigel Wicks and Charles Fountain.

Jean Cole

JEAN COLE (MRS)

18 July 1986

CF Pspt. att.
NW.

Ref. A086/2089

MR WICKS

Thank you for your minute of 13 July, attaching a summary of the talk which David Willetts gave to the RIPA on the Policy Unit. att.

2. My only detailed comment is on the second page of the summary, where it refers to the Policy Unit's "lubricating" function. As described, I should have thought that this was pre-eminently the function of the Private Office. David Willetts might be asked to alter the sentence to read something like:

> "Secondly, on occasions the Policy Unit can supplement the work of the Private Office in the "lubricating" function by helping to keep Ministers and their Departments (not her Departments) in touch with the Prime Minister's thinking and vice versa."

3. As a general comment, the talk seems to me to be likely to be taken as a good argument for the case for reviving the CPRS. If the Policy Unit can perform these functions, why should it not perform them for the Cabinet as a whole, not just for the Prime Minister?

RTA

ROBERT ARMSTRONG

16 July 1986

FILE DA

MR. WILLETTS

Sir Robert Armstrong has suggested one drafting comment on the summary of the talk on the Policy Unit which you gave to RIPA. His change concerns the second page of the summary, where it refers to the Policy Unit's "lubricating" function. As described, he thinks that this was pre-eminently the function of the Private Office. I agree. Could you alter the sentence to read something like:

> "Secondly, on occasions the Policy Unit can supplement the work of the Private Office in the "lubricating" function by helping to keep Ministers and their Departments (not her Departments) in touch with the Prime Minister's thinking and vice versa."

Sir Robert has also made the point that the talk seems to him to be likely to be taken as a good argument for the case for reviving the CPRS. If the Policy Unit can perform these functions, why should it not perform them for the Cabinet as a whole, not just for the Prime Minister?

(NIGEL WICKS)

16 July 1986

DCABJD

NIGEL

This minute was brought back from the Canadian trip. Suzanne put a note on it telling us not to despatch it until we had checked with you. Do you now want us to despatch, or do you want to hold on to it?

SALLY

14 July 1986

cleared & cargo Monday 14/7.

C/F to chase David Willetts by the end of the day for clearance of draft

file

SRW

10 DOWNING STREET

*From the Principal Private Secretary*

Sir Robert Armstrong

Last May, David Willetts of the Policy Unit gave, with my authority, a lunch time talk to RIPA on the Policy Unit. The Association now want to publish a summary of the talk in their quarterly notes, RIPA Report.

I attach a version of that summary and should be glad to know whether it causes you any difficulty. The draft is essentially RIPA's, and I think that we could all have expressed it much better. But so far as I can see, the text is "safe" for publication.

I hope you can agree for the article to be published. The more that can be done to demystify the inner workings of Whitehall by publishing this sort of information, the better.

I am sending a copy of this minute to Professor Griffiths, Bernard Ingham and to David Willetts.

N. L. W.

(N. L. WICKS)
13 July 1986

088

Mr Wicks

cc Professor Griffiths
Mr. Ingham

[redacted]. WILLETTS

189/7

Fine, thanks.
David Willetts
DCO
14/7/86

14/7/86

RIPA ARTICLE

I have made a few amendments to the draft RIPA article in the interests of both sense and safety. You will see the changes from my amendments to the original version which I herewith return. Could you please very quickly check through the text and let me know urgently that you are content. I may need to show your piece to Sir Robert Armstrong to check that he sees no difficulty with it.

N.L.W.

(N.L. WICKS)

13 July 1986

DRAFT

# THE PRIME MINISTERS POLICY UNIT

'COLLEGIATE, PEPPY, LIVELY, FREE-THINKING, LIBERAL-MINDED'. THIS IS HOW DAVID WILLETTS (A TREASURY OFFICIAL ON SECONDMENT TO THE PRIME MINISTER'S POLICY UNIT) DESCRIBED THE UNIT'S STYLE IN A MAY LUNCHTIME TALK TO RIPA MEMBERS. ESTABLISHED BY HAROLD WILSON IN 1974, ITS CHARACTER HAD SUBSTANTIALLY CHANGED IN 1983, WITH THE ABOLITION OF THE CENTRAL POLICY REVIEW STAFF (CPRS). BEFORE THEN IT HAD BEEN A TINY INFORMAL GROUP WITH A STAFF OF JUST THREE OR FOUR. IN 1983 THIS WAS INCREASED TO EIGHT OR NINE, WITH CIVIL SERVANTS JOINING FOR THE FIRST TIME. NOW TWO UNDER STRENGTH, IT INCLUDES AN ECONOMIST (PROFESSOR BRIAN GRIFFITHS WHO IS HEAD OF THE UNIT), A LAWYER, ACCOUNTANT, THREE BUSINESSMEN AND A CIVIL SERVANT.

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8

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The Prime Minister's Policy Unit

'Collegiate, peppy, lively, free-thinking, liberal-minded'. This is how David Willetts (a Treasury official on secondment to the Prime Minister's Policy Unit) described the Unit's style ~~of the Unit~~ in a May lunchtime talk ~~in May~~ to RIPA members. Established by Harold Wilson in 1974, its character had substantially changed in 1983, with the abolition of the Central Policy Review Staff (CPRS). Before then it had been a tiny informal group with a staff of just three or four. In 1983 this was increased to eight or nine, with civil servants joining for the first time. ~~Currently~~ Now 9 ~~two~~ under strength, it includes an economist (Professor Brian Griffiths who is Head of the Unit), a lawyer, accountant, ~~former journalist,~~ ~~two~~ Three businessmen and a civil servant.

Unlike the CPRS, which served the Cabinet as a whole, the PM's Policy Unit is part of the PM's staff and serves her alone. Not surprisingly therefore its pattern of work is very strongly influenced by the PM. It comments on departmental papers submitted to the PM, submits its own free-standing thoughts and ideas, and provides briefs for the PM ~~on her normal run of~~ for Cabinet and Cabinet Committee meetings, which its staff also attend. The Head of the Unit has regular personal meetings with the PM; and the rest of the staff ~~would expect to~~ see her on a personal basis from time to time. The Unit enjoys good working relationships with others parts of No.10 (the PM's Private Office, Political Office, Appointments side, Press Office) and the Cabinet Office.

Quality control of the Unit's work is secured in different ways. Peer group review means ideas are often tested against the varying background and experience of Unit staff; sometimes a draft is discussed with the Head of the Unit. The civil service tends to be more hierarchical in its approach to policy formulation and is often more homogeneous. Liaison with the Private Office, ~~the ultimate custodian of the Box~~, will ensure that what goes to the PM is relevant to her immediate preoccupations. But above all, the most important check is the PM herself; the Unit's survival depends on its usefulness; 'it is only as good as its last note!'

The Unit has five main functions, Willetts said, exclusive to the Unit only perhaps in the way they come together. Firstly, it submits to the PM new ideas for policy initiatives or new ways for implementing agreed

objectives. In this respect it resembles part of the CPRS's role, although 'perhaps a little less donnish in its approach', Willetts thought. It is more likely to try out an idea in a short note to the PM, so that she can react to promptly, than develop a 100 page report. If further more detailed work is called for, the Unit will then recommend that it is commissioned ~~commission it~~ from other parts of Whitehall. Secondly, on occasions it performs a 'lubricating' function by helping to ~~reduce unnecessary conflict between~~ ministers ~~and the PM. by briefing ministers before meetings with her~~ on what she is seeking to achieve. Thirdly, by visiting institutions regularly outside Whitehall, e.g factories, benefit offices, hospitals and schools - ideally one day a week - Unit staff develop a stock of direct experience and are able to provide facts to the PM as 'messengers of the real world'. Fourthly, the Unit ~~seeks to redress~~ the balance between policy formulation and implementation by giving more ~~attention to the latter than is often the case in Whitehall~~. Fifthly, it is engaged in 'repechage', recovering ideas that may have got lost. There are many good ideas around Whitehall and in other parts of the public sector and beyond - some of which may have been implemented on a limited scale, some rejected - which are waiting to be picked up and developed. The Unit operates a 'grand suggestions box'.

Is it yet another example of developing presidentialism? Willetts ~~thought~~ emphasised not. The Unit's role is not to displace advice from ministers but ~~simply~~ to provide an additional source of ~~independent~~ advice to the PM. ~~a legitimate role in the context of normal ministerial operations. If it does at times go a little deeper, it is a reflection of changes over the last 30 years in the pattern of cabinet government.~~ On specific issues which come to Cabinet Committees, ministers are often the experts 'and the PM tends to be the only generalist left'. Advice from the Policy Unit puts her on more equal terms.

How politicised is the Unit? Can it give objective advice? All staff in Whitehall, including civil servants, have to work within an ~~intellectual~~ policy framework set by ministers, Willetts stressed. What is important for the Unit is to avoid sycophancy, and ~~ruling out more options than ministers are actually prepared to contemplate~~, to maintain intellectual rigour; and to ensure (under the present Administration) that proper consideration is given to ~~research concerned with the~~ development of free-market economics.

The Unit does ~~seek an 'over-arching' view of~~ try to adverse where all those specific decisions which emanate from departmental ministers ~~to ensure that~~ they fit in with the Government's overall obejctives. In this respect it sometimes needs to compensate for the accidents of Whitehall structures. Problems involving several ministries are likely to be well ventilated; if they are internalized in a single department, they may not be thrown up for wider consideration.

DRAFT

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WELLVENTILATED; IF THEY ARE INTERNALISED IN A SINGLE DEPARTMENT, THEY MAY NOT BE THROWN UP FOR WIDER CONSIDERATION.

cc Jean Cole
File.

PRIME MINISTER

24 October 1985

Brian Griffiths has now taken over from Nicholas Owen.

NM Rothschild are seeking clarification about my position. They would like me back working for them in the New Year. By then, I am sure, the Policy Unit will be flourishing under Brian.

I would like to suggest that I leave No.10 at the end of January, but contribute to speeches and discussions, and form part of the Conference Speech team next year. This would suit Brian, who is busy enough on Unit matters.

The speech team, which has been working well recently, is something I could continue from the City. It would give me pleasure to retain such an informal link, and back at Rothschild's I will have my own office and secretary, which will help. I would, of course, be only too delighted to write comments or notes on issues, if you wished, from my new vantage points.

Are you happy with this proposal?

Linda Rud

JOHN REDWOOD

Yes - I think it a good compromise.
MT

Prime Minister

WINNING THE NEXT ELECTION

Robin Butler suggested I send you some thoughts on the issues likely to dominate the pre-Election period.

The political background

The outline to the next Election campaign already seems to be shaping up. The main issues are likely to be:

1. Uncaring Britain: There will be persistent claims that we cut public services, that we do not care about health and education; our legacy is one of hospital and school closures; and we are mean about famine and world poverty.

2. The unloved public sector: An extension of 1. above. The whole public sector will be whipped up into a campaign to get rid of this Government as one which has denigrated and cut it.

3. Tatty Britain: The Opposition campaign that we are presiding over cuts in capital spending, potholes in the roads and crumbling sewers, will gather momentum. Liberals will argue in the South East that we are raping the countryside and overbuilding for developers' gain.

4. A divided class-ridden Britain: Tax cuts for the rich, benefit and pay cuts for the poor may be one of Labour's strongest slogans.

5. The economic strategy: Is Britain working? The Opposition will redouble their efforts to blame the Government for high levels of unemployment, and to suggest that it is the result of 8 wasted Tory years.

6. Time for a change: A well-used slogan by Oppositions that have been out of office for a long time, this is bound to reappear - especially in the Liberal and Social Democratic literature.

7. Out of touch and remote: There will be a campaign to prove that the Government has lost touch with the feelings of ordinary voters, particularly with the aspirations of younger voters.

Background

The background to the Election should be as follows:

1. Prices: Inflation should be at a lower rate than 1983, if the current tightness of policy is continued.

2. Unemployment: On present policies, it is likely to be around current levels. With further changes to employment programmes, tax and benefit regimes, and Inland Revenue attitudes, we could have it falling for 6 months before the Election. We should strive to do so as this could transform a major Opposition argument.

3. Growth: We should have been able to deliver 7 years of continuous growth, which will be a remarkable achievement.

4. Crime: Drugs and crime are still likely to be rising. But the seriousness of the Government's attempts to combat it, and the lack of credibility of the Opposition case, should still turn this into a strong issue for us - as it always has been.

5. Every earner an owner: We will be able to point to a substantial increase in shareholdings, and in general wealth-ownership, through profit share and share incentive schemes, privatisation issues and the council house sales programme.

6. The climate of industrial relations will have been transformed, with some working permanence in our Industrial Relations legislation, and the development of more harmony in the new industries and the post-miners' strike era.

7. Strong defence of British interests: We will be able to remind people of your successes in Europe, and of the seriousness with which Conservatives take defence and the standing of Britain abroad.

8. Strong leadership will still be a feature of this Government and, as the spotlight is turned more firmly on Neil Kinnock, it will become more of an asset.

Election strategy

The art of any Election campaign is to:

a. highligh our own strengths;
b. help highlight opponents' weaknesses;
c. dictate the agenda on which the Election is fought.

First, dealing with the Opposition case we need what the American election strategists in their murderous prose call offsets - policies and presentable facts that respond to the charges the opposition make.

1. Tatty Britain: Your Millennium Committee (where I am awaiting Grey's response) coupled with the Channel Tunnel, the rebuilding of the railways, the extension of the road programme, and the better presentation over the next 2 years of our capital spending record, provides a visible response to the Tatty Britain hypothesis. And there is no time like the present for getting this message across, along with a conservation message for the rural areas.

2. Uncaring: Campaigns to improve the quality of patient care - cutting the waiting lists, extending the range of choices in hospitals, and helping parents in schools to deliver standards and more powers on boards for parents - are good populist policies which will win back some support.

3. The unloved public sector can be wooed back in part by showing - through the policies outlined above, and other statements - that public sector activities are important, as you have been doing in recent speeches. Tone of voice and attitude are more important than cash.

4. Jobs: The best reply is to get unemployment coming down, and this should be possible.

5. Low pay: Tax cuts have to be concentrated on the argument that you are making it more worthwhile for poorer people to work.

6. Time for a change: Only by showing that there is more work to be done, that you have a clear vision of the future, and that your policies need more time to gain all their fruits, can you hope to offset the boredom factor.

7. Out of touch: You must regain in all areas the popular ground by showing the relevance of policies to the individual aspirations of people as patients, as schoolchildren, as parents, as citizens, as members of communities.

Attacking the Opposition

Labour Although Labour has done something to repair its image, they still retain a large number of hostages to fortune.

1. Images of extremism: Scargill, Benn, Boateng, Profit, Hatton, Livingstone remain at the back of Kinnock.

2. The high tax party: Hattersley's statement that anyone on a joint income of £20,000 a year or more is rich will look even more silly by 1987 or 1988. Coupled with one of the most expensive programmes ever devised, we can make out a good case to say that they will kill enterprise and remove the incentive to work by high tax policies.

3. Labour's economic expansion policies would take us back to the IMF, major public expenditure cuts, and rapid inflation.

4. Their defence policy is even more extreme than in 1983.

5. They intend to put the police under political control, and would not be serious about combatting disorder or drugs.

6. The Labour Front Bench is an untried and untested team and by 1987-88, whilst they will have the advantage of change on their side, they will have the disadvantage of inexperience - will they ever look like a potential Government?

Alliance The main theme of the last campaign - that a vote for Liberal or SDP would let Labour in - will remain an important point to get across. The results of the 1985 county council elections, the behaviour of the Liberals in the 1970s, and the voting patterns of Liberal and SDP MPs in the present Parliament, all underline the truth of this proposition.

We should always remember to brand the Liberals and the SDP leaders with the characteristics of the Labour Government of the late 1970s. An attack on Labour's record could always be coupled with a reminder - in every speech and reference - that the Liberals kept that government in power. They were the people who presided over the IMF cuts, the collapse of confidence in the pound, the slowest growth rate on record, a big climb in unemployment, and an inflationary surge.

We can try and distinguish between the SDP and the Liberals, but the public is far from convinced about their disunity, and has a very hazy understanding of their different policy positions. Tactics can only be judged at the time. We must remember that Liberal and SDP votes are intrinsically soft votes, and it may well be

wise - as last time - largely to ignore SDP and Liberal positions, and concentrate our fire on Labour and the theme that voting for the Alliance would let Labour in.

Problems of Government in the run-up to the Election period

The major problems are likely to be:

1. Avoiding an over-hectic or fiddly Legislative Programme in the last year before the Election. There is continuing evidence that departments are attempting to fiddle with too many things - sub-postmaster remuneration, the system of drug prices, nationalising bits of the private sector steel industry, etc. - in a way which does not build on our core policies, yet upsets people. The last legislative year has to be relatively light and confined to a few good, popular measures. MPs and Ministers should be left with more campaigning time, and Parliament should not sit all hours.

2. Public sector pay and expenditure. The overriding problem of the next 2 years is going to be keeping public sector pay increases to reasonable levels that do not blow apart the public expenditure strategy. At the same time morale has to be rebuilt within the public services. A strong money policy is helping. And tax cuts should go to individuals - if anything companies have too much cash and are undertaxed. We need somehow to engineer a public expenditure round which is more sensitive politically, whilst retaining control of the overall levels

of spending. This can only be done by a vigorous assault upon nationalised industries - particularly steel and coal; by pursuing the Audit Commission recommendations in local government; by contracting-out more functions; and by tightening the defence budget. Being too mean on benefit levels, pensions or educational expenditure would be counter-productive.

3. Conservation and new building. The Government will ignore at its peril the growing force of the conservation, green belt and anti South-East construction lobby in its heartlands, under Liberal and SDP attack. It will need a concerted series of well presented measures on conservation and on directing activity into the city areas, in order to deal with the accusation that it is a Party of property speculators and rural vandals.

Planning the next Election

The Chairman and Central Office will be presenting proposals if all goes well in the autumn. The main ingredients should be:

1. Money for polling - early use of informal discussion groups to understand public attitudes, followed by detailed weekly tracking of issues and responses as well as of basic voting intentions.

2. The necessary fund-raising to buy a decent advertising budget for party political advertising, building up to the General Election period.

3. Sensitive and sensible use of COI and Government advertising to put forward basic facts about Government policy, seeking better value for the £80 million currently spent.

4. Tracking - a system of assessing reaction to speeches and statements, so that we can make sure that both our policies and the way we talk about them are friendly to the electors.

Conclusion

1. You should be sympathetic to any requests from Central Office to be given a strong role in the 2-year pre-Election period in raising money and spending it generously on polling, advertising and presenting the political case. There needs to be good machinery in place this autumn to begin this task, and its needs to be staffed with high-quality people.

2. The Government Legislative Programme planned later on this year for the final year of the Parliament needs to be short, populist and well thought out.

3. All departments should be asked now for a schedule of announcements and reviews that are likely over the next 2½ years - we want to be sure there are no time bombs ticking away in the cupboards; and if there are, they should be dealt with promptly. It is best to stop reviewing things and concentrate on implementing agreed main policies.

4. You should hold a Meeting of Ministers to discuss the problems of Civil Service motivation, morale and

public sector pay. The Policy Unit should be asked to brief on how the next 2½ years' pay and morale problems should be handled overall in the public sector, as they will be one of the crucial determinants of your electoral popularity with a large number of people, and of the success of your expenditure policies.

5. You should not ignore unemployment policies. You do need further measures, and they are necessary this autumn. Why not look again at the Why Work? problem, at the relationship between tax and benefits, and be prepared to be bold? A generous Family Credit coupled with cuts in income tax rates is probably the best run in to the Election, spending the asset sales money. This really is the last chance.

6. You should develop popular policies building on the themes of patient and parent power in health and education, to offset the charges that you do not care and you do not value these public services.

Given these things, you are the natural leader to win the next Election. Your strengths lie as a clear leader, as someone who has a vision of the future, who has more work to do in a third term, who has begun to get unemployment under control, and has a string of economic successes besides unemployment. You are making a bigger impact on the boundaries between private and public sector than has ever been made by a Conservative Administration, you are opening up opportunities for a number of people. This will shine through if most of the conditions above have been met and the resources are committed to fighting a successful campaign.

JOHN REDWOOD

2nd August 1985

file

CONFIDENTIAL

MR OWEN

POLICY UNIT ACCESS TO PAPERS

Thank you for your minute of 25 July, which I have discussed with Andrew Turnbull. There are very few papers indeed on the domestic side which are not now copied to the Policy Unit. As a normal rule such papers include only some of the most sensitive appointments matters and Review Body Reports.

I have no difficulty therefore in endorsing your general principle that the Policy Unit should see papers unless there is a compelling reason to the contrary. The Review Body Reports have been regarded as documents to be kept within such a tight circle that they have not been sent to the Policy Unit. One may argue whether this is right or wrong, but there is no doubt that its application in the recent case conformed with the Prime Minister's wishes. I see no difficulty about your request that, in cases of doubt, the Private Office should check with the Prime Minister whether it is what she wants.

26 July, 1985

FERB

CONFIDENTIAL

HL1AAL

MR BUTLER

25 July 1985

POLICY UNIT ACCESS TO PAPERS

I am prompted by the TSBR decision to raise a general point with you, if I may, about the Policy Unit's access to papers. Papers provide the opportunity to offer advice. We would have liked such an opportunity to offer our (very decided) views on the TSBR question. We believe that a diversity of views is helpful to the Prime Minister. And we are constituted in such a way that we can offer useful advice on both the political impact of decisions and on the way in which particular decisions might promote, or impede the development of policy.

It would be unmanageable for Private Office and for the Unit if we commented on everything or, indeed, on much more than we comment now. The volume is probably about right. My concern is that the Prime Minister might interpret Policy Unit silence as endorsement on important decisions, such as TSRB awards. There is also a secondary question of our credibility in Whitehall. This can sometimes be undermined when it becomes obvious to officials we deal with that we have not had access to papers which they have seen. This does no good to No 10.

I wonder if we could agree that, as a general principle, the Policy Unit should see papers unless there is a compelling reason to the contrary. We have never sought to get involved

in foreign policy, security or intelligence matters. Many appointments need not concern us either, although we may have something useful to say on those that are critical to securing the Government's objectives.

There will, of course, be highly sensitive issues falling within the Policy Unit's area of operations on which Private Office will judge it unwise for members of the Unit to see papers. Could we agree that in cases such as this, Private Office should:

i. consult informally with the Head of the Unit; or

ii. indicate to the Prime Minister that the Unit has not been involved, and establish that this accords with her wishes?

NICHOLAS OWEN

JR meeting on Friday

File

PRIME MINISTER (2)

17 June 1985

You may want to discuss this with John on Friday AT 17/6

Major policy work has now succeeded in putting together a series of measures to help the supply side of the economy, to strengthen law and order, to privatise substantial portions of British industry, and to carry forward our education and welfare policies.

This legislation will take up the bulk of the time in the vital 1985/86 Legislative Programme.

We now ought to be thinking about a range of less dramatic and less contentious items which could win us friends and recapture the popular spirit in 1986/87. A less contentious Legislative Programme in that year would be a good idea. But it would be a pity to serve up just a dull programme of old departmental Bills that come forward in Buggin's turn.

How about some of these ideas?

1. **Water**. Ever-rising water rates cause a great deal of anguish. Privatisation is less contentious than it was 3 or 4 years ago. We might be able to put the two together, and put through legislation combining privatisation with a guarantee to customers that water rates will rise by 2% or 3% less than prices. This would be a winning pledge.

2. **Competition.** Helping customers is popular - as with our conveyancing, opticians and transport measures. We need to identify some more from E(CP), for example further simplification of house purchase, removal of some VRAs, liberalisation of licensing laws. If the Community regulation on car prices fails to deliver, we may need national legislation, eg to enable car super-markets to develop.

3. **Inland Revenue and VAT.** The Inland Revenue Inspector and the Vatman remain unpopular figures. The more self-employed there are, the more they annoy more people. And even for many under PAYE, there are complexities which grow as they become shareholders, insurance policy holders and the like. Couldn't we aim to incorporate in some future Finance Bill a series of measures designed to improve the lot of the taxpayer, particularly the small businessman? (Expenses, P11Ds, rights of search, definitions of self-employed, etc.)

4. **Village Schools.** Village schools are still well defended, even if some of them are uneconomic. Could we consider again the idea that villagers should be offered the chance of acquiring their school - perhaps for nothing - and receiving a cash grant per pupil if they are prepared to take on the marginal extra costs entailed in keeping the village school open?

5. **Housing**. The Nugee Committee is currently reviewing the problems of private sector leaseholders. Maybe we can give them new rights and freedoms as a result of this review. Management companies and their charges are a source of worry to many.

6. **Conservation**. Conservation policy comes back for discussion towards the end of this year. We need something worth doing to reassure some of the Green vote at little cost. Taking long-stop powers to conserve the landscape, limiting or denying agricultural grants for changing the landscape, extending the Foresty Commission's regulatory rôle and selling off all its commercial activities, are possibilities.

7. **Charitable Giving and Cultural Activities**. To counter the claim of Philistinism, and to tap the growing enthusiasm of a more affluent people to make voluntary donations to good causes, we could look again at the tax and trust régime applying to charitable gifts, educational charities and the like. We need ways of expanding and rejuvenating this sector of activity; whilst associating the Government clearly with such acts of generosity and the pluralism of state, private and tax-aided funding.

8. **Deregulation - a Charter for the Self-Employed**. We could bring together a series of existing initiatives,

and perhaps expand them a little, in the fields of venture capital, the Business Expansion Scheme, the Enterprise Allowance, the deregulation initiative, a simplified form of company statement, tax changes mentioned above, into a general drive of support for the self-employed sector and encouragement of a larger one.

All these would be in addition to the central thrust of work on getting the unemployment total down, on encouraging more British made enterprise, and pointing out our successes in a range of areas.

Are any of these ideas worth working up in more detail? Do you agree that next year we need a Legislative Programme that is good on details that please various groups of people, consistent with our general strategy, but with a deft political touch?

JOHN REDWOOD

10 June 1985

MR BUTLER

MR INGHAM

I have recirculated the attached note of 22 February 1984, stressing rules of conduct with the press and other outside bodies; and my reminder of 6 June 1984 about the precautions necessary (also attached).

I have reiterated at today's Policy Unit meeting that:

1. A journalist who is a former colleague and a friend is first and foremost a journalist.

2. The Policy Unit can only be successful if it keeps itself out of the press.

JOHN REDWOOD

22 February 1984

POLICY UNIT MEMBERS

The recent stories in the Times and elsewhere concerning farmers are still causing ripples throughout the Government and the Party.

In view of this, I think we must tighten our procedures for handling documents and meeting people in the interests of protecting ourselves against any unfair allegations.

1. When sending a letter or document outside the building, a file copy should be kept; and this file copy should be initialled by myself or by Nick Owen or Bob Young if they are not the signatory.

2. We should always make it clear when talking to people that we cannot give them an insight into the work we are doing, and whilst we are delighted to listen to their views, we will not be able to tell them what action we are taking to pursue any of their ideas.

3. All journalists - as before - should be referred to the Press Office.

4. We should be particularly careful not to encourage organised lobby groups who might subsequently use us in an embarrassing way. I do not want us to have close contacts with the Adam Smith Institute or any other Right-wing organisation. David Hart and Nigel Morgan are also dangerous.

5. Any Policy Unit member should consult me before accepting a speaking engagement.

It is vital that we preserve our freedom to meet a wide range of people and listen to their views. These simple rules enable us to do so without undue risk. If these rules are broken in a material way, I do not intend to defend the breaker from any serious consequences that may follow.

JOHN REDWOOD

6 June 1984

POLICY UNIT MEMBERS

The publication in today's Daily Mirror of an Andrew Turnbull letter serves to remind us just how careful we must be about the use of No.10 notepaper. I have noticed in the last couple of weeks some slippage on the rules that:

(a) no points of substance should normally be communicated on headed stationery;

(b) outgoing correspondence and accompanying notes should be agreed with myself or, in my absence, another senior member of the Policy Unit.

I should be grateful if we could tighten up on this point. It is a necessary protection both to the Policy Unit as a whole and to every individual member. Sending any letter on our notepaper is a hostage to fortune, and you cannot be sure that it will remain in the right hands.

JOHN REDWOOD

Policy Unit Papers

10 DOWNING STREET

*From the Private Secretary*

file AR
a John Redwood
Peter Warry

10 June 1985

Dear Henry

LETTER TO THE SPECTATOR X-ref

I attach for your records a copy of the letter which the Prime Minister authorised John Redwood to send to the Editor of the Spectator.

I am copying this letter and enclosure to Richard Hatfield (Cabinet Office).

Yours sincerely

Andrew Turnbull

ANDREW TURNBULL

Henry Steel, Esq., C.M.G., O.B.E.

AR

10 DOWNING STREET

10 June 1985

The Editor
The Spectator
56 Doughty Street
LONDON WC1

Dear Sir

The article on the Policy Unit in the Spectator of 8 June contains a number of questionable statements about the Unit and its members. But the allegation to which I take particular exception is that Peter Warry and I have been leaking information for 2 months to the Financial Times concerning BL plans. This is totally untrue and is seriously defamatory. It is damaging to us personally and to the Unit, whose work requires the maintenance of a high degree of trust between us and other Departments.

I must therefore ask you to publish this denial clearly and prominently in your next issue.

Yours faithfully

JOHN REDWOOD

CONFIDENTIAL

cc JR

LAW OFFICERS' DEPARTMENT
ROYAL COURTS OF JUSTICE
LONDON, WC2A 2LL

H.STEEL,CMG OBE
LEGAL SECRETARY

A Turnbull Esq
No.10 Downing Street
London SW1

10 June, 1985

Dear Andrew, WITH AT ?

POLICY UNIT: SPECTATOR ARTICLE

Thank you for your letter of 7 June, about which we had a brief word on Friday afternoon (before you sent it). There can be no doubt that the statement which John Redwood complains of is defamatory and I do not see any defence which the Spectator could in practice raise to an action for libel. But I understand that, even if the Spectator fails to publish an adequate retraction, John Redwood and Peter Warry still do not contemplate suing.

In these circumstances, I do not think that it matters very much whether John Redwod actually uses the word "libel" (or some equivalent such as "defamatory") in his letter. Whether he uses it or not, there will be some who will ask the question (if the Spectator does not withdraw and no proceedings follow) why he has not sued. They are perhaps more likely to ask that question if the letter is known to them - e.g. if the Spectator publish it but either stand by their statement or accompany it with some non-committal comment - but I doubt if they will place much weight on the presence or absence of the word "libel". Most people, however, will simplyassume that John Redwood and Peter Warry have too much common-sense to pursue the matter into the courts. On the other hand, the use of the word "libel" (or an equivalent) might have the effect of making it clear to the Spectator that John Redwood realises that he could sue if he wanted, and this could be helpful in pursuading them that it would be safer to publish a retraction without argument or equivocation. For that reason, I have a slight preference for coming out into the open and using the word.

/There

There are one or two other and minor respects in which I think that the draft could be improved. Rather than comment on them individually, I attach a suggested redraft.

Yours ever,

H STEEL

DRAFT

The Editor, The Spectator, 56, Doughty Street, London WC1

Dear Sir,

The article on the Policy Unit in the Spectator of 8 June contains a number of tendentious statements about the Unit and its members. But the statement to which I take particular exception is the statement that Peter Warry and I have been leaking information for two months to the Financial Times concerning BL plans. This is totally untrue and is in fact seriously defamatory. It is very damaging to us personally and to the Unit, whose work requires the maintenance of a high degree of trust between us and other Departments. I must therefore ask you to publish, in your next issue, ~~a clear and prominent withdrawal of this defamatory statement.~~

this denial clearly and prominently

Yours faithfully,

Friday Night Spectator Article

MR

10 DOWNING STREET

7 June 1985

*From the Private Secretary*

This week's edition of the Spectator contains an article about the Policy Unit which contains damaging, and possibly libellous, statements about the Unit's conduct. The Prime Minister feels that John Redwood, as the Head of the Unit, should write to the editor of the Spectator denying these accusations and asking that a correction be printed. I attach a draft of a reply on which I would be grateful for the advice of the Law Officers' Department. Could this reach me by Monday morning.

I am copying this letter to Richard Hatfield (Cabinet Office).

Andrew Turnbull

Henry Steel Esq CMG OBE
Law Officers' Department

**10 DOWNING STREET**

Andrew

A much better draft.

I have suggested two drafting amendments.

TERRY

DRAFT

The Editor
The Spectator
56 Doughty Street
London WC1

7 June 1985

Sir

The article on the Policy Unit in the Spectator of 8 June, contains a number of tendentious statements about the Unit and its members. I make no complaint about that. But your statement that Peter Warry and I have been leaking information for two months to the Financial Times concerning BL plans is untrue in every ~~regard~~ respect. It represents a damaging [libel]/[accusation against us] personally and [on]/[against] the Unit. Our work requires a high degree of trust [in our relationship] with other departments.

I should be grateful if you would publish a clear and prominent correction to ~~[what is a libellous]~~/[this] statement in your next issue.

Yours faithfully

If it was allowed to stand it would damage the high degree of trust with other depts

JOHN REDWOOD

# THE GUARDIANS OF THATCHERISM

## *Andrew Gimson on how the policy unit at Number Ten tries to fortify Mrs Thatcher's radical instincts*

WHERE are Mrs Thatcher's foul weather friends? She recently chided the 'fair weather friends' who would like her Government to 'forget about radical reform'. This second kind of friend seems at the moment to be ubiquitous. At every level of the Conservative Party the most audible voices, with the exception of the Prime Minister's, are those of Tories who want the Government to renounce all attempt radically to change anything. Yet the Prime Minister is not bereft of foul weather friends, some of the most influential of whom are inherently inaudible to the public: the members of her policy unit at Number Ten.

The unit advises her on every aspect of domestic policy, except for Northern Ireland and the more sensitive aspects of defence. Only three of its nine members appear in the 1985 edition of *Who's Who*, Christopher Monckton because he is heir to a viscountcy, David Hobson because he was senior partner at the accountants Coopers & Lybrand, John Redwood because he is head of the unit. Each member sees the government papers concerned with his particular areas of responsibility before these papers are sent to Mrs Thatcher for consideration: she reads them with their comments appended. They do not, however, merely react to other people's proposals. The Prime Minister's conception of her office extends far beyond the relatively passive role of chairman arbiter, settling disputes between the great departments of state: the unit is encouraged to be creative as well as reactive. At its regular meetings on Monday and Thursday mornings, members raise proposals to be put before her. After these have been discussed (in some cases destroyed), Mr Redwood decides which ones should go forward.

In the last year, members have started to attend the Cabinet subcommittees relevant to their own subjects. Although they do not generally speak except on occasions when civil servants are also invited to do so, they hear at first hand how their advice is being received. Discreetly installed on the bridge of the ship of state, they are trying to help the captain turn it in a new direction: an ambitious manoeuvre given the complexion of the passengers and crew.

The idea of having a policy unit was not, however, Mrs Thatcher's. She borrowed it from Mr Wilson. On returning to office in 1974, he authorised the appointment by Cabinet ministers of political advisers: by May 1975 there were 30 spread among 15 departments. In addition to these, he himself had a policy unit of seven advisers at Number Ten, led by Dr Bernard Donoughue. They were specifically intended to prevent the Civil Service from emasculating Labour's manifesto programme. Writing of Bernard Donoughue and Joe Haines (Wilson's press secretary, also at that time a political appointment), Lady Falkender states:



> Like Joe, Bernard had a hawkish approach to the official staff. Both felt that any who were obviously obstructive should be got rid of with scant ceremony. . . . Both felt Labour should be more ready to import outsiders to ensure the necessary aggressiveness for dealing with the negative and conservative influence of the vast Civil Service.
>
> *(Downing Street in Perspective)*

Though Lady Falkender finds no equivalent in Mrs Thatcher's administrations, the opinions she records could just as well be attributed to John Hoskyns. Dr (now Lord) Donoughue having served under Mr Callaghan as well as Mr Wilson, Mr (now Sir John) Hoskyns was appointed in 1979 to head Mrs Thatcher's own, and at first even smaller, policy unit. He too is a vehement critic of the 'bureaucratic monopoly' exercised by the Civil Service, calls repeatedly for 'fresh infusions of outside vigour and talent'. Mr Kinnock, on the other hand, said in a recent interview that though he would sack those civil servants appointed by Mrs Thatcher whom he regarded as her political favourites, he would otherwise work with the Civil Service on 'the conventional basis'.

The drawback to the Donoughue-Hoskyns tendency publicly to identify the Civil Service as 'the enemy', is that very few civil servants will co-operate with such people, and the Civil Service can do a great amount to stop outsiders from even discovering what is going on in Whitehall, let alone using Whitehall to change Whitehall. By members of the present policy unit, the inquirer is more likely to be told that 'you'd be dead overnight' if you opposed the Civil Service too forthrightly. The death which threatens the present team is different: that they may become indistinguishable from civil servants, 'very able' men who no longer believe that anything important can be changed. A precisely analogous problem faces the journalist writing about government: friendship elicits information, but compromises the ability to use it.

Despite, or as he would argue because of, his want of respect for the Civil Service, Sir John Hoskyns is generally credited with the policy unit's greatest *coup* to date: the 1981 Budget. He and Professor (now Sir) Alan Walters (Mrs Thatcher's personal economic adviser, another of whose achievements was to scotch railway electrification), were convinced of the need to take five billion pounds' worth of spending out of the Budget. Professor Walters took this message to the Prime Minister. She told him it was not practical politics to make such a cut. He said if the cut were not made now, she would have no freedom of manoeuvre later on; reminded her of the economic policy worked out when she was Leader of the Opposition. Two days later

the Prime Minister summoned Sir Geoffrey Howe, Chancellor of the Exchequer, and told him to take four billion pounds out of his Budget. He demurred: she insisted. He returned the next day with his proposals.

This story is told in the present policy unit as the outstanding example of the Prime Minister showing herself open to influence, ready to change her mind on an issue of the first importance. But it is also the only occasion when it appeared that radical measures might be taken to cut the size of the state. Instead the Chancellor tries to make a virtue of necessity, by telling us of the wonder of his micro-economic reforms. In April 1982 Sir John Hoskyns left Downing Street.

Ferdinand Mount succeeded him as head of the unit. He increased it to its present size and achieved more harmonious working relations with the Civil Service. As readers of the *Spectator* would expect, the stylistic quality of the unit's written submissions rose (and has since fallen). The quality of the appointments made by him and his successor to the unit is probably the single most important reason why it is now so formidable: the best combine high intellectual gifts with the intense political ambition more often found allied to intense stupidity, or worse.

The one to whom the most publicity attaches is the former editor of the *Universe* and managing editor of the *Sunday Telegraph* magazine, Christopher Monckton, who under 'recreations' states *'nil humanum a me alienum puto'* (omitting the first two words of the tag, *homo sum*) and is resolute in his wearing of a bowler hat. Though Monckton is treated as a figure of fun, which is a higher compliment than can be paid to most people in government, his work on rent-based mortgages may eventually help very poor people to buy their council houses. Oliver Letwin, a young philosopher from Cambridge, where he was at one point co-editor, with John Casey, of the *Cambridge Review*, advises Mrs Thatcher on education, employment and local government. So wide a range of responsibilities, even when held by someone of extraordinary energy, indicates one of the policy unit's weaknesses: it was unable to devise from its own resources a practical scheme to introduce education vouchers, though it submitted plenty of concise notes showing why the Department of Education ought to do so. John Wybrew, a 'high-flying' executive from Shell, deals with transport and energy. Hartley Booth, a barrister, advises on Home Office matters and environmental pollution, was recently in trouble for suggesting the Government was to do more about acid rain than it really intends, and is variously described as saintly, an authority on the law of extradition, and dim.

Beyond the policy unit stretches the network of special advisers in other departments. Many of these began their careers in the Conservative Research Department, which occupies premises above Conservative Central Office in Smith Square. Their importance ranges from negligible to considerable, determined not only by their own abilities but by the scope their ministers allow them. The hand of Robin Harris, special adviser to the Home Secretary from the last general election (when he was candidate for Tooting) until his return this spring to the Research Department to be its director, was detectable in many of Mr Brittan's tougher speeches on subjects like corporal punishment and the miners' strike. Richard Ehrman, special adviser to Tom King, Secretary of State for Employment, is undoubtedly of more use to his minister because of his close links with the policy unit — he was at Eton and Cambridge with Mr Letwin — enabling him to give an early indication of the reception of departmental proposals, early warning of Prime Ministerial demands: a function performed much more comprehensively by the Civil Service.

The present head of the unit, John



Redwood, arrived in Number Ten from Rothschild's bank in September 1983, to advise on the privatisation programme, on which he is an acknowledged expert. Six weeks later he was invited to spend two years, until October 1985, as head of the unit: a term now extended until September 1986. Before his arrival he had spent two years at All Souls', ten years in the City. For four years from 1973 he served on Oxfordshire County Council (work in local politics more and more regarded in the modern Tory Party as an obligatory prelude to standing for Parliament), and in October 1982 he was the Conservative candidate at the Peckham by-election, won by Harriet Harman, where he lost his deposit. Like Mrs Thatcher he is extremely industrious: unlike her, he can sometimes be found in the Pizzaland restaurant at the top of Whitehall, accompanied by other members of the unit and drinking a Coke Float, a large glass of Coke with ice cream floating in it.

Mr Redwood sets the tone for the policy unit's own policy towards the press: courteous self-effacement tempered by judicious leaks. He and Peter Warry have been leaking for two months to the *Financial Times* the information that the Government may cut £250 million from Austin Rover's investment plans, by refusing to underwrite the required borrowing. Austin Rover, of course, has been running a contrary campaign. Mr Warry was formerly managing director of Self-Changing Gears, a subsidiary of BL. He is also a trained engineer, accountant, economist and lawyer. Like Mr Redwood, who appointed him to the unit, he harbours a profound distrust of the Department of Trade and Industry, on whose affairs, as well as pay policy and deregulation, he advises the Prime Minister.

The BL decision is an interesting example of the sort of one where the policy unit can have a major effect, because apart from the fact that it is being made now, we know exactly Mr Redwood's attitude to the company. In 1984 he published *Going for Broke . . . Gambling with Taxpayers' Money* (Blackwell, £4.95), of which the general thesis is given in the last sentence: 'Looking at the whole record of Governments' involvement in industry, the conclusion to which one has to come is that it would be better if they did not intervene at all.' In support of this view, Mr Redwood examined all the major public investments in industry of the Seventies and early Eighties, from De Lorean to British Rail. Of British Leyland he writes:

> The experience of massive state investment to build a motorcar industry can only be written off as a failure. For more than £2,500 million all the British public has is two new families of cars and a loss-making business, employing less than half of the people who were on the pay roll when the plan began. Who knows how big a car industry we might have had if no public money had been spent, or if [as Mr Redwood urged at the time] BL had been broken up at the end of the 1970s?

For this and many other failed investments, Mr Redwood blames the Department of Industry, which under Labour and Conservative governments sold the same interventionist policy to the politicians, a policy which 'has failed to deliver on jobs, profits or success. It is time that some wiser counsel was allowed to prevail.'

Messrs Redwood and Warry are now delivering that 'wiser counsel', trying to rescue the Prime Minister from the tyranny of a departmental view. British departments of state characteristically pay no more attention to the national interest when formulating departmental policy, than individual EEC nations pay to the Community's interest. When departmental differences come to the Cabinet to be resolved, our system of government is superior to the EEC's in that the differences are resolved. But in Cabinet discussions the Prime Minister is liable to find herself a generalist marooned among specialists, many of whom are incompetent to advise on subjects outside their own departments. Moreover, the spending ministers among the specialists observe a polite,

unwritten convention whereby they do not speak against each other's spending plans.

But if two members of the policy unit are advising the Prime Minister that propping up BL is an absurd waste of money, who among the politicians is persuading the nation at large of that policy? Secrecy of discussion among ministers and advisers (in itself justifiable) is accompanied by a hopeless defensiveness. There is a wetness among supposedly 'dry' individuals like Keith Joseph (Mrs Thatcher's first Industry Secretary) and Norman Tebbit, men who believe in their hearts that Mr Redwood is right but have failed to control their civil servants, and are driven to the intellectual dishonesty of trying to sound pleased about state investments which they know to be mistaken.

It becomes hardly fanciful to describe the policy unit as a sort of underground resistance, carrying on by covert means a battle against the post-war consensus which in public has been lost. 'It's like my ideal vision of an Oxbridge Common Room brought to Whitehall in wartime,' one of those involved has said, brimming with enthusiasm. 'Or like Bletchley Park.' Its members are given Civil Service grades ranging from under-secretary down to principal. Some have even come from the Civil Service: Nick Owen, Mr Redwood's deputy, was an economist at the Department of Industry before he came to advise on defence procurement, David Willetts, responsible for the social services — including the Fowler reviews — and for some Treasury affairs, was himself at the Treasury.

But Mr Willetts, at the age of 29 one of the youngest members of the unit, is not without political experience, having also been research assistant to Nigel Lawson: there is no doubt of the political commitment of the policy unit, pushing for privatisation, portable pensions, a reduced Welfare State, freer labour markets. This political character distinguished it from the Think Tank, or Central Policy Review Staff, set up by Mr Heath in 1970, abolished by Mrs Thatcher after the 1983 election, which made the mistake of regarding the formulation of policy as separate to its implementation. So its historians, reviewing the Think Tank's successes, observe: 'For example, the CPRS reviews on the volume car and electricity generating industries — though their main conclusions were not acted upon — remained *the* Whitehall sourcebooks on the subject for several years' (*Routine Punctuated by Orgies: the CPRS 1970-83*, by Peter Hennessy and others, Strathclyde Politics Department, £5.50). Mr Redwood would not regard this as a success. Yet it appears that his own campaign to deny BL more state support has failed. Mrs Thatcher's foul weather friends will not be much use to her if she is no longer prepared to act on their advice. Mr Pym, it seems, has been needlessly agitated: the post-war consensus is safe in her hands. She is merely trying to run it more efficiently.

# PAPANDREOU'S POPULISM

## *How Papandreou played on hatred of the Right to win the Greek elections, by* ***Christopher Hitchens***

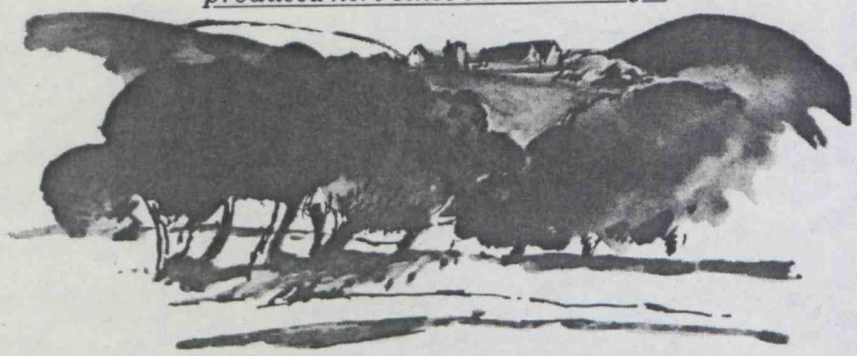
*Athens*

ON THE last night of the election campaign, I stood in the main square of Herakleion in Crete and watched Constantine Mitsotakis address the conservative masses. If there was anywhere that his appeal could make a personal 'dent' it ought to have been here. Mitsotakis hails from Crete, though his home constituency is some miles to the west in Chania. His great uncle was the heroic Eleftherios Venizelos, one of the founders of modern Greece and a crucial figure in the assumption of Crete into the Greek union. There was a vast, avuncular statue of him, planted on the Venetian walls directly opposite the podium. The counterpoint seemed part ironic and part propitious. The crowd was respectable both in size and character, though thinning rather noticeably at the back. But a good job of postering and bannering had been done, and one could have had the impression that all Herakleion was *en fête* for the resurgent forces of New Democracy.

Mitsotakis finished his speech, which depicted 'the great monster of Pasok' in its death agony, got into a helicopter and whirled away to the airport. I found a taverna and sat with a Cretan friend as we ate what seemed to be boiled liar dice with blunt spoons. By the time we had finished eating, or rather ingesting, and had polished off a much-needed flask of Minoan wine, the streets and squares were full again.


*A PLACE CALLED MACALLAN*

In the parish of Knockando, by the exuberant if chilly waters of the Ringorm Burn that flows into the fabled Spey, stands the ancient manor-house of EASTER ELCHIES, for generations the nub of the activity surrounding the production of The Macallan malt whisky. *It is a matter of legend that whisky has been produced here since the Middle Ages.*



*Today, however, it is a matter of fact* that The Macallan is the best-selling malt at home on Speyside. And every day its name and fame spread further afield both at home and abroad: but although it has come a long way from its misty origins, *it tastes not a whit less magical.*

**THE MACALLAN. THE MALT.**

PRIME MINISTER 3 May 1985

I attach the progress list as usual.

JOHN REDWOOD

PRIME MINISTER 3 May 1985

PROGRESS CHASING

| | | |
|---|---|---|
| Education | Direct-Grant Schools/ middle way | Scheme for for primary schools coming soon; Bob Dunn pressing for secondary Technical Schools |
| | White Ppr.on Standards and Governors | Issued |
| | HE Review | Green Paper May 1985 |
| | Student Loans | Paper May 1985 |
| | Teachers' strike | K.J to form proposals |
| | Exploitation of inventions | In HE Green Paper Proposals |
| | Young People White Ppr | Issued |
| Employment | Employment White Paper | Issued |
| | Essential services | Paper to E(A) end May |
| | Pay Reviews | Discussion next week |
| Home Office | Public Order Review | White Paper May |
| | Crime Rate | Rising fast; new initiatives being prepared |
| | Warnock Report | Ban on commercial surrogacy proposed |
| | Drugs | Campaign launched |
| | Soccer Hooliganism | Measures need follow up July |
| DTI | Warship Builders | Proceeding well |
| | BL | Papers expected to E(A) |
| | Deregulation | D Young pursuing |
| | British Steel | Corporate Plan delayed one year. |
| | City Regulation | White Paper progressing |
| | British Aerospace | Sale shortly |
| | Shorts/Rolls Royce | Push for privatisation |
| | Deregulation Scrutiny | Published |
| | Girobank | Work on privatisation proceeding |
| DoE | Private Rented Sector | Agreed |
| | Housing Policy | Cab. review May 23 |
| | Rate-capping | Only 5 Councils not settled a rate |
| | Home Improvement | Green Paper May |
| | Abolition | Proceeding |
| | Local Govt Finance | E(LF) May 20 |
| | Water Authorities | Privatisation slowly progressing |
| | Urban Programme Action Teams | Formed |

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| | | |
|---|---|---|
| DoE (contd) | Pollution | Proposals to colleagues later this year |
| | Planning | Meeting in September |
| | Contracting-out Paper | Awaiting responses |
| Transport | National Bus Policy | Proceeding |
| | BAA Privatisation | Agreed by Cab. Cttee. |
| | Airports Policy | White Paper June |
| | Roads | Appraisal of programme and maintenance needs June |
| | British Airways | Sale likely end year |
| | British Waterways Board | Privatisation needs pursuing |
| | LT | Needs a Corporate Plan - promised for Autumn |
| Agriculture | Implement'n of New EC Structures & Regulation | Consultative document published |
| | ADAS | Bell Report to be implemented |
| | Price Fixing | Possible end May |
| MOD | Levene appointed | Savings expected |
| | Dockyards | Policy announced & Paper published |
| | Defence White Paper | Published |
| Treasury | Public Expenditure | Meeting established areas for review |
| DHSS | Welfare Reviews | Cabinet Thursday |
| | R Health | Paige appointed; prog. of action expected within 2 months |
| | FPS | Green Paper draft awaited |
| Energy | BNOC | Abolition announced |
| | Gas | Details on Privatisation to E(A) |
| | Coal | Colliery Review procedure to be established; EFL problems |
| Cap.Spending | JR gave draft to BI | Lord President/BI pursuing |

JOHN REDWOOD

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→ CF PU file

PU Head
Policy Unit members to pursue
— c. A. Turnbull.

DINNER WITH THE CIVIL ENGINEERING INDUSTRY

TUESDAY, 23 APRIL 1985

Mr Alan Osborne, Tarmac Construction

Mr John Reeve, Costain Group

Mr Paul Mead, Mowlem

It was agreed that:

1. An entirely private sector cross-Channel fixed link, with a fair competition between bidders, was excellent.

2. The denationalisation of the water industry would be most helpful - the industry would consider responding to the discussion document which has been issued on the form of that denationalisation.

3. The industry would consider again the question of private finance for roads. I explained the importance of the Ryrie rules on the segregation of revenue flows and the genuine risk element of a project.

4. The Department of Transport should keep a reasonable number of new road projects on the stocks, as there was a danger in allowing the planning of new road systems to run down too far.

I agreed to look into the following issues on their behalf:

1. Questionnaires sent out by councils to contractors before compiling an approved list containing questions of a political nature. The industry think the questions should be limited to relevant financial and technical ones by the DoE, and the councils should have to publish the approved lists. [oc]

2. The direct labour organisations of councils are getting round the Government rules. The industry feel the only way to tackle this problem is to limit the amount of work they can do to, say, 10% only of the total programme in a council. [oc]

3. On abolition of the GLC, it is important that main roads running across Borough or District boundaries should rest as a responsibility of the Department of Transport. The industry does not believe enough roads have been trunked, especially in the Metropolitan areas. [oc/JC]

4. Waste disposal - on the abolition of the Mets, what are the prospects for privatising some or all of the activity on transfer? Once the District Councils take over the management responsibility, it will be more difficult to privatise. [oc]

5. Many of the problems on contract management occur because of the separation between design, specification

and management of the contract. The industry believe that contractors could take on contracts for detailed technical specification and design, as well as construction, and be made responsible for a structure working in the way specified in the general request by the client. [DH/JW]

6. In designing and specifying the major civil engineering structures - particularly roads and bridges - extra tolerance should be built in to the initial specification. For an extra 10% of cost, you might save major maintenance cost in future years. [JW]

7. The industry expressed considerable hostility to the cement cartel, and asked if anything could be done to remove this price-fixing arrangement. [NO]

The industry agreed to consider:

1. What action it could take to help in the rehabilitation of empty or decaying blocks of flats and housing estates in the public sector, along the lines of the Barratt scheme. [CM]

2. Whether in public statements, the industry could make some reference to the strength of the construction programme in areas like hospital building, at the same time as making their inevitable points about the

weaknesses of other parts of the programme as they have been doing.

3. That the rebuilding of profits generally in the economy had stimulated a major increase in private sector investment, which was beneficial; and on the whole welcomed the shift of emphasis away from public to private housing.

4. The industry agreed to see what activity they could stimulate with local authorities and the Government through the City Action Teams and the Urban Programme.

We did not reach agreement on the case for construction based on the jobs that it generates - the industry feels Government figures of cost-per-job are far too high - and it was noted that the industry did not like the Community Programme. A strong plea was made for some kind of ECGD protection for major overseas contracts.

JOHN REDWOOD

File on Policy Unit file

19 April 1985

(2)

cc PS

PRIME MINISTER AT 19/4

I attach the progress list as usual.

I have included in it the more important announced policies and recently published papers - these are underlined.

Items with "R" by the side are ones which are coming forward for review shortly, or need a review shortly.

JOHN REDWOOD

PRIME MINISTER 19 April 1985

PROGRESS CHASING

| | | | |
|---|---|---|---|
| Education | R | Direct-Grant Schools/ middle way | DES consulting on a primary scheme; Bob Dunn pressing for secondary Technical Schools |
| | | White Ppr.on Standards and Governors | Issued |
| | | HE Review | Green Paper May 1985 (delayed) |
| | | Student Loans | Paper May 1985. (delayed) |
| | | Teachers' strike | How to link pay and performance |
| | | Exploitation of inventions | BTG proposals redrafted |
| | | Young People White Ppr | Issued |
| Employment | | Employment White Paper | Issued |
| | R | Essential services | Need review of TU legislation |
| | | Redundancy fund | Abolition in debate |
| Home Office | | Public Order Review | White Paper April |
| | | Crime Rate | Rising fast; new initiatives being prepared |
| | | Warnock Report | Ban on commercial surrogacy proposed |
| | | Drugs | Campaign launched |
| | | Soccer Hooliganism | Measures need follow up July |
| DTI | | Warship Builders | Proceeding well |
| | | BL | Papers expected to E(A) |
| | | Deregulation | Now timetabled; D Young pursuing |
| | | British Steel | PW pursuing Corporate Plan; one year delay |
| | | City Regulation | White Paper progressing |
| | | British Aerospace | Policy agreed and announced |
| | | Shorts/Rolls Royce | Push for privatisation |
| | | Deregulation Scrutiny | Published |
| DoE | R | Private Rented Sector | Agreed by H |
| | | Housing Policy | Cab.review soon |
| | | Rate-capping | Cabinet Committee following |
| | | Home Improvement | Green Paper ready |
| | | Abolition | Proceeding |

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| | | |
|---|---|---|
| DoE (cont) | Water Authorities | Privatisation slowly progressing |
| | Urban Programme Action Teams | Formed |
| | Pollution | Proposals to colleagues later this year |
| | Planning | Review end April (delayed) |
| | Contracting-out Paper | Awaiting responses |
| Transport | National Bus Policy | Proceeding |
| | BAA Privatisation | Agreed by Cab. Cttee. |
| | Airports Policy | Agreed by Cab. Cttee. |
| | R Roads | Appraisal of programme and maintenance needs |
| | British Airways | Need new target date for sale |
| | British Waterways Board | Privatisation needs pursuing |
| Agriculture | Agricultural Conservn. | DoE working on consultative document |
| | ADAS | Bell Report to be implemented |
| MOD | Levene appointed | Savings expected |
| | Dockyards | Policy announced |
| Treasury | Public Expenditure | Meeting established areas for review |
| DHSS | Welfare Reviews | MISC 111 |
| | R Health | Paige appointed; prog. of action expected within 2 months |
| | FPS | Green Paper draft awaited |
| Energy | BNOC | Abolition announced |
| | Gas | Privatisation to E(A) |
| | Coal | Colliery Review procedure to be established; EFL problems |

JOHN REDWOOD

LBHABO

Folder to Friday | BF

PRIME MINISTER

15 March 1985

I attach the latest progress-chasing list. The main items to pursue in the next couple of months, now that a lot of the Budget and Employment work is behind us, are:

The Crime and Hooliganism Problem.

Corporate Plans and Privatisation proposals for the major Nationalised Industries

The Public Expenditure Reviews.

You might also like to be brought up-to-date with what the Policy Unit members are up to.

Nicholas Owen:

Close contact with the Defence Procurement side of the MOD.

Took part in the Wintex exercise.

Sits on the Defence Procurement Official Committee (EPC).

Involves himself in the Competition Committee.

Spends considerable time at DTI on international trade issues.

Member of MISC 110 (Defence R&D), and E(QO) (European Questions)

**Hartley Booth:**

Member of David Mellor's Drugs Committee.

Working Groups on Planning and Heritage at the DoE.

Ad hoc work on Pollution policy.

Works with the Crime Prevention Unit at the Home Office.

Attends H Committee as an observer.

**Peter Warry:**

A leading light in the BL Corporate Plan Review Group.

Works closely with Treasury and DTI on British Steel, British Aerospace and DTI Aid questions.

Attends David Young's Committees on Small Business and Deregulation.

Member of E(PSP) - Public Sector Pay; and E(NI) - Nationalised Industries

**David Willetts:**

Attends David Young's Committee on YTS.

Works with Treasury and DHSS on a range of Health and Welfare Benefit issues.

Member of Drug Pricing Review and Family Practitioner Services Review

**John Wybrew:**

Member of the Cross-Channel Link Working Party.

Member of the BNOC Review Group.

Member of Airports Review

Working on Aviation, British Rail Corporate Plan, and Bus policy.

Oliver Letwin:

Trying to expedite the DES work on Direct-Grant Schools and the Review of Higher Education.

At the Department of Employment, works with officials on a range of employment questions.

Member of manpower Group and Rate-Capping Contingencies Committee

Has built up a good nexus of contacts in the local authority world, to enable him to monitor the activities of the Left, and the likely evolution of the Rate-Capping and Abolition debates.

Christopher Monckton

Sits on the MISC 113 - Official Working Group on Housing Policy.

Has recently worked closely with both DoE and Treasury on Home Improvement Grants and the private rented sector.

JOHN REDWOOD

PRIME MINISTER

15 March 1985

PROGRESS CHASING

| | | |
|---|---|---|
| Education | Direct-Grant Schools/ middle way | DES consulting on a primary scheme; Bob Dunn pressing for secondary Technical Schools |
| | White Ppr.on Standards and Governors | White Paper ready; Exams.reform under way; KJ speeches; concept of teacher performance introduced |
| | HE Review | Green Paper May 1985 (delayed) |
| | Student Loans | Paper May 1985 (delayed) |
| | Teachers' strike | |
| | Exploitation of inventions | BTG proposals redrafted |
| Employment | Employment exercise | Proposals ready for post-Budget release CP and YTS agreed |
| | Essential services | OL minute |
| | Redundancy fund | Abolition in debate |
| Home Office | Public Order Review | White Paper March. |
| | Crime Rate | Rising fast; HB has some ideas |
| | Warnock Report | Ban on commercial surrogacy proposed |
| | Drugs | Campaign launched |
| | Soccer Hooliganism | We are investigating |
| DTI | Warship Builders | Proceeding well (Yarrow to be sold next week) |
| | BL | Papers expected to E(A) - Review of Corporate Plan delayed |
| | Deregulation | Now timetabled |
| | British Steel | PW pursuing Corporate Plan; one year delay |
| | City Regulation | White Paper progressing |
| | British Aerospace | Policy agreed and announced |
| | Shorts/Rolls Royce | Push for privatisation; European Trainer Order coming to E(A) |

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| | | |
|---|---|---|
| DoE | Private Rented Sector | Agreed by H |
| | Housing Policy | Cab. review end March |
| | Rate-capping | Cabinet Committee established; policy worked out |
| | Home Improvement | Options now discussed |
| | Abolition | Proceeding |
| | Water Authorities | Privatisation stalled |
| | Pollution | Proposals to colleagues later this year |
| | Planning | Review end April (delayed) |
| | Contracting-out Paper | |
| Transport | National Bus Policy | Proceeding |
| | BAA Privatisation | Delayed |
| | Airports Policy | In small group soon |
| | Roads | Appraisal of programme and maintenance needs |
| | British Airways | Need new target date for sale |
| | British Waterways Board | Privatisation needs pursuing |
| Agriculture | Agricultural Conservn. | DoE working on consultative document |
| | ADAS | Bell Report to be implemented |
| MOD | Levene appointed | Savings expected |
| | Dockyards | Policy to E(A) |
| Treasury | Public Expenditure | Meeting established areas for review |
| | Budget | Agreed |
| DHSS | Welfare Reviews | MISC 111 |
| | Health | Paige appointed; prog. of action expected within 3 months |
| | FPCs | Green Paper draft in March |
| Energy | BNOC | Abolition announced |
| | Gas | Privatisation meeting planned |
| | Coal | Colliery Review procedure to be established |

JOHN REDWOOD

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PRIME MINISTER

28 February 1984

## PROGRESS CHASING

| | | |
|---|---|---|
| Education | Direct Grant Schools/ middle way | A scheme now drafted. |
| | White Paper on Standards and Governors | White Paper drafted<br>Exams. reform under way;<br>KJ speeches, concept of teacher performance introduced; |
| | HE Review | Green Paper May 1985 (delayed) |
| | Student loans | Paper May 1985 (delayed) |
| | Teachers strike | PR going badly |
| Employment | Employment exercise | Proposals to E(A) and colleagues soon |
| | | CP and YTS agreed |
| | Essential services | Work delayed |
| | Redundancy fund | Abolition under consideration |
| Home Office | Public Order Review | White Paper March |
| | Crime Rate | Rising fast |
| | Warnock Report | Ban of commercial Surrogacy agreed |
| | Drugs | Campaign launched this week |
| DTI | Warship Builders | Proceeding well |
| | BL | Papers expected to E(A) - Review of Corporate Plan delayed |
| | Deregulation | Needs follow up |
| | British Steel | Review of Corporate Plan urgent |
| | City Regulation | White Paper progressing |
| | British Aerospace | Policy agreed and announced |
| | Shorts/Rolls Royce | Push for privatisation |
| DoE | Private Rented Sector | Agreed by H |
| | Housing Policy | Cabinet review end March |
| | Rate-capping | Cabinet Committee established; policy worked out |
| | Home Improvement | Meeting next week |
| | Abolition | Proceeding - Pauley book adverse |
| | Water Authorities | Privatisation stalled |
| | Pollution | Proposals to colleagues later this year |
| | Planning | Review end April (delayed) |
| | Contracting-out Paper | |

| | | |
|---|---|---|
| Transport | National Bus Policy | Proceeding |
| | BAA Privatisation | Delayed |
| | Airports Policy | Airports Policy in small group soon |
| | Roads | Appraisal of programme and maintenance needs |
| | British Airways | Need new target date for sale |
| | British Waterways Board | Privatisation needs pursuing |
| Agriculture | Agricultural Conservation | DoE working on consultative document |
| | ADAS | Bell Report to be implemented |
| MOD | Levene appointed | Savings expected |
| | Dockyards | Policy in trouble |
| Treasury | Public Expenditure | Meeting established areas for review |
| | Budget | Discussions proceeding |
| DHSS | Welfare Reviews | MISC 111 |
| | Health | Paige appointed; prog. of action expected within 3 months |
| | FPCs | Green Paper draft in March |
| Energy | BNOC | Wind down contracts |
| | Gas | Privatisation needs pursuing |
| | Coal | Shape of post-strike industry? |

JOHN REDWOOD

PRIME MINISTER 24 January 1985

PROGRESS CHASING

| | | |
|---|---|---|
| Education | Direct-Grant Schools/ middle way | Min. instructions issued to officials to develop a scheme |
| | Parent Governors | Green Paper issued |
| | White Ppr.on Standards | March 1985 |
| | Quality | Exams.reform under way; KJ speeches; concept of teacher performance introduced; proposals later in 1985 |
| | HE Review | Green Paper March 1985 |
| | Student Loans | Paper March 1985 |
| Employment | Employment exercise | Proposals to E(A) and colleagues within a month |
| | Essential services | Work delayed |
| | MSC Reorganisation of Job Centres | Proceeding |
| Home Office | Public Order Review | Paper received this week |
| | Warnock Report | Coming to Cabinet |
| DTI | Warship Builders | Proceeding |
| | BL | Papers expected to E(A) PM's letter 28 November awaiting reply |
| | British Steel | Awaiting reply to 29 Nov. progress letter |
| | City Regulation | White Paper progressing |
| | British Aerospace | Policy agreed and announced |
| DoE | Housing Policy | Cabinet review end March |
| | Rate-capping | Cabinet Committee established; policy worked out |
| | Abolition | Proceeding |
| | Water Authorities | Privatisation stalled |
| | Pollution | Proposals to colleagues later this year |
| | Planning | Review end March |
| Transport | National Bus Policy | Proceeding |
| | BAA Privatisation | E(DL) or MISC112 in February |

| | | |
|---|---|---|
| | Airports Policy | Expected MISC112 February |
| | Roads | Appraisal of programme and maintenance needed |
| | British Airways | Need new target date for sale early in 1985/6 |
| | British Waterways Board | Privatisation needs pursuing |
| Agriculture | Agricultural Conservn. | Paper this week |
| | CAP Prices | Discussions expected within a month |
| | ADAS | Bell Report to be implemented |
| | Grants | More reductions needed |
| MOD | Levene appointed | Savings expected |
| | Dockyards | Policy being considered this week |
| Treasury | Public Expenditure | Meeting established areas for review |
| | Budget | Discussions proceeding |
| DHSS | Welfare Reviews | Conclusions to be presented to Cab. Cttee in February |
| | Health | Paige appointed; prog. of action expected within 3 months |
| | FPCs | Green Paper draft in March |
| Energy | BNOC | Wind down contracts |
| | Gas | Privatisation needs pursuing |
| | Coal | Shape of post-strike industry? |
| | Sleipner | Decision imminent |

JOHN REDWOOD

LBHABO

14 November 1984

MR TURNBULL

Bob's spirited note is full of good things.

Yes, he is right: BL remains badly managed and heading into difficulties. There has been a great deal of foot-dragging on the idea of privatising it by splitting it up. This is still the only and the correct strategy.

On the question of Michael Edwardes, he and I always disagreed vigorously. I saw Edwardes as one of the major obstacles to saving many of the businesses within the BL stable - like MG, Range Rover and Land Rover, Truck and Bus - which were sacrificed in a single-minded campaign to keep a unified business and to starve all the rest of cash in order to reward Cars division.

Peter Warry and I went to see Norman Lamont last week, and gave him a briefing paper in time for his meeting with David Andrews, the Chairman of Truck and Bus. Andrews is a great obstacle to piecemeal privatisation, and is ably supported in this by DTI. The attached papers show the line of questioning we were pursuing.

Bob is also right about British Steel. The plans should be brought out into the open, as Peter Warry suggested in his

note on the coal strike last week. It requires timetabling for E(A).

I hope Bob is right about Rolls Royce, but we must remember he always had a soft spot for this business in view of his own connections.

I share Bob's enthusiasm for Nick Ridley's tackling of some parts of the sprawling transportation empire. But there is a danger of backsliding on buses - not of the kind Bob describes, but more from the fight back to limit the impact of deregulation on the industry. John Wybrew and I made contact with David Mitchell, who took over buses 2 weeks ago, and John will be working at official level on this problem. BAA should be timetabled soon for E(A).

Norman Tebbit is now much more aware of the difficulties of the departmental culture than Bob gives him credit for. He has been brave on British Leyland, and had precious little support from departmental civil servants. He has achieved more movement at British Shipbuilders than any previous Secretary of State since 1979. And he has tackled regional policy, although not as vigorously as some of us would like to have seen.

JOHN REDWOOD

Mark.

John Redwood rang.

Policy Unit are weeding out their files and would like to have them dealt with in the same manner as our files (ie put down in the dungeon, then taken around to Cabinet Office, and finally the Public Records Office)

They have no space to keep them, and have asked if we can take them on board.

I thought "in for a penny etc etc" so I said OK. I think we are probably over a barrel on this one seeing as much of the Policy Unit

material is classified.

We will have to make room in the dungeon. Once H. Wilsons personal papers have been taken from the Cabinet Office, we will be able to take the remaining Ted Heath papers next door. That should give us 2 or 3 roly-polys worth of space.

Nigel

MR. REDWOOD

cc: Mr. Kerr

POLICY UNIT RECORDS

This confirms our conversation last week when I told you that CF could accept some of your back records for storage. We agreed that only those records to which access would seldom, if ever, be required by the Policy Unit should be sent to CF.

Will you please arrange for a list of the file titles to accompany the files when they are transferred to CF.

P.S. Joce -

P.S. Joce

13 December, 1984

Mr Maclean

12/12

10 December 1984

cc Mr Townley
Mr Attfield o.r.
Miss Haydon
Mrs Miller - for file
Mr Parry

PRIME MINISTER'S ADVISERS etc

1. I attach a short note giving numbers and salary costs as promised.

2. The costs for 1979 come from the Prime Minister's Answer to Mr Gordon Brown of 6 June 1984 (which is the source of the total figures given in the Opposition's letter). The costs for 1985/6 come from Mr Attfield (Cabinet Office Finance Division).

3. The numbers come from Finance Division and from Conduct Code and Guide Division (Miss Haydon). I have not managed to find out the numbers of people in the Rayner Unit in 1979. I will try to do so on Monday. I think it was probably 4 (excluding support staff).

now checked 2 (+ 1 CO + 1 PS support)

4. It is, as we discussed, difficult to compare numbers. It is in particular a little difficult to know what allowance to make for the disappearance of the CPRS. This disappearance accounts for some of the growth of the No.10 Policy Unit. But we said when it was abolished that some of its job was in effect being done by strengthened policy units within departments - which are staffed by civil servants and not separately counted.

5. If you count the CPRS as 18 people (that is minus Dr Nicholson who does, I imagine, some of his old CPRS job in his new role as Chief Scientific Adviser in the Cabinet Office and minus the Private Secretary and support staff), the sum you asked me to do looks like this:

67 (= the Prime Minister's Office in 1985) + 10 (the 8 paid members of the Policy Unit plus two other paid advisers (Sir Percy Cradock and Mrs Ryder) + 7 (the Efficiency Unit) + 18 (other Ministers' special advisers - assuming that Mr Portillo will be replaced after the Southgate election) minus
68 (PM's office in 1979) minus 3 (the 2 paid members of the Policy Unit plus?) minus 2 the Rayner Unit) minus 11 (special advisers) equals 18 net increase.
If you take away 18 (CPRS) you get a net increase of 0. If you add the Enterprise Unit (as the Opposition might argue that you should) you get a net increase of 9. If you assume that each additional person costs £20,000, then you have a net additional cost of £0 and £200,000 respectively.

6. If you look simply at Ministerial advisers however (ie.excluding the 10 Downing Street staff) you get 35 in 1985 / 10 (Policy Unit and PM advisers) + 7 (Efficiency Unit) + 18 (special advisers to Ministers) / minus 16 / 3 (Policy Unit) + 2 (Efficiency Unit) + 11 (special advisers to Ministers) / = 19 ie. a net increase of 1, if you take away CPRS, and 10 if you add the Enterprise Unit.

7. I hope this gives you everything you need. I should be grateful if Mr Parry (in Mr Attfield's absence) and Miss Haydon would let you know direct and quicly if they spot any working error in the figure.

Gerie Flanagan

MRS E C FLANAGAN
Machinery of Government Division
233 - 7217

ANNEX

SUPPORT STAFF TO MINISTERS: SALARY COSTS AND NUMBERS

| I PRIME MINISTERS OFFICE AND ADVISERS | 1979/80 (from May 1979 | | 1985/6 (est.) | |
|---|---|---|---|---|
| | Nos | Costs | Nos | Costs |
| PRIME MINISTER'S OFFICE (excluding messengers and cleaning staff, and staff in Policy and Efficiency Units) | 68 (of which 2 were part time) | £0.752m | 67 | £1.198 |
| POLICY UNIT AND OTHER ADVISERS | 3* | £0.024m | 10* | £0.164m |
| EFFICIENCY UNIT | 2* | £0.061m | 7* (including 1 consultant) | £0.270m |
| II SPECIAL ADVISERS TO MINISTERS | 11* | £0.107m | 18* | £0.269m (fts for 1984/5) |

Note The opposition could also regard the new Enterprise Unit under the Minister without Portfolio as relevant. Its staff is 9 (excluding an information officer and other support staff) and the estimated cost for 1985/6 is £208,000.

* exclude secretarial and clerical support

11

7 December 1984

PRIME MINISTER

JOBS

The Government needs a restatement of policy on jobs, as opposition will continue to centre on this issue. It needs to be of our choosing and timing, and consistent with the main economic strategy.

What can be done?

We are now approaching a crucial point in this Government's life. The opinion polls may not remain as favourable as they have done indefinitely, as the miners' dispute grows wearisome, and as memories of the bombing fade. People will again expect action and results. In spring 1984, it took a bold Budget, with losers as well as winners, to rally the press and opinion in favour of the Government.

The test of the next 4 months is whether the Government can deliver on its central strategies. It has a chance to deliver on the welfare state, on jobs, on further tax reform, on encouragement to personal rather than institutional savings, and on education and training.

Timing

The Government could win the argument and present solid achievement on the main issues by a series of linked statements:

Week 1: Results of Tom King's employment exercise - a programme providing scope for 375,000 more training and work places on Department of Employment schemes, coupled with labour market measures on Employment Protection and Wages Councils. In total, we should aim for half a million-plus jobs and scheme places.

Week 2: Young people and training - unemployment for the under-18s is no longer an option, to be announced by David Young.

Week 3: Budget statement announcing tax reform, raising of income tax thresholds, perhaps with some reduction in employer's National Insurance for the lower paid, which helps achieve the jobs target.

Week 4: Norman Fowler's announcement of the results of his wide-ranging Social Security Reviews. He seems to be working towards greatly simplified Supplementary Benefit, major changes in pensions, reductions in Housing Benefit and the ending of benefit for under 18s (who will be given training places).

Week 5: Major press conference by leading Ministers involved, perhaps chaired by you, to explain the total strategy on jobs, the welfare state and taxation; and to explain how it is a coherent whole designed to: (a) make the labour market work again; (b) give incentives and rewards to those who wish to save for themselves; (c) reduce the tax on jobs - the employer's National Insurance - and on lower incomes to tackle poverty and unemployment traps; (d) relieve poverty.

The art is now to bring these things together. Tom King and Norman Fowler should have their reports ready by end January, and Cabinet decisions can be made in mid February.

They need to be tied into Budget and public expenditure planning as:

a. Tom King's 375,000 jobs and scheme places will cost an additional £300 million plus. This is about half the likely savings on the HB/SB Review.

b. Cuts in employer's NIC could be important to the job initiative.

It is vital to have some such coherent programme. All of these schemes serve to put downward pressure on real wages, reduce employment costs and strengthen the labour market.

SECRET

By taking them as a whole, the individual less palatable parts of the programme could be sold to the public. Taken individually, it could be a dribble of disappointing statements allied to a few unpleasant banana skins.

JOHN REDWOOD



SECRET

NBPM AF 6/12

6 December 1984

MR TURNBULL

The question which ought to be on everyone's lips is: why is there such a big boom in capital investment?

That it isn't reflects critics' love of "feel" and "understanding" in preference to the reality of the figures.

PSL2, the widest measure of monetary growth, is rising by 13 per cent, nearly twice the growth of nominal incomes.

In 1981, when the personal sector had big cash balances affecting PSL2, they were mopped up by sales of National Savings instruments and gilts. This stopped the cash flowing into import-loving or inflation-engendering spending impulses.

In 1984-85, the excess cash is more apparent in the company sector. This will flow in part into imports of capital equipment, and will engender some increase in UK capital goods price inflation. Along with the Corporation Tax changes, it explains the new peak in investment.

JOHN REDWOOD

-6 DEC 1994

MR. REDWOOD

PROGRESS CHASING

I have been through the list of points you raised with the Prime Minister with the following results.

1. PRIVATE RENTED SECTOR

After discussion with Ian Gow's office it is clear that this subject is completely bogged down. The Department are taking the line that further development of proposals in this area must wait upon the outcome of the Housing Benefit Review. They do not accept your argument that the HB costs need not be large and that in consequence it is possible to proceed. I replied that if they were not proceeding with the remit from H they were under an obligation to minute colleagues to explain the position - they could not simply let the remit drop. I suggested that Ian Gow should have a meeting with you to go over your arguments on the implications for housing benefit. If you have not heard from him in the next few days, I suggest you make an approach.

2. HOUSING IMPROVEMENT GRANTS

DOE will be circulating a draft consultation document shortly which will include the suggestion that the housing improvement grants should be converted into loans.

3. REVIEW OF PUBLIC ORDER LEGISLATION

The outcome of this is expected to be with the Home Secretary by Christmas.

4. BRITISH LEYLAND

I have written to DTI - see attached letter.

5. BSC

I have written to DTI - see attached letter.

6. PUBLIC SPENDING

A meeting has been fixed for 5 January.

7. AGRICULTURAL CONSERVATION

A paper is scheduled to come to H before Christmas.

8. BAA PRIVATISATION

This has also become bogged down, partly because all the attention has been diverted on to the CAA Review and Laker and partly because of new developments. The Department has just received the Inspector's report on Stansted which raises the question of the role of private sector capital in advancing any development of Stansted which is recommended. Again, I have put it to the Department that they owe colleagues either a progress report or else proposals which fulfil the E(DL) remit. I will have another go at them in a few days to find out what is going on.

9. RATE-CAPPING

A meeting of MISC 109 has been fixed for 12 December. This will take papers on the strategy for dealing with the rate-capping revolt and for dealing specifically with Liverpool.

In addition to these items, I have now arranged a meeting for 22 January on the family practioner service and will arrange a further meeting shortly after that to discuss the NHS as soon as we know whether a General Manager has been appointed.

29 November 1984

VC2ACC

File

PRIME MINISTER

26 November 1984

Items which need some impetus which we could discuss are:

1. Private Rented Housing.

2. Housing Improvement Grants - how to review the policy.

3. Review of Public Order legislation.

4. Follow-up on Truck, Bus, 4-Wheel Drive and Unipart at BL.

5. British Steel's Corporate Plan.

6. Public spending.

7. Agricultural Conservation issues.

8. BAA Privatisation.

9. New MISC on Rate-Capping to explain the strategy.

JOHN REDWOOD

→ Policy Unit file 1. FERB

FERB

Well worth reading, over the weekend if you do not have time tonight.

Weekend

2 PRIME MINISTER (2)

Some interesting observations, eloquently expressed

AT 14/11

This is not a formal valedictory, I promise you - just a few brief, semi detached observations on the subjects I looked into at the Policy Unit.

You were always good enough to find time for my minutes on the nationalized industries, so I shall start there. Two of them, I fear, will give you serious trouble within the next twelve months - BL and British Steel.

At BL, Austin Rover are now heading for a very bad year. Their performance in the first four months looked really rather good - Metro, Maestro and Montego gaining market share; XX leaked openly to the trade as a forthcoming replacement for the ageing big Rover; improving availability and quality; reflected glory from the imminent privatization of Jaguar. But since April, the patient has had a series of relapses: a renewal of the discount war, which BL have never managed well; internal strife between marketing and production; setbacks to the BL/Honda joint venture for XX; continuing disruption through strikes, which of course knock availability and quality sideways. I would be the last to defend the short sightedness of union leaders at Longbridge or Cowley, but the fact is that the post-Edwardes team don't have the Edwardes touch in handling them. Michael knew when, where and how to get tough; the present lot are cave men by comparison.

BL's commercial vehicle business, you will remember, was already going downhill when E(A) reviewed the corporate plan back in the spring. It still is. Yet neither Vehicles Division at DTI nor BL themselves are doing anything energetic to limit the damage. You asked for a paper on splitting off Land Rover by July; you won't see it before December. You asked DTI to investigate the prospects of selling the truck and bus business intact - forlorn though the hope might be - and to prepare the bus business for separate sale if nobody wanted the whole thing. Seven months later, you have had no report and no promise of one.

With all this as background, BL's Chairman, Sir Austin Bide, wrote to Norman Tebbit in August to protest at Government's interference in the management of BL. What management, one might ask? The executive directors of BL plc - Ray Horrocks and David Andrews - are taking the acquiescence of shareholders for granted while the non executives lie peacefully at anchor, well away from the battle. And DTI Vehicles Division are sponsoring all this! In my year at No. 10 I never saw them do other than relay BL's claims to Government and to mute the criticisms going back.

John Redwood and Peter Morris have now been to see Norman Lamont to get things up.

There are four things which you could insist that Norman Tebbit or Norman Lamont do. In order of effectiveness they are:

(i) read the Riot Act to Vehicles Division

(ii) change the BL Chairman - (if Norman Fowler and the DHSS put the squeeze on the purchases from Glaxo that would help)

(iii) insist on action over the sale of Land Rover, Leyland Bus and the remnants of Leyland Truck

(iv) squeeze the Austin Rover capital plan.

Now to British Steel. Their EFL for this year is £275m. On present evidence this will do well to stay this side of £500m. They say (and, again, DTI are using their amplifiers) that the miners' strike is largely responsible for the expected overshoot, to the tune of about £5m per week. I just cannot make that figure stand up unless BSC are allowing all their costs to go roaring ahead without regard for trading conditions. It is beginning to look as though £275m was never on as a target, and that, to all intents and purposes, BSC have no intention of meeting it. There is, after all, little effective sanction against an overshoot.

Against this background DTI are arguing that BSC's plan - which admittedly includes some sensitive closures - should be kept strictly under wraps. This is surely unwise? If the miners' strike goes on for several months longer the present plan will be too out of date to be worth studying, so there will be a pause while BSC write another one - and in the meantime, cash drains away at an alarming rate. There is also a flaw in the logic which says that you shouldn't review any BSC plan until the miners go back. Surely Ministers have to know what is at risk for BSC while the strike is still on? If not, who knows what options are being closed off?

Two points that could be probed without wider review are BSC's proposals to buy their way into Alphasteel and out of Firelake, at a cost of £100m and £140m respectively. And you might ask Norman Lamont for his candid view as to whether Robert Haslam has got the better of, or has been captured by, the BSC Board.

By contrast with BL and BSC, the remaining manufacturing state industries are unlikely to spring nasty surprises. British Shipbuilders and Rolls-Royce have better management and sounder strategies than for many years past. Denationalization of warshipbuilding will take time, and part of the price will be the closure of Cammell Laird. The recent death of Sir William Duncan will certainly be a blow to RR, but his achievements there were so solid as to stand any successor in good stead. The one big organizational change he was not able to complete was putting a Chief Executive in place, and that still needs to be done.

No. He did manage to appoint Mr Ralph Robins as MD Business Operations

Harland and Wolff and Shorts are also in better shape than for a long time past. Neither will find it easy to win orders without subsidy, but you and Jim Prior had the happy knack of

pitching aid at a level just enough to enable senior management to find work and at the same time knock some sense of commercial reality into middle management and the employees at large. I hope Douglas Hurd will be able to keep up the good judgement - and earn the high regard in which Jim was held by the Belfast industrial community.

The way in which Nicholas Ridley has got the Department of Transport to perform over the last year seems to me an astonishing and admirable feat. By the end of next year, if his present plans mature, he will have done away with much of the burden of economic regulation and sheer bureaucracy which has stifled a competitive market in public transport for half a century.

The review of civil aviation policy turned out well in the end, and the privatization of British Airways should be a complete success. But there are still some patches of slippery ground ahead. Officials are encouraging Nicholas to break up the National Bus Company into so many small pieces that the challenge to British Rail will disappear - and that would be a serious mistake. He is feeling rather cautious about screwing down London Transport's scandalously high costs, losses and subsidy - nearly a quarter of a billion a year recently. And I am not sure that his officials are giving BR a sufficiently hard time over progress towards a lower PSO grant, over the disposal of BREL, or over bus substitution or busways (the Marylebone scheme certainly needs a shove). The new BR Corporate Plan is deficient on all these counts. The privatization of British Airports, still in the middle distance, won't produce great competitive gains, but it is worth doing. The proceeds (around £1 billion) are attractive, while the principal attraction of privatizing the nationalized industries - i.e. getting them out of the political arena - is as valid for BAA as for any other corporation.

The merits of a small Department? AT

For all the problems which may lie ahead, the fact remains that DTp under Nicholas Ridley have got to grips with their sponsorship role far more effectively than DTI (or old DOI) under any recent Secretary of State.

Why should this be? The question itself begs a few larger ones. What should the relationship between Government and industry be? Where has this Government enjoyed particular success? What guidance do the successes provide for future policy?

Nineteen months "inside" Government have given me more convictions on these points than nineteen years outside. For I now see more clearly (I think) the utter confusion of signals which pass between Government and industry. Industry wants, at one and the same time, more help and less taxation - an obvious conflict of aims. It wants competitive free markets, but quite large patches of protectionism, too - another conflict. Government says it is out to reduce the burdens imposed by the State on industry, yet the state sector of industry is still bailed out with buckets of money at the expense of the private sector. So confusion passes the other way, too.

The only practical solution to all this is to reduce the role of the state as far and as fast as possible - which I know is where your convictions are rooted. But some of the Ministers' convictions seem variable, to say the least. Nicholas Ridley not only thinks market economy, but acts that way too. Norman Tebbit thinks that way, but doesn't always act accordingly. Michael Jopling doesn't even think markets. Departmental cultures run strong and deep, and not every Minister is a strong swimmer, however well he floats.

Yet the most glittering achievements of this Government in the field of relationships with industry are precisely those which spring from its philosophy of freeing up markets and reducing the burdens of the state. Easily top of the list are the reforms of trade union law; but the abolition of exchange controls and the reduction of higher rate personal taxation come pretty high, too.

When there is so much goodwill to be had from getting the state out of the wealth-creating sector, it is folly to find new ways of staying in. Take Regional Policy. The new policy will be better than the old, but a phased elimination would be better still. In the long run, industry would moan a lot less at having no regional assistance than at seeing some firms get it while others do not. Why pay Nissan £103 million on top of the billions already sunk and lost in BL, BSC, BS, and the NCB? If we want "internationally mobile investments" to come here, a low tax regime and a flexible labour market would be at least as attractive as big handouts.

Somehow, Norman Tebbit has got to get the better of the old misguided DOI culture. The departmental merger gives him a golden opportunity to do so, and a really radical pruning of involvement is the right way to do it. From where I sat in the Policy Unit, Norman was plainly unhappy with handling the vast number of small decisions which the dirigiste instincts of DOI generate. It no doubt comes as a stark contrast to DEm, where the requirement is to concentrate on a small number of large issues. For Norman personally, as well as for your Government as a whole, forcing business to find and stand on its own feet has a double payoff: it is not only right in itself, but enables you to sort out sectors which for years have been flagrantly over subsidized for political ends - particularly coalmining and agriculture.

You must already know that you are going to win the coal strike hands down. The falsity of Scargill's posture is sinking in quite deeply and quite rapidly. But seeing him off, important though that is, is not the end of the job. You will have won only when the coal industry makes a proper return on capital employed - as does every other energy industry. Perhaps Peter Walker could be reminded of that. Similarly agriculture. What need - let alone justification - is there for giving farmers investment grants and guaranteed offtake and price support? No manufacturing or service industry has ever had such a deal;

and the fact that agriculture does is beginning to stick more sharply in the throats of the other sectors who pay for it.

What Nicholas Ridley is doing at DTp and Norman Tebbit achieved at DEm shows that strong Ministers can get the better of their departments. But it is nearly always a fight. And Ministers make it harder for themselves by accepting, usually from day one, a role which consists primarily of promoting and defending a departmental view, right up to Cabinet level. Surely this is questionable management practice? When directors are appointed to holding company boards, they are expected to put company interests first, single functional interests second. Why not the same in Government? Would it not be good for Secretaries of State and junior Ministers alike if the juniors did the real work of "sponsorship" while the seniors acted more to defend and promote the larger aims of Government? You could use E(A), E(DL) and E(NI) for the detailed treatment of economic/industry affairs and reserve E or Cabinet for final approval of sub-committee recommendations.

Finally, employment. You know better than anyone else in politics that jobs cannot be bought. But even your own colleagues sometimes seem to wonder when current policies will start to deliver. My advice to them is to stick to your guns, but not to expect too much too soon. There will be a snowball effect, but the real pace has yet to gather. There is still a lot of labour to be shaken out - certainly among the nationalized industries, but also among private sector companies which still have some way to go to become internationally competitive. Everywhere I look in manufacturing, managements are still very cautious about taking on people even when trading prospects improve. And not surprisingly. It costs a lot of money to shed people if and when the need subsequently arises; and, believe me, the act of enforcing redundancy is a miserable thing. I have had to do it myself, more than once, and it becomes a powerful deterrent to taking labour on again.

In these circumstances, policy presentation is particularly important. Perhaps you see the ITV news occasionally on Friday evenings. If so, you will have noticed how well the programme contrasts job losses in some sectors with gains in others. Could not Tom King take a leaf out of ITN's book? Emphasizing employment gains (for instance in the services sector) is - actually as well as presentationally - a very important part of your employment policies. To deal only in large aggregates seriously undersells what you are trying to do, whereas repeating the successes will reinforce belief and generate hope.

There is just one aspect of shaking out employment where I feel that the private sector has a legitimate grouse against the conduct even of this Government. That is the generosity of redundancy terms offered to nationalized industry employees. Almost invariably, the nationalized industries pay several times the going rate affordable in the private sector - and they do so despite the fact that they have been technically bust for years.

I just do not know how Ministers can defend offering figures of between £10,000 and £30,000 (or more in the case of miners) to secure voluntary redundancy in the state sector, when the likes of Vickers, GKN and TI have to make people compulsorily redundant for an average of around £4,000. Until relatively recently, all this might have been kept fairly quiet - but the well publicized terms now on offer to the miners have rather opened up Pandora's box.

I want to end with thanks and with three wishes.

When we spoke a few days ago at your room in the House, you made me sit through some very complimentary remarks. It is now your turn to endure a compliment from me. For an outsider, it is an undreamt of privilege to be able to serve the Prime Minister. But to have served this particular Prime Minister was a particular privilege, and I am more grateful to you than I can say for having made it possible.

As to the three wishes, firstly, I wish you a bit of peace and quiet to concentrate on the domestic economy and the presentation of policy. No one who sees your diary can fail to be struck by how much time you have to devote to - and the negligible return you get from - the visits of middle order foreign dignitaries. (Sir Thomas Beecham once observed that the British don't really like music, but they love the noise it makes. Does the FCO take a similar view of visits from overseas?)

Secondly, I wish you a new Bentley for Christmas. David Plastow's offer of a long term loan is still there, and you really should take him up. (I couldn't say all this before, but I can now!)

And lastly, but most importantly of all, I wish you a third term.

R.Y.

ROBERT YOUNG

13th November 1984

EXTRACT FROM THE TIMES, TUESDAY, 6 NOVEMBER 1984

# Policy unit at full strength

The Prime Minister's Policy Unit in Downing Street has been brought up to full strength with the appointment of Mr Hartley Booth, aged 38, who will be responsible for home policy, law and order and environmental pollution.

The other members of the unit and their responsibilities are:

Mr John Redwood (head): jobs, privatization, tax and public sector lane.

Mr David Hobson (part-time): export credits, Scottish and Welsh affairs accountancy.

Mr Oliver Letwin: education and science, employment, local government.

Mr Christopher Monckton: housing, parliamentary affairs.

Mr Nicholas Owen: defence, competition, agriculture, Civil Service.

Mr Peter Warry: deregulation, pay, trade and industry.

Mr David Willets: health and social security, Treasury affairs.

Mr John Wybrew: energy, transport, the financial management initiative.

SECRET

10

25 October 1984

PRIME MINISTER

Things we might discuss tomorrow:

Jobs:

Follow-up Seminar

State of play on various working groups

Public Expenditure:

Argument over energy: efficiency savings and prices | See Chief Secretary's paper attached.

Housing and local government capital

Energy:

Gas industry next steps

Coal after NACODS

I thought you might like to be introduced to John Wybrew (from Shell) who is taking over transport from Bob Young, and energy.

JOHN REDWOOD

SECRET

LASAAB

## POLICY INITIATIVES

| | | |
|---|---|---|
| Education | Direct-Grant Schools | Paper with PM |
| | Governors' Powers | Green Paper launched |
| | Standards | 16+ exams and Teacher-Training Guidelines published |
| | | Boards' Graded Tests in 12 months' time |
| | HE/FE Cost-Cutting | Draft Green Paper soon |
| Employment | Enterprise Allowance | Expansion? |
| | Follow-up on Jobs | Passport being reworked. Benefit-plus? |
| | Review of Special Employment Measures | New system for appraisal agreed - any action? |
| Treasury | PE Control | PESC |
| | Privatisation Programme | See separate items |
| | Capital & Income Tax Reform | Progressing |
| | Building Societies | Green Paper out |
| | Trustee Savings | Legislation planned |
| DHSS | Pensions | Inquiry now looking at SERPS |
| | Welfare Reviews | Under way |
| | Health | Awaiting appointment of Chairman of NHS |
| | Family Practitioner Services | Green Paper being drafted |
| | Poverty & Unemployment Traps | |
| Energy | Sleipner and Exports | Paper awaited |
| | Gas and Electricity | Needs more impetus |
| | Coal | MacGregor Plan |
| DoE | Local Government Reform } | Seminar follow-up |
| | Rate-Capping } | DoE Reviews |
| | Private Rented Sector | Work proceeding |
| | Pollution | Acid Rain, 28/9 |
| | | Agriculture conservation paper soon |
| | | Sellafield PW report expected soon |
| | Urban Programme | MISC 104 |

LASAAB

| | | |
|---|---|---|
| DTI | BT Sale | Progressing |
| | Trade: complete GATT | Follow-Up Summit |
| | Competition | E(CP): needs another meeting and beefing up |
| | Deregulation | David Young & scrutineers pursuing |
| | Regional Policy | E(A) agreed outlines |
| | Insolvency | White Paper follow-up due soon |
| | BL: 4-wheel drive & truck & bus denationalisation | Delayed unnecessarily |
| | Unipart | Sale in 9 months |
| | BSC Corporate Plan | Delayed by DTI |
| | British Shipbuilders/ Warships | Plan beginning to be implemented |
| Home Office | Winning the War Against Crime | Initiatives being pursued |
| | Drugs | Conference announcement |
| | BBC Licence Fee | Early negotiations soon |
| Agriculture | Farm Support/ Lower Food Prices/ CAP Control (Milk producers arrangement) | Pursued through PESC |
| Transport | Better/Cheaper Bus Services | White Paper |
| | BA Sale | Under way |
| | BR: BREL | Chairman's review |
| | Airports | Options paper needed on airport privatisation for E(DL) |
| | Vehicle Licensing | Duty abolition? |
| Defence | Appt. of Procurement Chief and cheaper buying policy | Secretary of State considering |
| | Level of commitment for future years | MISC 106 |
| Pay | Guideline settled | Watching early settlements |

LASAAB

Gas Corp^n

86

NBPM

KF

18/10

17 October 1984

PRIME MINISTER

I recently saw Mr Christopher Rawlings, who has strong links the Daily Telegraph.

He requested that a summary of his views be shown to you. He would like a meeting with you, but I would recommend against it, as his views were insensitive, opinionated and based on little evidence. In view of his position, however, I have carried out his wishes, and gave him a fair and friendly hearing.

JOHN REDWOOD

4 October 1984

I met Mr Redwood and made the following points:

1. The miners' strike. The Government should arrange for a meeting between Ian MacGregor and Arthur Scargill on the ground rules that they were not allowed to break up their meeting until they had come to a solution.

2. The closed shop in Fleet Street. Fleet Street is grossly overmanned, and newspapers like the Telegraph give the Government good publicity. The unions have to be taken on, but Fleet Street will need Government assistance in order to finance losses as a result of the strike.

3. VAT on newspapers. This idea should be dropped.

4. Capital Gains Tax/Capital Transfer Tax. CGT should be scrapped. CTT is worked out the wrong way round. Instead of being a tax on the donor's estate or on the donor, it should be a tax on the donee if that recipient is already a rich person. Otherwise the transfer - whether on death or inter vivos - should attract no tax.

5. School fees. School fees are extremely expensive for those who wish to send their children to independent schools. If the schools are approved charities, individuals should be able to reclaim tax at the standard-rate, like a deed of covenant.

6. Child Benefit. Well-paid and rich people should not receive Child Benefit, or if they do receive it, they should have to pay tax on it.

Mr Redwood responded to these points, but I asked that they should be put to the Prime Minister herself as a record of this meeting to see if she would like to pursue them in person with me.

Christopher Rawlings

C H RAWLINGS

8/10/84.

Ale DSG

10 DOWNING STREET

THE PRIME MINISTER

16 October 1984

Dear John

I am sorry that I have not thanked you and the Policy Unit before now for the beautiful flowers you sent me and the very touching card.

Please pass on my sincere thanks to everybody.

And thank you so much for the fantastic amount of work you and the unit did on my Speech. In spite of the many last minute changes, the main arguments and structure stood up very well

Yours ever

Margaret

John Redwood, Esq.

27 September 1984

PRIME MINISTER

POLICY UNIT PERSONNEL

Peter Shipley and David Pascall have left, and Bob Young is going soon. Christopher Monckton has not been to work since June: he is thinking of moving on by Christmas if he is better.

Peter Warry and John Wybrew have been appointed. We have a vacancy in Home Affairs and Environmental issues.

I would like to appoint one person to do this combined job. I think Hartley Booth would be suitable as a trained lawyer, and attach a copy of his cv. Would you like to see him?

If Christopher does resign, we could then decide whether to use that vacancy for another person to expand the service, or cut our staff costs by around 10 per cent.

JOHN REDWOOD

25 September 1984

POLICY UNIT RESPONSIBILITIES

| | |
|---|---|
| John Redwood | Head of Unit<br>Privatisation, Jobs, Tax, Inner Cities, Public Sector Land |
| David Hobson | ECGD, Territorials, Accountancy Issues |
| Oliver Letwin | DES, Department of Employment, Local Government |
| Chris Monckton | Away ill |
| Nick Owen | Defence, Competition Policy,, Agriculture, Civil Service |
| Peter Warry | Deregulation, Pay, Sunrise Industries |
| David Willetts | DHSS, Treasury |
| John Wybrew | Energy, Transport, FMI |
| Vacant | Housing, Environmental Pollution and Planning, Home Affairs |

SECRET

27 September 1984

## POLICY INITIATIVES

| | | |
|---|---|---|
| Education | Direct-Grant Schools | Paper with PM |
| | Governors' Powers | Green Paper launched |
| | Standards | 16+ exams and Teacher-Training Guidelines published |
| | | Boards' Graded Tests in 12 months' time |
| | HE/FE Cost-Cutting | Draft Green Paper soon |
| Employment | Enterprise Allowance | Expansion? |
| | Follow-up on Jobs | Passport being reworked. Meeting November |
| | Review of Special Employment Measures | New system for appraisal agreed |
| Treasury | PE Control | PESC |
| | Privatisation Programme | See separate items |
| | Capital & Income Tax Reform | Progressing |
| | Building Societies | Green Paper out |
| DHSS | Pensions | Inquiry now looking at SERPS |
| | | Portable Pensions Consultation Document August |
| | Welfare Reviews | Under way |
| | Health | Awaiting appointment of Chairman of NHS |
| | Family Practitioner Services | Green Paper being drafted |
| | Poverty & Unemployment Traps | Paper for Seminar |
| Energy | Sleipner and Exports | Paper awaited |
| | Gas and Electricity | Needs more impetus |
| | Coal | MacGregor Plan |
| | AEA | November paper |
| DoE | Local Government Reform } | Seminar follow-up |
| | Rate-Capping } | |
| | Private Rented Sector | Work proceeding |
| | Pollution | Acid Rain, 28/9 |
| | | Agriculture conservation paper soon |
| | | Sellafield PW report expected soon |
| | Urban Programme | MISC 104 |

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| | | |
|---|---|---|
| DTI | BT Sale | Progressing |
| | Trade:complete GATT | Follow-Up Summit |
| | BT/IBM Joint Venture | Coming soon |
| | Competition | E(CP):needs another meeting and beefing up |
| | Deregulation | David Young pursuing |
| | Regional Policy | E(A) soon |
| | Insolvency | White Paper follow-up due soon |
| | BL: 4-wheel drive & truck & bus denationalisation | David Young following up |
| | Unipart | Sale in 1 year |
| | BSC Corporate Plan | Delayed by DTI |
| | British Shipbuilders/ Warships | Plan needs implementing |
| Home Office | Winning the War Against Crime | Initiatives being pursued |
| | Drugs | Minister detailed to pursue |
| | BBC Licence Fee | Early negotiatons under way |
| Agriculture | Farm Support/ Lower Food Prices/ CAP Control (Milk producers arrangement) | Pursued through PESC |
| Transport | Better/Cheaper Bus Services | White Paper |
| | BA Sale | Under way |
| | BA/B.Cal | Secretary of State negotiating |
| | BR: BREL | Chairman's review |
| | Airports | Options paper needed on airport privatisation for E(DL) |
| | Vehicle Licensing | DTp in favour of abolition of duty: Treasury to consider |
| Pay | New Round Beginning | Pay factor to be settled soon |
| Defence | Appt. of Procurement Chief and cheaper buying policy | Secretary of State considering |

LASAAB

File on Policy Unit file

19 September 1984

9

Prime Minister AT 19/9

MR TURNBULL

This is for my meeting with the Prime Minister tomorrow.

JOHN REDWOOD

SECRET

19 September 1984

## POLICY INITIATIVES

| | | |
|---|---|---|
| Education | Direct-Grant Schools | Paper with PM |
| | Governors' Powers | Green Paper launched |
| | Standards | 16+ exams and Teacher-Training Guidelines published |
| | | Boards' Graded Tests in 12 months' time |
| | HE/FE Cost-Cutting | Draft Green Paper September |
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| | AEA | November paper |
| DoE | Local Government Reform } | Seminar to |
| | Rate-Capping } | discuss |
| | Private Rented Sector | Work proceeding |
| | Pollution | Work commissioned |
| | | Agriculture conservation paper by September |
| | | Sellafield PW report expected soon |
| | Urban Programme | MISC 104 |

SECRET

LASAAB

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| | Airports | Options paper needed on airport privatisation for E(DL) |
| | Vehicle Licensing | DTp in favour of abolition of duty: Treasury to consider |
| Pay | Police | Conciliator's figure under discussion. Meeting, 20/9 |
| | New Round Beginning | Pay factor to be settled soon |
| Defence | Appt. of Procurement Chief and cheaper buying policy | Secretary of State considering |

LASAAB

CONFIDENTIAL

PRIME MINISTER

Meeting with John Redwood and David Willetts

FLAG A

i) Health Service Issues

You indicated that you would prefer to devote part of the 4 October meeting to health issues rather than hold a separate meeting. John and David would very much like to have a separate meeting, fearing that a jumbo meeting would not do justice to either health issues or the social benefit reviews. They can explain their concerns.

FLAG B

ii) Social Benefits

We need to begin discussions with DHSS and the Treasury on the agenda for the 4 October meeting. You have already seen John and David's note on some of the issues. They would like to take you through the fundamental choices and to seek your reactions so that they can ensure that the options you wish to be considered are adequately covered.

FLAG C

iii) DTI Expenditure

You asked to discuss Mr. Tebbitt's letter on DTI expenditure which John rightly detected does not tell the full story.

AT

11 September 1984

CONFIDENTIAL

CONFIDENTIAL

31 August 1984

PRIME MINISTER

Robin Butler mentioned that you were seeing Patrick Jenkin and Norman Tebbit for lunch on Sunday, and suggested I should supply some thoughts.

DEPARTMENT OF THE ENVIRONMENT

Apart from the well-known difficulties with local authorities, DoE have had troubles with housing policy, pollution, and the water industry.

The Department's painstaking work on how to improve the private rented sector floundered at H Committee for good reasons. Their proposals involved a regulatory nightmare for all tenancies, a general increase in rents, and also in Housing Benefit. The Committee sensibly wants deregulation for new tenancies whilst preserving the vested interests of those enjoying tenancies under the current rent legislation. It is vital to bring more and cheaper accommodation onto the market including rooms in owner-occupied houses; this would enable students and young workers to move into the higher-growth areas where jobs are available but suitable housing is scarce and prohibitively costly.

The Department should be encouraged to work up some sensible proposals quickly which will satisfy H Committee.

CONFIDENTIAL

You may remember that in July DoE brought forward long and complex proposals for changing the administration of **housing improvement grants.** The rationale behind the changes was not convincing. In particular, there was a strange wish to change the definition of basic needs so that the number of unsuitable houses was increased.

If the DoE wish to pursue these problems they need sharper proposals that tackle the administrative problems in present grants and encourage more private capital and initiative.

Work on **pollution policy** has still not produced anything which is politically saleable. Our policy needs to persuade the public that (a) the Government cares about harmful pollution; (b) it sets satisfactory standards and polices them properly, particularly on things like nuclear waste; and (c) these standards do not impose an unduly heavy burden upon industry. A couple of major speeches by DoE Ministers, setting out what the Department has achieved, and what it intends to achieve in this area, would be a good starting point.

There was disagreement over the right level of profit and prices for the **water industry** when the matter came for debate to E(A). The plans should return to E(A) in October, along with a paper covering the following aspects:

(a) The scope for introducing water metering.

(b) Methods for encouraging cost reduction in large, expensive and often badly-managed utilities: these might include contracting-out, competitive tenders for management of parts of the service, and cost controls.

(c) The adequacy of reservoir provision, particularly in the South West.

(d) New methods of maintaining and repairing the sewers.

In addition, there are the long-running sagas of: (1) speeding up the planning process; (2) forcing disposal of wasteland; and (3) the DoE's contribution to the deregulation initiative.

## DEPARTMENT OF TRADE AND INDUSTRY

### Dealing with DTI-sponsored businesses

The DTI has had two singular successes recently: the sale of **Jaguar** went well, and **INMOS** was sold for a remarkably good price to an English buyer. If GEC eventually produce a bid for **British Aerospace** or, failing that, if the residual shareholding is placed successfully in the fourth quarter of 1984 as planned, this too will be a major advance. The current proposals for **British Shipbuilders** are also most encouraging. At last the disposal of the war-shipyards is

agreed policy, and Graham Day is tackling vigorously the problems of offshore and ship-repairing.

However, there remain troubles at **British Leyland.** The sale or disposal of truck, bus and 4-wheel drive remain crucial elements of the strategy. The success with Alvis, and now with Jaguar, shows what can be achieved. Jaguar disposal has been popular with both public and workforce. We need to kindle enthusiasm in the other divisions of BL as quickly as possible. Andrew's letter of 14 May set a 3 month deadline for proposals to turn Land Rover into a separate saleable entity. There is also delay in finding a buyer or buyers for bus and truck. It is time to give DTI another push.

**British Steel** strategy is also in a mess. DTI are still sitting on the report which says that Ravenscraig, and possibly Llanwern, should close. The sad truth remains that however hard the workers and management may try, there is a surplus of capacity in steel-making worldwide, and the marginal UK plants are still too expensive relative to the competition, and are likely to remain so.

Norman Tebbit's letter of 26 July made clear that "there will be a significant further cash call on Government, whichever option is pursued" and proposed doing nothing whilst the miners' strike endured.

However, there is nothing to stop DTI and BSC making more rapid progress on: (1) separate accounting of BSC's businesses outside the main integrated steel plants; (2) trying to find private buyers for parts of them; and (3) extending the amount of private capital sunk in the Phoenix companies. This remains urgent and not sensitive in relation to the strikes.

Regional Policy

We are approaching the point of making decisions on the new regional map and the basis on which **Regional Aid** would be awarded. All the studies indicate that Regional Aid is by far and away the most expensive of all the job-creating schemes, and at the same time does very little to rebuild derelict areas. The hard core areas that have been in receipt of Regional Aid ever since its inception are more derelict now than when the programme began. In view of pressures on public spending the new areas and rules need to be constructed carefully to lead to maximum cash savings, with minimum political disruption. (The Policy Unit is working on this.)

Competition Policy

The feebleness of the competition policy proposals is a political worry for the whole Government, and also illustrates the way in which the Trade ethos is being

swamped by the more pervasive Industry ethos at DTI. One of the ideas behind the merger was to bring more of the belief in competition and open trade from Department of Trade to bear on industrial problems: the evidence is that the reverse has happened. We need a more vigorous competition policy, with items of interest to the voter and ordinary consumer.

Sponsorship and Regulation

The DTI is still far too large, with too many people involved in "sponsoring" industries, (ie arguing for protections, special interests etc), and in regulating businesses that would work better with a lighter rein upon them.

JOHN REDWOOD

The CF: Policy Unit file

Prime Minister (2)

You may like to look through these papers at your leisure

AT 1/8

10 DOWNING STREET

*From the Private Secretary*

Prime Minister

This is a combination between the Policy Unit's end of term report and your holiday reading.

Have you have a meeting with John Redwood on Monday for which it would be helpful if you had read the covering minute and the jobs note (Annex D)

An alternative to D'Emp producing a draft Green Paper on Jobs for the 13 Sept would be for Policy Unit to put in a paper advocating such a Green Paper and describing its scope.

John also want to propose a seminar style meeting on D/Environment issues, in particular the relationship between central and local government; and housing.

AT 3/8

PRIME MINISTER 3 August 1984

GOVERNMENT POLICY

The Government, according to issue polls, is still doing well on inflation, law and order, defence and the Common Market. It is doing badly on unemployment, the National Health Service, education and local government.

Education

The themes of parental choice, parent power and higher standards are popular. The response to Keith's speeches has been magnificent.

The proposals on exams and parent-governors are an important first step. But in order to give parents some real choice, we need to move on to tackle direct-grant schools and technical colleges, and to think again how to handle the closure of village schools.

People believe that the education service is being cut severely, largely because of the school closures, and from the response of the educational establishment.

I attach the paper we wrote on direct-grant schools and technical colleges for your consideration this summer.

(Annex A). Something like this middle way would give meaning to our belief in choice.

Health and Welfare

In health, the Government is still very unpopular - again because people believe the Government wants cuts and does not care about public health provision. Many speeches and many words have not succeeded in changing these public perceptions.

Concentrating on efficiency does not help: it is a cold and prickly word, and people are not sure that they want to be looked after by an "efficient" GP or hospital.

However, association with the cause, needs and aspirations of the patient is a more powerful tool both in managing the Health Service and in winning back the ground we have lost. It can lead on to making the necessary savings on the drugs bill, supplies, administration etc, rechannelling this money to reduce the waiting lists, provide the new treatments and the better standard of service which the public definitely wants.

A necessary first step remains the appointment of the Chairman of the NHS Board, and his development of a vigorous action programme for improving the quality of services, whilst saving on resource waste. We also need to motivate

the new Regional Managers. Health Maintenance Organisations could be a small but important step in making the GP service more friendly to the customer. Norman Fowler is preparing an annual NHS Report which should be ready for Conference.

In the welfare field, the Government has come a long way. Setting up the Inquiries has taken the sting out of what could have been a very dangerous debate, and has opened up the chance for more radical reform. Your Seminar in the autumn will be important in bringing together some of the threads of policy: focussing the assault on poverty, the encouragement of self-help, the importance of insurance and the contributory principle, and the relationship between tax, benefits and the unemployment and poverty traps. David Willetts and I will produce some thoughts for September.

In pensions, the public's imagination has been captured by the action taken to help the early leaver and the consultative document on portable pensions.

The next question is how the cost and customer responsiveness of the State Earnings-Related Pension Scheme can be controlled and improved. I attach a recent paper written for Norman Fowler, which may elucidate some of the points. (Annex B)

## Economic Policy

In economic policy, the last couple of months have seen bad setbacks. The major increase in interest rates was a disappointment, and the early news on the public expenditure round is as bad as always. The autumn will see a painful battle again in an effort to curb public spending. Improving market confidence and a good PESC would reinforce each other and allow interest rates to fall.

I attach a note setting out some of the areas where savings have been identified as a result of policy reviews, or where further policy reviews might lead to substantial savings as a contribution towards the PESC debate. (Annex C)

## Jobs

The Government's critics will make out that this Parliament shall be judged by whether or not more jobs are generated. This is not good ground and should not be ground of the Government's choosing. Nonetheless, the Government has to show that it has a positive contribution to make, going beyond the argument that if inflation is brought down and sound economic management instituted, the jobs will follow naturally. The best way is to seek more flexible labour markets, and to show the way in which wider wealth-ownership and competition policy can also have their favourable effect on jobs. The lesson is percolating through: recent coverage

in the Economist, Telegraph, Times and FT has all stressed this argument, as did the Chancellor's Mais lecture; and all agree that putting more money into markets that don't work is a recipe for disaster. I attach a paper which sets out the case for a new Green Paper on the labour market as the first stage in introducing policies that will make labour more flexible. (Annex D)

DoE

The private rented housing market remains a regulated nightmare. H Committee has a strong majority in favour of deregulating, and many people of common sense accept that the artificial scarcity created by the current housing legislation is the prime cause of high rents and the difficulties, particularly for young people, in gaining access to the rented property they need. Meanwhile, very expensive benefits are given to people to live in unattractive and inadequate bed and breakfast accommodation. Yet the proposals from the DoE were timid and restrictive, and were rejected overwhelmingly by H Committee on political and financial grounds. Time is running out to come forward with suitable proposals, and to make use of the legislative slot in the 1985/86 Programme, which is the last conceivable date for law that can have any impact this Parliament. Sensible proposals are needed for the autumn.

The paper on the water industry, reviewing one of our most important and under-researched nationalised concerns, did not lead to any imaginative strategy for the water industry itself. That too will have to come back in the autumn, when there will be an opportunity both to lower the high costs of the provision of water and disposal services, and to do something about the inadequacy of supply in relation to demand - particularly in the Western areas of this country.

In environmental policy, a robust statement of the Government's concern and intent is needed to prevent the green lobby becoming an acute embarrassment without incurring undue and unnecessary expense.

In the local authority area, the Government will face a serious challenge, as we have argued in recent weeks, from the Left-wing authorities subject to rate-capping. The best thing that has happened recently was the legal action taken to stop Ken Livingstone getting away with his expenditure proposals.

In the autumn the Government should turn its attention to the longer-term issues of local government finance and expenditure control, and prepare to make an authoritative statement on local government which can win back some of the lost ground. We would like to send you some thoughts on this subject in September.

There is an opportunity to do something about cleaning up and rebuilding our inner cities and our wasteland. Through its sponsorship of the PSA, DoE can do something to facelift the tatty public sector estate.

At the Department of Employment, the passage of the Trade Union Bill, although not without accident, has improved the statutory armoury available to moderate trade unionists and to managers. It will now be important to demonstrate how the new legislation can work against the background of strikes.

The next question is strikes in essential services, and whether any further progress can be made in strengthening the moderate voice in the trade unions.

Industrial Policy

There is plenty of vigour in pursuit of the British Telecom privatisation, and the sale of INMOS has largely completed the task of cleaning up the old NEB. BL is a curate's egg - good in parts with the sale of Jaguar and the possible sale of Unipart, but bad with respect to the delay on trucks, bus and 4-wheel drive vehicles. Similar progress could be made in rebuilding morale, market share and profits in 4-wheel drive and bus as was made at Jaguar, if the will was there. British Shipbuilders at last has a clear and sensible plan.

This autumn a good mean look can be taken at Regional Aid, and some life be put into the deregulation and competition initiatives, where there has been considerable foot-dragging.

At the Department of Energy, progress has been very slow. I attach one of our gas notes to remind you of the issues in establishing a more competitive gas market. **(Annex E)**

At the Department of Agriculture, a good review has been written by the multi-disciplinary team who investigated aid and subsidy. It should now lead to decisions in the PESC round.

At the Department of Transport, the bus policy has gone down well, and the next phase is to move on to the British Airports Authority. Privatisation of British Airways could be a great success.

At BR, more progress is going to be needed on productivity, cash husbandry, service improvement and investment in those things nearest to the customer's heart, in order to deliver the Chairman's pledges.

New Directions

To liven up some of the old themes and to assert the importance of some of the newer ones, it might be possible

to bring together in a colourful and human way the themes of clearing the wasteland, rebuilding the inner cities, using private enterprise to clean up Britain, creating a better labour market and going for jobs in a way which affects every local community.

If we were to work towards a British Enterprise Week for a date, say, in July 1986, we might be able to encourage a combination of municipal pride, the involvement of business in the community, the people involved in the urban programme, and voluntary groups to work towards a week of enterprise, technology and community improvements. The aims would be to provide motivation to get some things done, to provide a sense of challenge and then a sense of achievement, and to have a pleasant week in the summer.

Most of the money, enterprise and initiative should come from business and the local community itself. Some money from the Urban Programme and the DTI R&D and technology budget that is being spent anyway, could be related to the events. It could be an exhibition of the best of British technology and achievement, a trade fair, village fêtes, street parties and a drive for self-help and improvement of local communities, all rolled up into one. It could put the challenge back into the Enterprise Culture.

JOHN REDWOOD

SECRET

ANNEX A
27 January 1984
Policy Unit

PRIME MINISTER

PRIVATE MONEY AND PARENTAL CHOICE

Keith Joseph's new proposals to increase the number and power of parent-governors are excellent. But we can increase parental power and choice further by providing a middle way between maintained and independent education in which parents pay the school directly for part of the cost. They would then gain more responsibility and more influence over the quality of their children's education.

Two ways of widening choice are the Assisted Places Scheme and Vouchers. But Assisted Places help only bright children, and Vouchers were abandoned last year after long debate. To find a genuine via media we need some version of the "grant-aided" principle, under which the state partially subsidises schools, and leaves them to raise the rest of their funds by charging modest fees, related to parents' capacity to pay.

We present three schemes for consideration, which Oliver Letwin has prepared with help from Stuart Sexton:

(1) a proposal for new direct-grant technical schools;

(2) a proposal enabling existing county schools to transfer from maintained to grant-aided status; and

(3) a proposal to allow parents of children in a school under threat of closure access to limited grant to keep the school open. (In response to your earlier criticism of this idea, we provide - in Annex B - evidence to show that this scheme would not cost more than closures.)

(1) Direct-Grant Technical Schools

Under Section 100(1)(b) of the 1944 Education Act, the Secretary of State has the power to "pay grants in respect of expenditure incurred or to be incurred for the purposes of educational services". This power could be used to establish one or more new direct-grant technical schools, without any need for further primary legislation.

These schools would be managed by independent charitable trusts, with governor-trustees. The governors would appoint the staff, have financial responsibility, and run the schools. A proportion of governors should be elected by parents, and the remainder would be appointed by the body founding the school.

Having set a maximum number of pupils for each school, the Government would make a per capita grant. The rate of grant would be fixed at half the cost of providing a pupil with technical education under the TVEI. The schools would find the bulk of their remaining funds from fees and donations. The Government could add a subsidiary grant to give low-income parents some fee remission. There could be a sliding scale; at the bottom end, parents with incomes below £6,000 might pay only £300 p.a. of fees or even less. No child should receive an entirely free education.

The schools would select pupils according to their ability to benefit from technical education. It would be traditional to fix the age of selection at 11. But it might be politically astute to select instead at 14, since this would enable us to describe the scheme as an extension of the TVEI; it would also be easier to determine a child's suitability for technical education at this age.

The cost of creating such schools would be an addition to public expenditure as, in the short-term, LEAs would not be able to make matching savings. To keep the additional expenditure very low, it would be necessary to restrict the scheme to a few model establishments which might serve as showpieces of technical education. David Young has suggested that one obvious location for such a model school would be London. Applications from LEAs wishing to participate in the TVEI have now been received by the MSC. The ILEA is one of the few LEAs to have made no application. The Government could announce that Londoners should not be left out, and that it proposed to reopen the direct-grant list. Applications from new or established charitable bodies wishing to set up a new technical school in inner London would be invited.

Setting up such a school might involve public captial expenditure up to a maximum of £7 million. (This capital cost would have to be written off, though the Government would retain ownership of the assets.) The Exchequer would have to find a further £1 million in running expenses once the school was fully established. A parent whose income exceeded £10,000 might expect to pay about £900 p.a. in fees. The capital cost could be lowered substantially if (a) the specification of building and equipment was less lavish and the land given free from public land banks; or (b) if an existing school subject to closure was adapted. (A table of the likely costs and revenues is given in Annex A.)

(2) Transfers from Maintained to Grant-Aided Status

If the direct-grant list were reopened, it could be used for other purposes besides setting up technical schools.

The most radical option would be to offer grant-aid to any foundation wishing to set up an academically respectable school. But this would involve subsidising new independent schools that would have been created in any case, and also existing independent schools which could "abolish themselves" and reopen with a grant. This would lead to needlessly increased public expenditure. As our aim is not to subsidise independent schools, we should not pursue this option. But we could open the direct-grant list for those schools that are at present maintained. (To avoid difficulties with the Churches, it might be prudent to restrict the opportunity still further, allowing only county schools to join the list.)

In some places, such as Liverpool, the parents at a given school may almost unanimously agree that the policies of the LEA are disastrous, and may well be willing to pay fees in exchange for greater freedom of action. At present, these views are unlikely to be reflected by the governing body, since the governors of county schools are generally the creatures of the LEAs. Keith Joseph's new proposals will change this: a majority of the governors will be chosen by the parents.

Under this new regime, it would be practicable to give the governing bodies of county schools the right to apply to the Secretary of State for transfer to the direct-grant list. Before approving any such transfer, the Secretary of State would have to take into account:

1. Objections from the LEA.
2. Objections from parents at the school.
3. The likelihood that the governors could manage the school properly once the umbrella of the LEA was removed.
4. The effect on public expenditure.

Since such a transfer would cause the school to start charging fees, where none had been charged before, some parents might feel that they were being robbed. They would, of course, have the right to move to other local county schools; but they might nevertheless strenuously

object, as they do when closures are proposed. To minimise such problems, it might be wise to stipulate that no transfer to direct-grant status should be permitted if more than 5 per cent of the parents at the school objected in writing.

Where a transfer was approved, the school's position would be roughly the same as that of a direct-grant technical school. The governors would be reconstituted as trustees of an independent charitable trust who would appoint staff, take financial responsibility, and in every way run the school. The LEA would have to lease the buildings to the governing body at a peppercorn rent. The Government would make a per capita basic grant to the school, fixed at half of the national average cost for pupils of the relevant age; and this would be supplemented by a fee-remission grant for poor parents, arranged on a sliding scale, as in the case of the technical schools.

The position would be different from that of the technical schools in three ways:

1. Legislation would be required, setting out the Government's relation to the LEA in the case of a transfer.

2. Instead of increasing public expenditure, the scheme would certainly contain, and might possibly reduce it. (The Secretary of State would not approve a transfer unless he was satisfied that (i) the grant paid would be less than the funds provided by the LEA for the school; and (ii) the LEA would reduce its expenditure sufficiently to offset at least the net increase in Exchequer funding.)

3. The likelihood of some parents objecting, and of the transfer being baulked, would be very high: this option is therefore, in our view, much less likely to work than the direct-grant technical school.

(3) School Closures

When a school is scheduled for closure, particularly in a village community, many parents would like to find a way of preserving it. The Secretary of State has the power to accept or reject any LEA proposal to close a school. He could therefore make such approval conditional upon the LEA's willingness to grant-aid the school, if parents wished to reopen it as a charitable trust.

We should ensure that this saved as much or more money than closure, by inserting the further condition that the Secretary of State would disallow any grant-aid where either the DES or the LEA could show that it would cost more than closure.

Where the LEA did offer grant-aid and this offer was taken up by the parents, the position of the school would be in most respects the same as that of non-technical direct-grant schools: the same status as a charitable trust, the same gubernatorial control of staff and educational policy, the same leasing of the school buildings from the LEA at a peppercorn rent, and the same need for primary legislation. The differences would be that:

1. The basic grant and supplementary fee-remission grant would come from the LEA, rather than the Government.
2. The Secretary of State would not have to worry about objections from parents since the scheme would be offering relief from closure, and would therefore constitute a pure gain for the parents - an offer that they could take or leave.
3. The basic grant paid would be fixed not at half the national average cost, but at half of the average cost of educating a pupil in the area covered by the LEA.
4. The school could be allowed to set its own fees, subject only to the approval of the Secretary of State.

I attach, in Annex B, examples which show that schools of this sort could both be viable for the parents and as cheap as closure for the LEA.

The examples overstate likely costs and understate likely revenues, and have been checked with DES officials and by the more numerate members of the Policy Unit.

The political advantages of a scheme of this sort are obvious: parents, particularly in rural areas, would be offered a way of avoiding school closures by taking a significant proportion of the cost of the school upon themselves. There is a reservoir of goodwill and willingness to volunteer and help in our village communities that should be tapped, and that could result in both financial economies and better education.

We recommend that these three options be sent to the DES to further the policy of finding private money and a middle way of educational change. Schemes (1) and (3) are strong contenders. Scheme (2) may be more problematic, as the hurdles parents would have to leap to succeed could be too high.

John Redwood

ANNEX A

DIRECT GRANT TECHNICAL SCHOOL: COSTS AND REVENUES

The Tables below set out the likely costs of establishing a direct grant technical school, and show how these costs might be met from grants and fees. The amounts given here are necessarily more speculative than they would be in the case of a non-technical school, since we have had only limited experience with technical education in recent years.

Table I is based on the assumption that all places in the school are taken up, and that parental incomes are distributed roughly as we have found them to be when operating the Assisted Places Scheme.

Table II is based on the pessimistic assumption that 20 per cent of the school places are not taken up, that all those who fail to take up places have well-off parents, (leaving the school with large numbers of parents entitled to fee-remission), and that the pupil/teacher ratio is only 15:1.

As the Tables show, the school would be comfortably viable after the first year of operation, and would need only modest increases in grant in the first year.

DIRECT GRANT TECHNICAL SCHOOL: COSTS AND REVENUES

TABLE I: Assuming full take-up of places and expected distribution of parental incomes

1. Costs

| | No.of Places | No.of Pupils | No.of Teachers | Cost of Teachers (1) £ | Non-Teaching Salaries (2) £ | Other Running Costs £ | Total Running Costs £ | Capital Costs (Purchase of Bldg, + Equipment) (3) £ Lavish | Economy | Refurbishment |
|---|---|---|---|---|---|---|---|---|---|---|
| Yr.1 | | | | | | | | [5,000,000 | 4,000,000 | 3,000,000] |
| Yr.2 | 1,000 | 250 | 15 | 200,000 | 55,000 | 200,000 | 455,000 | [500,000 | 250,000 | 187,500] |
| Yr.3 | 1,000 | 500 | 25 | 300,000 | 55,000 | 350,000 | 705,000 | [500,000 | 250,000 | 187,500] |
| Yr.4 | 1,000 | 750 | 40 | 480,000 | 100,000 | 500,000 | 1,080,000 | [500,000 | 250,000 | 187,500] |
| Yr.5 | 1,000 | 1,000 | 50 | 600,000 | 100,000 | 650,000 | 1,350,000 | [500,000 | 250,000 | 187,500] |

2. Revenues

| | No.of Places | No.of Pupils | Basic Grant per capita (4) £ | Total Basic Grant £ | Fee Remission Grant (5) £ | Total Exchequer Grant £ | Full Fee Charged £ | Fee at Income £8,000 £ | Fee at Income £6,000 £ | Total Fee Income £ | Total Revenue £ | Surplus/Deficit on Running Costs £ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Yr.1 | | | | | | | | | | | | |
| Yr.2 | 1,000 | 250 | 850 | 212,500 | 37,500 | 250,000 | 900 | 600 | 300 | 180,000 | 430,000 | (25,000) |
| Yr.3 | 1,000 | 500 | 850 | 425,000 | 75,000 | 500,000 | 900 | 600 | 300 | 360,000 | 860,000 | 155,000 |
| Yr.4 | 1,000 | 750 | 850 | 637,500 | 112,500 | 750,000 | 900 | 600 | 300 | 540,000 | 1,290,000 | 210,000 |
| Yr.5 | 1,000 | 1,000 | 850 | 850,000 | 150,000 | 1,000,000 | 900 | 600 | 300 | 720,000 | 1,720,000 | 370,000 |

(See explanatory notes overleaf)

NOTES TO TABLE I

(1) This assumes that the average teacher costs £12,000, but that the senior teachers are recruited in the first years.

(2) The figure for non-teaching salaries assumes: (i) in the first 2 years, 3 cleaners @ £5,000 each plus 4 technicians @ £10,000 each; and (ii) in the next 2 years, 3 cleaners @ £5,000 each plus 8 technicians @ £10,500 each.

(3) We estimate that each pupil will need 55 sq.ft. of space (40 sq.ft. for teacher, 7.5 for dining, staff rooms etc, and 7.5 for assembly hall etc). This estimate is based on figures from a major public school in the London area which does not make a habit of overcrowding its classrooms.

The cost of a site in a residential area of London should be roughly £100,000. (For a school of 55,000 sq.ft. on five floors, we would need 11,000 sq.ft. and another 10,000 sq.ft. for the grounds - amounting to 21,000 sq.ft., or half an acre - and land in residential areas of central London costs about £200,000 per acre.)

We are told that the building itself would cost c.£3 million. This includes the cost of architects, engineer, quantity surveyors and interest charges. (Costs of refurbishing an old building are typically 20% to 30% lower.)

The total cost of land and buildings should therefore be c.£3.1 million. To this, we might add something under £2 million for initial technical equipment - a generous allowance by any standards. And we assume that a further £0.5 million will be spent each year on additional equipment, as the number of pupils rises.



We estimate that a school on somewhat less lavish lines could be constructed as follows:

| | |
|---|---|
| Site + Building | £3.0 million |
| Initial Equipment | £1.0 million |
| Additional Equipment | £1.0 million |
| Total | £5.0 million |

and we believe that a school could be constructed by refurbishing existing property outside the expensive part of central London at something like the following costs:

| | |
|---|---|
| Site + Building | £2.5 million |
| Initial Equipment | £0.5 million |
| Additional Equipment | £0.75 million |
| Total | £3.75 million |

(4) The basic grant per capita = 50% of the average cost of TVEI. (The average full recoupment cost for normal 14-18 education is c.£1,200 per pupil; the TVEI costs an average of £500 more than this.)

(5) The sum allocated for fee remission grant assumes that 20% of parents earn £8,000, for each of whom the school receives an additional grant of £250; and that a further 20% earn £6,000, for each of whom the school receives an additional £500. (These assumptions are based on our experience of the Assisted Places Scheme.)

DIRECT GRANT TECHNICAL SCHOOL: COSTS AND REVENUES

TABLE II: Assuming only 80% take-up of places, a high proportion of poorer parents, and pupil/teacher ratio of 15:1 (1)

1. Costs

| | No.of Places | No.of Pupils (2) | No.of Teachers (3) | Cost of Teachers £ | Non-Teaching Salaries £ | Other Running Costs (4) £ | Total Running Costs £ | Capital Costs (Purchase of Bldg, + Equipment) £ Lavish | Economy | Refurbishment |
|---|---|---|---|---|---|---|---|---|---|---|
| Yr.1 | | | | | | | | [5,000,000 | 4,000,000 | 3,000,000] |
| Yr.2 | 1,000 | 200 | 13 | 180,000 | 55,000 | 150,000 | 385,000 | [500,000 | 250,000 | 187,500] |
| Yr.3 | 1,000 | 400 | 26 | 312,000 | 55,000 | 300,000 | 667,000 | [500,000 | 250,000 | 187,500] |
| Yr.4 | 1,000 | 600 | 40 | 480,000 | 100,000 | 400,000 | 980,000 | [500,000 | 250,000 | 187,500] |
| Yr.5 | 1,000 | 800 | 53 | 636,000 | 100,000 | 500,000 | 1,236,000 | [500,000 | 250,000 | 187,500] |

2. Revenues

| | No.of Places | No.of Pupils | Basic Grant per capita £ | Total Basic Grant £ | Fee Remission Grant (5) £ | Total Exchequer Grant £ | Full Fee Charged £ | Fee at Income £8,000 £ | Fee at Income £6,000 £ | Total Fee Income (6) £ | Total Revenue £ | Running Surplus (or Deficit) £ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Yr.1 | | | | | | | | | | | | |
| Yr.2 | 1,000 | 200 | 850 | 170,000 | 37,500 | 207,500 | 900 | 600 | 300 | 135,000 | 342,500 | (42,500) |
| Yr.3 | 1,000 | 400 | 850 | 340,000 | 75,000 | 415,000 | 900 | 600 | 300 | 270,000 | 685,000 | 18,000 |
| Yr.4 | 1,000 | 600 | 850 | 510,000 | 112,000 | 622,500 | 900 | 600 | 300 | 405,000 | 1,027,500 | 47,500 |
| Yr.5 | 1,000 | 800 | 850 | 680,000 | 150,000 | 830,000 | 900 | 600 | 300 | 540,000 | 1,370,000 | 134,000 |

(See explanatory notes overleaf)

NOTES TO TABLE II

(1) All other assumptions are as in Table I, except where stated otherwise.

(2) Number of pupils is reduced by 20%.

(3) Pupil/teacher ratio is c.15:1.

(4) These costs are considerably reduced, since the smaller number of pupils will use less electricity, spare parts, materials, etc.

(5) The Fee Remission Grant remains as in Table I, because the number of poor pupils remains as high.

(6) Total fees are considerably reduced because (i) the number of pupils has decreased; and (ii) the proportion of pupils paying reduced fees has increased.

ANNEX B

COMPARISON OF SAVINGS FROM SCHOOL CLOSURES AND GRANT-AID

Area X: Country District with 4 Primary Schools

Present situation: As a result of falling rolls, the district's 4 primary schools have, between them, 250 surplus places; the average cost of educating a pupil in this area has consequently risen to £814 p.a., compared with an average cost of £700 p.a. in the LEA as a whole. The position is:

| School | No.of Pupils | No.of Teachers | Pupil: Teacher Ratio | No.of Places | No.of Surplus Places | Cost per Pupil £ | Total cost £ |
|---|---|---|---|---|---|---|---|
| A | 250 | 12 | 20.8:1 | 300 | 50 | 725 | 181,250 |
| B | 150 | 7 | 21.4:1 | 200 | 50 | 900 | 135,000 |
| C | 25 | 1.5 | 16.7:1 | 100 | 75 | 1,000 | 25,000 |
| D | 25 | 1.5 | 16.7:1 | 50 | 25 | 1,000 | 25,000 |
| | 450 | 22 | Av.20.5:1 | 650 | 200 | Av.814 | 366,250 |

LEA proposal: The LEA is alarmed by the number of surplus places, and believes that small village schools are educationally damaging. It therefore proposes to close schools C and D, which have a small number of pupils, large numbers of surplus places, and high unit costs. The proposal is to move the 25 children in school C to school A, and the 25 in school D to school B. The two part-time teachers in C and D are to be made redundant; the full-timers are to be transferred to A and B respectively: this minimises redundancy costs, which can in any case be set against receipts from sale or lease of the redundant premises. The result of the move is to eliminate 150 surplus places and to reduce average unit costs by £41 p.a. There are, however, considerable additional transport costs - another 25p per child per day: this amounts to £50.00 per child per school year, or a total extra cost for the 50 displaced children of £2,500p.a. The total saving brought about by the closures is therefore only £15,500 p.a. The LEA's costs will be:

| School | No.of Pupils | No.of Teachers | Pupil: Teacher Ratio | No.of Places | No.of Surplus Places | Cost per Pupil £ | Additional Tspt.Costs £ | Total Cost £ |
|---|---|---|---|---|---|---|---|---|
| A | 275 | 13 | 21.2:1 | 300 | 25 | 725 | 1,250 | 200,625 |
| B | 175 | 8 | 21.9:1 | 200 | 25 | 850 | 1,250 | 150,000 |
| C | | | | | | | | |
| D | | | | | | | | |
| | 450 | 21 | Av.21.4:1 | 500 | 50 | Av.774 | 2,500 | 350,625 |

Grant-aided option: School D is not particularly popular; most parents do not object to closure. But 20 of the parents at C do like their school, and are happy to pay something to keep it open. Ten of the parents from D decide to join them. Under the new grant-aided scheme, they could set up as an independent trust, and receive half the LEA's average cost per child as a basic grant, together with a fee-remission grant for poor children, and lease of the buildings at a peppercorn rent. But the LEA is not obliged, or indeed allowed, to offer this grant unless it is clear that the savings will at least equal those accruing from closure.

In the present case, the LEA's average cost per child is £700; the basic grant is therefore fixed at £350 per child. To this must be added a fee-remission grant of, say, £100 per child for the 5 children whose parents have incomes of between £10,000 and £8,000, and £200 per child for those 5 whose parents have incomes below £8,000. [These figures are based upon reasonable assumptions about the level of parental income, which are derived from our experience of the Assisted Places Scheme.] The LEA also loses unit savings from failing to fill some surplus places in A and B. But there are compensating savings on transport. The LEA would, in the short term, lose from its failure to lease or sell C's premises at commercial rates; but it would retain title to the assets. And the LEA wuld gain from the absence of redundancy payments, due to C's remaining open. It should also be remembered that the continued existence of school C under the scheme covers the LEA should there be any expansion of the village in future years.

The LEA's running costs might be as follows:

| School | No.of Pupils | No.of Teachers | Pupil: Teacher Ratio | No.of Places | No.of Surplus Places | Cost to LEA per Pupil(£) | Additional Tspt.Costs £ | | Total Cost £ |
|---|---|---|---|---|---|---|---|---|---|
| A | 255 | 12 | 21:1 | 300 | 45 | 725 | 250 | (4) | 185,125 |
| B | 165 | 8 | 21:1 | 200 | 35 | 850 | 750 | (4) | 141,000 |
| C | 30(1) | 2(2) | 15:1 | 100 | 70 | 400(3) | | | 12,000 |
| D | | | | | | | | | |
| | 450 | 22 | Av.20.5:1 | 600 | 150 | Av.749 | 1,000 | | 338,125 |

Notes:

(1) = 20 from C + 10 from D.

(2) = 1 full-time from C + 1 part-time from C + 1 part-time from D.

(3) = £350 per child basic grant + £50 average of remission grant spread over 30 pupils. (The remission grant figure assumes that 5 parents have incomes of £8,000 and qualify for £100 remission; while 5 have incomes of £6,000 or below, and qualify for £200 remission.

(4) = £50.00 per child for 5 remaining children from C, going to A; and for 15 remaining children from D, going to B.

As the table shows, the total cost to the LEA of the district's schools will be £12,500 less under the grant-aided scheme than under the closure scheme.

But will the new grant-aided school be financially viable? Its annual costs might be:

| | £ |
|---|---|
| 1 full-time teacher (salary and employment costs | 10,000 |
| 2 half-time teachers | 10,000 |
| 1 half-time caretaker | 3,000 |
| Heat, lights, repairs, books, equipment | 5,000 |
| | £28,000 |

The receipts might be:

| | |
|---|---|
| Basic grant from LEA, @ £350 per capita | 10,500 |
| Fee remission grant for 10 poor people @ £100 for those with incomes bet. £6,000 & £10,000 and £200 for those with incomes under £6,000 | 1,500 |
| Fees of £700 from 20 pupils whose parents have over £10,000 p.a. | 14,000 |
| Fees of £500 from 5 pupils whose parents have £8,000 p.a. | 2,500 |
| Fees of £300 from 5 pupils whose parents have under £6,000 p.a. | 1,500 |
| | £30,000 |

In other words, by charging its richer parents fees of under £15 per week, and by remitting over half of this for its poorest parents, the school could comfortably cover all its expenses.

Indeed, as the following table shows, the school could cover its costs even if half of its pupils' parents had incomes below £10,000, and even if two-thirds of these had incomes below £6,000. (The table also shows that such a school would cost the LEA a total of only £1,000 p.a. more in fee remission grant, and would therefore still be cheaper than the closure option.) The revenue of the school would be:

| | £ | |
|---|---|---|
| Basic grant | 10,500 | |
| Fee remission grant | 2,500 | (vs.£1,500 above) |
| Fees of £700 from 15 pupils (income £10,000) | 10,500 | |
| Fees of £500 from 5 pupils (income of £8,000) | 2,500 | |
| Fees of £300 for 10 pupils (income under £6,000) | 3,000 | |
| | £29,000 | |

This example is not arbitrary or wildly optimistic. It is based upon plausible assumptions about costs. It shows not that life would be easy for such a school, but that some schools in this position could very probably be grant-aided, and could survive, whilst both saving the LEA as much as closure, and charging extremely reasonable fees.

ANNEX B

SECRETARY OF STATE 17 July 1984

PENSIONS

The Committee is beginning to worry about the implications of funding more pensions in the private sector as opposed to a pay-as-you-go public sector state earnings-related pension.

The fears seem to be:

1. The economy could not absorb the extra burden of savings which funding would represent.

2. People would object to having to pay more to fund their own pension scheme, rather than making modest contributions now for a pay-as-you-go scheme which will become very expensive at some point in the future.

3. Concern that the private sector could not deliver the level of benefit at reasonable cost which the public sector is thought to be able to deliver.

Savings Flows

The current yield on an index-linked government security, maturing in 22 years' time, is 3.8 per cent real; and for

one maturing in 35 years' time, is 3.6 per cent. A 6-year stock has a real return of 5.5 per cent. Given this, how can we believe either that the economy is awash with savings it cannot use, or that all the private sector pension funding calculations should be based on the assumption of 2.5 per cent real return? By taking no risks at all, private individuals could immediately pocket a real return substantially greater than that set out in the Government Actuary's calculations. Our slogan should be "Better savings now than taxes later".

All the evidence is that the economy is short of savings; there are numerous profitable investment opportunities which could absorb the money, and the savings ratio has fallen dramatically. Much of the savings generated in the economy over the last 40 years has been successfully channelled into a major extension of home-ownership. If we want a big increase in individual ownership of industrial and commercial activity in this country, then it requires substantial savings to be channelled into share-ownership. Productive assets will be transferred from the public sector into private hands.

The very same people who are arguing that they cannot see how the extra savings flow would be absorbed in the economy, often urge that the financial markets cannot withstand the rigours of a large privatisation programme which will

include major chunks of the telecommunications and energy industries - which, by any standards, are large concerns!

The financial markets are now international. If we ever did become stuck for profitable investments here, we can add to our substantial overseas holdings.

The argument that these policies could lead to too great a concentration of wealth in institutional hands is a more serious one. However, to keep the liabilities in public ownership seems even less desirable than aggregating them in the institutions. At least people and companies have some power over the institutions: they can take their business elsewhere - and frequently do if they are unhappy with the service and returns being generated.

The main assault on institutional power will come from a growing personalisation of investment, pensions and other financial activity. The introduction of personal pensions, the move towards fairer tax treatment between institutional and private saving, and the encouragement of a revolution in the City which will lead to a better and cheaper service for the small investor, should encourage the growth of private control of commercial and industrial wealth. Institutional ownership is an unsatisfactory halfway house. It leaves open the possibility of major nationalisation through the back door if a strong Left-wing government is ever elected, whilst not delivering enough personal choice. Pensions and

investment policy should therefore march onwards towards more individuals owning their own assets for retirement.

The Political Problem of the Cost of Funding

It is claimed that the individual's contributions will rise on transfer from SERPS to a private scheme. This, where true, shows how the state pension scheme is based on unsound foundations. Everyone accepts that by 2010, SERPS will cost an extra £10,000 million or thereabouts of gross public spending, at 1981-82 earning levels. Contribution rates will have to rise quite sharply in order to meet this, and at that point there will be a strong political temptation to water down the payments out of the Scheme as well as to increase taxation.

SERPS is like North Sea oil in reverse. The discovery of North Sea oil gave us another £7,000 million or £8,000 million a year to spend from taxes which we did not have before. SERPS means in 20 years' time either cutting other public spending programmes by a similar amount, or an increase in taxation.

As that happens so far into the future, is it any concern of present-day politicians? Why do anything difficult now? Something should be done as the present political situation requires it. Conservatives believe that claims on future

resources are better met by private freely chosen contracts than by taxes and administrative fiat.

The welfare Inquiries were set up because of the growing restlessness of individuals with the present system. People believe that the current system is messy, untidy and too expensive. They see that it does not fit with the general objectives of this Government, and regard the way in which this Government scythes and sidles its way through the welfare jungle as an important test of its purpose and its political skills. There is a willingness to be told that the overall welfare system is explosively expensive in 15 or 20 years' time, and a willingness to be guided in new directions.

Pensions offers one of the best hopes for setting out fully the importance of the contributory principle, and persuading people that they will be better off choosing the kind of scheme they want for their future, with the insurance and pension clauses tailored to their own requirements. They can shop around for the cheapest and best way of buying it. In an era of very high real returns on investments, and against the background of private sector occupational schemes usually offering a better range of benefits than state schemes, it should be possible to make private pension provision an attractive and enticing opportunity for people.

The question of cost will be confused by different levels of benefit and by the creation of tangible savings. Some employers will want to ease the transition by making a contribution, and this will be part of the normal bargaining process. The contracted-out rebate should be available. Many workers will or do see the movement into a pension scheme as a status symbol, a sign that they are making advances at their place of work. The Government's task should be to open up the opportunity for the 11.35 million unfunded people to find an approachable, clear and relatively cheap scheme which they will start to build up. If it can be a personal one, so much the better, as it will come nearer to meeting the requirements outlined above.

The evidence of the US is that private schemes can deliver more for less. They can do so here if the economy performs well and investment returns are good. If all goes badly, then the level of pensions will adjust <u>automatically</u> as investment values fail to live up to all expectations. The Government escapes having to make difficult and unpopular decisions in such circumstances.

<u>What can the Government do?</u>

There are two ways of tackling the problem, and both may be needed in whole or part. As SERPS involves paying too little now for something which will prove to be too expensive in the future, the terms of the existing State

Earnings-Related Scheme could be worsened. The abolition of the best 20-year rule would be one obvious way of doing it. The best option would be complete abolition; this could be coupled with a compulsory private sector pension contribution to ease worried hearts a little.

If the Government perserveres with some kind of reduced State Earnings-Related Pension Scheme, the terms relating to contracting-out need to be made much more attractive and much simpler. People should be able to contract-out on a money purchase basis for an institutional as well as a personal pension plan. The paperwork has to be simplified to qualify for contracting-out rebates. The differential contribution between contracted-in and contracted-out has to be increased, and the calculation worked out in such a way that more provision is being made against future liabilities under SERPS - a kind of notional future funding. Above all, we should be very suspicious of GAD calculations which, whilst accurately reflecting the current rules and regulations for the computations in the scheme, represent a major skewing of the costs and benefits between generations and different types of people.

SERPS is the best example of fool's gold the Government has yet devised, bringing in enough money at the moment, leading people to believe they are paying enough for their future pension, when no provision if being made for major future liabilities, as it is a pay-as-you-go system.

Conclusion

We should not be worried about:

(a) the alleged difficulty of the market absorbing the money;

(b) the possibility of the institutions strangling it all - the drift of policy is to reduce their power in the market place;

(c) owning up to the lack of arithmetical common sense in the current financing system.

To fail to do any of these three things will be to invite the strong criticism that the Pensions Inquiry was, after all, a very damp firework let off in a particularly bad year, and the Government will stand condemned for failing to give a display of pyrotechnics that would enliven its whole show.

JOHN REDWOOD

ANNEX C

THE PESC ROUND

The Report of the Public Expenditure Survey Committee reveals additional bids of some £2.3 billion, offset by only £0.5 billion of identified savings.

Many of the additional bids should be resisted on policy grounds, or offsetting savings should be sought elsewhere. Eg:

MOD - £137 million for expensive pay awards.

DTI - £100 million extra for Rolls Royce and the aviation projects.

DTI - £30 million for the shipbuilding industry.

DTI - £37 million for regional grants and selective assistance.

Employment - £15 million for administration and salaries.

DoE - £200 million for additional improvement and repair of houses.

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DTI - £37 million for regional grants and selective assistance.

Employment - £15 million for administration and salaries.

DoE - £200 million for additional improvement and repair of houses.

PSA - an additional £55 million for major new works, computerisation and maintenance.

DoE - £50 million for local environmental services.

DES - £30 million for additional local authority capital spending.

DHSS - £320 million additional money, largely for increases in demand-led benefits.

These can be disallowed or paid for by offsetting efficiency savings.

Once the larger and easier additional bids have been resisted, it is then necessary to seek to identify policy and efficiency savings. One of the most staggering figures in the Report of Survey is that the total provision for departmental running costs (largely administrative overhead) is £15.7 billion. This has risen by 63.4 per cent between 1979/80 and 1984/5, compared with only 54 per cent for price inflation. If the MOD - where the figures are distorted by the Falklands - is excluded, the overhead has risen by 66.9 per cent. This is against the background of reductions in Civil Service manpower and a concerted drive to contain and reduce the costs of administration. There should be a concerted onslaught, using FMI management techniques, to deliver some decent savings in the forthcoming year.

There are several major policy areas where the review work that has been undertaken should be followed up, and savings delivered.

An acceptable package of reductions in domestic support for agriculture could deliver £280 million.

Sorting out the defence procurement operation could deliver savings of, say, £400 million in the first full year, which is only 5 per cent of the total purchases during the year - a relatively modest target, given the present bad buying.

At the DHSS, improved control over spare land, accommodation and the drug bill, could deliver up a further £300 million of savings.

It should be possible to reduce the territorial programmes by around £100 million with a little cheese-paring, given the generous over-provision in Scotland compared with anywhere else, and the expensive industrial aid programmes in both Northern Ireland and Wales.

The DTI programmes could be reduced by £300 million through a forthright attack on Regional Aid, and special assistance to industry could be reduced by an additional £100 million.

Re-emphasising the cheap and effective employment-creation programmes at the expense of the dearer ones between the Department of Employment and DTI budgets, could also reduce expenditure by another £200 million.

The nationalised industries will be using the miners' strike as an excuse for upping their EFLs. This should be resisted strenuously, and they should be forced to have a renewed attack upon their working capital requirements, upon the search for new areas of profitable activity, and a further increase in the sales programme of parts of the business. We might be able to pencil in an additional £300 million of savings and extra asset sales from the total nationalised industry area.
(Total: £2 billion)

This shopping list provides examples of targets where policy work over the last year, and the known intentions of this Government, could lead to reduced expenditure levels. It is vital in this round that some of these policy initiatives are followed up and the savings delivered, in order to produce the lower interest rates and lower borrowing and lower taxes we need.

CONFIDENTIAL

3 August 1984

PRIME MINISTER

JOBS: SEPTEMBER SEMINAR

Unemployment is still the most important political issue. We need to win the argument about its causes and do something about it. The September Seminar should be a vehicle for carrying forward both the argument and the action.

Making the argument

The first step should be a Green Paper on the labour market. This paper should range widely, covering employment legislation, National Insurance and tax matters, health and safety, local authority licensing and regulation, and social benefits. It should compare Britain's performance with that of other countries, and reiterate the point that our difficulties are an expanding labour force and a constrained labour market.

The paper should also knock down the argument that lasting jobs will be created by a new expansion of capital investment. Last year's White Paper attempted to show that the Government had not cut capital heavily, but scepticism was expressed by those reviewing the evidence, and little was made of the argument. People still see all capital

investment as good, regardless of its usefulness, and wrongly believe it always generates many jobs. The Treasury model can show that additional public investment in the long run destroys many more jobs than it creates. Years of heavy investment in BSC, BL, British Shipbuilders and NCB have not protected jobs in those industries, and have damaged other sections of the economy through taxation.

**The Department of Employment could be asked to produce a draft of such a paper for consideration at the Seminar.**

Taking steps to improve matters

The Green Paper has to be followed up with action to tackle the worst features of our labour market. Tom King could bring forward a package of measures to amend or abolish Employment Protection legislation. The Chancellor's proposals on tax thresholds can be taken much further to lift a large number of new lower-paid jobs out of the tax net altogether, thereby simplifying the life of the employer. The DoE should be asked to repeal a series of local authority licensing and regulatory powers.

**As an immediate measure, Passport for a Job should be carried into effect and should be as wide-ranging as possible.**

Finally, the Government needs to take a tough look at its efforts to create jobs. Recent work which is still under wraps in the Treasury, using their model, shows that Special Employment Measures, Regional Aid etc can, after very few years, destroy jobs rather than create them. In each case, the effect in the first year is to create a few jobs. But the effect tails off very quickly, especially for dear schemes like Regional Aid, because the expenditure drives up interest and/or inflation rates. Within 3 or 4 years, the economy has fewer jobs as a result of these "employment-creating" measures than it would have done if no action had been taken.

The Treasury figures point to a time bomb ticking away under this Government. The more these measures are heaped upon the economy, the more drugged and unresponsive the economy will become, and the more jobs will be lost in the run-up to the next Election.

The regional grants position illustrates the point vividly. If the policy was working, you would by now expect to see a renaissance on Merseyside, Teeside and Tyneside at the expense of the South East, but all the evidence points in the opposite direction. The winning strategy is to lower public expenditure, thereby lowering pressure on the borrowing requirement and on financial markets, and on individuals through the tax system. This can be done in a bold and imaginative way by further reducing Regional Aid,

slashing capital grants to agriculture, and concentrating the Department of Employment monies on the cheapest and least objectionable schemes - like VPP, Community Programme, Enterprise Allowance, etc. A Green Paper on the lines suggested would prepare the public for such moves.

We recommend that:

1. Department of Employment should be asked to produce a draft Green Paper on Jobs for the September Seminar. Policy Unit could lend a hand.

2. The Seminar should also consider:

   - moves to repeal/amend Employment Protection legislation;
   - a deregulation action plan;
   - a "Passport for a Job" scheme;
   - a plan to reallocate monies on cheaper "job-creation" measures;
   - reduction of Regional Aid.

JOHN REDWOOD

ANNEX E

PRIME MINISTER 13 June 1984

GAS INDUSTRY PRIVATISATION

Peter Walker's latest paper sets out a range of options in addition to his preferred course of denationalising BGC lock, stock and barrel.

The meeting on Thursday should decide whether you wish to proceed with Peter Walker's preferred scheme of denationalising a monopoly, or whether you should proceed with splitting up the different functions of BGC and privatising them, starting with gas production, retail and servicing where competition is already strong.

Having seen the arguments between the Treasury and the Department of Energy, we still recommend the latter course.

Peter Walker's four points

We would not be opening up a "second front" with BGC for some time. A decision now would require several weeks of preliminary work on splitting the Corporation and obtaining the agreement of E(A). The miners' strike will not go on indefinitely. We should also remember that the unions may well oppose the Peter Walker scheme of complete denationalisation, even though the existing management would be happier.

There should be gas servicing and safety cover available to customers. However, a decision to denationalise retailing and customer servicing does not mean that this cover would be withdrawn or unavailable. Private providers, as in the water industry for maintaining the domestic water system, would emerge and compete with the denationalised business. BGC could retain responsibility for safety of mains and trunks.

We should not worry about the alleged difficulty of finding takers for the peripheral parts of the business. Several major energy companies and a large number of individual and corporate investors would be interested in taking a stake in offshore gas assets. The only specialised feature which limits their current appeal is the price-rigging which goes on in the marketplace. As one of the main aims of the gas-pricing policy is to establish a market price in gas, this particular problem will disappear. Gas servicing as well could be attractive. Companies like Dynorod and Hat Group (plastering and other building trades) have solved the problems of running labour-intensive service businesses, and make good money out of them.

LAUABJ

There is a risk that unions, management, and even customer interests could combine to resist change, and mobilise opinion against it. However, we should - with the piecemeal denationalisation approach - be able to win over the customer interests. If customer retailing and servicing is tackled first, there will be a better and more wide-ranging service at a lower price, with more choice. Consumer groups won't oppose this; I have even heard representatives from the National Consumer Council argue in favour of such changes. The unions will resist it, but they will probably resist any type of denationalisation. The management may well be unhappy about this suggested route, but that would argue for making selected changes to the Board so that it contains people who are enthusiastic about the policy.

Conclusion

It is recommended that the meeting agree to:

(a) privatisation by splitting the functions off;

(b) a tight timetable for bringing the first proposals to E(A) which should include sale of the retail business and the gas production interests.

(c) The pipeline system and regional distribution companies could be considered later, once a market in gas has been established, and other companies are using the pipeline as a common carrier.

JOHN REDWOOD

LAUABJ

ANNEX

1. The detailed businesses reviewed in Peter Walker's paper

Appliance retailing. Peter Walker suggests that any buyer will be an asset-stripper. He is worried about the comprehensive nature of the service being jeopardised by the change of ownership; yet his paper indicates that BGC Board policy is to close down a large number of marginal outlets, and to concentrate on the larger outlets, where the prime activity is appliance retailing.

A private sector takeover and new senior management in BGC's retail business could transform it. The showroom chain could be dramatically improved, with the goods being better displayed. It could be made profitable whilst the price of goods could be reduced, for BGC retail at the moment manages to combine quite high prices with low profitability. BGC service could retain counters and facilities in the former BGC retail outlets, but it would also be free to negotiate similar arrangements with other retailers. For example, leading department stores and the Post Office are looking for more franchisees, and might be very interested in a BGC customer service point. Similarly, the Post Office is interested in expanding its counter business.

We recommend requiring BGC to end retailing and to sell its existing assets to the private sector. Of the other options, the least objectionable is the requirement to form retailing into separate companies and sell a majority interest to the private sector. Even with this scheme, there is the potential for cross-subsidy between the businesses in BGC and for some abuse of monopoly power. The idea that BGC should only sell a minority interest in retailing would achieve practically nothing, and leaving it for BGC to sort out their business under option (d) begs the question about why they haven't improved it years ago, both to give their customers a better deal, and to make some profit.

2. Installation and contracting. The private sector can handle installation, servicing and contracting work. It does so in many other areas - eg electrical installation and contracting, and in the water industry.

It is desirable to transfer this work to a greater extent to the private sector, where the work force is likely to be better motivated and better organised, and where the quality of customer service is likely to rise. Customers find it annoying that when they wish to have their facilities maintained or repaired, they can't even be told roughly what time of day the fitter is likely to call; and often when the fitter arrives, he is only able to do one part of the work - needing to call on a private sector plumber, for example, when fixing a central heating system.

Concern about safety could be dealt with by:

(a) leaving it to BGC to tackle the safety of anything on the street side of the customer's meter; and

(b) considering registration of qualified fitters who would be capable of doing the work in the private sector.

The strategic options set out are not exciting. There are two that are worth pursuing. One is option (a), to include it with appliance retailing. Another option - which we recommend - would be the creation of a separate company or companies to handle servicing, and the sale of these companies to the private sector.

3. Petroleum exploration and production. In the context of a policy to have a market in gas, the sale of the gas assets would be both easy and desirable. It helps competition by breaking BGC's stranglehold over gas from the North Sea to the customer. It helps the general policy of disengagement by the Department of Energy and BGC and it would raise substantial money for the Treasury. It might also assist in encouraging separate routing of gas by mechanisms other than the BGC pipelines, to develop more competition in the gas supply business which, to date, has failed to appear.

Option (a), a requirement to dispose of all its licence interests, would arouse antagonism from the existing management. BGC could get a realistic price for the gas. There is a lively market in gas and oil interests, and a fair market price could be arrived at through an offer for sale or an auction. The best price of all would probably be realised by selling the assets to more than one party.

There is little attraction in putting the assets into a company in which a majority of shares was retained by BGC. There would still be the same close linkage between the policy on exploitation of gas and the sale to customers, and there would still be the same cross-subsidisation. It would still be difficult to get accurate figures about the cost-effectiveness and value for money provided by the different elements of BGC's business, which is the core of the current problem.

Merging the assets with an existing oil company or oil companies is a variant of sale, and this should be left open if the general route to selling the oil assets is agreed, to be decided at a later stage when the bidding becomes clearer, and approaches can be made to potentially interested parties.

LAUABJ

The asset valuation of £1.1 billion seems to be a distinct under-estimate of their worth. The true answer could well be nearer to £2 billion. However, it is no bad thing to start off with a low estimate valuation, as the BGC style of resisting these changes is always to hold out the prospect of a very large figure and then claim, when a smaller figure is realised, that the public has been cheated.

JOHN REDWOOD

LAUABJ

SECRET

6 July 1984

7

PRIME MINISTER AF 6/7

At our meeting on Monday we could discuss:

Local Government issues - Paving Bill, propaganda on the rates, RSG and capital spending.

Agriculture - Nick Owen's paper.

Privatisation - The state of play.

JOHN REDWOOD

SECRET

6 July 1984

# POLICY INITIATIVES

| | | |
|---|---|---|
| Education | Direct-Grant Schools | Paper with PM |
| | Governors' Powers | Green Paper launched |
| | Standards | 16+ exams and Teacher-Training Guidelines published |
| | | Boards' Graded Tests in 14 months' time |
| | HE/FE Cost-Cutting | Draft Green Paper September |
| Employment | TU Bill | Progressing with amendments |
| | Enterprise Allowance | To E(A) mid July |
| | Follow-up on Jobs | Passport end July |
| | Review of Special Employment Measures | Ready by end July |
| Treasury | 6 Areas for PE Control | Peter Rees pursuing |
| | Privatisation Programme | Need review of state of play. |
| | Capital & Income Tax Reform | Progressing |
| | Building Societies | Green Paper |
| DHSS | Pensions | Inquiry now looking at SERPS |
| | | Portable Pensions Consultation Document mid July |
| | Welfare Reviews | Under way |
| | Health | Awaiting appointment of Chairman of NHS |
| | Family Practitioner Services | Green Paper being drafted |
| | Poverty & Unemployment Traps | Paper in September |
| Energy | Gas and Electricity | Gas paper under discussion |
| | Coal | MacGregor Plan |
| DoE | Local Government Reform | Paving Bill amendments |
| | Rate-Capping | Nearing completion |
| | Private Rented Sector | Work proceeding |
| | Pollution | Work commissioned |
| | Urban Programme | MISC 104 |
| DTI | BT Sale | Progressing |
| | Trade:complete GATT | Follow-Up Summit |

SECRET

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| | | |
|---|---|---|
| | Competition/deregulation | E(CP) to meet in July |
| | Regional Policy | Maps drawn in autumn |
| | Insolvency | White Paper follow-up due soon |
| | BL: 4-wheel drive & truck & bus denationalisation | Action in 1 month? |
| | Unipart | Sale in 1 year |
| | BSC Corporate Plan | Delayed |
| | British Shipbuilders | Plan to E(NI) in July |
| | Warships | To E(A) |
| Home Office | Winning the War Against Crime | Initiatives being pursued |
| | Drugs | Minister detailed to pursue |
| Agriculture | Farm Support/ Lower Food Prices/ CAP Control (Milk producers arrangement) | Cabinet Office Paper now here |
| Transport | Better/Cheaper Bus Services | White Paper |
| | BA Sale | Under way |
| | Freer Air Route Licensing | Happening gradually |
| | BR: East Coast mainline electrification; | Handling being discussed |
| | BREL | Chairman's review overdue |
| | Inter-City problems | Plan awaited from BR |
| | Airports | Options paper needed on airport privatisation for E(DL) |
| | Vehicle Licensing | DTp in favour of abolition of duty: Treasury to consider |
| Pay | Police | Pay Review under way |
| | Teachers | 4.5% offer refused: Arbitration |
| | Civil servants | Consultation about offer of 4.5% |
| | Electricity staff | Offered 5.2% |



LASAAB

13 June 1984

6

SECRET

# POLICY INITIATIVES

| | | |
|---|---|---|
| Education | Direct-Grant Schools | Paper with PM |
| | Governors' Powers | Green Paper launched |
| | Standards | 16+ exams paper this week |
| | | Teacher-Training Guidelines published |
| | | Boards' Graded Tests in 15 months' time |
| | HE/FE Cost-Cutting | Draft Green Paper September |
| Employment | TU Bill | Progressing and amendments |
| | Follow-up on Jobs | Progressing |
| | Review of Special Employment Measures | Ready by end July |
| Treasury | 6 Areas for PE Control | Peter Rees pursuing |
| | Privatisation Programme | Need review of state of play. |
| | Capital & Income Tax Reform | Chancellor/J.Moore beginning early discussions |
| | Building Societies | Green Paper in draft |
| DHSS | Pensions | Inquiry |
| | | Portable Pensions Report by mid June |
| | Welfare Reviews | People selected |
| | Health | Awaiting appointment of Chairman of NHS |
| | Family Practitioner Services | Green Paper being drafted |
| | {Poverty & Unemployment Traps | DEm/DHSS/Treasury interests} |
| Energy | Gas and Electricity | Gas paper under discussion |
| | Coal | MacGregor Plan |
| | BNOC | Policy Review coming soon |
| DoE | Local Government Reform | Paving Bill progressing |
| | Rate-Capping | Nearing completion |
| | Private Rented Sector | Work proceeding |
| | Pollution | Work commissioned |
| | Urban Programme | Review to be considered |
| DTI | BT Sale | Progressing |

SECRET

LASAAB

| | | |
|---|---|---|
| | Trade: complete GATT | Follow-Up Summit |
| | Competition/deregulation | E(CP) to meet in June |
| | Regional Policy | Maps drawn in autumn |
| | Insolvency | White Paper follow-up due soon |
| | BL: 4-wheel drive denationalisation | Action in 2 months |
| | Unipart | E(A) next week |
| | BSC Corporate Plan | Delayed |
| | British Shipbuilders | Plan to E(NI) in July |
| | Warships | To E(A) next week |
| Home Office | Winning the War Against Crime (Drugs) | Initiatives being pursued |
| Agriculture | Farm Support/ Lower Food Prices/ CAP Control (Milk producers arrangement) | Cabinet Office Paper to PM July |
| Transport | Better/Cheaper Bus Services | White Paper in draft |
| | BA Sale | Under way |
| | Freer Air Route Licensing | Happening gradually |
| | BR: East Coast mainline electrification; | Handling being discussed |
| | Change of accounting methods; | Treasury paper |
| | Inter-City problems | Plan awaited from BR |
| | Airports | Options paper needed on airport privatisation for E(DL) |
| | Vehicle Licensing | DTp in favour of abolition of duty: Treasury to consider |
| Pay | Police | Pay Review under way |
| | Teachers | 4.5% offer refused: Arbitration |
| | Civil servants | Consultation about offer of 4.5% |
| | Electricity staff | Offered 5.2% |



LASAAB

PRIME MINISTER

8 June 1984

Policy Unit

At our short meeting on Wednesday, I would like to raise with you the question of Policy Unit personnel.

Both Bob Young from Vickers, and David Pascall from BP have indicated their intentions to leave this autumn. We cannot yet be sure of the timing of their departure, because it depends on their companies making suitable proposals.

I attach a CV of Peter Warry. I think his blend of industrial experience and professional qualifications would make him a useful contributor to the Unit, and if you agree, I would like him to be given a 2-year contract, reviewable after 6 months, as an Assistant Secretary, starting at the beginning of September. He could take on Bob's tasks.

I have had preliminary discussions with Sir Peter Baxendell, the Chairman of Shell; Mr Townsend, Executive Director of Esso Petroleum UK; and with BP, to find a replacement for David Pascall. All have indicated a willingness to put forward a candidate for the vacancy; and all have agreed it is right that your Policy Unit should have a choice and that it should not necessarily be the monopoly of one company.

I have said to each company that if we did take someone, we would want him to be a senior person who had had direct

managerial experience in the petro-chemical and oil industry, and who was also well-briefed on central financial and planning matters. Given their hierarchies, I have suggested the most suitable candidate is likely to be in his late thirties or forties, one or two rungs down from the main holding company Board.

Are you happy for me to proceed further along these lines?

I would also like to pursue the idea of appointing somebody to assist on a more regular basis with speechwriting, as I understand Michael Alison, Stephen Sherbourne and Robin Butler are keen on this proposal. If you agree, I think the best method of handling it would be to talk to people like Bill Deedes and Ralph Harris to come up with a name or names, and then to try them out on an experimental basis with a speech, before considering a full-time appointment.

JOHN REDWOOD

Mr. Turnbull

May we have a word?

FERB

30.5.

H M Treasury

Parliament Street London SW1P 3AG

Switchboard 01-233 3000
Direct Dialling 01-233 3620

Sir Peter Middleton KCB
Permanent Secretary

Note:- Spoke to Rose Pedwich who will clear with me be next month any papers addressed to AW. Spoke to HF Division in the Treasury. They will no longer send the monetary forecast or the advance indicators of the money supply, but will send copies of the provisional and final press notices.

AT 31/5.

**SENIOR STAFF IN CONFIDENCE**

Robin Butler Esq
10 Downing Street
LONDON
SW1

29 May 1984

Dear Robin,

**PAPERS FOR SIR ALAN WALTERS**

In your minute of 5 April to Robert Armstrong you raised the question of which papers Alan Walters could be sent from 1 September. I have had a word with Alan Walters about this.

I think we must keep Alan as up-to-date as possible. He could certainly continue to receive the exchange rate indicators, Treasury weekly brief and the Economic Progress Report, as well as the Bank's press releases on money supply. We can also keep him supplied with background economic briefing and the monthly note on the economy, although these are sometimes classified.

However I think we must draw the line there so far as automatic circulation of classified papers is concerned. This does rule out the monthly monetary report which, since it includes forecasts as well as analysis, is not declassified when the month's statistics become public. We cannot continue to send him sensitive forecasts of UK market developments given the widespread nature of his activities at present. Since the Prime Minister will wish to seek Alan's advice on an ad hoc basis, the right course would be to consider on each occasion what briefing he needs. I have therefore agreed with him that he will let me know in advance when he is coming to London, and I will put him in the picture on latest developments. We can consider any specific issues on their merits.

I am sending a copy of this letter to Robert Armstrong.

Yours ever,

P E MIDDLETON

1) Mr Butler FERB

29 May 1984

2) PRIME MINISTER

POLICY UNIT PERSONNEL

I would be grateful if, on Thursday morning, I could steal 5 minutes at the end of the Welsh Speech meeting to discuss with you future personnel requirements of the Policy Unit.

Both David Pascall and Bob Young will be leaving the Unit before the end of this year to return to BP and Vickers respectively. David plans to go in September, and Bob is unsure, but it may well be before his full 2 years have expired in Easter 1985. I would like to go ahead and find a replacement for at least one of them who could be in post in September.

I understand from Michael Alison and Robin Butler that we could consider appointing somebody to the Policy Unit who could help on a more regular basis with the burden of speechwriting. This is also something we could think about.

JOHN REDWOOD

LATAAU

SECRET

21 May 1984

5

PRIME MINISTER

I attach the latest progress list for our meeting tomorrow.

The things we could discuss are:

Handling of the Seminar on Friday concerning jobs and wider wealth ownership. In particular, how far you wish to involve colleagues in discussion of tax issues affecting savings as well as the other items in the programme.

The lack of momentum at the Department of Energy. A Gas paper has now been commissioned, but this is some 6 months later than the original intention; whilst no work is proceeding on the future of the electricity industry. The background of the coal strike is not helpful, but unless work is under way well before the summer recess, many people will start questioning whether anything can be done on these major industries during the lifetime of this Parliament.

At Transport, following the adoption of the bus policy, longer-term thoughts should now move on to policy surrounding the airports. There are also issues at British Rail which need careful watching: electrification and a possible change of accounting methods.

The state of play on public sector pay and earnings growth in the economy generally is also important. You have recently received a paper from Nick Owen setting out the basic facts.

JOHN REDWOOD

SECRET

LATAAA

# POLICY INITIATIVES

| | | |
|---|---|---|
| Education | Direct-Grant Schools | Paper with PM |
| | Governors' Powers | Green Paper launch |
| | Standards | Exams review by Autumn |
| | | Teacher-Training Guidelines by July |
| | | Boards' Graded Tests in 18 months' time |
| | HE/FE Cost-Cutting | Draft Green Paper September |
| Employment | TU Bill | Progressing {Postal Ballots?} |
| | Paper on Jobs | To be discussed this week |
| | Review of Special Employment Measures | Ready by May |
| Treasury | 6 Areas for PE Control | Peter Rees pursuing |
| | Privatisation Programme | Need review of state of play. |
| | Capital & Income Tax Reform | Chancellor/J.Moore beginning early discussions |
| DHSS | Pensions | Inquiry |
| | | Portable Pensions Report by mid June |
| | Welfare Reviews | People selected |
| | Health | Awaiting appointment of Chairman of NHS |
| | Family Practitioner Services | Green Paper being drafted |
| | {Poverty & Unemployment Traps | DEm/DHSS/Treasury interests} |
| Energy | Gas and Electricity | Gas paper commissioned |
| | Coal | MacGregor Plan |
| | {Coal Strike/Public Order} | |
| | BNOC | Policy Review coming soon |
| DoE | Local Government Reform | Paving Bill progressing |
| | Rate-Capping | Bill progressing |
| | Private Rented Sector | Work proceeding |
| | Pollution | Work commissioned |
| | Urban Programme | In review |
| DTI | BT Sale | Progressing |
| | Trade: new GATT? | Summit Agenda |
| | Competition | E(CP) to meet in June |



LASAAB

| | | |
|---|---|---|
| | Insolvency | White Paper responses being reviewed |
| | BL: 4-wheel drive denationalisation | Action in 3 months |
| | BSC Corporate Plan | Delayed |
| | Warships | To return to E(A) |
| Home Office | Winning the War Against Crime (Drugs) | Initiatives being pursued |
| Agriculture | Farm Support/ Lower Food Prices/ CAP Control (Milk producers arrangement) | Cabinet Office Paper in June |
| Transport | Better/Cheaper Bus Services | Policy approved |
| | BA Sale | Under way |
| | Freer Air Route Licensing | Happening gradually |
| | Complete Motorways | Under way |
| | BR: East Coast mainline electrification; Change of accounting methods; Inter-City problems | Problems for June |
| | Airports | Options paper needed on airport privatisation |
| | Vehicle Licensing | DTp in favour of abolition of duty: Treasury to consider |
| Pay | BR settlement | Under negotiation |
| | Police | Pay Review beginning |



LASAAB

File CCBI 4

COVERING SECRET
4 May 1984

PRIME MINISTER AT 4/5

I attach the latest progress list for our meeting on Tuesday, 8 May.

JOHN REDWOOD

LASAAA

## POLICY INITIATIVES

| | | |
|---|---|---|
| Education | Direct-Grant Schools | Paper with PM |
| | Governors' Powers | Green Paper soon |
| | Standards | Exams review by Autumn |
| | | Teacher-Training Guidelines by July |
| | | Boards' Graded Tests in 18 months' time |
| | HE/FE Cost-Cutting | Draft Green Paper September |
| Employment | TU Bill | Progressing {Postal Ballots?} |
| | Paper on Jobs | Tom King seminar made progress last week |
| | Review of Special Employment Measures | Ready by May |
| Treasury | 6 Areas for PE Control | Peter Rees pursuing |
| Following discussion with Sir Keith, this idea is not being pursued. | Priorities in PE | Seminar to be arranged |
| | Privatisation Programme | Need review of state of play. |
| | Capital & Income Tax Reform | Chancellor/J.Moore beginning early discussions |
| DHSS | Pensions | Inquiry<br>Portable Pensions Report by end May |
| | Welfare Reviews | Selecting people at moment |
| | Health | Awaiting appointment of Chairman of NHS |
| | Family Practitioner Services | Green Paper being drafted |
| | {Poverty & Unemployment Traps | DEm/DHSS/Treasury interests} |
| Energy | Gas and Electricity (Privatisation). | Gas meeting this week |
| | Coal | MacGregor Plan |
| | {Coal Strike/Public Order} | |
| | BNOC | Policy Review coming soon |
| DoE | Local Government Reform | Paving Bill progressing |
| | Rate-Capping | Bill progressing |
| | Private Rented Sector | Work proceeding. Debate at QL about extension of Bill's scope |

LASAAB

| | | |
|---|---|---|
| | Pollution | Follow-up meeting scheduled |
| | Urban Programme | In review |
| | {Liverpool election result} | |
| | {Local Government policy: needs reaffirmation in wake of local elections} | |
| DTI | Telecoms | Licence for BT in discussion |
| | Trade: new GATT? | Summit Agenda |
| | Competition | E(CP) to consider agenda shortly |
| Home Office | Winning the War Against Crime | Initiatives being pursued |
| | {Problem of HO research findings not supporting policies} | |
| | (Drugs) | |
| Agriculture | Lower Food Prices/ CAP Control | In Brussels negotiation |
| Transport | Better/Cheaper Bus Services | Paper coming to E(A) soon |
| | BA Sale | Under way |
| | Freer Air Route Licensing | Happening gradually |
| | Complete Motorways | Under way |

LASAAB

COVERING SECRET

30 March 1984
Policy Unit

3

PRIME MINISTER (2)

I attach the latest progress list for our meeting on ~~Tuesday~~ Wednesday, 4 April.

JOHN REDWOOD

COVERING SECRET

Flexibility of

Labour Markets

SECRET

# POLICY INITIATIVES

| | | |
|---|---|---|
| Education | Direct-Grant Schools | Paper with PM |
| | Governors' Powers | Paper sent to H<br>Green Paper by May |
| | Standards | Exams review by Autumn<br>Teacher-Training Guidelines by July<br>Boards' Graded Tests in 18 months' time |
| | HE/FE Cost-Cutting | Discussions in progress<br>Draft Green Paper September |
| Employment | TU Bill | Progressing<br>[Political levy causing problems] |
| | Paper on Jobs | Work under way |
| | Review of Special Employment Measures | Ready by May |
| Treasury | 6 Areas for PE Control | Peter Rees pursuing |
| | Priorities in PE | Seminar to be arranged |
| | Privatisation Programme | Jaguar, Warships, Enterprise Oil slipping |
| DHSS | Pensions | Inquiry |
| | Welfare: | |
| | 3 Reviews | To be announced in a few days |
| | Health | Awaiting appointment of Chairman of NHS |
| | Family Practitioner Services | Green Paper proposed |
| | [Drug Costs | Parallel Import Problem] |
| Energy | Gas and Electricity | DEn paper expected<br>Being chased |
| | Coal | MacGregor Plan |
| | [Coal Strike/Public Order] | |
| | BNOC | Policy Review coming soon |
| DoE | Local Government Reform | Paving Bill announced |
| | Rate-Capping | Bill progressing |
| | Private Rented Sector | H approved paper<br>More work needed |
| | Pollution | 5 April meeting scheduled |
| | Urban Programme | In review |
| | [Liverpool - no budget] | |

SECRET

| | | |
|---|---|---|
| DTI | Telecoms | RPI-X, balance sheet of BT near decision |
| | [ICL/IBM Procurement] | |
| | Trade: New GATT? | E(S) 3 April |
| | Competition | E(CP) to consider agenda in 3 weeks' time |
| Home Office | Winning the War Against Crime | Initiatives being pursued |
| | [Intoximeter] | |
| | [HO paper to say no relationship between numbers of policemen on beat, and clear-up of crime] | |
| Agriculture | Lower Food Prices/ CAP Control | In Brussels negotiation |
| Transport | Better/Cheaper Bus Services | In preparation |
| | BA Sale | Under way |
| | Freer Air Route Licensing | Happening gradually |
| | Complete Motorways | Under way |

SECRET

2(a)

22 March 1984
Policy Unit

PRIME MINISTER (4)

You recently mentioned the criticism of some that the Government lacked central policy analysis.

I hope the Policy Unit can and does help you direct the thrust of policy. To assist, we:

1. Monitor progress against Manifesto aims and pledges.

2. Assess Departments' achievements against stated policy intentions.

3. Draw to your attention areas where policy formation was/is slow or needs strengthening - eg pollution, competition, educational choice, labour market, tax reform.

4. Provide a briefing service on matters involving inter-departmental disputes, or on matters where a particular recommendation seems to be against stated general policy direction.

5. Watch out for insensitivities in policies that are avoidable.

I attach a short version of our latest check list with progress on leading policies split up by Departments. As you will see, a lot of work is under way: it would be helpful if, as it comes to fruition, it could be put across forcefully by departments.

JOHN REDWOOD

SECRET

SECRET

# POLICY INITIATIVES

| | | |
|---|---|---|
| Home Office | Winning the War against Crime | Leon Brittan pursuing initiatives |
| Education | Direct-Grant Schools | Paper with PM |
| | Governors' Powers | KJ bringing proposals forward |
| | Standards | Policy outline announced Needs follow-up |
| DHSS | Pensions: | |
| | Early Leaders | Policy announced |
| | Portability, Future of SERPS, etc | Enquiry |
| | Welfare: | |
| | 3 reviews established on benefits | Soon to be announced as a major review of welfare |
| | Health: | |
| | Griffiths Report | Awaiting NF to appoint Chairman of NHS |
| | Family Practitioner Services | Green Paper proposed |
| DTI | Telecoms | Policy announced |
| | Other Nationalised Industries | Policy of EFL controls and better management |
| | Trade: New GATT? | E(S) Paper |
| | Competition | New Committee formed |
| DoE | Local Government Reform | Bill announced |
| | Rate-Capping | Under way |
| | Private Rented Housing | H Paper |
| | Pollution | Cabinet Office handling |
| | Urban Programme/Inner City Rehabilitation | Review under way |
| Defence | Procurement Costs | Meeting scheduled on essential technologies |
| | Better Management | Heseltine reorganisation announced |
| Agriculture | Lower Food Prices/ CAP Control | In Brussels negotiation |
| Transport | Better/Cheaper Bus Services | In preparation |
| | BA Sale | Under way |
| | Freer Air Route Licensing | Happening gradually |
| | Complete Motorways | Under way |

SECRET

| | | |
|---|---|---|
| Employment | Freer Labour Market | Review under way<br>Cabinet debate on jobs scheduled |
| Tax/Treasury | 6 Areas for PE Control | Peter Rees pursuing |
| | Tax Reform | Corporation Tax reform in Budget<br>Next target - capital taxes? |
| Energy | Gas and Electricity | DEn paper expected: needs chasing |
| | Coal | MacGregor pursuing plan |

19 March 1984
Policy Unit

PRIME MINISTER (4)

I attach a copy of my latest book which will be published in two weeks' time.

The book sets out the case against the consensus industrial strategy pursued by the DTI in the 1970s. Government ownership and subsidy to large industrial conglomerates have destroyed countless jobs and gobbled up millions of pounds of taxpayers' money.

At BL, concentration on the cars business allowed the trucks business, the 4-wheel drive business and the bus business to fall on hard times. They might have done better as independent businesses. At British Shipbuilders, concentration on the merchant shipping has weakened naval shipbuilding, particularly in export markets, and the strategy towards ship repair has damaged several private sector competitors.

The book argues that many of these large conglomerates will never work as a whole. Separate businesses have to be split off, given independent management and capital, and find their own way in the private market place.

The book also shows that where the DTI has attempted to pick winners, it has also run into difficulties. Government fails to sift a whole range of projects before deciding which one to back. It has been bad at judging the entrepreneurs it wishes to back, bad at monitoring what they are up to, even bad at auditing their figures (eg De Lorean).

The book also contains a message of hope. It holds up the ICL rescue, where Keith Joseph boldly broke away from the DTI consensus, as an example of how an industrial rescue could take place: a management change, some limited guarantee of borrowings, but a refusal to take equity and an absence of intervention in the Board's policies. It also argues that wider wealth-ownership and the development of the venture capital industry in the UK could begin to emulate the American experience in creating new companies without direct Government involvement.

The book was written before June 1983. Since then, events have borne out the main arguments of the book as business after business has come back to Government with disappointment and downward revisions in their forecasts. None of the publicity materials make any reference to my position here, although doubtless the press will not miss the link. The Times has already written about my refusal to serialise it in their newspaper.



JOHN REDWOOD

cc: Sir Percy Cradock

CONFIDENTIAL FILING

I understand that incoming papers are now being copied satisfactorily to Sir Percy Cradock. But he is not automatically receiving copies of outgoing correspondence. For example, by yesterday evening he had not seen the records of the Prime Minister's meetings earlier this week with Mr. Weinberger* and the German Chancellor.*

Could you please make suitable arrangements forthwith.

A.J.C. 1/3.

John - I have asked Kay Dover if the C.R's could ensure that he receives copies of such corr. in future. Peter 1/3

1 March 1984

* copies have now been made.

Ms Butler

22 February 1984

File

POLICY UNIT MEMBERS

The recent stories in the Times and elsewhere concerning farmers are still causing ripples throughout the Government and the Party.

In view of this, I think we must tighten our procedures for handling documents and meeting people in the interests of protecting ourselves against any unfair allegations.

1. When sending a letter or document outside the building, a file copy should be kept; and this file copy should be initialled by myself or by Nick Owen or Bob Young if they are not the signatory.

2. We should always make it clear when talking to people that we cannot give them an insight into the work we are doing, and whilst we are delighted to listen to their views, we will not be able to tell them what action we are taking to pursue any of their ideas.

3. All journalists - as before - should be referred to the Press Office.

4. We should be particularly careful not to encourage organised lobby groups who might subsequently use us in an embarrassing way. I do not want us to have close contacts with the Adam Smith Institute or any other Right-wing organisation. David Hart and Nigel Morgan are also dangerous.

5. Any Policy Unit member should consult me before accepting a speaking engagement.

It is vital that we preserve our freedom to meet a wide range of people and listen to their views. These simple rules enable us to do so without undue risk. If these rules are broken in a material way, I do not intend to defend the breaker from any serious consequences that may follow.

JOHN REDWOOD

MR. COLES Yes.

cc: Mrs. Padwick

SIR PERCY CRADOCK'S PAPERS

I have spoken to Mrs. Padwick to determine what Sir Percy Cradock would like to see in future.

We will continue to send the various Ministerial and Cabinet Committee papers - also JIC, CX and WSI papers. Sir P. Cradock has asked to see:-

(a) correspondence issued from, or copied to, the Defence Secretary and Private Secretary correspondence

(b) all Ministerial and Private Secretary correspondence on foreign affairs.

You will recall that this is a return to the arrangements set up for Sir A. Parsons and Mr. Jackling.

'Personal' correspondence will only be copied on your instructions.

Agree that Confidential Filing proceed on this basis?

P.E.

PETER EWING

13 February 1984

PE 10/2

CONFIDENTIAL FILING

c. Sir P. Cradock

Sir Percy Cradock's Papers

I understand that the system which we established for Sir Anthony Parsons whereby he received automatically copies of all papers on major points of foreign policy does not seem to be working.

Could you please discuss with Sir P. Cradock's personal assistant, draw up a system which is acceptable to him and let me know what it is?

A. J. C.

9 February 1984

FILE RG

Xref

MR LETWIN

cc: Mr. Redwood
Mr. Ingham

PERMISSION TO PUBLISH

I see no objection to your publishing the book review mentioned in your minute of 6 February or to your delivering the four lectures in the Philosophy Faculty at Cambridge during the summer term.

F. E. R. BUTLER

6 February, 1984

6 February 1984

MR BUTLER

cc Mr Redwood
Mr Ingham

PERMISSION TO PUBLISH

We spoke the other day about my request for permission to publish a review of a book entitled The Passions in the journal Philosophy, and an article on the self-regarding virtues in the journal New Calendar. As I mentioned, neither the review nor the article have any connection with politics or with my work in this office; and I shall be described only as a Fellow of Darwin. I should be grateful to have your agreement to these publications.

I should ask, at the same time, for permission to deliver four lectures in the Philosophy Faculty at Cambridge during the Summer term. These, too, have no connection with politics or my work here: they will present an abstract thesis about the relation between ethics and personality. Once again, my position here will not be mentioned. (Before I arrived, I understood from Mr Mount that there would be no objection to my delivering the lectures on these conditions.)

OLIVER LETWIN

5 January 1984

MR COLES

DEFENCE PAPERS

Thank you very much for all your assistance in procuring the right papers for David Pascall.

The reason I have clarified it with you was that we did not think it correct to assume that David could read all of the papers passing to the Foreign Affairs Adviser without raising the matter separately with you. We do, however, accept that these papers are already on the second floor of 10 Downing Street, and are grateful that David can now see them.

JOHN REDWOOD


5 JAN 19

MR REDWOOD

4 January 1984

cc Mr Coles

DEFENCE: MEETING WITH GEOFFREY PATTIE

I had an extremely friendly and constructive meeting with Geoffrey Pattie this morning. He welcomes the Policy Unit seat on DEPC and our general interest in defence matters.

The main points arising from our general discussion were

1. Mr Pattie is interested in the contribution which outsiders can bring to policy formulation. He hopes that I will not hesitate to question the basic assumptions underlying the work of DEPC.

2. There are several difficult procurement decisions coming up although we did not discuss these in detail. Geoffrey Pattie is very concerned about resource allocation across the services as well as value for money for the defence budget. His approach appears to be in picking defence technology winners for the future which will bring real jobs through international competitiveness.

3. I referred to the "Essential Defence Technologies" report which is still with Michael Heseltine. It is clear that Defence Ministers will wish to put the report into a wider industrial context. We shall need to consider carefully the most appropriate follow-up to this report.

4. Mr Pattie invited me to accompany him to the Defence Operational Analysis Establishment at Byfleet at the end of the month. The theme is likely to be our future maritime roles.

5. He considers that fairly regular discussions with me would be to mutual benefit and has given me an open invitation to set these up with his Private OFfice.

Conclusion

The meeting was very encouraging. The endorsement of support

from the Minister will simplify the problem of working relationships with the MoD. This, coupled with our seat on DEPC, should help us in contributing to defence issues during the coming months.

DLP.

DAVID PASCALL

File

MR. REDWOOD

c. Confidential Filing ✓

Circulation of Papers to Mr. Pascall

Since we spoke, and since I wrote my minute of 3 January, Confidential Filing have informed me that the Policy Unit already receive the following papers:-

(a) copies of all telegrams are (and will continue to be) sent to the Foreign Policy Adviser;

(b) copies of all papers for the OD Sub-Committee on arms control and disarmament (OD(D)) are sent to both the Foreign Affairs Adviser and Mr. Pascall;

(c) copies of all OD papers are sent to both the Foreign Affairs Adviser and Mr. Owen;

(d) Private Secretary correspondence about defence sales and procurement is sent to Mr. Pascall.

It therefore appears that without any new arrangements Mr. Pascall can obtain all the documents he requires from within the Policy Unit.

AJC

4 January 1984

cc Mr. Redwood

Mr Cles
We spoke. Please see attached draft minute for you to send to Mr Redwood

Steve Sears
4/1/84

CONFIDENTIAL FILING

I should be grateful if in future you could arrange for Mr. Pascall to receive automatically:

(a) Copies of telegrams about INF and START;

(b) Copies of papers for the OD Sub-Committee on arms control and disarmament;

(c) Copies of any papers produced for OD about the procurement of weapons systems;

(d) Private Secretary correspondence about defence sales and arms procurement.

I hope this will be workable. Please let me know if from your point of view it is not.

A. J. C.

3 January 1984

CONFIDENTIAL

N. Redwood
Could we discuss at your convenience? A.V.C. 3/1

MR COLES

23 December 1983

DEFENCE

The Policy Unit has been developing a more active interest in defence questions during recent months with particular emphasis on defence procurement and defence expenditure.

Our seat on DEPC, the follow-up to the forthcoming report on Essential Technologies, our closer links with the MoD and the international INSEAD Conference on collaborative projects to be held in France in February (with which we are involved and for which Geoffrey Pattie has accepted an invitation to attend) are all likely to increase our involvement next year.

In order that any contribution which we may make on these issues takes proper account of defence policy in general, it would be helpful if the Policy Unit could receive copies of the papers and minutes for OD and its sub-committees on a regular basis. We would also be interested to see correspondence on defence sales as well as on procurement and expenditure.

David Pascall previously liaised with Tony Parsons on these questions but with his departure and the late arrival of his successor, this will not be possible.

David has also been taking a closer interest in arms control and its impact on defence policy and it would be helpful if he could receive the INF and START telegrams previously copied to Tony.

Our objective is not to become involved in foreign policy but to ensure that any advice we may offer the Prime Minister on OD defence issues is based on a proper understanding of all relevant issues.

JR Redwood

JOHN REDWOOD

CONFIDENTIAL

SECRET

23 December 1983 29

PRIME MINISTER John Redwood's inaugural. AT 23/12

There is every opportunity for you to dominate the popular ground of British politics. Your personal authority and commitment to sensible and popular change in limiting government and restoring individual freedom, responsibility and choice can be used to define what people want, and to find practical ways of giving it to them. Many of the things this Government wants to do or is doing have wide appeal far beyond the bounds of the Conservative Party.

The work I am initiating in the Policy Unit is designed to help establish that domination over the debate through careful attention to public attitudes, to make the task of Opposition thankless and difficult, to write the concerns and views of your Government into the grammar book of politics.

In housing policy we must press on to achieve even more widespread home-ownership than we have at present. We have won this argument. Most people want to own their own roof over their heads. We must ensure that our policies continue to deliver.

In Home Office policy we must turn our support for the police into an effective crusade against crime. We will not be able to use the argument that we have recruited more police and paid them better as the answer to the debate on crime, unless we can also demonstrate that crime is coming under control. I am asking Peter Shipley to help me in developing proposals and reviewing progress in sentencing policy, in detection and in the general gamut of police and Home Office work.

In Defence we have won the important argument that our people do not support one-sided disarmament. But we must ensure that our defence industries and our defence procurement policy is compatible with our general economic policy as well as delivering the goods we need to defend our country. David Pascall's work I hope will be useful in ensuring value for money and effectiveness of deterrence in our defence policy.

We have won the argument that nationalisation is a bad thing and produces a shoddy good or service to the customer, often at a high

SECRET

price. We are beginning to win the argument about the benefits and need for denationalisation. We must press on, and the Policy Unit as a whole will work to see that wherever possible assets can be returned to the private sector and managed soundly.

In Education I believe that the reforms to strengthen parental control, choice, to raise standards, and to inject new types of technical education into our system, are essential and popular. I am sure Oliver Letwin will show his usual tenacity in assisting to bring at least some of these visions into reality.

In the Health argument, there are dangers for us. Our popular ratings on health remain abysmally low. We have concentrated far too much on selling the idea of cuts rather than the idea of a better, more modern service for the patient. We have not yet worked out a way of managing the health service which can both deliver a better service and keep the costs under control. There will be important work to be done in 1984 in seeing how the Griffiths proposals are received, and in setting targets and standards for the new health service.

In Pensions, we have made progress setting up the Fowler Inquiry. The two important goals are to see a move to portable pensions extending individual choice and control over assets, and ensuring that the costs of the state provision, particularly SERPS, do not get out of control.

DTI policy is full of pitfalls and terrors for us. If we are not vigilant, aid and grants to industrial businesses and unscripted losses from businesses we already own will once again threaten our overall public expenditure strategy. The Policy Unit will be watching carefully as the demands and bids build up.

Competition policy is a fertile area for making both economic progress and pursuing the wishes of the electorate. We have already outlined some proposals to you and will want to build on these in the New Year. Success brings better and cheaper goods and services.

In Agriculture the prizes must be lower food prices or lower rates of increase in food prices, combined with some reduction in the enormous subsidy we are paying to farmers. The work I asked Nick Owen to begin is already fructifying.

SECRET

In Transport a competitive and less costly bus industry is worth pursuing. Bob Young has been asked to help Nick Ridley in this task.

Taxation needs simplifying. Work is now proceeding following your Ministerial meeting.

There will be many other issues and interests we must watch in the New Year. The areas above are productive lines of enquiry for restoring individual responsibility, encouraging more widespread ownership, curbing public expenditure, and making the remaining public services better. The task of Opposition will be difficult indeed if it has to oppose better care for patients or the right for people to carry their own pensions with them when they change jobs; or has to oppose cheaper glasses, smaller solicitors' bills, more choice in schooling, better consultation of parents or wider ownership of wealth.

If you can deliver more of these benefits to the electorate, the Opposition will remain in a corner. It will find ways of objecting on technicalities or on the ground that we are not proceeding quickly enough. But if the message is simple enough, and if it appeals to enough people, you will continue to dominate the ground of British politics.

JOHN REDWOOD

CF copy on circulation

23 December 1983 W Butler

POLICY UNIT RESPONSIBILITIES

As from 3 January 1984, these will be:

| | | |
|---|---|---|
| J REDWOOD/D WILLETTS (from mid-March) | - | Treasury, Pensions, Privatisation |
| N OWEN | - | Agriculture, Competition Policy (DTI), Pay and Public Sector Management, Europe (CAP and co-ordination of other work), Overseas Trade Issues (DTI) |
| R YOUNG | - | Transport, Regional and Enterprise Policy (DTI), Steel, Cars, Shipbuilding (DTI) |
| D PASCALL | - | Energy, Defence, Telecommunications and Information Technology (DTI/ Home Office) |
| O LETWIN | - | Education, Employment |
| C MONCKTON | - | DHSS, DOE |
| P SHIPLEY | - | Home Office, Public Opinion |

The Policy Unit's weekly meeting will be held every Monday at 10.30 for one hour. Policy Unit papers and discussions are available and open to any member of Private Office.

JOHN REDWOOD

Susan.
Yes - but only telegrams.
A.J.C. 17/11

MISS CHAPPELL

John,
Do you approve of this arrangement?
All tels. still to come via Duty Clerk as per usual.
Susan
17.11.

15 November 1983

TELEGRAMS

I have talked to Sir Anthony Parsons and we have agreed the following solution to the problem.

OIL Circulation

Sir Anthony to be deleted from this circulation and my name to be added. I will pass Sir Anthony any telegrams which he should see.

INF and START Circulation

The current arrangements to remain in place. Sir Anthony will let me see his copies.

I should be grateful if you would arrange the above changes in the OIL circulation. Please let me know if you foresee any difficulties.

David Pascall

DAVID PASCALL

CT MK NFB BC
To note D Pascall will receive telegrams about oil — FCO are aware

SG SC PE MK KRB DG CT

NF.

File

CONFIDENTIAL FILING

c. Mr. Owen

Mr. Owen in the Policy Unit would like to receive copies of all papers relating to the Athens negotiations. Could you please arrange for him to receive copies of the papers which will be prepared in due course for the Ministerial meeting on 1 December, together with such Ministerial correspondence on these matters as we receive between now and then.

A.J.C.

14 November 1983

Have told Lindsay

PE 15/11

10 DOWNING STREET

John, AR 4/11.

I have just received a query from FCO Telegrams distribution department about a request from David Pascall for Tels. on OIG, INF/START and MBFR.

I spoke to D.P. about this, and mentioned that we could not increase normal distribution list of 3. (You, Sir AP, BL).

Just to let you

/over

know that he may
wish to talk to
you about this.

Susan.
4.11.83.

CONFIDENTIAL

File

D55

MR. MOUNT

The Prime Minister spoke to the Chancellor at their bilateral on 19 October, proposing that John Redwood should serve as alternate for Alan Walters in his work on monetary policy. This would entitle John to attend the Monetary Prospects meeting and the Funding meeting when Alan is unavailable, and to receive the papers for those meetings.

The Chancellor accepted this proposal and he has now spoken to John himself. John took the opportunity to explain his other interests, in particular, privatisation and tax reform.

The Chancellor emphasised that papers sent to John should be regarded as personal and should not be shown to others in No.10, including the Prime Minister, as this would only cross wires with the formal channels via the Private Offices and could involve the Prime Minister's time being wasted on considering issues prematurely or unnecessarily. John is well-seized of the point.

These arrangements can now be regarded as in force - indeed John has already made his debut at the Economic Secretary's Funding meeting.

Andrew Turnbull

31 October 1983

18 October 1983

PRIME MINISTER

We would like your approval to the proposition that John Redwood should be an alternate for Alan Walters to receive the Treasury papers which Alan currently receives, and to sit on the official committees.

The work of the Funding Committee is particularly important to monitor, especially in view of the magnitude of the privatisation programme currently envisaged.

FERDINAND MOUNT

ALAN WALTERS

Prime Minister

I support this proposal. I understand that Alan will normally time his monthly visit so that he can attend the Funding Committee, but it would be useful for John to represent him when he cannot and to keep an eye on things while Alan is away.

You may like to mention this proposal to the Chancellor at your meeting with him: I have asked Andrew to warn his office that you may do so.

FERS

18.10

10, DOWNING ST: Access to papers by Policy Unit: May 1979.

MR. MOUNT

I have the general agreement of the Private Office that your minute of 5 October is very helpful and I am most grateful to you for it.

I do not detect any widespread apprehension in the Private Office - certainly not anything which approaches panic - but my colleagues all agree that the suggestions in your minute are sensible and helpful. In return, we will undertake that, if the Private Secretary concerned regards any minutes addressed by the Policy Unit to the Prime Minister as falling within the descriptions in (a) and (d) in your minute, he will discuss them with you or the author.

It is nice of you to say that the co-operation and advice of the Private Office are vital to you and much prized. With regard to this, there is one point about which I am profoundly convinced, and you might think it worth passing on to those members of the Policy Unit who are new.

The motivation - indeed, the raison d'être - of the Private Office is to make the Prime Minister's operations as trouble-free and as effective as possible. We are able to adopt a policy of copying papers very freely to the Policy Unit for as long as the Policy Unit supports, and does not undermine, that objective. The very open system which we now operate has been built up because the Policy Unit has always, in my experience, done so. The co-operation of the Private Office will never, so long as I have anything to do with it, be withdrawn through antagonism or bloody mindedness, or even through exhaustion. It would only be endangered if the Policy Unit, either by clumsiness or negligence, created trouble for the Prime Minister by breaking a confidence or provoking justified complaints. If that happened, then I would expect to find the Prime Minister herself instructing us to operate more restrictively. If I am right, it is on the Policy Unit that our co-operation depends.

6 October 1983

Pl. put on paper about copying minutes to Pol. Policy Unit

FERB

## 10 DOWNING STREET

1. Mr. Coles — No. this minute is v. helpful. MR 6/10
2. Mr. Turnbull.
3. Mr. Flesher — No. I agree with AJC+AT.
4. Mr. Barclay — No, thank you. JBS 6/10

Any comments you would like me to make in reply to Mr. Mount?

FERB
5.10.

Mr Buckley

(i) It might be worth pointing out that there may be occasions when the Private Office does not want to submit a PU note to the Prime Minister
   (a) then
   (b) in that form
   (c) at all.

In such cases we will endeavour to discuss problem with Mr Mount.

(ii) The normal channel for sending papers to the Policy Unit will be to Mr Owen who will distribute them to the specialist in the Unit.

AT 6/10

Otherwise, note is helpful

5 October 1983

MR BUTLER

There is, I think, an understandable apprehension in the Private Office that the enlarged Policy Unit will swamp them with memos and enquiries which are:

a. excessive; or
b. unco-ordinated; or
c. ill-timed; or
d. out of bounds;

or some combination of all these.

We shall endeavour to fall into these errors as little as possible by the following measures:

i. We shall attempt to keep the number of notes and enquiries to the absolute minimum necessary.

ii. We shall make it clear where a note to a Private Secretary is simply to inform that Private Secretary of some recent development and there is no need to bother the Prime Minister with the note.

iii. Any note from this floor will have been scrutinised by me or, in my absence, by Nick Owen.

iv. As a rule, most notes will be signed by me or Nick. However, on technical subjects where their expertise is relevant, I feel strongly that the new recruits ought to make direct inputs to the Private Secretaries and, on occasion, to the Prime Minister, rather than have their informed views mangled in transmission by me. She has already expressed a wish that they should in suitable circumstances attend the occasional Ministerial meeting to gain a fuller understanding of the political context.

v. We shall continue to consult closely with the Private Office about the most useful timing for notes.

vi. Where the information or papers requested by a Policy Unit member touch on some sensitive area where we have not hitherto ventured - whether Foreign/Defence, intra-Governmental or Treasury - please do not hesitate to refer the request to me for discussion.

The co-operation and advice of the Private Office are vital to us and much prized. We hope they will continue.

FERDINAND MOUNT

Downing 87 May 79.
Policy unit access

~~AC~~ PE NL MK SC ~~IG~~ NF

CT Tim put in ~~office board~~ filing cupboard.

12 September 1983

MR BUTLER

POLICY UNIT

I thought it might help if I gave you, as before, a rough list of our special interests. I re-emphasise that we intend to remain flexible and collegiate, but Official Committees etc will usually be attended by the person listed below for the relevant subject.

| | |
|---|---|
| Nick Owen | Trade and Industry general; Pay; Public Expenditure; Civil Contingencies; Defence; Railways. |
| Robert Young | Manufacturing Industries; Transport general; Agriculture; Europe. |
| David Pascall | Defence; Energy; Telecommunications. P Allaton |
| John Redwood | Fiscal and Monetary Policy; Privatisation Programme. |
| Oliver Letwin | Education; Employment; Training. |
| Christopher Monckton | Housing; Local Government; Health and Social Security. |
| Peter Shipley | Home Office; Political Party Liaison. |

FERDINAND MOUNT

~~SG~~ AC PG NR MIC SC
CT ~~DG~~ NF.

CONFIDENTIAL FILING cc Mr. Mount

Would you please arrange henceforth for papers relating to defence procurement * or to European Community questions to be copied automatically to the Policy Unit. The only exceptions to this rule are papers bearing a "Personal" marking or classified above secret, in which case I should be consulted first.

A. J. Coles.

NB These papers to go direct to Mr Mount. We still need to copy such papers to Sir A Parsons.

12 September 1983

Access to Papers

1. MR. COLES

2. MR. SCHOLAR

SPECIAL ADVISERS: COPYING CABINET AND CABINET COMMITTEE STEERING BRIEFS

I record for the file that at Sir Robert Armstrong's Deputy Secretaries' meeting today, Mr. Goodall said that he had had a request from Mr. Jackling for copies of Cabinet Office briefs to the Prime Minister for meetings of Committees concerned with defence and overseas affairs. In discussion, Sir Robert Armstrong said that such briefs should be continued to be addressed to the Private Secretary. Any copying to Special Advisers was a matter for No. 10: he did not express any objection to such copying and indeed said that the initiative should lie with the Cabinet Office to draw the attention of the Private Secretary concerned to any minutes they did not wish copied to Special Advisers.

We therefore can take it that there is no objection from Sir Robert Armstrong to our copying steering briefs to Special Advisers but it should normally be sufficient for Special Advisers so see such briefs in the trays as they go into the Prime Minister: the less copies made of such documents the better.

Mr. Goodall also said that Mr. Jackling had asked that he and Sir Anthony Parsons should be able to attend meetings of Official Cabinet Office Committees on defence and overseas affairs. It was agreed that the Cabinet Office should raise no objection to this and that papers and agendas should be sent to Sir Anthony Parsons and/or Mr. Jackling of Official Committees in which they express an interest.

F.E.R.B.

21 April 1983

AK. AC PE. SG. NR. MK NF JG.

We now have clear guidance as to what should be copied to Roger Fackling. In short it is the papers at flag A. the exceptions being those in John Coles' note to me of 6/4
Can we stick it up on the board? the note that is.

AJ.

11/4.

Note

Let me have back the Staff in confidence papers when you have all read them

AJ

Mr Coles

Roger Jackling came to see me last Thursday to talk about the papers he needs to see as a member of the policy unit.

He particularly asked to see as a matter of course the Defence papers about such things as INF, Gibraltar, Hong Kong etc; Private Secretary letters to and from other departments containing Defence matters and submissions (again only when containing defence interest) for the PM's signature.

In other words everything he asked for in his minute of 8 February (Flag A).

On being asked, I told him that there is no problem in CF about the mechanics of copying papers to him and he assured me that coping with the volume of paper will not bother him.

From where I sit and in view of Robin Butler's personal note to Mr Jackling of 25 March about his role in No 10

and about which I assume he consulted you I have little choice but to comply with his request. I said that I was prepared to try and work this system as sensibly as possible (consulting you as necessary) but before doing so I should be glad to know if there are any specific papers (such as Cabinet Office briefs) which should not be copied to him under any circumstances.

Alan Thomas Jones.

6/4/83.

Mr. Davies-Jones

Thank you. Please implement but will except for:-

(a) Cabinet Office briefs
(b) Any papers with a "Personal" marking.
(c) The series of highly classified papers about particular operations.

AJL 6/4.

STAFF IN CONFIDENCE

NOTE FOR THE RECORD

MR ROGER JACKLING

I called on Clive Whitmore on 29 March and told him that I had reported to the Prime Minister that Mr Heseltine had imposed restrictions on Mr Jackling's access to the Ministry of Defence. The Prime Minister's immediate reaction had been to send a minute to Mr Heseltine, but we had advised her that it would be in No 10's best interests if we could achieve a working relationship with the Ministry of Defence without such direct confrontation. We therefore suggested to her that she should approve a written statement of the objectives of Mr Jackling's appointment, and she had done so. I was willing to give Mr Whitmore a copy of this on a personal basis: I was not suggesting that he should show it to his Secretary of State, but naturally accepted that he should if he felt obliged to. Roger Jackling would then try to fulfil these objectives within the restrictions imposed by Mr Heseltine. If we were not able to reconcile the two, then it would be necessary for the Prime Minister and Mr Heseltine to discuss the matter.

Mr Whitmore read the minute addressed to Mr Jackling and kept a copy. He said that they gave him no problem but there were some aspects to which he thought his Secretary of State would take exception. He would not therefore show the minute to his Secretary of State for the time being, and said that it would be better if the Prime Minister did not refer to these instructions to Mr Jackling in any conversation with Mr Heseltine. The instructions issued by the Secretary of State about Mr Jackling had been given wide circulation within the Ministry of Defence by the office of the Chief of the Defence Staff, but they had not so far leaked and there now seemed a good prospect that they would not do so. He would do his best to work within Mr Heseltine's instructions to enable Mr Jackling to fulfil his role.

I subsequently mentioned to the Prime Minister that I had given Mr Whitmore a copy of the instructions to Mr Jackling and suggested that she should not mention them in any conversation with Mr Heseltine.

30 March 1983

F.E.R.B.

10 DOWNING STREET

John

Herewith the instructions we talked about.

Roger Facklen's original request to you is at flag (A).

AJS.
25/3

Alan.
Roger will discuss with you.

AR 25/3

STAFF IN CONFIDENCE

PRIME MINISTER

I mentioned to you the other day my concern about the restrictions imposed by the Secretary of State for Defence on Roger Jackling's access to the Ministry.

I have not seen the instructions directly, but I gather that they prohibit Roger Jackling from having access to people or meetings in the Ministry without permission of one of the Deputy Secretaries. The instructions have been widely circulated in the Ministry. They would have been more restrictive if Clive Whitmore had not mediated on our behalf with the Secretary of State.

Partly in consequence of this, but also because it was time to review how things were going, I have had a talk this week with Tony Parsons, John Coles and Roger Jackling.

Because of the nature of No. 10's contacts with the Ministry of Defence, it is less easy for Roger Jackling to keep himself fully occupied than Tony Parsons. The Defence Secretary puts fewer policy papers to you than the Foreign Secretary, and the regular supply of telegrams and JIC material raise relatively few defence issues. Roger Jackling works closely with Tony Parsons and looks after his interests on the days when Tony is not here: even so, there is barely enough to keep him occupied.

I mention this because an important factor in how we deal with the Ministry of Defence is that it is still an open question whether we can provide a genuine full-time job for someone of Roger Jackling's calibre.

Of course, this makes it all the more important that Roger Jackling's job is not diminished by restrictions on his access to policy discussions in the Ministry of Defence. It is an essential element of his job to keep in touch with work over

/ a broad

a broad front in the Ministry of Defence so that if some emergency breaks out - which by its nature we cannot foresee - he is sufficiently well informed to be able to help you at that moment.

In the light of that I discussed with Tony, Roger and John how we should respond to what Mr. Heseltine has done. We are reluctant to advise you to take it up directly with Mr. Heseltine for two reasons.

First, a lot depends on how the restrictions are operated. We all believe that Clive Whitmore is in favour of Roger Jackling's appointment and will try to operate the rules in a helpful way. If we can build on that and Mr. Heseltine finds that the appointment is helpful to him - as the Treasury has found in the case of Alan Walters, and the FCO are increasingly finding with Tony Parsons - that will be not only the most peaceful, but also the most effective, way forward.

Second, we do not want you to take up the cudgels with Mr. Heseltine for Roger Jackling's job while we all think it unproven whether there is a real long-term role for him.

So we think that the way we should proceed is that I should give Roger Jackling a written note, approved by you, about what you expect him to do. I will send a copy of this note to Clive Whitmore. Roger Jackling would then ask for permission, under the Secretary of State's rules, for access to all the people and meetings necessary for him to fulfil the role set out in the note.

We believe that Clive Whitmore will do his utmost to see that permission is given: if however Mr. Heseltine prevents him from doing so, there would then be a firm basis on which we could ask you to take it up with Mr. Heseltine.

I attach a draft of the instructions which I propose to give to Roger Jackling. Are you content that we should proceed like this?

F.E.R.B.

25 March 1983

PERSONAL

MR. JACKLING

The purpose of your appointment is to assist the Prime Minister by identifying operational and policy issues requiring or likely to require her attention, advising her on them and thus contributing to the formulation of Government policy. You will be expected to work in close cooperation with the Ministry of Defence and other Departments with an interest in those issues. Your appointment is designed to facilitate and reinforce the relationship between the Prime Minister's office and the Ministry of Defence in the planning of operations and the formulation and furtherance of defence policy.

You should work closely with the Prime Minister's adviser on foreign affairs, and you may need to act on his behalf on areas within his responsibility on days when he is absent from the office.

As regards working methods, you should see papers passing through this office which raise, or could potentially raise, defence issues on which the Prime Minister might need to take action. In this respect you will act as an extra pair of eyes for the Prime Minister to alert her to aspects of papers presented to her in which her interests and responsibilites as Head of Government may be involved. Under this heading, you should see copies of the intelligence material provided to the Prime Minister (except any material of such sensitivity that exceptional restrictions are placed upon it) and drafts of JIC assessments.

In addition to watching and commenting on papers passing through the Prime Minister's office you will also need to maintain close contact with operational planning and the formulation of policy inside the Ministry of Defence on matters which will, or could, subsequently require the Prime Minister's attention. This is for three reasons: the first is that when, or if, such issues arise (which may happen very suddenly) the Prime Minister has among her own staff someone who can give her at short notice a well-informed view on the background and on the considerations

/ bearing on

bearing on the policy. The second is so that the Prime Minister has at close hand someone whom she can use as a sounding board on her own ideas, or points put to her by others, before deciding on whether to pursue them. The third is because you may be able to give the Ministry of Defence informal guidance on points of importance to the Prime Minister, of which they may not be aware.

There are two constraints which you should observe. One is that you should never seek to substitute your own advice on matters on which the Prime Minister should properly seek the advice of the Secretary of State for Defence. The second is that you should not cause the Prime Minister to raise prematurely with the Secretary of State policy issues still at the formative stage within the Ministry, to which you have access through contacts at official level: if exceptionally you felt it necessary to do so, you should warn the Ministry of Defence so that they can alert the Secretary of State in advance.

The purpose of your job is to work with the Ministry of Defence in a spirit of mutual confidence: that confidence needs to be built. The ultimate test of your role is whether it assists the dialogue between No. 10 and the Ministry of Defence on policy issues and thus improves the process of policy formulation on these matters within Government.

F.E.R.B.

PERSONAL

24.3.

MR JACKLING

ccs Mr Coles
Sir Anthony Parsons

THE MINISTRY OF DEFENCE AND YOU

I mentioned to the Prime Minister that the Secretary of State for Defence had introduced rules about your access to his departmemt. Her immediate reaction was that she would send him a sharp note. I suggested that she should hold her horses until we saw whether you were in fact being restricted from doing your job.

On further reflection, I think that there might be something to be said for the Prime Minister to send a note to Mr Heseltine, which is not too sharp but warns him that she is watching how the arrangements work out and is prepared to have a row. Perhaps we might have a word about it when we meet tomorrow evening - John Coles is arranging.

F.E.R.B.

22 March 1983

PRIME MINISTER TO THE SECRETARY OF STATE FOR DEFENCE

PERSONAL

I understand that you have introduced some rules governing Roger Jackling's access to people and meetings in the Ministry of Defence.

I do not want to interfere with any arrangements you make in your Department provided that they do not prevent my adviser from carrying out the role for which I appointed him with your predecessor's full support. The value of that role has been demonstrated in the case of Alan Walters in relation to the Treasury and is now again being demonstrated in the case of Tony Parsons and the Foreign Office. I have no doubt that it will be just as useful in relation to the Ministry of Defence.

I hope that there will be no difference between us about this and that any arrangements you make will be operated so as to give Roger Jackling the access he needs. I am prepared to wait until it can be seen how the arrangements are working out but I shall take the matter up with you again if they hinder him in doing the job for which I appointed him.

CONFIDENTIAL

MR. DAVIES-JONES

c. Mr. Jackling
Sir A. Parsons

I have discussed with Mr. Jackling, in the light of the experience of his first couple of weeks here, which papers he should see on a regular basis.

Would you please arrange for him to receive the following papers automatically:

(a) OD Memoranda and minutes
(b) MISC 7 papers
(c) Memoranda and correspondence issuing from or copied to the Defence Secretary (ie Ministerial, not Private Secretary correspondence)
(d) One copy of the briefs for the Prime Minister's bilateral meetings with foreign leaders - Mr. Jackling will arrange to show this to Sir Anthony Parsons where necessary.

In addition, I shall give Mr. Jackling my folder for Parliamentary Questions, including all the briefing submitted, after the relevant Parliamentary Questions time.

If you see any difficulty in this, please let me know. Otherwise I should be grateful if you could put this in hand straightaway.

A.J.C.

9 February 1983

CONFIDENTIAL

CONFIDENTIAL

MR. COLES

PAPERS

You asked what papers I would find it helpful to see on a regular basis. A comprehensive list would be:

a. OD memoranda and minutes and Cabinet Office briefs for OD meetings.

b. Cabinet memoranda on defence or pol mil questions, the Cabinet Office brief and the relevant extracts from the minutes.

c. Misc 7 papers, briefs and minutes.

d. Memoranda and correspondence issuing from or copied to the Defence Secretary or his office, which are copied to No. 10 (save those which are not concerned with defence or pol mil questions).

e. Briefs on defence and pol mil questions prepared for the PM's bilateral meetings with foreign leaders.

f. Briefs on defence and pol mil questions prepared for PM's questions (although we agreed that in most cases it would not be practicable for me to comment on these between their arrival at No. 10 and their use in the House).

g. Drafts of letters prepared by Departments for the PM's signature on defence and pol mil questions.

From your point of view, and mine, it would be preferable if all, or most, of these papers could be copied to me as a matter of routine as soon as possible after their arrival. What do you think?

This does not deal with my access to papers in CF, but you are considering arrangements for this separately.

R.T. JACKLING
8 February 1983

CONFIDENTIAL

ALAN DAVIES-JONES

cc: Mr. Jackling

Mr. Jackling is likely to have to read a large number of highly classified papers during his time here. The present procedure is that he, or others who are authorised to see these papers, have to visit CF to read them. This is likely to be inconvenient for Mr. Jackling, given the number of papers concerned. Is it possible to devise any system whereby he can read the papers in his office? Would a box system meet the point?

Could you please see whether you can work anything out and, if so, clear the new procedure with Mr. Butler.

A. L. C.

1 February 1983

RE-CIRCULATE

AL MR AC PE NR

GJ TG

B/F 1.83

Colleagues,
Please note
Steve
11/1/83

MR. GEARY

to remind people of copying instructions as RJ will arrive today.

Please see my separate minute about the copying of Ministerial correspondence to Sir Anthony Parsons and Mr. Jackling.

When the new system comes into force at the end of this month, the rule should be that Ministerial correspondence on foreign affairs and defence questions, which is classified not higher than "Secret", should automatically be copied to Mr. Jackling. Papers with a higher classification or with a Personal grading should not be automatically copied. I shall decide ad hoc whether any copying of these should be done.

I should emphasise that the above applies only to Ministerial correspondence. As regards Private Secretary letters, again I shall decide on any copying action.

5 January 1983

JC

MR. GEARY

Thank you for your minute of 4 January.

Until Mr. Jackling arrives at the end of this month, I will decide which Ministerial letters and minutes on foreign affairs and defence matters should be copied to Sir Anthony Parsons.

I have agreed with him that when Mr. Jackling arrives (and provided he sees no objection), all Ministerial correspondence on foreign affairs and defence matters will then be automatically copied to Mr. Jackling who will decide which should be shown to Sir Anthony Parsons.

A.J.C.

5 January 1983

MR. COLES

cc: Mr. Davies-Jones
Mrs. Padwick

DISTRIBUTION OF PAPERS TO SIR ANTHONY PARSONS & MR. ROGER JACKLING

We need to decide which is the best system for copying papers and correspondence. Do you want CF to automatically copy Ministerial correspondence on foreign affairs and defence matters to the above? This is the system we use with the circulation of correspondence to the rest of the Policy Unit who deal with home and economic affairs.

If you decide we should be more selective, perhaps you could give CF a list of topics where we can automatically copy correspondence.

I have arranged for an extra copy of JIC papers to be sent to the Duty Clerk for distribution to Sir Anthony Parsons. Mr. Johnson is sending you a separate list of Cabinet Committees for you to decide which Sir Anthony should receive.

S. P. Geary
Duty Clerk

4 January 1983

CONFIDENTIAL

cc: Mrs Padwick

Steve
pl. see my marginal comments.
A.J.C. 5/1

MR COLES

Following our discussion with Sir Anthony Parsons this morning, I have been arranging for distribution of papers, allocation of passes etc. However, there were a few points raised which I thought I would bring to your attention as they need further discussion:-

Will decide later.

(i) which Cabinet Committees will Sir Anthony attend? Will he become a member of any Joint Intelligence Committees? I assume you will discuss this with the Prime Minister in consultation with Sir Robert Armstrong;

No.

(ii) is there a need for a weekly meeting slot in the diary for Sir Anthony and yourself to discuss with the Prime Minister foreign affairs and defence matters?

Sir A. Parsons will give direction through his secretary.
A.J.C. 5/1.

(iii) how should Sir Anthony deal with incoming correspondence addressed to him? Tim Flesher and Willie Rickett should be able to advise you about correspondence from members of the public and Members of Parliament. Whatever system is decided on, clear instructions will need to be given to Mrs Padwick, Garden Rooms and Correspondence Section.

Stephen Geary

S.P. Geary
Duty Clerk

4 January, 1982

Tyler [illegible] 11/11
You may wish to be aware of this
AD 11/11

cc Mr. Mount
Mr. Scholar

Downing St

To Note
~~AL. GS. HK. GC. PE. TE. AC. GG~~

MR. DAVIES-JONES

CIRCULATION OF PAPERS TO THE POLICY UNIT

At a recent Policy Unit meeting, we all agreed that the present system for circulating papers to the Policy Unit was working well; and I am grateful to you and the Duty Clerks for enabling that to be so.

As our staff, and therefore our interests, have expanded, there are of course still rare occasions when something slips through the net, and I wonder if I could make another in our series of regular pleas to you to ensure that, if there is any doubt, we get it. I think, for instance, that we should really have been seeing the papers I was looking at this morning about the CPRS work programme; we were a bit slow off the mark in seeing the papers on the MSC's Training College initiative (although I know that some of them went directly to Alan Walters); and the draft of today's statement on Britoil would have missed us completely if it had not been drawn to my attention by Press Office - so that Alan Walters had only a few minutes in which to comment on it. You have, I think, our note explaining our current division of labour, but it is not intended to be all-embracing.

All of us do, of course, fully understand the limitations of this system, ie that there are certain categories of paper which you can copy to us only with a Private Secretary's authority, or to one of us on a personal basis.

10 November 1982

JOHN VEREKER

1. Mr Flesher
2. Mr Richards

cc CF

15 September 1982

MR BUTLER O/R

Now that the Policy Unit is back to four people, it may be helpful to jot down some of the areas in which we will be taking a special interest. The list is not exhaustive or exclusive. We intend to remain flexible, collegiate and uninhibited.

Memos from the Policy Unit to the Prime Minister will, for the time being, continue as a rule to be submitted under my signature, or John Vereker's where his subjects are concerned.

John Vereker

The Public Sector

- Pay (and pensions) policy
- Industrial disputes
- Nationalised Industries
- Civil Service management

Briefing for PM's Questions

Liaison with Press Office on the presentation of economic policy

Peter Shipley

Employment

Industrial Democracy

Law and order and other Home Office matters

Opposition parties

Conservative Party liaison

Christopher Monckton

Future of National Health Service

Educational reform

Housing

Psephology

As well as supervising their work, I will myself be particularly concerned with public expenditure, railways, family policy, education and local government issues.

I suggest that we continue with the present arrangement for circulation of official papers to the Policy Unit, under which CF send to John Vereker a copy of anything of interest to us on any of these subjects, leaving it to John to find the right home for it up here.

FERDINAND MOUNT

Prime Minister 2

You will probably wish to discuss this, and Sir Robert's other minute on strengthening this office, with him and Robin Butler after your holiday.

WR
9/8

Ref: A09257

PERSONAL AND CONFIDENTIAL

PRIME MINISTER

Mr. Whitmore sent me a copy of his minute of 3rd August, recording your discussion with Mr. Sparrow earlier that day.

2. I have to say that I agree with John Sparrow that the CPRS's capacity and utility in its present role could be diminished if it became visibly part of the Prime Minister's Office, and that it should be perfectly possible - as indeed previous experience has shown - to improve the service which the CPRS, and in particular its head, can provide for you, without bringing it or him formally into the Prime Minister's Office. This is very much a function of the relationship between you and the head of the CPRS: if you and he both want it to be closer, it can be and will be.

and get its influence is diminished if it is my dept!

3. In general, perhaps I could add that the Cabinet Office, including the CPRS, is very much your Department. It would not be difficult to arrange for you to be able to make more use of it as an additional policy advisory service, if you wanted to; it would mean some changes in working relationships between your Private Office and us, but those would not be particularly difficult or complicated if you wanted us to try them.

4. I didn't think that Frank Cooper was quite fair when he said that the Cabinet Office was in business to promote consensus. It is in business primarily to make the Government's decision-making process work effectively, to facilitate the process of deciding upon Government policies and putting them into effect. To carry out that function we assemble here a relatively small group of people who represent a considerable concentration of talent and information. There is room to make more use of that talent and information in support of your role as guardian of the Government's strategy if we want to, and there is capacity to produce more policy advice, as against the "handling briefs" which are the staple fare of what you get at present.

RTA

Robert Armstrong

9th August 1982

PERSONAL AND CONFIDENTIAL

SUBJECT

2-4 AH

cc Sir R. Armstrong

cc Master

10 DOWNING STREET

*From the Principal Private Secretary*

PERSONAL AND CONFIDENTIAL

MR SPARROW

When you saw the Prime Minister this morning, she told you that she had been reflecting on the outcome of last Friday's meeting on the question of strengthening the advice and support available to her and that, contrary to the broad conclusion of that meeting, she was inclining more and more to the view that the CPRS ought to become part of her office.

You said that you saw no reason why it should not be possible to secure the Prime Minister's objective of improving the flow of information and advice to her, while leaving unchanged both the role of the CPRS and its place in the machinery of government. If it became visibly part of the Prime Minister's own office, doors that were now open to it would in future be closed. The attitude of the rest of Whitehall to the CPRS would change and might well become antagonistic. The best way of improving the help which the CPRS could give the Prime Minister would be for her to see you frequently and regularly. The most sensible way of doing this would be for you to take part in the weekly meetings with the heads of the existing policy unit and of the new foreign affairs and defence unit which she was envisaging holding.

The Prime Minister reiterated her view that it would be preferable for the CPRS to be within the Prime Minister's office rather than without. She knew that the CPRS reported to her now but given its present role and position in relation to the rest of Whitehall, she did not feel that it was part of her immediate staff. She thought that if the CPRS remained as it was while she strengthened her office in other ways, the CPRS would become less effective, not more. If it remained outside her office, she could not be sure that she would be able to see you as regularly and frequently as you hoped. It was not possible to reach a conclusion on this issue today: it was a matter to which she would want to return in a later discussion with you.

I am copying this minute only to Sir Robert Armstrong. Its sensitivity is plain.

AJW.

3 August 1982

AH

Downing St

cc: Mr. Whitmore
Mr. Davies-Jones
Mr Mount

MR. RICKETT

THE POLICY UNIT

We had a word this morning about the outcome of Mr. Mount's discussion with the Prime Minister yesterday afternoon.

The Prime Minister has asked that the Policy Unit start to take a particular interest in policy issues arising in the areas of education, and law and order; and the wider questions of influences on children and the values of society. Virtually all domestic affairs may have this kind of dimension to them, since it spreads into local government and social services: so for the moment I suggest that in addition to the papers the Policy Unit currently receives, all other papers on domestic issues received in this office also be distributed to us.

I should be grateful therefore if Mr. Davies-Jones would so arrange. I have agreed with Mr. Mount that for the convenience of both him and CF, CF should follow the current practice of sending all papers for the Policy Unit to me in the first instance, and I will route them within the Policy Unit as necessary.

I should also record that Mr. Mount told the Prime Minister that he had not yet reached firm conclusions about the extra staff he would be needing in the Policy Unit, and that the Prime Minister noted that he would be putting forward proposals in due course.

J.M.M. Vereker
25 May 1982

E.R.

5 March 1982

MR DAVIES-JONES

AD 8/3/82

cc Mr Whitmore
Mr Scholar
Mr Pattison
Mr Rickett

Mr Hoskyns
Mr Walters
Mr Vereker

PAPERS TO THE POLICY UNIT

1. The last revision of our arrangements for copying correspondence to the Policy Unit was recorded in my minute to Mr Whitmore of 23 October last year and his reply of 17 November. The Annex to my minute is the one retained in CF for reference, to which several manuscript additions have been made.

2. I have spoken to John Hoskyns and John Vereker and we have agreed that for the time being, all copies of correspondence that were previously sent to me should be sent to John Vereker. He will be responsible for ensuring that John Hoskyns sees those items in which he is likely to be most interested.

3. As far as Cabinet and Cabinet Committee papers are concerned, John Vereker should in future receive all papers that were previously sent to me, except E Committee papers and E(NI) papers, which should be sent directly to John Hoskyns, please.

4. The arrangements for Alan Walters' papers are unchanged. In future, John Vereker will assume my responsibility for drawing Alan's attention to items of interest that he would not receive as a matter of routine.

5. I should be grateful if these changes could take place immediately.

ANDREW DUGUID

Mr Davies-Jones. Done AD 30/11/81 Davies Mr

I shall be grateful if you can take action on X/, Y/ and Z/ below.

AWW 17xi

MR DUGUID

ccs Mr Hoskyns
Mr Vereker
Mr Scholar
Mr Rickett
Mr Davies-Jones

PAPERS TO THE POLICY UNIT

We had a word a few days ago about your minute of 23 October 1981 about refinements in the system for distributing papers to the Policy Unit.

X I am grateful for the revised list of subjects and copy recipients, and Confidential Filing will now circulate correspondence to you in accordance with this distribution.

As I told you, I do not feel strongly about the way in which copy recipients are shown on papers and I am perfectly prepared to adopt your suggestion that we should use initials rather than full names. I will ask my colleagues in the Y Private Office and Confidential Filing to use initials henceforth.

But as I told you, I am not happy about stamping incoming correspondence. I am quite sure that the Prime Minister would not take kindly to this innovation and I do not propose to introduce it.

As regards outgoing papers, I will remind the rest of the Private Office of the need to give distribution instructions when sending letters outside No 10.

I accept your need for an additional copy of Cabinet papers but I do not think that we can reasonably leave it to Confidential Filing to judge each time whether the subject is one which is likely to be of interest to the Policy Unit. Something will be bound to go wrong sooner or later. I have therefore asked Z Mr Davies-Jones to arrange for you to have an extra copy of all Cabinet papers. It will be sent to you personally.

AWW.

17 November 1981

Alan

You might like to consider my comments on the attached

Personally I see no real problem in supplying copies of the various correspondence requested apart from, perhaps, the Raw Material and Arrangements for Speeches etc which JV now requires. – in these cases I don't think we are ~~the~~ best source.

Regarding A.D's comments in para 2 b) about "probably" receiving too much unnecessary E & E Sub Committee correspondence. Surely both he and A.W. must know what they each receive. However we could improve this situation e.g. by including on A.D's new list (which we can use in place of our present list) the E & E Sub Committee subject titles which only J. Vereker is concerned with. In particular this would assist newcomers to C/F unfamiliar with the subjects.

Overall I think A D's list is an improvement on our present list.

His suggestion in para 4 is I feel "nit picking". Further to use a stamp would, in practice, involve more time because inevitably stamps would be mislaid

PTO

and we would be spending more time looking for the stamps resulting eventually in a return to the present-measuring-it method.

Whilst this request in para 4 could be accommodated with the use of copy 4 of the Cabinet papers on these rare occasions I feel that the initiative for issuing a copy of L.P. should come from the P/Sec (ie HCS) as he would be in the best position to identify the occasion when an E subject had gone to Cabinet.

Roger

23/10

Mr Davies-Jones.

Can we get drinks.

PMW
23x.

23 October 1981

cc Mr Hoskyns
Mr Vereker
Mr Scholar
Mr Rickett
Mr Davies-Jones

MR. WHITMORE

PAPERS TO THE POLICY UNIT

1. We exchanged minutes in April on this subject and agreed to review the arrangements after a few months (copies attached for reference).

2. I think the change we made then - that Confidential Filing send us copies of economic correspondence as a matter of routine - was a decisive improvement. It now needs a little further systematising for several reasons:

a. There has been some change in emphasis in the subjects on which the Policy Unit is likely to contribute advice.

b. Alan Walters and I are probably receiving too much unnecessary E and E sub-committee correspondence. Occasionally he has not received more important economic papers in time to comment.

c. A more rational distribution of papers between John Vereker and myself is possible, though there is bound to be some overlap.

3. After talking to all concerned, we have produced a revised list of subjects and proposed copy recipients to reflect these points (copy attached). The new list reflects some additions and some deletions. (Where possible the subjects correspond with the title of C/F subject files, but closer correspondence is unfortunately not possible.) In future, John Vereker will share my responsibility for ensuring that John Hoskyns sees copies of any correspondence that he needs to see. That will help to keep down the amount of photocopying.

4. I think it would take up less space (and appear less obtrusive) if initials were used to indicate copy recipients instead of full names in future. It is extremely helpful for those who receive papers

/to know

to know who else has his own copy. Much the quickest way of indicating this would be, as a matter of routine, to stamp the upper right-hand corner with the initials most frequently used. Ticks could then indicate who received copies. This would also help to ensure systematic treatment of routine correspondence.

5. As before, in the rare case of a paper of unusual sensitivity, Confidential Filing would consult a Private Secretary and the stamp would not be used.

6. Outgoing papers should obviously have the same distribution as the incoming papers to which they relate, but since papers take time to get back to C/F, we hope Private Secretaries can remember to give distribution instructions when dictating outgoing letters.

7. On the whole the arrangements for circulation of Cabinet Committee papers work well. The only problem arises when - as with the public expenditure discussion in Cabinet last week - an economic issue comes to Cabinet rather than to E Committee. There is then only one copy for Alan Walters, John Hoskyns and myself to work on. If an extra copy could be secured on these rare occasions it would be useful. Is there an obstacle to this?

8. If you see any difficulty about these proposals, perhaps we could have a word. Or in my absence next week, please speak to John Vereker.

AD.

ANDREW DUGUID

# PROPOSED COPY RECIPIENTS FOR CORRESPONDENCE

| | | | |
|---|---|---|---|
| **ECONOMIC POLICY FILE** | | | |
| General Management of the Economy issues, including public expenditure | AW | AD | JV |
| Monetary Policy | AW | | |
| **INDUSTRIAL POLICY FILE** | | | |
| Nationalised Industry issues | | AD | JV |
| Industrial Relations Reform | | AD | |
| Major proposals for Assistance (eg ICL) | | | |
| Labour Market issues | | AD | JV |
| **MANPOWER FILE** | | | |
| Employment Measures | | AD | |
| Training Measures | | AD | |
| **REGIONAL POLICY FILE** | | | |
| Inner City Problems | | AD | |
| **OTHER FILES** | | | |
| All other E and E sub-committee correspondence | | | JV |
| All pay and conditions issues (inc pensions) | | | JV |
| Major Industrial Disputes | | | JV |
| Contingency arrangements | | | JV |
| Raw material for economic presentation (eg forecasts, reports, good news, summaries of developments) | | | JV |
| Arrangements for speeches/regional visits with economic content | | | JV |
| All CPRS papers | | AD | |

cc A. Walters
A. Burgard

→ Alan D-J.
Absolutely no need to copy this to Alan Walters. But it is useful to me. (I've minuted Clive on the general principle)
AJ 23/10.

PRIME MINISTER

BL/HONDA COLLABORATION

When we decided to give BL more money last January, Sir Michael Edwardes sent Keith Joseph the enclosed confidential letter agreeing to clear in advance with the Government any proposed collaborative arrangements that were sufficiently comprehensive to preclude other collaborative arrangements being reached.

2 Sir Michael has now sent the enclosed letter seeking agreement for BL to sign a letter of intent with Honda, which would commit BL to a feasibility study on a proposal to design and develop an executive car, code named the XX, to replace the Rover in 1985. Signing the letter does not commit BL to enter into any legal agreement with Honda but BL will need to announce (probably in December) that a letter of intent has been signed which would at least signal BL's and Honda's intentions to the rest of the industry. Sir Michael thinks - and I agree - that setting up the feasibility study falls within the scope of the collaborative arrangements mentioned in his January letter.

3 The XX would be produced in different "BL" and "Honda" versions, which would have the same basic design but different appearances. BL would produce both versions for sale through both companies' dealer networks in Europe and Honda would produce both versions for sale in Japan. Unlike the Acclaim, much of the XX would be designed by BL.

4 The XX would replace BL's own planned Rover replacement, the LM14/15, which was to be based on the LC10 range. BL intend that it should have a substantial degree of commonality with the rest of the LC10 range and that it should be accommodated within the financial provisions already made for the LM14/15. The proposal is consistent in product strategy terms with the Corporate Plan we approved last year.

+ 12 pages.

Mr Davis - Jones. AD 26/5/81

SECRET AND PERSONAL

12 May 1981

Can you pl arrange x/ below + then return this minute to me.

AW 22 x.

MR WHITMORE

COAL STOCKS AT POWER STATIONS

1. Your letter of 15 April to John Halliday (copied to eight other offices) reported on the Prime Minister's meeting on coal stocks the previous day. It was not copied to John Hoskyns or to me.

2. As you probably know, the Policy Unit has advised the Prime Minister on several occasions during the last two years of the importance of contingency planning in respect of the NUM - always emphasising the crucial, if obvious, significance of coal stocks being in the right place. We continue to take a very close interest in this subject. Of course, I entirely accept that any papers relating to it must be treated with great care on a strict need to know basis.

3. John Vereker and I have made arrangements with Robert Wade-Gery about relevant CCU papers. I hope you see no obstacle to my receiving records of any further meetings on this subject, or other relevant papers.

x

ANDREW DUGUID

SECRET AND PERSONAL

MR. DUGUID

COAL STOCKS AT POWER STATIONS

I am sorry I have not replied before to your minute of 12 May 1981.

I have arranged with Confidential Filing for you to get papers on the subject of coal stocks at power stations in future. I am grateful for your assurance that such papers will be handled on a strict need to know basis.

26 May 1981

SECRET AND PERSONAL

MR. DUGUID

cc: Mr. Lankester
Mr. Rickett
Mr. Davies-Jones

PAPERS TO THE POLICY UNIT

Thank you for your minute of 24 April 1981 about the arrangements for ensuring that the Policy Unit get all the papers they need. As you say, there is no problem about letting you have papers for E or for the sub-committees of E: these arrangements are well understood and are working satisfactorily.

As for papers dealing with the subjects listed in paragraph 4 of your minute, I have given instructions that Confidential Filing are to let you have copies as a matter of routine. If they are uncertain about a particular paper, e.g. because of its extreme sensitivity, they will consult a Private Secretary before letting you have a copy. Cases of this kind should, of course, be a rare event.

I suggest that we let the new arrangements work for a couple of months and then review them at the end of June.

C. A. WHITMORE

29 April 1981

Mr Davies-Jones.

Cd we pl have a word.

24.iv

24 April 1981

MR WHITMORE

cc Mr Lankester
Mr Rickett
Mr Davies-Jones

COPYING PAPERS TO THE POLICY UNIT

1. From time to time (in January, May and September 1980) I send private office a note about the topics in which the Policy Unit is currently most interested, in order to ensure that we see all relevant papers. It seems time to send another one.

2. As you know, all papers (including correspondence) with an E or E sub-committee circulation are sent to me automatically by CF. The problem is papers on a more limited circulation than E. (Of course, most urgent or important issues are raised on a narrower circulation in the first instance.)

3. Budget papers and those concerning changes in MLR are a special case, and the earlier arrangement was with Alan Walters.

4. Our present range of interests has not changed much since my last note. We should like to ensure that we receive copies of <u>any important</u> economic and industrial issues, particularly:

(a) public expenditure;
(b) pay, major public sector strikes (including contingency planning);
(c) nationalised industries;
(d) trade union reform (especially the Green Paper);
(e) industrial support - both general measures and particular major cases like BL;
(f) Civil Service reform.

5. There have been several recent failures to send us copies of papers relevant to this list. On some occasions, we have only received copies of correspondence several days <u>after</u> it has been put to the Prime Minister. Quite often, we receive a copy of a letter but <u>not</u> of the reply or follow-up action.

6. I know it is unreasonable to expect busy Private Secretaries always to remember to copy these items to us. That is why I suggested in my note of 12 September 1980 that the task could largely be

undertaken by CF. We spoke about this recently and you saw no difficulty in principle. (In the Industry Private Office, the responsibility for circulating to officials <u>every</u> piece of incoming paper is delegated to Clerical Officers, who consult Private Secretaries as necessary.) If there is any problem, please let me know.

ANDREW DUGUID

Danny Sw.

1,

Clyde. AWW 29/xii

CF will arrange for Prof. Walters to get these papers from 6/1. MAP 29/xii

PRIME MINISTER

Professor Walters: Access to Papers

We need to decide what access Professor Walters should be given to official papers.

The Policy Unit receive, with your approval, copies of E and E(EA) agendas, memoranda, minutes and related correspondence. I think that Professor Walters should be given the same access to E and E(EA) papers, but I suggest that, in addition - to make sure that he is aware of what is going on right across the economic scene - he should receive copies of all agenda, memoranda, minutes and related correspondence for both Cabinet itself and the new Sub-committee of E on Public Sector Pay Policy (E(PSP)). I also think that Professor Walters might have an interest in some of the subjects likely to come to EX, and I suggest that he should have this committee's papers too. I doubt whether he needs to receive copies of other Cabinet Committee papers (e.g., OD or OD(E)), and for these we could extend to him the existing arrangement by which David Wolfson alerts the Policy Unit if there is anything in them of interest to the Unit.

Are you content with these arrangements? If you are, we can see how they go, and if Alan Walters thinks a change is needed, I will consult you again.

AWW. Yes not

24 December, 1980.

Alan Walters will, incidentally, have a very experienced secretary to look after his papers (as well as to do other things). She is at present in Sir Robert Armstrong's office.

AWW.

12 September 1980

MR DAVIES-JONES

cc Mr Lankester

COPYING PAPERS TO THE POLICY UNIT

1. I promised to show you a note recently which set out the subjects on which we should receive copies of Ministerial correspondence. In fact, our previous notes on this subject needed updating anyway.

2. Our main interest is in the Government's economic strategy and any measures which have a significant impact upon it. We have a standing arrangement that I receive copies of all E papers (copy no. 7) automatically. This extends to sub-committees of E - ie E(EA); E(NF) and E(DL). The arrangement also covers correspondence.

3. On the whole, this arrangement works smoothly. Occasionally someone forgets to send us a copy of correspondence - particularly reporting minutes from the Chairman of E(EA) to the Prime Minister. (This happened last Friday, when he reported on discussions on the Atomic Energy Authority's pay settlement.)

4. In addition, we receive Cabinet Agendas - so that we can arrange to receive relevant Cabinet Papers when necessary. We do not receive the Papers automatically. We also receive a copy of the forward look at Cabinet Committee business. I am copied direct by Cabinet Office with David Wright's regular Thursday submission to Sir Robert Armstrong with proposals for future business. But I rely on C/F to send me a copy of the final version sent to Mr Whitmore on Friday of each week.

5. Unfortunately, not all economic and industrial issues receive an E circulation. Frequently, one Secretary of State addresses the Prime Minister or the Chancellor, with copies to only a small handful of colleagues. I should be grateful if you can try to ensure that we receive copies on any important economic issues, particularly:

   (a) Public expenditure.

   (b) Pay, major public sector strikes.

   (c) Nationalised industries.

(d) Trade union/industrial relations reform (especially the forthcoming Green Paper on Trade Union Immunities).

(e) Industrial support - both general measures, and particular major cases like BL.

(f) Civil Service reform.

6. I realise, of course, that there will be some papers of particular sensitivity from the Treasury about Budget measures and MLR changes etc. Obviously, Mr Lankester will need to exercise discretion on the copying of these papers. But I expect that papers on all the subjects above (with the possible exception of the last one) can be automatically copied to me by C/F.

7. Please let me know if you see any difficulty about these arrangements.

ANDREW DUGUID

MR. PATTISON

c.c. Mr. Ingham

You asked me yesterday to let you have a note about papers that I should see which come in the first instance to Private Office.

I should be grateful if I could be shown the papers relating to the Unofficial Group on Pay, which I believe start with a letter dated 14 August from Mr. Ryrie to Mr. Barnes. I should also be glad if Private Office would arrange for me to see any other correspondence relating to the presentation of the Government's economic policies. No doubt as my new position becomes more widely understood in Whitehall, correspondents will start to send papers to me direct; but until then, I should be grateful to be kept in the picture in this way.

As concerns Cabinet and Cabinet Committee papers, which we discussed, I shall need to see, and if necessary have continued access to, papers for and minutes of Cabinet, E Committee, MISC 14, and no doubt several other Committees with which I am not yet familiar. I shall be happy to fall in with whatever arrangements you and the Confidential Filing section find appropriate, and I shall understand if you prefer that LCAs are only made available to me for reading within Private Office.

3/9/80.

1. Mr Davies-Jones 3. TPL to see o/r.
2. Mr Vereker

Please arrange this on the basis we discussed this morning. In cases of doubt, Mr Lankester should be consulted.

(JOHN VEREKER)

2 September 1980

2/IX

Strategy

Pay

Unemployment

10 Downing St

10 DOWNING STREET

NOTE FOR FILE.

If cabinet committee papers other than E and EA are of interest to John Hoskyns, David Wolfson will alert him to them. John Hoskyns will then ask us for a copy to see (and return). The only exception to this is in the case of L.C.A's, when Chris Whitmore should be consulted if Hoskyns wants to see one.

TGR

3.1.1980

10 Downing St

Ref: TPL to M.Vile of 8.11.79

**10 DOWNING STREET**

Note for the record:

Agreed with ~~Foton~~ Sir Robert Armstrong's office that we would supply Andrew Duguid with copies of E and E(EA) material from the copies we receive at present. (ie copy 7 to A. Duguid)

A.C.K. McClaren.

9/11/79

10 DOWNING STREET

*From the Private Secretary*

MR. VILE

The Prime Minister has asked that the Policy Unit here at No. 10 should receive its own copies of E and E(EA) agendas, papers and minutes of meetings. I should be grateful if in future a separate set of all these papers could be sent to Andrew Duguid (who, as you know, is now assisting John Hoskyns).

T. P. LANKESTER

8 November 1979

CONFIDENTIAL FILING

E AND E(EA) CORRESPONDENCE

I should be grateful if, in future, copies of all minutes and letters coming in from Departments which have been copied to members of E and E(EA) Committees could be sent automatically to Andrew Duguid.

Please could you also make a copy of the draft Cabinet and Cabinet Committee forward look which comes in every ~~Friday~~ Thursday evening to Clive Whitmore, and send this to Andrew Duguid as well.

You should all be aware that the Cabinet Office have been asked to send a separate set of E and E(EA) agendas, papers and minutes of meetings to the Policy Unit. (Copy 7)

This means that whenever anything comes in from other Departments to me, the distribution should be immediately checked, and a copy made for the Policy Unit before the piece of paper in question is passed to me if it has an E or E(EA) distribution.

TL.

8 November 1979

10 DOWNING STREET

Mr Hoskyns

You've got nearly all you asked for!

AHW

5 xi

→ Andrew, Can I leave this with you as "custodian of the official papers"?

Tim
i.e. papers to me, pl.

PD.

1.

PRIME MINISTER

Since the Election, the Policy Unit has received copies of papers and correspondence judged by Tim Lankester to be relevant to our work. I have had access to David Wolfson's cabinet for Cabinet and Cabinet Committee papers. This arrangement was partly to ensure maximum security during the initial weeks when the first Budget was in preparation, and also to ensure that we didn't overload ourselves with paper before we had got into our stride.

I now feel that the effectiveness of the Unit would be improved if we received regularly copies of E and E(EA) agendas, papers, correspondence, and conclusions. This would require your approval. Sir Robert Armstrong's office sees no difficulty from a mechanical point of view, provided of course the normal security arrangements are strictly adhered to. If you agree, I would propose to make Andrew Duguid - who has recently joined the Unit - personally responsible for the security of all papers we receive. He has, of course, had access to all these papers in his previous role as Keith Joseph's Private Secretary.

There are two reasons why I think we need these papers:

(i) The "Government strategy" exercise. E Committee discussed the priority items earlier this week; the Chancellor will shortly be reporting on a large number of further items so far designated as having lower priority. The Policy Unit is closely involved in the many discussions at official level, where our main role is to keep up the momentum. The items span the full range of economic issues, many of which are being discussed week by week in E and EA Committees.

(ii) Issues arise from time to time (BL provides a good example) which present the Government with an opportunity to create a new stepping stone in our strategy. We need to be able to identify these opportunities early enough to think them through and make suggestions before decisions are reached.

There is no question of the Policy Unit attempting to become involved in every economic issue that comes before Ministers. Our whole aim is to be highly selective, concentrating only on those areas where political

and economic strategy interact. Many of the papers will turn out to be not directly relevant to our work, but it would be very difficult for anyone else to decide that in advance. In a few cases there will be issues coming to non-economic committees, and I suggest that it would be useful for me to receive a copy of the consolidated forward agenda for Cabinet Committees, which is prepared each week by the Cabinet Office, in order to spot these cases. These go too widely already. Please look at David's.

Y

David Wolfson agrees with me that the arrangements I propose would be the best way of ensuring that the Policy Unit sees all the papers it needs to see.

Agree X - but please do not distribute Y any further - John can look at David's. In view of present problems we must cut down not increase the numbers of these papers.

MT.

JOHN HOSKYNS
30 October 1979

Prime Minister.

I too believe that what Mr Hoskyns is proposing is sensible.

Do you agree X/ and Y/ above?

AAW
2xi

Downing 85.
Originated
Downing St. May 79
Handling of Cabs. Papers

MR. HOSKYNS

c.c. Mr. Wolfson

Distribution of Documents

Your minute of 5 July.

Personally, I would be very glad if you could receive Cabinet and Cabinet Committee papers on the economic side. However, we are not allowed to make copies of these papers; and in any case, their distribution has to be authorised by the Prime Minister if it is to be done on a regular basis. Might I suggest that you take this up with the Prime Minister?

On the other hand, I will certainly send you copies of incoming and outgoing letters, etc., on energy matters; and I will continue to send you other material where I think you have an interest. But please let me know if there is material which you are not receiving which you think you should.

T. P. LANKESTER

6 July, 1979.

Mr Wolfson

Original filed Downing St May 96 (Handling Cabinet Papers).

MR LANKESTER

cc Mr Wolfson

DISTRIBUTION OF DOCUMENTS

For security reasons during the run up to the Budget, I did not receive a separate set of Cabinet and Cabinet Committee papers. Instead I referred to the complete files in David Wolfson's office.

I would like now to keep a complete set in my office, so that there is no risk of my missing something which may be significant from the strategy point of view. At present, the only way to be sure of this is for me to check all the files in David's office every day to ensure that there are no newly-arrived documents. That is obviously a clumsy way of doing it.

Would it be possible for me now to receive:

Cabinet Papers
Cabinet Minutes
Committee Papers and Minutes for:

E
E(A)
EDL.

Also any minutes, letters etc on Energy.

David has a separate combination lock which he will pass to me, and I have a suitably fitted cabinet up here for it. Unfortunately, at the moment he seems to have forgotten the combination, but no doubt it will come back to him!

Mr Hoskyns

JOHN HOSKYNS
5 July 1979

Original Copied: Downing Street
Prime Ministers - May 79
PM's weekly diary

TO ALL PRIVATE SECRETARIES

cc Mr. Wolfson
Mr. Ryder
Mr. Gow
Mr. James

The Prime Minister reviewed our working arrangements with Mr. Wolfson and me on Wednesday and decided that some changes should be made forthwith, as follows:

i. Engagements - The Prime Minister will have a (probably) weekly diary meeting at which she will decide on future engagements. As invitations come in, Caroline Stephens will pass them to the appropriate Private Secretary to get advice from the relevant Cabinet Minister and/or from the Political Office. Mr. Wolfson, Richard Ryder, Caroline Stephens, Ian Gow and I will assemble outstanding invitations and consider them together before we have our discussion with the Prime Minister.

When an engagement is accepted, the normal rule will be that a Private Secretary will accompany the Prime Minister, either the Duty Private Secretary or the Private Secretary with the subject responsibility. There will be certain wholly political engagements where this may not be necessary, but these will be the exception. The Prime Minister will say in respect of each visit, when it is arranged, whom she wishes to accompany her in addition to the Private Secretary.

ii. Speeches - If the Prime Minister is to make a speech, this should be shown in the diary. Alongside it should be shown the name of the appropriate Private Secretary, either Duty Private Secretary or subject Private Secretary, who will have the responsibility for ensuring that from whatever source is appropriate, the Prime Minister has a draft speech for her box one week before the event. As soon as a

/"speech"

"speech" engagement is accepted, it will be the responsibility of that Private Secretary to consult Mr. Wolfson and/or Mr. Ryder to establish - consulting the Prime Minister as necessary - the kind of speech that is required, the briefing that needs to be commissioned from Departments and who is to take responsibility for drafting the speech itself, either ab initio or using material commissioned from Departments. Thus, the diary entry for a particular occasion might be:

Visit to Computer-Aided Design Laboratory
(Speech: Mr. Lankester)

iii. Daily appraisal of the Press - Starting on Monday 4 June, when the Prime Minister will have moved into the flat in No. 10, the Prime Minister proposes to have a meeting at 0900 each day (or later as necessary) for ten minutes to consider matters of interest and concern arising from Press, Radio and Television reporting. Those present will be the Paymaster General and Derek Howe, Henry James, and the Duty Private Secretary who should, for this meeting be the Private Secretary on duty the previous evening, i.e. it will be the Private Secretary who will have been aware of any untoward events during the previous evening and night. On Tuesdays and Thursdays Mr. Sanders will also attend. The output from this meeting will be either a line of briefing which the Paymaster General or the Press Secretary may take in dealing with the media and/or specific requests for briefing/action which it will be the task of the Duty Private Secretary to follow up. When appropriate, the Private Secretary should record briefly for the information of those not present, and in particular the other Private Secretaries who will be concerned, Mr. Ryder and Mr. Gow, what has been decided or commissioned.

K.R.S.

1 June 1979

cc Mr. Hoskyns
Mr. Lawrance, CSD

10 D.S.

10 DOWNING STREET

THE PRIME MINISTER

Dear Sir David.

I am writing to ask whether it would be possible for Lever Brothers Ltd. to release Mr. Norman Strauss to join my Policy Unit here on a part-time basis for a two-year period.

I have asked Mr. Keith Lawrance of the Civil Service Department to write to you direct with detailed proposals about the terms of Mr. Strauss' employment.

I very much hope that it will be possible for you to arrange for Mr. Strauss to be released for this important work.

Warm wishes.

Yours sincerely

Margaret Thatcher

Sir David Orr, M.C.

PRIME MINISTER

John Hoskyns has been in touch with Lever Bros. to secure the release of Norman Strauss to join the No. 10 Policy Unit. They are agreeable and what is needed is a letter from you to David Orr asking him to allow this. I attach John Hoskyns's draft letter for this purpose.

The reference to the Civil Service Department's intention to write is necessary because some negotiation would be required as between the CSD and Lever Bros. so as to ensure that the total remuneration paid to Norman Strauss is acceptable to all concerned.

K.R.S.

17 May 1979

PRIME MINISTER

Spoke Mr. Wolfson
N.E.A. P.C. KMP

Submissions from Ministers must not go to the Political Office and I see no reason for them to go to Mr. Hoskyns. We shall spend all our time finding out what other people are doing instead of each person getting on with their own job.

David Wolfson and I have considered, with colleagues here, how best to ensure that your political staff and the official side of the office work together in the most effective way. This note sets out our conclusions on certain aspects.

Dealing with submissions from Ministers and important letters from outside Government

These will arrive in the Private Office on the desk of the Private Secretary within whose parish they fall. It will be his responsibility to ensure that they are copied to Mr. Wolfson, Mr. Hoskyns and Mr. Ryder (and, of course, Mr. James as Chief Press Secretary) for their consideration or, if time does not allow, to consult them directly and secure their comments. The Private Secretary will secure Cabinet Office advice or the advice of Ministers either on an incoming letter or another Minister's submission if that is appropriate. He will also consult Ian Gow.

No too much paper work.

(1) Ian must see all letters from M.P.'s.

Thereafter, it is the Private Secretary's responsibility to ensure that you have the issue presented to you in a co-ordinated way, with the comments (if any) of Cabinet Office, Press Office and your political staff clearly identified. When the issues are complex and difficult, we could end up with a folder of papers and you will need to have your path through them clearly charted and advice summarised by the Private Secretary so that you can judge whether the issue is one which you wish to decide yourself, wish to refer back to the Ministers themselves to get together and decide on, or refer to a Ministerial Committee, or in the last resort take at Cabinet.

No doubt we shall have our teething troubles, but neither of us sees any reason why this should not work out well.

Please see me about this.

Spoke P.M.

Cabinet and Cabinet Committee Papers

Excluding those of an intelligence/defence nature, which are dealt with on "a need to know" basis, copies are given to Mr. Wolfson, Mr. Hoskyns, Mr. Ryder and Mr. James authomatically. They will take the initiative if they wish in offering you advice on them. If it is a Cabinet paper, or you are chairing the

No - they will all be doing the same work and not their own work if that is so.

/Ministerial

Ministerial Committee concerned, you will receive a Cabinet Office brief in any case and it will be the Private Secretary's job to ensure that the papers are co-ordinated and identified so that you can relate, to the Cabinet/Committee paper itself, Cabinet Office advice and advice from within No. 10. If the papers relate to a Committee which you will not be chairing, it will be for consideration whether we would wish to advise you to express a view which the Committee will wish to take into account. If you do wish to intervene, then it will be the Private Secretary's responsibility to make sure your views are made known to the Cabinet Committee Chairman and to the Cabinet Office Secretariat.

The Parliamentary Private Secretary to the Prime Minister is not currently provided for in this arrangement. Do you wish us to include Ian Gow?

Speeches

As forward engagements are entered in your diary, each occasion entailing a speech is identified as such and a Private Secretary then becomes responsible for handling that occasion: this means that he is responsible for initiating the preparation of a speech in consultation with all concerned in the office, securing material from Departments concerned (taking care to ensure that it is seen by Ministers before it reaches you), assembling it, and arranging for the production of a complete speech for your approval. The objective would always be to have a complete draft ready at least a week before the occasion - you may wish to impose an earlier deadline. The lesson of this week is that the first submission to you should set out a structure/framework for the speech, but there is, I think, need for us to discuss with you how best we can all help on speeches.

Trouble Shooting

All parts of the office have to keep their eyes and ears open, both within Government and outside it, to identify things that might go wrong or about which you might need to be consulted at an early date. Part of the official apparatus that helps me on this is a weekly meeting which Sir John Hunt chairs with all the Deputy Secretaries in the Cabinet Office and which I attend. The outcome of this meeting is, as you know, the programme of Cabinet and Cabinet Committee business which I will put to you

/each Friday

each Friday, but behind that is a general review of whatever is going on anywhere in Whitehall that is of interest. David Wolfson attends with me. Apart from that, we would normally go into action on any matter which we think ought to be called up for Prime Ministerial consideration or inquiry, by asking the Private Secretary within whose parish the subject falls to ask either the Cabinet Office or the Private Office of the Secretaries of State concerned to secure a report on the particular item, which we can (if appropriate) put to you.

Keeping in touch with the work of individual Departments

The press of business in No. 10 makes it difficult to keep in touch with what Departmental Ministers are doing (or, even more important, not doing). Cabinet and Cabinet Committee business is no substitute for direct probes into particular Departments, or for bilateral meetings between the Prime Minister and the Secretary of State concerned. Some Departmental Ministers, in particular the Chancellor of the Exchequer and the Foreign and Commonwealth Secretary, will necessarily have fairly frequent contact with you on major issues of policy. But others may not do so. A possible approach which we commend is for you to set aside a couple of hours each month to have a bilateral discussion with each in turn of the 12 most important Departmental Ministers (other than the Chancellor and the Foreign Secretary) at which you could review with them (and their senior officials?) the problems and policies of their Departments. For this purpose, the Cabinet Office are well equipped to provide a comprehensive brief about the work of the Department, and political staff could provide a political commentary on it so that you could focus the discussion on, say, the key issues. You are tackling the Department of Energy on Friday by visiting them: my reservation about doing it that way round is simply that your time costs more than theirs.

As an expansion of this, we wonder whether you would be prepared to consider a "Departmental visit" preceding your discussion with the relevant Minister? By this I mean not a visit to the Department itself, which will involve meeting dozens of people without getting anywhere near the action, but going to the specific area of responsibility of the Secretary of State - for

/example,

example, preceding a bilateral with the Secretary of State for Social Services you might spend a day out in the country visiting a hospital, an old people's home, a social work unit of a local authority and a social security local office; similar programmes could be arranged in relation to other Secretaries of State. Obviously this takes time but spread over a period of a year it would have great benefits in terms of your oversight of Departmental Ministers and for Government's standing generally.

A small inner group of Ministers

We can see much merit in the idea (which you mentioned to me this morning) of your having a regular weekly meeting (subject to there being no overriding engagement for you which stands in the way) with a small group of key Ministers chairing Committees to consider the forward business of the Government and the handling of important issues. This group might be composed of the Chairmen of the Home Affairs Committee (Mr. Whitelaw), and of the European Sub-Committee of OD (Lord Carrington), the (de facto) Deputy Chairman of the Economic Strategy Committee (Sir Geoffrey Howe), the Chairman of the Economic Affairs Sub-Committee (Sir Keith Joseph), together with the Chief Whip who would be able to speak to backbench opinion in the House. If the meeting were held on, say, Monday morning, there could be useful business before the group in the shape of the proposed programme of Government business which I submit to you each Friday, following my discussions with Sir John Hunt about your programme. This sets out not just the proposed meetings for the next three weeks but the subjects to be taken at each meeting. It would, therefore, enable you and your key colleagues to form a view on the handling, timing and substance of these issues. It would be sensible to have your principal staff in No. 10 (David Wolfson, Henry James, Richard Ryder, Ian Gow and myself) and Sir John Hunt present at this meeting, while the business is discussed, but that having been done, you could go on to talk on any matters of concern. I would still suggest that, save in exceptional circumstances, you ought to have a Private Secretary present to record what you and your colleagues decided.

/Keeping down the flow

Keeping down the flow of paper

You have had a lot of papers submitted to you since taking office and I hope you will never have a comparable mass to assimilate again. Perhaps I could add that it is one of the important tasks of the Private Office to ensure that papers do not come to you unnecessarily and/or without adequate preparation (and we slipped badly over the CSD paper).

This note omits some areas of activity, eg briefing for Questions, inward and outward foreign visits, and there will be some specific matters, eg the preparation of the Budget, on which we shall need to operate somewhat differently. David and I would welcome a talk on this general approach.

KKS.

cc Mr. Wolfson

16 May 1979

MR STOWE

Mr Hoskyns has asked me to pass this to you to show to the Prime Minister.

He saw Mr Lawrance yesterday and spoke to him about this; Mr Lawrance is ready to write to Unilever whenever appropriate, and has been promised a copy of the Prime Minister's letter to Sir David Orr.

Linda Rust

Linda Rust
16 May 1979

DRAFT LETTER FROM THE PRIME MINISTER TO SIR DAVID ORR, CHAIRMAN OF UNILEVER

Dear Sir David

I am writing to ask whether it would be possible for Lever Brothers Ltd to release Mr Norman Strauss to join my Policy Unit here on a part-time basis for a two-year period.

I have asked Mr Keith Lawrance to write to you direct with detailed proposals about Mr. Strauss' terms of employment.

I very much hope that it will be possible for you to arrange for Mr Strauss to be released for this important work.

10 D St.

MR. JAMES

No. 10 Policy Unit

The Prime Minister wishes to issue the following Press Notice this evening:

"The Prime Minister has appointed Mr. John Hoskyns as Head of the No. 10 Policy Unit. The task of the Unit is to develop and maintain the strategic policies of the Government, with a view to achieving its long-term objectives. It will work under the direction of the Prime Minister, in close consultation with the Central Policy Review Staff."

omit

KKS

11 May 1979

PRIME MINISTER

There are, I think, three things to be accomplished when you see Sir Kenneth Berrill tomorrow.

First, on a purely personal basis, I am sure he would welcome an indication from you that you want the CPRS under his direction to work vigorously in support of the new Administration - and I am equally sure that you will get a positive response. You could then invite him to let you have at an early date an outline of the current CPRS programme of work for your consideration.

Secondly, you will want to explain to him that you are going to invite Dr. Terence Price to join the CPRS as another Deputy. I attach at ~~Flag A~~ list of the existing CPRS membership.

Thirdly, you will then want to explain that you will, like the previous Administration, establish a Policy Unit in No. 10 to assist the Prime Minister by thinking strategically about policy and about long-term objectives and by providing a "searchlight" of analysis and thought on particular aspects of policy in relation to those objectives. This will be under John Hoskyns's direction as part of the political side of the Office. Mr. Hoskyns's Unit will also be embarking upon a programme of work for you which must be co-ordinated with the work of the CPRS and you want John Hoskyns and Kenneth Berrill to work closely together for this purpose. Cabinet colleagues have already been informed of Mr. Hoskyn's existence (my letter at ~~Flag~~ B, 10.5.79. to which is attached our submission to you about the work of the Unit) and the Unit will be announced by Press Release later on Friday.

Knowing Kenneth Berrill as you do, I think you would do an enormous amount of good in terms of constructive work between the CPRS and the Policy Unit if you felt able to say to him what you had already conveyed to me and Sir John Hunt, namely that you want him to continue as Head of the CPRS, at least for the time being, and hope that it will be possible for him to continue

/to work in the

to work in the public service (but without, of course, making any promises!).

I attach a separate minute setting out a particular proposition which you might then put to Kenneth Berrill and John Hoskyns when you see them together (Flag C).

KKS.

10 May 1979

MEMBERS OF THE CPRS

| Name | Civil Service Grade | Date of Joining | | Parent Department or Organisation |
|---|---|---|---|---|
| SIR KENNETH BERRILL | Permanent Secretary | 1.10.74 | Chairman of UCG 1969-73<br>Head of Govt Econ Service 1973-74 | - |
| G DOWNEY | Deputy Secretary | 13. 7.78 | Joined Ministry of Works 1951<br>Transferred Treasury 1952<br>APS to successive Chancellors 1955-57<br>On loan to Ministry of Health 1961-62 | Treasury |
| J M ASHWORTH | Under Secretary | 1.10.76 | Reader in Biochemistry of Development Leicester University 1971-73<br>Professor of Biology University Of Essex 1973-76 | Cabinet Office |
| J CRAWLEY | Under Secretary | 26. 2.79 | Joined Inland Revenue in 1959<br>CPRS 1973-76 | Inland Revenue |
| S BOYS-SMITH | Principal | 13. 6.77 | Entered Civil Service (Home Office) in 1968 | Home Office |
| C DADD | Economic Adviser | 18. 7.77 | Agricultural Economist MAFF 1972 | MAFF |
| T KNAPP | Assistant Secretary | 19. 7.77 | Joined Civil Service in 1961<br>Has served in Ministry of Agriculture and Ministry of Defence | MOD |
| N KINGSLEY | On loan from Plessey | 15. 8.77 | Operational Research Scientist with Scientific Control Systems 1972-75<br>Principal Operational Research Analyst with Plessey 1975 | Plessey |

| Name | Civil Service Grade | Date of Joining | | Parent Department or Organisation |
|---|---|---|---|---|
| MISS M E MacGLASHAN | Grade 4 (Diplomatic Service) | 5. 9.77 | Entered Diplomatic Service in 1962 Last appointment First Secretary Brussels (UK Rep) | FCO |
| DR L ATKINSON | On loan from BP | 3.10.77 | Joined BP in 1962 Was Manager BP Germany before coming on loan to CPRS | BP |
| J R GUINNESS | Grade 4 (Diplomatic Service) | 7.11.77 | Entered Diplomatic Service in 1962 Deputy Leader to UK Delegation to the Law of Sea Conference 1975-77 CPRS 1972-75 and 1977-date | FCO |
| MS A C HAYMAN | HEO(A) | 15. 3.78 | Joined Civil Service (ODM) in 1975 | ODM |
| DR J MORGAN | On a 2-year Period Appointment | 24. 7.78 | Lecturer in Politics at St Hugh's College Oxford | St Hugh's College Oxford |
| MISS C H LAND | On loan from Bristol University | 2.10.78 | 1964-70 Research Officer, Dept of Social Administration LSE 1970 Lecturer at University of Bristol | Bristol University |
| N J HARTLEY | Economic Adviser | 13.11.78 | Entered DES as an AP in 1965. Transferred to Treasury in 1969 as an Economic Assistant | Treasury |
| P J KIND | On loan from UKAEA | 15.11.78 | 1969-75 Peter Ward Ltd as an Industrial Consultant. Joined UKAEA in 1975 | UKAEA |
| J H RICKARD | Senior Economic Adviser | 1.12.78 | 1967-70 Lecturer in Economics Birmingham College of Commerce 1970-74 UKAEA as Economic Adviser 1974-76 DHSS 1976 DPCP | DPCP |
| M A JOHNS | Principal | 26. 2.79 | Joined Civil Service (Inland Revenue) as an AP in 1967 | Inland Revenue |

10 DOWNING STREET

*From the Principal Private Secretary*

10 May 1979

Dear John,

Prime Minister's Policy Unit

The Prime Minister has established in her Office a small Policy Unit under the direction of Mr. John Hoskyns.

The Unit's task will be to assist the Prime Minister in developing and maintaining the strategic policies of the Government, with a view to achieving its long-term objectives. In doing this it may, of course, be asked to consider immediate issues in the light of those objectives. They will, for this purpose, be carrying out a programme of work, under the direction of the Prime Minister, in close consultation with the Central Policy Review Staff. Mr. Hoskyns and his colleagues will, of course, wish to consult the Prime Minister's Cabinet colleagues and their Departments from time to time in order to carry out their task and the Prime Minister would be grateful if Cabinet colleagues would give them appropriate assistance.

Mr. Hoskyns's Unit will work for the Prime Minister personally but the Prime Minister may from time to time wish them to circulate papers to colleagues collectively.

I am copying this letter to the Private Secretaries to all members of the Cabinet, including the Minister of Transport, the Chief Whip, the Attorney General and to Sir John Hunt and Sir Kenneth Berrill.

Yours ever.

Ken Stowe.

John Chilcot, Esq.,
Home Office.

PRIME MINISTER

Discussed with the P.M. Agreed to proceed as suggested but not to put out the Press Notice until she has seen Sir K. Berrill. KJS.

No. 10 Policy Unit

David Wolfson and John Hoskyns and I have discussed between ourselves arrangements for setting up the No. 10 Policy Unit under John Hoskyns on the lines which we discussed with you this morning. We concluded that, all outstanding issues having been (we trust) resolved, we should move speedily to establish and announce the Unit, although of course we cannot, and need not, say anything about the membership of the team, apart from John Hoskyns at this stage. Accordingly -

i. David Wolfson has seen the Chancellor to establish that Adam Ridley is to be a Special Adviser to the Chancellor, in the Treasury, and this is to be announced by the Treasury tonight so as to spike Economist speculation about his position in the No. 10 Unit.

ii. We suggest that you should tell Cabinet colleagues tomorrow about the establishment of the Unit and that this should be followed up by a letter from me to their Private Secretaries confirming what you say in terms which can be made widely known throughout their Departments (whereas the Cabinet Minutes cannot be widely circulated). The terms in which we suggest I should write, and which you might use for a simple statement at Cabinet, are as follows:

Prime Minister's Policy Unit

"The Prime Minister has established in her Office a small Policy Unit under the direction of Mr. John Hoskyns.

The Unit's task will be to assist the Prime Minister in developing and maintaining the strategic policies of the Government, with a view to achieving its long-term objectives. In doing this it may, of course, be asked to

/consider

consider immediate issues in the light of those objectives. They will, for this purpose, be carrying out a programme of work, under the direction of the Prime Minister, in close consultation with the Central Policy Review Staff. Mr. Hoskyns and his colleagues will, of course, wish to consult the Prime Minister's Cabinet colleagues and their Departments from time to time in order to carry out their task and the Prime Minister would be grateful if Cabinet colleagues would give them appropriate assistance.

Mr. Hoskyns' Unit will work for the Prime Minister personally but the Prime Minister may from time to time wish them to circulate papers to colleagues collectively."

If you do this, it is possible that some Cabinet colleagues may be sensitive about their own status in relation to the Prime Minister, i.e. will be saying to themselves "does this mean that the Policy Unit is going to overrule, obstruct, amend or generally interfere with, my submissions to the Prime Minister and impair my relations with her?" If this is raised, or you suspect that it is in their minds, I suggest that you make two simple points to them:

a. Responsibility for Government policy rests with the Cabinet collectively and that constitutional position is going to be maintained, as is their Ministerial responsibility for advising their colleagues and securing agreement to their policies; and

b. All can agree, you hope, that it is a risk of Government that the trees obscure the wood; and they, as well as you, will benefit from having a group of people at the centre who can help to keep the strategy clear.

iii. The establishment of the Unit and the appointment of its head should be announced from No. 10 forthwith, either on Thursday evening or Friday morning.

iv. You should then see Sir Kenneth Berrill to secure from him co-operation, which he will surely give, with the Unit in pursuing studies which you think are necessary and also to discuss with him the appointment of a new deputy in the CPRS itself. This could be done on Friday. We have carefully drafted the terms of the letter so that it enters into none of this territory.

K.R.J.

9 May 1979

CONFIDENTIAL

Mr. Sanders

PA

Prime Minister

MR. WOLFSON
MR. JAMES
MR. RIDLEY
MR. RYDER

Access to papers

I believe you know the system for getting papers put together for submission to the Prime Minister each day and I have emphasised that you should feel free to come into my room and look through the boxes during the course of the day to monitor what is going in. This will enable you if you wish either to talk to the Private Secretary concerned about the substance of the paper and/or add your own advice to the Prime Minister.

This, of course, is a fail-safe process. In the normal course of business I would expect that the Private Office would keep you informed of matters arising or in prospect in which you have an interest (and vice versa). And I hope that you will not hesitate to come into the Private Office to talk to me or the Private Secretaries about what is going on.

There is one area of Prime Ministerial business which you will appreciate is dealt with wholly on a "need to know" basis, namely defence/intelligence. Papers of that kind go to the Prime Minister via a sealed box which passes only between me and the Prime Minister.

Papers for Cabinet and Cabinet Committees and minutes etc., with the exception of those which again are to be dealt with only on a "need to know" basis, will be brought to your attention by circulation of copies.

You will also receive periodically folders of papers containing copies of all the outgoing material from the Private Office to Departments and elsewhere. These are a useful means of keeping in touch with the general flow of events and will enable you to take up subjects on which you have an interest. There will also be a circulation arrangement for incoming Foreign Office telegrams - these, as you know, can be voluminous

and it is one of Mr. Cartledge's burdens to identify those which are of interest to the Prime Minister. These will be found during the course of the day in Box 2 in my room.

There will always be some papers, apart from the defence/intelligence papers, which have to be dealt with exclusively on a "need to know" basis because they are sensitive and highly classified. We do not circulate these round the office but will ensure that you are informed of them and can read them.

K R STOWE

8 May 1979




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