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PREM 19/2428

PART 1

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Policy Unit Briefing For The Prime Minister : General Topics.

PRIME MINISTER

MARCH

PART 1: ~~JUNE~~ 1983

~~OCTOBER~~ ~~1984~~

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PART 1 ends:-

H. Booth to PM 4.3.87.

PART 2 begins:-

H. Booth to PM 1.4.87.

PRIME MINISTER

4 March 1987

CRIME AND COUNCIL HOUSING

Startling among the symptoms of the dependency culture in council estates are the high rates of crime which is a far cry from saying council estate dwellers are all offenders. Sadly, it means the majority in most estates and who live nearby who are law abiding, suffer most from crime.

The facts

1 Where do the criminals live (excluding prison!)?

There is little recent research on the former, so we took Chiswick for our sample area. The area was chosen for us by Sir Kenneth Newman's office as representing a typical sample for our purposes in the Metropolitan area. The results were as follows:

Proportion of Housholds Containing at least One Person recorded by Police for Offending (in the last 5 years)

A. Council Estates	No of households	No of households with criminal records	%
Ivy Bridge Estate, Chiswick (Considered an average poor estate on all indicators, 15% black immigrant)	1,048	380	39
Worple Estate, Chiswick (Considered a good estate on all indicators)	300	57	19

B. Adjacent Private Property

Jersey Road, Chiswick	295	12	
St George Road, Chiswick	36	1	
St Peter's Road, Chiswick	29	0	4%
St Margaret's Drive, Chiswick	20	0	
	382	13	

This is in line with other available research. Dr Coleman has done a survey of 791 blocks of council flats and the ones with the worst design problems record an average of one crime committed per five dwellings per year. It also fits in with the Sheffield research done in 1966. This showed peak offender rates in eight districts centred on council estates.

Offender rates for eight classes of enumeration districts, as developed in the descriptive classification of Sheffield (1966)

Tenure/social class	Offender rate of young males (aged 10-19)
I owner-occupied	
lower social class	10.4
higher social class	3.2
II council	
lower social class	17.8
higher social class	14.4
III rented	
lower social class	14.9
higher social class	15.2

2 Where are most victims of crime found?

Council Estates have variable rates of crime, but peak crime rates

are recorded in the worst estates. On available research data from London they vary from 12% (in the Haggis Estate, Hackney) to 49% (Pepys Estate, Lewisham) Out of London the picture is similar; for example in the Lower Bushey Estate, Wolverhampton a 33% rate was recorded. The percentage is assessed by taking the number of crimes per year against 100 households on a given council estate.

Most prevalent is vehicle crime, burglary, mugging and most of all criminal damage (vandalism) - much of which is unreported.

The British Crime Survey for 1983 recorded that for BURGLARY there was the following instance of crime:

Non-Council Housing	3%
Better off Council Housing	3%
Average Council Estates	5%
Poor Council Estates	15%

and for ROBBERY OR THEFT FROM THE PERSON (mugging!)

National Average	1.4%
Better Council Estates	1.4%
Average Council Estates	1.4%
Poor Council Estates	3.3%

3 Where is the worst fear of crime?

Again fear is worst in council estates. Indeed, as measured by the British Crime Survey, far worse than the actual figure. These are the burglary figures:

Fear of Burglary by Residential Area

	Non-council areas	'Better-off' council areas	'Average' council areas	'Poor' council areas
Households burgled (including attempts)	3%	3%	5%	15%
Mean perceived risk of burglary	13%	15%	17%	24%
Very worried about burglary	23%	27%	34%	42%

4 Where has neighbourhood watch succeeded?

Surprisingly, despite grim crime rates, the fearful residents of council estates are not part of the movement to create neighbourhood watch schemes. Police and Home Office say the schemes are almost universally a "middle class" phenomenon. Many have been encouraged by Police 'Crime Prevention Officers', but few have started and fewer have continued. It appears again from the Coleman research, that we have not created the community spirit in these places, but nor was there community spirit in many areas where neighbourhood watches now flourish. Our soundings confirm that there may be two reasons for the absence of these schemes where they would be most helpful: firstly, residents are too fearful and have no confidence to help themselves and secondly, residents repeatedly assert that it is for the Police not themselves to look out for criminals. Is this the outcome of a dependency culture? We must help them help themselves.

Policies for Tackling Crime on Housing Estates

a) Re-designing existing estates

Linking child psychology to land use research Dr Alice Coleman explained this week the fascinating success of her methods. In one grim council estate crime was running at record levels. Burglary, vehicle crime, domestic assault, child abuse and above all vandals and damage was rampant. Youths used to run down walkways knocking on the windows of their friends who would come out to join them and as often as not cause trouble.

Following the Coleman principles, gardens were put in front of each council house. Now the youths have to open the front gate, walk up to the front door and knock. The parents meet their children's friends and know their names for the first time. The whole estate becomes less anonymous as the youths realise that there are far more people who know them by name. Gardens allow individuality to creep back. This has contributed to a plummeting crime rate on this estate and was just one of a host of her ways to tackle crime at source.

Other positive changes which can be made are reducing the number of flats to four on a corridor six behind any one entrance and twelve in any one block.

Most critical of all is the theory that young children should not be brought up in anonymous blocks of flats at all.

The results of Coleman's approach are startling. For example:-

Lea View and Wigan House in Hackney each had about 400 flats in them. Both had about £6 million spent on them,

Lea View and Wigan House in Hackney each had about 400 flats in them. Both had about £6 million spent on them, but the difference between them was that Lea View benefitted from a redesign on the Alice Coleman lines and Wigan House did not. Crime has come right down in the former and remains appalling in the latter.

We recommend that in breaking up the ownership of council estates we also insist that new design which avoids post war collective housing failure.

b) Helping the elderly victims of crime

Last week the Daily Mail Campaign to help the elderly victims of crime was a cry to which we should respond. It is reflected in much of this week's press reaction to the brutal murder of two elderly women.

We are checking your own comments on Labour policy in this area.

Home Office is suggesting that supplementary benefit recipients should receive free locks and safety equipment. They are suggesting a £12 million a year package. We believe that this is too expensive and that there is a cheaper way of doing this by targetting a few of the elderly in most need of help.

4.6 million receive supplementary benefit, of whom 3.4 million are householders who would need the help of a security lock system under the Home Office scheme. We, however, believe that there are about 1.7 million are of pensionable age who live in council property. About 40% of these are at risk, about 700,000 (in the annex we analyse how this figure is reached). Based on Home Office research, we could for about £5 or £6 million per year for the lifetime of a Parliament we could fit first class locks and security equipment to all this group.

We recommend that you ask for a paper from the Home

Office for their ideas aimed at helping the elderly who are at most risk of crime and we suggest that our adaptation of their proposal might be a starting point for them. But we also fear that just securing flats in some council estates would be a waste of money unless we also make some radical design decisions and set the nation never to build them again.

You will recall that you were interested in our proposal to allow elderly tenants a right to priority transfer out of the worst estates.

HHB.

HARTLEY BOOTH

ANNEX

How many vulnerable elderly are there?

1 Of the 9 million pensioners about 1.8 million are on supplementary benefit (DHSS).

2 Of the total of the pensionable age 19.3% (1981 Census) (rounded up to 20% for 1987) live in council housing ie about 1.8 million.

3 Of Supplementary Benefit recipients about 1.7 million are over 65 years old.

4 The Building Societies Association Survey indicates that 1.75 million council tenants are over 65.

5 We estimate from our soundings that probably 35-40% of this group live in council accommodation in the inner cities ie about 700,000.

PM. Policy Unit briefing. Oct 84

PRIME MINISTER 30 January 1987

UNEMPLOYMENT IN LIVERPOOL

I spent two days on Merseyside earlier this week - visiting MSC training and enterprise schemes and sitting in on Restart interviews for the long term unemployed.

The Restart interviews - in the "Old Swan" area of the City where unemployment is 21% - were particularly interesting. They confirmed that, in this area at least, the twin problem of many long term unemployed is their very low level of qualifications or "employability" combined with a pathetic lack of initiative in taking control of their lives and seeking out opportunities.

I was able to get the members of the Restart interview team to use their experience to assign each of the roughly 100 claimants interviewed that day into one of a number of categories that described the major reason why they had been on the register for more than one year. The results, while subjective, provide a useful indication:

OLD SWAN RESTART INTERVIEWS: 28 JANUARY 1986

1	Not available for work (and should not be on the register) of which:	11
	- should be on other benefits	8
	- already working	1
	- other commitments	2
2	Not seriously looking for work of which:	18
	- given up looking	9

	- content with life on the dole	3	
	- only take very limited jobs	2	
	- only take unrealistic wage	4	
3	Want a job, but difficult to place because of personal characteristics - of which:		18
	- poor literary/numeracy	4	
	- close to retirement	9	
	- disabilities	2	
	- other personal characteristics	3	
4	Want a job, but only qualified for a limited range of low skill employment (No qualifications/limited experience)		26
5	Want a job and reasonable qualifications/ experience - but not been successful yet		27
	Total unemployed		100
6	Found a job already and will be leaving the register		4
	Total interviewed		104

Amongst the dozen interviews I sat through, I observed some typical examples of each of the main categories.

Not available

- A 50 year old man who claimed he had to stay at home full time to look after his elderly parents.

- A 40 year old single woman - previously a barmaid - who had not worked for 4 years because of recurring bouts of sickness from a renal disorder. She claimed

that she was unable to consider any of the options put forward.

Not seriously looking

- A young man of 23, whose only work experience was a one year YTS at 16: "I applied to a couple of CP jobs when I left the YTS, but after I'd gone to all the trouble of attending an interview, they sent a letter back saying the places were filled. I was so annoyed, I haven't bothered looking after that. None of my mates are working - we don't believe we could get a job. There is nothing to get out of bed for."

  In this case he claimed he was now interested in trying to get a job because his girlfriend was about to have a baby - and he realised he had an obligation to try and bring in more money. With his history, it will clearly be difficult.

Difficult to place because of personal characteristics

- A 48 year old demolition worker, who had spent 20 years working with a sledgehammer. He was unable to read or write, and could not take jobs like security guard or warehouse man that need a minimum literacy. He was also unable to read job advertisements or fill in application forms. So far he had simply depended on his network of friends in the building industry "to try to come up with something".

- A 26 year old girl with a nervous manner and a severe stutter. She had worked as a copy typist for 6 years before losing her job, but was ruled out of most secretarial or clerical work that required use of the telephone or significant personal interaction. (Her last wage - at 25 - had been £35 per week!)

Want a job, but low qualifications and/or lack of initiative

- A 45 year old labourer, who had undertaken manual work in a factory for the last 17 years. He was able to read and write, but could not cope with paperwork. The only option he could envisage was to sit and wait for an identical job to the one he left - a most unlikely prospect.

- A single, 50 year old woman who had not worked for 20 years while she looked after her parents. She was now registered as unemployed, but had no qualifications or work experience. She was unable to imagine what kind of job she might apply for.

- A young man of 23 who had not worked since a one year YTS course at 16. He was keen to get a job (I've been out of work so long, I'd take anything) but again had very little to offer. Interestingly, when the interviewer offered a CP place that was 3 miles from his home - but with no public transport - both he and the interviewer agreed it was too far for him to get to work. Whatever happened to bicycles?

Conclusions

One thing that was clear from the sample I saw is that there is no "typical" case of long term unemployment. The majority - here at least - had an aspiration to work, but few had any real idea how to go about it - and most put little energy into the process. Very few had the attitude that it was an "obligation" - let alone a necessity - to change their situation. They were mostly resigned to their lot.

This emphasises the crucial role of the Restart interview and subsequent follow up in remotivating them to look for work and taking the initiative for them. One girl, for example, was very interested in hairdressing courses - but assumed she

would not be qualified. She had never bothered to find out - but was thrilled when the interviewer rang up a college in front of her and registered her on a course. The need to break through their apathy also explains why Job Clubs are so extraordinarily successful in getting the long term unemployed back into work. The Old Swan Job Club has so far placed 52% of its throughput in jobs - and a typical figure is over 70%.

Unfortunately there appears to be a continuing need for programmes like Restart that can provide basic help, counselling, and some coercion; but the examples I saw also reinforce the importance of policies that attack the culture of dependency and helplessness that derive from welfare dependency, particularly on large and impoverished council estates.

* * *

My other observations on Liverpool were very mixed.

- There are some hopeful signs of redevelopment, as in the new Albert Docks renovation. As elsewhere, those in work are increasingly prosperous.

- I was also impressed by the commitment and enthusiasm of many of the people in the local Enterprise and Training Unit (METEL). At grass roots level, they are making a significant - though slow - impact on changing attitudes and improving skills.

- However, the managing director of the local Plessey factory spelt out again the deterrent effect of the local council on new business investment. I was passed an internal Liverpool Council document which argues that there would be little damage from a major rise in rates. Rates, it claims, are an insignificant cost for business -

and there are relatively few domestic householders who pay the full cost of rates. It was clearly aimed at supporting a further major rate increase.

Norman Blackwell

NORMAN BLACKWELL

Visit by Norman Blackwell to Old Swan Restart Team

Restart Team Leader - Alan Salisbury

Counsellors - Joan Brady (Deputy Team Leader)
Peter Best (In charge of Admin Team)
Mike Clark
Kathy Foster
Graham Hughes
Lynn McParland
Fiona Hammond
June Cannon
Jeane Mellor

Performance up to 8.1.87

Number of people counselled	12693
Submitted to Job Start Job	38
Submitted to other job	936
Placed in other job	30
Submitted to CP	1644
Placed on CP	152
Submitted to VPP or Voluntary Work	339
Placed on VPP or Volunary Work	30
Submitted to Jobclub	526
Placed in Jobclub	131
Referred to MSC Training Course	760
Placed on MSC Training Course	117
Referred to non-MSC Training Course	1344
Placed on MSC Training Course	197
Allocated to Restart Course	2619
Started on Restart Course	1142
Successful referral to EAS	20

Response to letters - 87.4%

Positive outcomes as % of clients counselled - 72.3% (though not all get/take the place)

Allocations to Restart Course as % of clients counselled - 20.6%

4.

PRIME MINISTER 22 January 1987

LAW AND ORDER: FORWARD PLANS

This week the nation has been exposed to the horrendous barbarism of PC Keith Blakelock's murder. Recorded crime has increased even with more police. Violent crime is perceived to be at record levels.

The central question we must address is: what more should we be doing to counter the public's fears and their criticism of this Government?

The seamless robe in tackling violence

Stage one: Basic policy is that the problem cannot only be handed to someone else - the police. We have to convince and show the public what it means for everyone to shoulder some burden for themselves (crime prevention) and for others (neighbourhood watches). Fighting crime is a national crusade. It involves everyone. This complements the reassurance of a visible man in blue.

We recommend the manifesto makes this a theme.

Stage two: Lawlessness, disorder and disregard for authority are part of a seamless robe in society. We came near to this at your seminar on crime prevention when most Whitehall departments demonstrated how no part of society is untouched by crime. We have recognised that fighting crime is more than police numbers and tough sentences. But we must go further.

Your agony that so much of national success is cast aside by "moaning minnies" touches a critical contribution to the national criminal problem. How much respect for the authority of a society can you hold if you feel it is a failed or a worthless society? If we improve national self esteem by schemes such as Basil Feldman's "Better Made in Britain", or another similar scheme to praise British success

run by David Jacobs - the "Think British" campaign, then this is likely to increase respect for authority.

The analogy of the classroom supports this contention. The teacher who is respected also keeps discipline.

We recommend that Government demonstrates how patriotic initiatives as well as education, family and housing initiatives are crucial to a preventative programme.

The third stage: No-one must be fooled by the socialist myth that everyone has a right to a job or that anyone has failed if after valiant effort they have no job (socialist jargon is the "scrap heap" and this cruelly loads the unemployed with guilt and failure). Your remarks in Newcastle last year that "everyone has talent" directly assists fighting crime because it challenges the very soul of socialist mythology and goes towards what we must achieve as a Government, namely: a nation where everyone has self worth, feels they have something to contribute and are part of the nation's life. We argue those who are included in the show will be less inclined to pull down the curtain on it. Although there is no direct link between unemployment and crime there are many students and young people who feel "outsiders", who lack any involvement in the main stream of the nation. A boy who is proud of his school does not smash it up.

We recommend that a major renewed effort be put into tackling juvenile crime. Our proposals set out an Annex A.

Stage four: The need to have specific wider policy proposals to help the fearful elderly who currently feel outside the protection of the law.

We recommend we help the marooned and unhappy old folk in the ways we list at Annex B.

HARTLEY BOOTH

..nnex A

JUVENILE CRIME PREVENTION

1 We should focus on policies that will reawaken parental responsibility. Unfortunately in juvenile courts there is no "dock" and the parents already have to attend court with their children (so the proposal page 10 is misconceived). However, training in 'parent craft' may sadly be necessary. We know some Charities who would be interested in spearheading work on this.

2 The Preventive Education experiment which has been pioneered in Birmingham has huge potential. We could say that we are exploring new methods and techniques of preventing juvenile crime (DES will fund the Birmingham project though the sum is not yet decided). (You are aware of this scheme)

3 We could have a national campaign on absenteeism and truancy. The campaign could stress both the positive side of going to school and parental responsibility. By focussing attention on the reasons why good results at school were important we would also help tackle the hopelessness felt in so many inner city areas.

4 We should develop and encourage privately funded activities and schemes when the school is closed. These have significantly reduced vandalism and juvenile crime in the areas where they have been tried (we briefed you on the Cumbria scheme last year).

5 We need to actively encourage even more football clubs to have sports facilities open to the local teenagers.

6 We also should return to the excellent proposal that school sports facilities are made available for use of registered local children at weekends and holidays. DoE

Annex B

ELDERLY RELIEF FROM FEAR OF CRIME

1 We could return to the proposal that you welcomed last time we suggested it, to allow the elderly marooned in council housing to be moved out to alternative accommodation. This would be more easily facilitated with rent deregulation and the Stredder Housing Trusts.

2 We could launch a "Conquer the Fear" campaign for the elderly linked closely with crime prevention and alarm equipment. This is a prime topic for sponsorship. It is also easily linked with what we are doing through the Community Programme to fit locks on doors and windows.

3 'Help the Aged' manage and run a number of minibuses in rural areas. These could be more extensively used in the urban areas where the elderly are afraid to 'walk the streets'.

4 There is a huge mosaic of clubs and societies that could be enthused into action here (Victims Support Group, WRVS, Neighbourhood Watch, Rotary Clubs, Round Table, British Legion, Red Cross, St John, The Lions, Business, Industry, even Young Farmers Clubs and the Churches and synagogues). We need a catalytic energy figure to head the effort.

PRIME MINISTER

1. John O'Sullivan
2. CNAA
3. Council Housing
4. Strategy Group:

Managing the Economy

(a) EMS/ERM
(b) Charging
(c) Tax reform/reduction
(d) Privatisation

BRIAN GRIFFITHS

15 January 1987

1) NCLO. To see para 6 (i)

2) CF done 29/12/86 PS. Pse copy minute & reply to HB.

PRIME MINISTER

23 December 1986

29/12

LAW AND ORDER: CHRISTMAS ROUND-UP

a. Future policy direction While the Home Office are engaged in the passage of a strong Criminal Justice Bill strengthening action against fraud, toughening sentences not least on forfeiture and including measures for victims of crime and against international crime we look to the future. Two years ago the traditional image of the Conservative law and order policy prevailed. This neanderthal policy of "catch 'em and sentence 'em" lacked sophistication. And the public in this area were becoming more sophisticated. During the last 18 months initiatives, particularly from you, on crime prevention and in support of victims of crime have successfully gone some way to catch the public imagination (exciting new developments are dealt with below).

As the crime rise continues and it will be 7% up in 1986, we still face one continuing and nagging gap in our approach to crime. Many people still criticise our party for failing to look at the roots of crime. In 1987 we propose to hold three small brainstorming seminars (maximum of 12 to be invited) on (i) causes of crime, (ii) crime and the family and (iii) crime and education. While we know that unemployment does not cause crime to rise, serious and scholarly opinion variously backs the propositions that family breakdown, the decline in religion, abuse of the media, small communities breaking down, too much immigration, the pace of change, bad housing, transport patterns or simply "less respect for authority" are contributing to a fertile soil in which crime germinates. In 1987 we propose to come closer to a solution. Hopefully the Government will then be able to show that we are treating the problem with the seriousness it deserves. Do you agree with this general approach?

b. Review of specific law and order issues

(i) Police Senior police (four Chief Constables) have recently complained to me that they are being denied access to the best evidence in Court because forensic laboratories are over-stretched. They are likely to go public with their grumbles in the New Year. The Home Office accept that the police have a case outside London but they say the police request forensic facilities for far too many trivial cases. The police hotly disagree. This dispute must be watched. We recommend this is one item you might include for discussion at your next bilateral with Douglas Hurd.

Agreed not to

Rank and file police have been moaning that our Green Paper proposals on Criminal Injuries Compensation deny compensation to PC Plod who is injured while pursuing Fred Villainous before Fred impales anyone with his open flick knife. Douglas Hurd has accepted the police case. No action is needed.

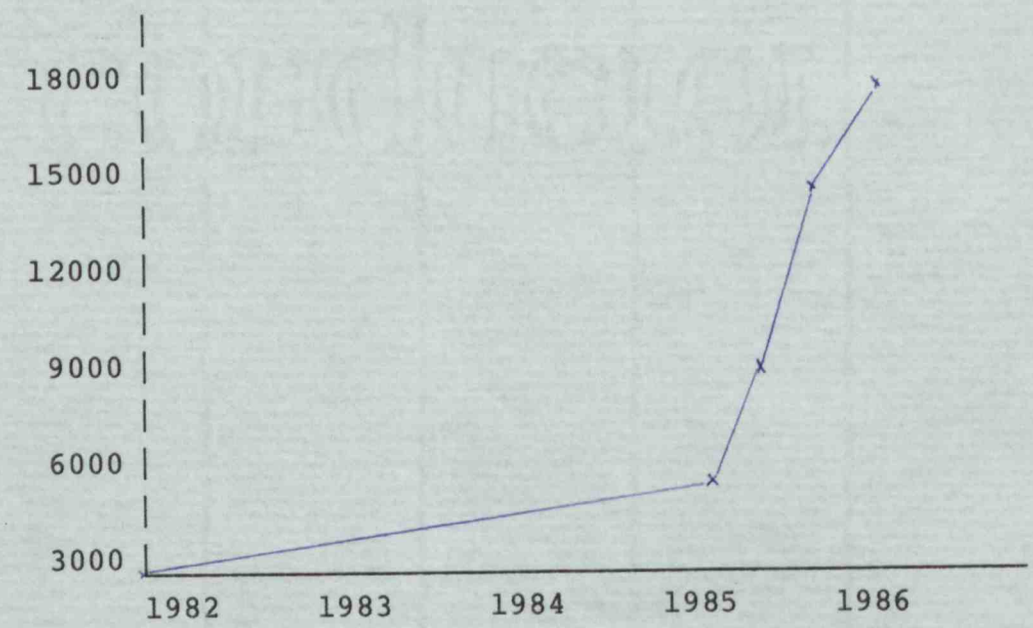
(ii) Prisons. Contracting out is warming up. A Home Office official is visiting Paris in January where plans are afoot for contracting out 60 prisons. We have been in touch with the French Administration, Pentitensiere. What was unthinkable a few years ago is now very possible. There was even an article in the Economist which we attach (Annex A) dated 13 December. We plan to put forward a series of firm proposals in the New Year.

The prison officers are talking about the Home Office's radical proposals. All is quiet at the moment but 1987 could see more trouble in the prisons.

Prisoners now receive up to £5.20 pay per week. Computerised small deductions could allow them

to pay £25 per year to community charge or £50 per year to their family. These direct deductions are unlikely to increase prisoners' sense of responsibility and any other method of payment would be too costly to administer. On balance the only deduction we feel is worth pursuing further is a suggestion to deduct from the prisoners' pay up to £1 a week to compensate the victim. Would you like us to go further on this idea? Not worth it.

(iii) Crime prevention. The public partnership with the police to tackle crime is catching on, as the graph of new neighbourhood watch schemes demonstrates.



Continuing progress on neighbourhood watch will be harder. Initial enthusiasm can wane in local groups. We need a resource centre, probably privately funded, to maintain interest. We should be wary of plans in the Home Office to establish what could become a trade union for neighbourhood watch schemes.

There is a growth industry in crime prevention schemes. I have just discovered details of some new

schemes in Fife in Scotland. One of which might interest you. It is entitled the Cop-a-Card (pronounced copper card) scheme in which the PC Jock MacDonald's in this part of Scotland keep cards in their pockets that children love to collect. They are seen clustering around the local PC after school! On the front is a picture and on the back is a crime prevention message. Crime prevention and public/police relations are both boosted! This sort of imagination is needed to tackle what appears to too many to be a dull subject. The ministerial team under Douglas Hogg are making some headway. No action is required at the moment. Though in 1987 you might like to include on a regional tour a visit to a child-orientated crime prevention scheme (details annex B) or meet some neighbourhood watch volunteers.

(iv) Crime statistics. In the first three-quarters of this year, recorded crime rose by an average of 7% and the Home Office guess is that the fourth quarter will be the same. This comes after a rise in 1985 of 3% which makes the 1986 figures look poor. However, compared with previous years the figure for this year is in line with the short and long term trends. Since 1980 the average rise has been about 6% (1984 up 8%) and since 1955 the average annual recorded crime rise has been between 5 and 6%. (Summary of Statistics at Annex C)

(v) Drugs. For the first time in many years the rate of increase in heroin addicts has declined (up 20% this year against a rise of 26% in 1985). Government is putting out messages of guarded optimism. Although this may be premature it is welcome, better news. Locally, DES co-ordinators are doing some good work. They say TV programmes like Brookside, Grange Hill and the Esther Rantzen series have as much if not more

Locally, DES co-ordinators are doing some good work. They say TV programmes like Brookside, Grange Hill and the Esther Rantzen series have as much if not more affect on childrens' drug consciousness than government propaganda. In the classroom the current principal substance of abuse is butane (50% of all deaths from substance abuse). Everywhere the same point is made that alcohol is as much linked with crime as drugs.

(vi) Alcohol and children. There are a number of anomalies. Not least is the situation that while licensed premises restrict young people from entering and purchasing liquor, licensed supermarkets not only make grog buying easy, they employ teenagers on the check-out tills. As the peak age for committing crime is young, 14 for girls and 15 for boys, and as so much of juvenile crime is linked with alcohol (possibly as much as 60%) we believe there is a strong case for urgent study of this issue. We recommend this too is discussed with Douglas Hurd at your next bilateral with him. We are exposed politically because our crime policy seems unbalanced. While we are very active against drugs we appear silent on the subject of alcohol except where drunken motorists commit crime.

You may be interested to know that the French are having appalling crime problems with their schoolchildren and have recently appointed 44,000 anti-hooligan supervisors for their 7,500 schools. We will see if this helps their teenage drink, drugs and crime problem. In the meantime we do not advocate the French solution!

c. Summary: Do you agree with our research programme on causes of crime (paragraph a) and research on

prisoners payments to victims (paragraph 6 (ii)).

Would you like to include a visit to a child-orientated crime prevention scheme or meet some neighbourhood watch volunteers (paragraph b (iii)).

Do you agree to our recommendation that you discuss police forensic facilities and children and drink with the Home Secretary at your next bilateral (paragraphs b (i) and (vi)).

Hartley Booth.

Happy Christmas!

HARTLEY BOOTH

The seminar on causes of crime will get nowhere. We could write down now everything that will be said starting from original sin and ending with the breakdown in big cities of the conventional taboos + accepted customs that used to prevail. Add to that: unemployment, poverty, plus more money, the failure of the schools + education to set standards, and the unnecessary tendency to cast responsibility on the state instead of the individual — and you have it all. Not

Doing time

Start privatising some British prisons

Like many western countries, Britain is sending more people to prison than ever before. Its reasons for doing so are confused. The purpose of a prison sentence can be to punish, to deter, to rehabilitate, or to remove someone dangerous from society. As it is seldom clear which of these aims a sentence is serving, prisons aim mainly to keep inmates locked up in conditions tolerable enough to prevent disorder. But they are expensive: it costs the state twice as much to imprison a man as to employ him on the average wage, where he would also be producing something. When prisoners are released, they are unlikely to be better equipped to lead stable, law-abiding lives than they were before. Half will be reconvicted within two years. The prisons remain overcrowded, uncomfortable and disorderly.

Having been deprived of their liberty, many prisoners are punished a second time by being made to live in filthy conditions. They would be less filthy if judges sent fewer people to jail. Some criminals are beyond rehabilitation, and most murderers and armed robbers need to be locked up for a long time. But many petty criminals would be more appropriately punished with fines, probation orders, community service or other non-custodial sentences. Nearly two-thirds of the 25-year-old burglars in Britain who are caught and convicted are sent to prison—a sentence considered appropriate by only one-third of their victims. The British government wants more alternatives to custody, but cannot control its judges. It does control the prisons themselves, and has done little to prepare inmates for the outside world rather than just cut them off from it.

Britain could learn from some American states, where a new type of prison has all the features that reformers the world over advocate: impressive work-experience and educational programmes; high standards of cleanliness and accommodation; imaginative design. They are also run efficiently at low cost. Their distinguishing feature is that they are run by private contractors. These contractors are able to leave to state officials the costly business of running the central bureaucracy, which lays down standards, and to concentrate instead on providing a decent service. Because they are outsiders, they have brought fresh ideas to a hitherto inward-looking system. Under intense pressure to perform well—spot inspections constantly threaten their survival—they are forced to go beyond the basic job of keeping prisoners behind bars for the required number of years.

Prudes about profit keep prisoners in filth

Breaking the public monopoly on prisons requires political tact. Voters may feel squeamish at the sight of private companies profiting from individuals whose liberty has been removed by the state. The French government has shown how not to proceed: its sweeping proposals to make all new prisons private have run into difficulties.

The British government should learn from French mistakes. A parliamentary select committee has been studying the American example: most of its members see the case for more outside involvement in running prisons, as long as the state sets and enforces ground rules. They doubt that wholesale privatisation will ever happen, but believe private prisons could produce valuable models of good practice. Voluntary groups already help prisons to devise pre-release schemes, and run probation hostels and other non-custodial schemes for convicts. A few experimental private prisons might show that civil servants are not the best architects of prison reform.

PRIME MINISTER 22 December 1986

EARLY WARNING - BRITISH RAIL ENGINEERING (BREL) AND WESTLAND

During the first half of 1987 difficult and probably painful business decisions are likely to confront BREL and Westland. Both are politically sensitive and need to be watched.

BREL

British Rail's competitive procurement policy is working well, but not for BREL. In January BR will announce that Metro-Cammell (Laird Group) have won a £90m order for the Mark 4 (inter-city) coach. BREL, who have been counting on this order, missed the target by at least 10%. Nor were they sufficiently competitive to pick up the substantial manufacturing sub-contracts from Metro-Cammell.

BREL's specialised manufacturing capability begins to look more of a handicap than an asset. Competitors like Metro-Cammell can concentrate their expertise on design, procurement and project management whilst sourcing their requirements for manufactured hardware on a tight competitive basis. Worse still, BR's successful drive to reduce costs by using modern railway technology and maintenance techniques is shrinking the volume of BREL's major overhauls business more rapidly than expected.

Until now we have believed that the core of BREL's manufacturing and major overhaul capability - two works at Derby, one at York and one at Crewe - would survive privatisation intact; either they would be privatised as an integrated business or incorporated into one or more of the existing UK suppliers of railway rolling stock. That prospect can no longer be taken for granted. BR's advisers (Lazards and Lloyds) are beginning to talk about the need to

inject an additional £170m - £200m into BREL - for investment and redundancy payments - to end up with a business worth perhaps £40m.

But why preserve a soft uncompetitive business? BREL's survival as a going concern depends above all on a basic change of attitude on the part of management and workforce. The requisite toughness to do what it takes to compete and win may only come with the realisation that on its present course BREL is headed for the knacker's yard.

Westland

Westland's helicopter division faces a trough of orders in 1988/89 followed by a resurgence of anticipated business (largely for MOD) in the 1990s. Unless new orders are obtained soon, Westland will have to lay off at least 2,000 of their 6,000 plus helicopter workforce.

MOD, who have been reviewing their need for new support helicopters, again face the question of how much weight to place on the strategic value of a substantial UK helicopter manufacturer. This could take on added significance now that Sir John Cuckney has separated the promising non-helicopter half of the Westland Group from Westland Helicopters Ltd, and insisted that both must be commercially self-sufficient.

JOHN WYBREW

PRIME MINISTER 4

DCW 22/12

22 December 1986

BRITISH INDUSTRY - NEW RELATIONSHIPS

I continue to be intrigued by a question central to the prospects for the economy - how much healthier is British industry after 7 years in the bracing climate of Thatcherism? The transformation of attitudes and of industrial relations, the new spirit of enterprise, the emphasis on marketing, quality and competitiveness are well charted. You are familiar with some of the more striking examples of industrial and business excellence. But what of the average British business?

At the time when corporatism and union power were most malignant, the worst tended to drag down the average; bad attitudes and bad practices were catching. Now there are promising signs of a reverse process - the best pulling up the average.

Behind this lies a realignment of relationships and priorities within the business sector. In the heyday of corporatism, businesses were motivated to band together - under the CBI, or industry associations - to lobby the Government for support and special treatment. Businessmen and industrialists were so preoccupied with lobbying the Government that they overlooked the potential for mutual self-help.

Two things are different today; firstly - to quote a recent Times Leader - "the voice of the whingeing tendency has grown tired"; secondly, new institutions and relationships have developed within the business sector to exploit the potential for mutual self-help - for the propagation of good ideas and practices, for the sharing of useful experience.

(1)

One example is the British Management Data Foundation. This brings together 20 or more substantial companies from across the spectrum of British business - companies as diverse as ICI, GKN, Jaguar, Marks and Spencer, Allied Lyons, Britoil, Wellcome etc. The Foundation's aims are notable for the absence of Government lobbying. The accent is on informal working-level contacts - on "the maximum interchange of managerial information - particularly to help improve competitiveness in world markets". Valuable experience has been shared in areas of new technology. An exercise is in hand to exchange ideas and experience on getting the most out of joint ventures with Japanese companies.

Similar thinking lies behind another organisation being set up by a former IBM executive. The idea is simple. Within British industry itself, there is a huge market for skills, manufacturing capability and products. Especially in the more novel, hi-tech areas, the potential British suppliers often consist of small, new businesses which are unknown to their would-be customers. The Manufacturing Industry Foundation

(2)

will provide a computer-based exchange linking businesses requiring specific skills, capability or products with those equipped to provide them.

Another useful initiative forms part of the DTI's programme to help British companies get to grips with Advanced Manufacturing Technology (AMT) - the application of computers to manufacturing operations. Again, the idea is simple but effective, with the emphasis on practical self-help.

Too often, British companies are lured into investing heavily and prematurely in AMT with disillusioning results. A good way to reduce the risk of expensive failure is to visit existing industrial users, see the technology in action and discuss the pros and cons of system selection, installation, operation and training; careful planning, selection, and preparation are more than half the battle. Here, the DTI working in collaboration with the Institution of Mechanical Engineers have developed a valuable facility. They keep a register of companies using AMT techniques in many forms and applications. These companies undertake to accept visits from other potential users to demonstrate the technology and give practical advice.

Contractual relationships between well-managed companies and their suppliers are another increasingly common channel for propagating good business practice, particularly on cost quality and delivery. Marks and Spencer have been pioneers in

this field. Now, many others are following. Given our buoyant, innovative retail sector, the implications for British suppliers geared up to meet the exacting requirements of the home market are exciting; demanding British retailers dictating high standards induce the potential for exports.

Conclusion

New and healthier relationships are promoting higher standards in the business sector. Good managements are helping the average to improve. This Government deserves credit for demonstrating that caring - for competitiveness and efficiency - is better than cosseting.

JOHN WYBREW

CCB/4P

PRIME MINISTER

12 December 1986

FARM BORROWINGS

Within the current debate on reform of agricultural policies there is a common concern that a large number of UK farmers might be driven into bankruptcy unless farm incomes are maintained. The situation in the American mid-West provides a worrying backcloth. In Nebraska, for example, the value of farmland has fallen 55% since 1981. Borrowing has risen as farm assets have fallen, making many farmers insolvent. Whole farming communities have effectively been bankrupted and several banks in small agricultural towns have collapsed -

However, recent discussions with two major lending banks in the UK suggest that our domestic situation, while serious, is unlikely to get out of control or cause as much hardship. Farm borrowings in the UK have been rising, but still average a modest 20-30% of farm assets. Only about 10-15% of farm accounts are in the "at risk" category, and many of these could be turned around by appropriate action.

Even where the farmer is forced to sell out, he will rarely leave the farm penniless. The Banks are taking a responsible attitude in advising farmers to change their ways or sell out as soon as it becomes clear that net income is inadequate to cover their costs. This is usually long before the farmer is in debt to the point of bankruptcy. The sample of "at risk" cases provided by one bank showed nearly all of these loss making accounts could pay off their debts and walk away with

net assets of between £50,000 and £200,000 from selling out now (with the amount primarily dependent upon whether they are tenants or freehold owners). This is a far cry from the popular image of farmers being driven from the land.

Who are these farmers at risk? Not surprisingly, few are the large, wealthy grain barons of East Anglia. But neither are they all small hill farmers in Wales. Analysing a sample of 25 suggests that the characteristics which have led to financial difficulties are often more to do with poor management than the inherent problems of size or location:

- the majority are mixed livestock farms (dairy/beef/sheep) rather than arable, with those overdependent on beef finding the current market particularly difficult;

- however, while there are a few uneconomically small holdings, the typical size is a fairly average 200-400 acres;

- most are on middling quality grade 3 land rather than the poorer quality uplands;

- in about one third of the cases, a major problem is the age of the proprietor (over 55) and a failure to adopt modern farming methods. This is the group at which the EEC proposals for pre-pension retirement schemes are aimed. Amongst the others, a significant number are younger

farmers in their 30's and 40's who have become over extended by being too ambitious;

- Very few have taken any steps to diversify their activities on the farm or to supplement their family income through off-farm employment.

In more than two thirds of the cases examined, the bank believes that the farm could be made viable if appropriate steps are taken - including, in many cases, selling off some of the land to reduce the debt burden and reducing the number of family members working on, and drawing income from, the holding. The major problem appears to be convincing the partner of the need to take action.

Conclusions

So long as the banks maintain a prudent approach, we are unlikely to replicate the US experience. While further pressures on farm incomes will increase the number of forced sales, there should still be very few cases of genuine financial hardship. And the restructuring that results is ultimately healthy for British farming. The new buyer has the opportunity to restore viability by improving farm management and reducing costs - in some cases by absorbing it into a neighbouring unit. We must remain concerned for the individuals involved and sensitive to the presentation of government policies. Government support, such as current

measures in least favoured areas, may play a useful role in easing the adjustment. But we do not need to let concerns about this level of necessary restructuring stand in the way of wider reforms to reduce the costs of agricultural policies.

Norman Blackwell

NORMAN BLACKWELL

4

PRIME MINISTER

DGR
21/11

20 November 1986

THE CHANGING FACE OF FINANCIAL BRITAIN

You may be interested in the attached report by Dewe Rogerson on patterns of share-ownership in Britain. Like previous investigations, it is based on sample surveys, so the figures are not infallible. But the picture of widening share ownership and changing attitudes is fascinating. This is good evidence to back up the theme of the property-owning democracy.

The annex showing the decline of peoples' fears about buying shares is particularly encouraging and I have flagged it up for you.

Yes - though some people don't yet recognise that share prices fall as well as rise.

David Willetts

DAVID WILLETTS

D E W E R O G E R S O N

RESEARCH REPORT

The Changing Face of Financial Britain

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Dewe Rogerson

The Changing Face of Financial Britain

Results of an Opinion Poll

Conducted for TSB Group by Dewe Rogerson

October, 1986

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Dewe Rogerson

Summary

Share Ownership

Britain is fast becoming a nation of shareholders. Private share ownership has trebled since 1983, rising from 5% prior to the British Telecom flotation to 17% after the TSB offer. That means 7 million people are now shareholders.

The British Telecom, Abbey Life and now TSB flotations have all contributed to this increase, plus the growth of employee share schemes.

However, it is not just the numbers that have changed. Shareholders have become younger and more evenly spread by social class. In 1983, 27% of shareholders were aged 65 or over and 40% were aged between 45 and 65. Now only 17% are over 65 years, and 35% are in the 45 - 64 year bracket.

The proportion of shareholders in the AB social class has fallen from 56% to 35%. Today, of all shareholders, 30% are C1s, 24% C2s and 11% are DEs.

And Attitudes are Changing

While the numbers of shareholders have been increasing over the last few years, until now that has not been reflected in any change of attitude. The public have been buying a part of a specific company, with which they felt familiar and for which they had regard. They were not focussing on equity investment in general. This is illustrated by the fact that 59% of all shareholders own shares in only one company.

Now this position is starting to alter and the first evidence of what could well be a radical change in people's attitudes is being seen.

The proportion of the population now saying that they have often thought about investing some money in stocks and shares has risen dramatically from 25% in 1984 to 41% post TSB.

There has even been an increase in the number who think shares are a better investment than building societies. In 1984, there was 29% in agreement and 29% in disagreement over the proposition that "people who invest in stocks and shares make more money than people who invest in building societies"; now agreement has increased to 31% and disagreement fallen to 25%.

The Desire to do Something Better with your Money

The reasons for this change lie in people's favourable experience of mass marketed share offers, of which TSB is the most recent, in people seeing millions of others make money and also in a fundamental and very widespread desire to do something better with their money.

Almost half, 46%, of the public (that is nearly 19 million people) say they put most of their money in a building society because "they don't know enough about other kinds of investment". Plainly, this feeling of uncertainty and unfamiliarity is on the point of changing. Currently, 11% (4.5 million people) are seriously thinking about withdrawing money from a building society and putting it somewhere else. Among those with more than £5,000 invested in a building society, this figure rises to one-quarter (27% of investors).

Dewe Rogerson

A new investor generation is rapidly emerging in the United Kingdom. Mass marketed share offers are the first vehicles to tap the very widespread public desire to do something better with their money. They offer the three key qualities of credibility, value and excitement. Not surprisingly, therefore, Britain is fast becoming a nation of shareholders. At least as important, however, the public are reappraising their attitudes to all financial services. They want to know what else is available, and they're looking for people they can trust to show them. Over the next decade, the face of financial Britain is set to change fundamentally.

The volume of money that the public may move is enormous. It also means that interest in new ways of investing money goes far beyond traditional readers of financial pages, but that, conversely, more and more individuals will be turning to financial pages to seek understanding and guidance.

London
November, 1986

Cary J Martin
Tony Langham

Dewe Rogerson

Profile of Shareholders

	April - Sept 1983	Oct 1986	Change 1983-86
	%	%	+ % -
Total	100	100	
Sex			
Male	57	54	- 3
Female	43	46	+ 3
Age			
Under 25	5	9	+ 4
25 - 44	28	38	+10
45 - 64	40	35	- 5
65+	27	17	-10
Class			
AB	56	35	-21
C1	26	30	+ 4
C2	11	24	+13
DE	6	11	+ 5

Dewe Rogerson

Shareholding by TV Region

	National Profile	Share-holding
	%	%
Scotland	9	7
North East	6	4
Lancashire	12	12
Yorkshire	11	7
Midlands	17	17
Wales	7	8
East Anglia	7	5
London	19	27
Southern	10	12
South West	4	3

Base: All Shareholders

Dewe Rogerson

Attitudes to Owning Stocks and Shares

"Do you agree or disagree that ..... I've often thought about investing some money in stocks and shares?"

	June 1984	Oct 1986	Change 1984-86
	%	%	+ % -
Agree	25	41	+16
Neither	17	6	-11
Disagree	58	53	- 5

"People who invest in stocks and shares make more money than people who invest in building societies"

	June 1984	Oct 1986	Change 1984-86
	%	%	+ % -
Agree	29	31	+ 2
Neither	42	44	+ 2
Disagree	29	25	- 4

Dewe Rogerson

Reasons for Not Owning Stocks and Shares

Q "Which of these reasons people have given for not owning stocks and shares apply to you personally?"

	April 1984 %	Oct 1986 %	Change 1984-86 + - %
I have not got the money to invest in anything	46	50	+ 4
I'm just not interested	27	26	- 1
I prefer to invest my money in banks and building societies because I know more more about them	33	22	-11
I would not know how to go about it. I would need professional advice	38	20	-18
It's only for people with lots of money	23	14	- 9
It's too risky	20	12	- 8
It's not for people like me	19	10	- 9
I prefer to invest my money in banks and building societies because you get a better return on your money	13	9	- 4
It's too difficult to buy and sell shares	10	6	- 4
People should not buy shares in companies - all major companies should be nationalised	2	4	+ 2
It's not a good way to invest because you don't make money in stocks and shares	3	2	- 1

Base: All not owning stocks and shares

Dewe Rogerson

Propensity to Move Money

Q "Do you agree or disagree that ..... I put most of my money in a building society account because I don't know enough about other kinds of investments?"

	October 1986
	%
Agree	46
Neither	13
Disagree	41

Q "I am seriously thinking about withdrawing money from a building society and putting it somewhere else"

	October 1986	
	All respondents	Individuals with more than £5000 in building societies
	%	%
Agree	11	27
Neither	14	3
Disagree	75	71

Dewe Rogerson

Number of Companies Own Shares in

Q "How many companies do you currently own shares in?"

	%	Approx Number of People
One	59	4.1 million
Two	15	1.1 million
Three	5	0.3 million
Four	3	0.2 million
Five	3	0.2 million
Six to Nine	6	0.4 million
Ten to Nineteen	5	0.3 million
Twenty or more	1	0.1 million
Not sure	3	0.2 million

Base: All shareholders

Financial Britain

Q "Which of the following do you have, either individually or jointly with somebody else?"

	%
Bank current account with cheque book	69
Building society account	61
Insurance/endowment insurance policy	37
Bank deposit account that pays interest	28
Stocks and shares	17
Post office/National savings account	13
National savings certificates	11
Unit trusts	5

Base: All

Dewe Rogerson

Technical Note

The survey was conducted by Dewe Rogerson among a representative quota sample of 933 adults aged 18+ in 5 sampling points throughout Great Britain on 27/28 October, 1986.

The 1983 shareholder profile is from the NOP Financial Research Survey. The 1984 data is from surveys conducted for Dewe Rogerson by MORI as part of the British Telecom research.

Prime Minister 2

I think you should perhaps read this.

20th November, 1986

Prime Minister,

WAGE INCREASES AND TRADE UNION POWER

Recent policies

In recent weeks there have been a series of encouraging announcements: more contracting out in local government; the technology colleges in inner city areas; the concentration on the quality of patient service in the NHS; statements about the need for regional differential in pay levels in the public service; the ending of Burnham. Each one of these moves should improve value for money and service quality in the specific areas.

The industrial relations problem

They all, however, also form part of a bigger pattern. The government has recorded a singular success in changing the atmosphere for industrial relations in the private sector and transforming the position in the nationalised industries. Whilst the trade union Reform Acts were important they were by no means the only or even the most significant part of the process. The introduction of more competition, the conduct of

the steel and coal strikes and the rapid change in the industrial sector of the country were also vital. The big increase in service sector employment in place of large plant manufacturing and the accent on high tech, new skills and more part-time and female labour has shifted the balance of power once so strongly tilted in favour of the old under-skilled male trade unions.

The welfare unions

These changes have had no direct effect on the public welfare services. Against the trend, these areas have become more highly unionised. As union organisation and campaigning skills have improved there has been a noticeable swing towards left-wing politics away from the professionalism and neutrality which used to characterise teachers, doctors and local government officers.

The significance of the recent developments is that they are the first small steps towards tackling this problem in a way which the public would find acceptable and realistic. In education, if parents can be offered a real choice between types of school they will naturally gravitate towards those which do most to maintain professional standards and improve quality. If national pay bargaining is removed, much of the scope for mischievous national trade union activity is also removed.

There is then a real chance that merit and hard work can be rewarded and enough can be paid to physicists and mathematicians in London without having to pay the same amount to teachers of English in Liverpool.

In the Health Service recent changes allowing general practitioners to set out details of the services they provide and to facilitate patient transfer from one practice to another is a move in the same direction. So too are the Health Maintenance Organisations which give the patient genuine choice and a new style of service. We now need similar initiatives in the hospital service with de-centralisation of management, the breaking up of national pay bargaining structures and perhaps removing some of the national and regional bureaucratic lobbiers who often dominate the news handling and determine the public image of the Health Service. Some elements of the GP contractor relationship could be copied for individual hospitals. There could be more transfer of patients between public and private facilities, depending on local availability and suitability.

In the local government sector as many functions as possible should be subject to the competitive contracting out test. This should apply to white collar as well as blue collar activities.

Conclusion

There is a growing pay problem in the British economy and whilst it began in the private sector it is now spreading rapidly to the heavily unionised non-market sector. The trade union laws on their own cannot solve the problem of monopoly public services. Nor will the argument about our intentions towards these services ever be satisfactorily won all the time we face a unionised monopoly amongst the providers.

We have to use patient, pupil and rate-payers' power to provide limitation on unfriendly union activities in welfare services. Monopolies are always undesirable wherever they are. Challenging the nationalised industries' monopolies has brought substantial dividends. We now need to move on, in a way which builds on public support, to challenge public service union monopolies.

John Redwood

2

PRIME MINISTER 11 November 1986

VISIT TO BENEFIT OFFICE

I visited the Unemployment Benefit Office in Kingston yesterday. It struck me as a microcosm of the situation in the South East.

The Facts

- The office has a register of almost 5,000 unemployed claimants. However, it is permanently short of staff to handle the claimants due to the difficulty it has in filling its own vacancies.

- At a recent interview panel to fill their vacancies, they had arranged 10 interviews during the day. Only 2 applicants turned up and both failed.

- They have also advertised temporary Summer jobs through the Careers Office to enable schoolchildren to get work experience before leaving school. They received only 4 applicants.

- They experience a high turnover of those they do recruit. 70% of staff have less than 1 year's service - reflecting the relatively low pay rate of Clerical Assistants (£4,500) and Clerical Officers (£5,600) relative to other local alternatives.

- The manager has had at least one case of a Clerical Officer leaving and signing on to Unemployment Benefit to get more money.

This office illustrates the reality of high registered unemployment co-existing with serious labour shortages. It lends weight to Lord Young's emphasis on bringing job finding and the administration of benefits closer together again. It also illustrates the practical difficulties of running a large, dispersed organisation when wage rates are determined nationally.

Norman Blackwell

NORMAN BLACKWELL

CC BJKP

CONFIDENTIAL

PRIME MINISTER 16 October 1986

Teachers' Pay

The decision by MISC 122 to accept the Main recommendations for Scotland, impose Main on England and Wales, abolish Burnham and replace it by a Standing Advisory Committee is ostensibly a radical way forward on teachers pay. In practice it is about far more. It implies the most fundamental restructuring of the education service since the 1944 Education Act and raises crucial choices, strategic as well as tactical, not only for the longer term but also over the immediate way ahead.

1. Main route to a National Education Service

Main is an indivisible package. Its 27 asterisked recommendations cover pay levels, pay structure, teachers duties, the length of the school year, the school week and maximum class contact times, overall staffing standards and negotiating machinery.

By imposing pay and this range of conditions on the teaching profession, central government will effectively become the employer of teachers, with LEAs as their agents. This is satisfactory but will not be liked by LEAs. They will find themselves in the same position in future as central government now finds itself. They will become increasingly reluctant to fund something over which they have diminishing control. In addition, because central government must be concerned to control local authority expenditure, imposing Main will require it to control the total employment of teachers as well as their pay.

Put differently, the decision to impose Main and replace Burnham with an SAC will effectively create a National Education Service. The basic unit for the new system will be the LEA (although with reduced power) just as the districts are for the NHS. Predictably the two most enthusiastic supporters for such a proposal are DES and the Treasury: first because it is a major shift of power to the centre which gives the DES and the Secretary of State real powers, and second, because the Treasury see it as a way of obtaining greater control over the education budget.

The Secretary of State is absolutely correct in arguing that within this structure an SAC is very different from a traditional pay review body. In practice it will become the Directorate of the new National Education Service. If an SAC is to have the oversight of imposing Main it will decide not only pay and terms and conditions but also the monitoring of the new structure. In consequence it will doubtless get dragged into the issue of the the employment of teachers and therefore of necessity the efficiency of schools. It will end up as a quango managing the new education service.

A National Education Service such as this will not be created overnight. It will take a few years to emerge. But unless the government takes other measures now the logic of its present decisions regarding handling teachers pay will be the creation of an education service equivalent to the NHS.

2. The Pros and Cons of this new structure

A National Education Service will have undoubted advantages over the present system of pay bargaining, poorly enforced

teachers contracts, and unsatisfactory curricula. These are important and should not be underestimated.

But a new national structure in which considerable powers are shifted to the centre without strengthening the power of the individual school and the parents at the same time could prove a disaster. It would suffer from the defects of any national bureaucracy (e.g. NHS) and worse still if Labour was returned to power it could be transformed into a nationwide version of ILEA with Frances Morrell or Ken Livingstone as Secretary of State.

Norman Tebbit fails to recognise this with his seemingly rather plausible argument which says: first the system needs to be nationalised and then on some future occasion it can be decentralised. I am extremely sceptical about this. There are strong vested interests in having a National Education System: DES and Treasury officials, HMI and all those educationalists who would like to use a national system for their own political ends. Once established it will be a major political battle to shift power from the centre to headmasters and parents.

3. Grasping the Opportunity

Just nationalising the educational system must be bad politics. Nationalising and either decentralising or making a public commitment to decentralise would be attractive electorally. To grasp this major opportunity requires:-

a. that any body which is created to deal with teachers pay has Interim in its title, and that, in order to minimise the size and power of any such quango, the task of monitoring is carried out by an

existing organisation and not it e.g. the Local Authority Audit Commission, which is tailor made for this purpose,

b. that MISC 122 link the discussion on teachers pay to that on radical options,

c. that the Secretary of State for Education be asked to develop proposals to see if it is possible to introduce

(i) open enrolment,

(ii) devolution of power to heads,

in the near future and without primary legislation.

Brian Griffiths

BRIAN GRIFFITHS

cc P. Shedden

Thankyou - a report

PRIME MINISTER 4

15 October 1986

DCS
15/10

VISIT TO COVENTRY

I spent a fascinating day on Monday with the Coventry Churches Housing Association (CCHA). They are the most entrepreneurial association and set themselves a 5 year target four years ago of financing at least half their programme with private funds. This target has already been achieved. The association is impressive because:

a. it is well managed;

b. it is 'caring' yet efficient;

c. it has developed and is marketing a number of innovative housing products which do not rely on public funds.

The Chief Executive, Bill Martin, is a production engineer with no previous housing experience who has turned his background to good advantage by using production programming techniques to organise the association's development programme more efficiently than most other associations. As a result the association has grown rapidly. It has built a total of 5,000 houses, of which about 3,000 remain in the rented stock and the balance have been sold.

Management Style

This industrial background is also reflected in the tight management of the association, which now employs about 120 staff. Each activity, including support functions, is operated on a profit centre basis. Financial and output targets are set and monitored on a monthly basis. There is an active training programme and system of staff appraisal with annual increments tied to good performance. There is

no union or staff association but annual salary increases have been kept above average because it has been possible to capture productivity improvements.

Service to Tenants

This attention to operating efficiency has led to a high standard of service to tenants. For example, there is a target of carrying out 95% of of repairs within a week, which is achieved. Because budgets are devolved, tenant relations officers, who deal face to face with tenants, are able to deal on their own authority with many of the problems that occur. Again, the staff in a sheltered housing development are multi-disciplinary. This not only saves money compared to the alternative of employing part-time cleaners, part-time cooks etc but it is also more effective in providing care because, for example, people are readier to confide their problems to someone cleaning the stairs than in a formal visit from a welfare officer.

Private Funded Schemes

The association has carried the same drive and efficiency into developing privately funded schemes. They have looked for models that can be replicated as opposed to ones which are one-off because, for example, they rely on a cash injection from the association's own reserves. The key to most of their new schemes appears to be the establishment of satellite fully mutual housing associations. These have the twin advantages that they are not subject to fair rent legislation but can claim mortgage interest relief because the association collectively is considered to be an owner-occupier. To date, they have developed the following schemes:

- **Easy start.** This combines the twin benefits of lost-cost home ownership with the opportunity to opt out without

cost for a limited period. The houses are funded by a 100% conventional mortgage taken out by a fully mutual housing association with the benefit to tax relief. A deposit of 5.5% is required and is used to reduce mortgage outgoings in the early years. Initially, the purchaser is technically a tenant of the association but has the option to purchase at the outstanding mortgage debt at any time in years 3 to 7 or to quit with two months notice. Because the mortgage is conventional, purchasers capture the capital appreciation themselves and because initial outgoings are lower, an income multiple of 4 rather than the usual 3 is accepted.

- **'Sundowner'.** This is a variant of the easy start scheme designed to appeal to elderly owner-occupiers who may have a significant deposit from the sale of a previous home which is nevertheless insufficient to fund modern purpose-built accommodation. Typically, the purchaser lives in an inner city terraced house with a low market value. The sum is used partly as a deposit to reduce the amount of mortgage needed and partly to reduce monthly outgoings. The aim is to reduce these to 'fair rent' levels. In this case, there is no requirement for eventual purchase but occupiers can sell if they wish and capture the benefits of capital appreciation.

- **Pathfinder.** This is a form of unsubsidised shared ownership. Part of the house is purchased with a conventional mortgage on a long lease from a fully mutual housing association whilst the balance is rented from the association. The cost of the rented proportion is kept down because the housing association receives mortgage interest relief and because it funds its portion of the cost by means of an index-linked mortgage from the Halifax Building Society.

Private Renting

The association has a team of five working on new initiatives. They are now concentrating on developing ways of providing rented accommodation at unregulated rents within 20% or so of fair rent levels. They can only do this with an element of subsidy in some form or another. A scheme they are working on in Nottingham uses both mortgage interest relief and 'Urban Development Grant'. There is a different approach with a disused block of local authority flats in Coventry where the subsidy arises because the association has been given the flats at well below market value.

Conclusions

The visit underlines the message that efficiency enables carers to care more effectively. It also demonstrates the opportunities that are available to provide low-cost housing in various tenures without public subsidy. I propose to ask the DoE what they are doing to encourage this approach. Sadly, there is only a handful of associations adopting it at the moment. Indeed, the pressures are rather in the opposite direction. The Housing Corporation has reduced funding for the CCHA on the grounds that it 'doesn't need it'. Whilst this does not deter CCHA, it must be a disincentive to innovation by other associations. I am also exploring whether the 'Sundowner' approach might be relevant to owner-occupiers moving to the South East to seek work. They will have a significant deposit available from the capital appreciation on their homes in the Midlands or North which may be insufficient to purchase the much more expensive equivalent home in the South East. The 'Sundowner' approach caters for just this situation and would get people back on the housing ladder because they get the full benefit of capital appreciation.

Separately, I think it would be worthwhile for you to visit a privately financed housing association when the opportunity next arises. This will provide you with an opportunity both to comment on the high standard of care provided and on the opportunity of using private finance to augment public provision. Do you agree? If so I will establish what opportunities are available.

Agree?

Peter Stredder

PETER STREDDER

Prime Minister (2)

PRIME MINISTER

19 September 1986:

INTERIM REPORT OF VISIT TO SOUTH AMERICA, 5-18 SEPTEMBER

The scale of the problem is much greater even than expected. The figures are astronomical and virtually meaningless. But the effects include the undermining of the economies of Bolivia, Peru and, to some extent, Columbia and Equador. We heard of the corruption of both judiciary and police forces, and unless the economies in these nations are weaned from their addiction to illicit drug profit, this will continue. In every one of these countries there are large and increasing home grown addiction problems among the young. We also witnessed the destruction of huge areas of jungle by the slash and burn technique by local indians, who were preparing the ground for yet further areas in which to grow coca.

Worst and most relevant for this country, there is a pattern of evidence that cocaine is now entering Europe in increased quantities. In the last recorded year, Germany and Spain note more seizures of cocaine than heroin. Although no one monthly figure can be decisive, in June in this country more cocaine was seized than heroin. The American agency DEA warn us that, from all their evidence, the same pattern that was detected at the time when America first felt the cocaine explosion about 10 years ago. They now see the same pattern emerging with the cocaine trade to Europe. They beg us to heed the warnings and act promptly as they admit privately they failed to do early enough.

Conclusion

We will report again but, at the very least, this issue which slipped from the agenda of Heads of State after it was put there in July 1985 by yourself, should be put back for further urgent consideration. The solution is not only a law and order one, it must involve long-term programmes to improve the economies of these countries. Firm financial discipline imposed by the World Bank and the IMF should also prove a realistic option.

HARTLEY BOOTH

PRIME MINISTER 2 DRN 8/9. 5 September 1986

I spent Wednesday with the North Housing Association in Newcastle. The visit was exciting because I learned more about their imaginative scheme for building some 4,000 new homes at deregulated rents with private finance.

North's Activities

North is now the largest housing association in the country with a stock of 20,000 houses in the North East and Cumbria. It is run by a self-perpetuating Board and has a staff of some 200. As far as I could judge, it is efficiently managed, on sound business lines, and is a model of the sort of responsible landlord one might hope to see in a revived private rented sector. The association covers the full range of housing activities including building for 'fair' rent, sheltered housing for the elderly, improvement for sale, shared ownership, and building for sale. It is now spending about £25m per year on new developments, most of which are funded from its own resources (either from right to buy sales or through its housing development subsidiary). It has recently been active in rehabilitating inner city housing.

North's Assured Tenancy Proposal

But the most exciting thing it is doing is developing, in conjuction with CIPFA Services and James Capel, a scheme for building some 4,000 houses for rent under the assured tenancy scheme on land provided by about 20 Local Authorities. The development costs will be financed by an issue of £100m loan stock issued in North's name. Interest on the loan is 'stepped' from 3% in year 1 rising to 25% in years 20 onwards, so matching the expected increase in rental income. The stock is guaranteed, in the first instance, by the local authorities involved. But there will

be a collateral agreement between the North and each authority, secured on part of the North's stock, that North will bear the risk except should a future Government impose rent control or the 'right to buy' on assured tenancies. Because the main risks are borne by North, this scheme is acceptable to the Treasury. North is putting in £12m of its own resources and there is public subsidy amounting to about 20% both from the gift of the land and the tax relief afforded to all housing associations. The scheme is currently commercially confidential but launch date for the bond is tentatively fixed for early November. The financial work is more or less complete but so far only about half the local authorities have been lined up. Surprisingly, (mostly Labour) authorities in the North have been keenest on the scheme whilst those in the South (mostly Conservative) have been less keen because the land they have to contribute at £400,000 an acre, is that much more valuble than land at £60,000 in the North.

Rents

The assured tenancy scheme allows landlords approved by the DoE to let newly built or renovated property at an unregulated rent. The houses to be built are a mixture of 2 and 3 bedroomed semis and 1 and 2 bedroomed flats, in estates of 60-70 houses. The local authorities involved will have 50% nomination rights and rents will vary from about 20% above fair rents in the North to 40% above fair rents in the South. Some of the local authorities have said that they would expect to put employed tenants into these houses. This means that the percentage of tenants receiving housing benefit may be lower than the average of 60%. North are confident that the financial arrangements are right and that the housing they will provide will prove attractive at the level of rents proposed. In the South, it will be substantially cheaper for young couples than owner-occupation.

Wider Application of Scheme

If it works, this scheme will pave the way for replacing over the next few years existing highly subsidised public sector provision with private provision subsidised to a more modest extent by the public sector. Public funds would provide subsidy of about 30% to private sector landlords (many of whom would probably be housing associations) which is sufficient, together with the form of financing to be used by North, to make rents attractive compared with owner occupation. If the Housing Corporation's current £500m programme of fair rent provision (which involves a subsidy of 85% and public expenditure of 100%) were replaced by assured tenancy provision with a 30% subsidy (and 30% public expenditure), it will be possible to double the Housing Corporation's programme to 40,000 houses per year and still achieve a saving of £200m in public expenditure. The North saw no reason why, if that scheme is successful, such a switch could not be made although they pointed out that it would be opposed by most housing associations, many of whom are left wing and oppose any move to higher rents.

Conclusion

Tight control over public expenditure on housing has at last encouraged the develpment of private sector alternatives to public sector housing. As well as the North scheme, there are schemes being developed in Cardiff and by the Housing Corporation using building society index linked funds. We shall be devoting considerable effort over the coming months to encouraging the DoE to work up proposals for encouraging private sector provision of rented housing more widely. The Treasury support and are encouraging this. It will be a major contribution to greater choice in housing and to increasing provision without higher public expenditure. I will keep you in touch with developments.

PJS

PETER STREDDER

PRIME MINISTER

2 September 1986

PRIDE IN BRITAIN

On my recent vacation in the United States (where I have previously lived for four years) I was once again struck by the confident, matter of fact pride of most ordinary Americans in their country - built on an almost unquestioned common belief in the political structure, value system and achievements of their society.

To my mind this contrasts sharply with the rather cynical, self-deprecating mood of Britain over much of the last 10-20 years - reinforced by the media and reflected, for example, in an almost self-fulfilling pessimism about the inadequacies of British industry, the low quality of public services and the impotence of the individual to improve his own life.

Yet my own belief is that there is an equally strong underlying national pride amongst most Britains - demonstrated, for example, in the wake of the Falklands or in the reaction to Royal Weddings - that only needs awakening and encouraging to regain a more confident national spirit. Furthermore, the successes of your Government in reversing many of the downward trends in society means that - if the message can be got through the media - there is now some real substance to shout about.

The political rewards from harnessing this national pride could be tremendous - not only in building recognition and support for the Government's achievements but also in helping to create a more confident, and therefore more entrepreneurial and adaptive society. Pessimism and cynicism naturally lead towards defensive trade unionism and demands for a growing state role: confidence and pride provide the support for a more forward-looking, self-reliant, free enterprise society. A proud Britain is naturally Conservative.

It may therefore be worthwhile consciously focussing the Government's communication in the next year on publicising and evoking pride in national achievements that have resulted from Government policies. For example, a few areas that oould be developed and illustrated include:

- The major improvements in industrial productivity, illustrated by the turnaround in performance of previous lame ducks such as Jaguar, British Steel, British Airways. Even Austin Rover, despite problems, has achieved major improvements in quality and productivity. Most people would like to feel that 'Made in Britain' could again be something to rely on and be proud of.

- The stimulus to telecommunications services resulting from deregulation and privatisation of BT, with London now becoming the telecommunications hub for Europe.

- The growing role of venture capital funding in the UK, supported by the success of the Unlisted Securities Market in encouraging new entrepreneurs.

- The establishment of the UK as the major centre for electronic investment in Europe, with facilities built by an increasing number of leading US and Japanese companies, and Silicon Glen gaining international recognition .

There are obviously many other examples that together create an exciting and optimistic view of Britain's growing strengh. Yet I would guess that this vision would be refreshingly new to the average voter. Communicating these achievements is obviously important. You may even wish to consider building the theme of 'Pride in Britain' into your forthcoming conference speech.

Norman Blackwell

NORMAN BLACKWELL

PRIME MINISTER

5 September 1986

PRIDE IN BRITAIN - A LESSON FROM RENAULT

I was very taken last month when visiting Paris by the Renault showroom on the Champs-Elysee - which included a small museum of the company and a snack bar and restaurant. It was well designed and seemed to attract a good deal of business. But above all it was selling France. A similar development by the Rover Group which attracted parents bringing children to visit London and foreigners in the summer could be a small but useful step in the rescusitation of Rover.

BG.

BRIAN GRIFFITHS

PRIME MINISTER

7 August 1986

ORDER, ORDER?
LAW AND ORDER UPDATE

1. Political Situation

This time last year there was some evidence that law and order was the issue that worried the man in the street most. This is still true in some inner city areas but in Conservative voting areas recent research, including that done specifically for the Party by Saatchi & Saatchi, points to a new situation. Law and order has slipped to third place after worries about the health service and education. Moreover, the research goes on to point out that the most important policy objective in law and order, as with these other two anxieties, is for us to establish in the public mind that we retain a strong sense of purpose, eg in health we could establish our tough, purposeful posture by setting a target number for the reduction in the hospital waiting lists by a target date. I conclude below with the implication for law and order policy.

2. Sir Kenneth Newman's Reflections

I discussed the current situation with the Commissioner last week.

(a) Inner city riots are, as the Home Secretary advises, again likely and the police are vulnerable in London until November when new systems will be in place. These will allow speedier mobilisation of police and will put in place new 100-strong territorial support groups. These groups will consist of normal police who undertake to perform a second function of being on-call day and night for instant action for which they have undergone extra

training. The police target 'flashpoint estates' including Stockwell Park Estate, (the nearest to Dulwich!), Finsbury Park Estate, Sandringham Road in Stoke Newington, Railton Road and All Saints, Notting Hill.

(b) Sir Kenenth supports research that muggings and burglary are a principal cause of middle class pockets being driven out of inner city areas where we most want regeneration.

(c) The Commissioner agrees that the overtime claimed by police Inspectors is very costly. He supports our contention that they should cease to be overtime graded but warns of a battle if we attempt to change the situation. He said 'it would be cheaper if we promoted all Inspectors to Superintendents'.

(d) With the vehemence of a rattlesnake the Chief of Police castigated our political opponents and named Bennie Grant, Linda Bellos, Kaufman, Kinnock and Hattersley as the key figures who cause the police problems by, for example, 'telling the police to go away from Wapping where the police are doing a very difficult job'. Instead of telling people to obey the law they encourage law breakers.

3. Shame: Its Place in Law and Order

Recalling the Brixton riots Sir Kenneth spoke to rioters next morning. They were ashamed of what they had done. Then came the labour politicians who sympathised with the rioters and their shame was removed. Now there are groups of muggers who have no shame. They believe they are victims of society and have a right to steal. The politicians who have helped develop this atmosphere have a heavy burden of responsibility.

4. Evidence: New Scientific Techniques

As you see from the attached correspondence new computers will soon be used to match photographs with a photographic computer memory (Annex 1).

5. Drugs

(See separate note attached)

6. Future Battles

Child abuse and road hogs filled with alcohol are stoking up the BBC to produce major public programmes during the next season's viewing. We are working hard to prepare material alongside and in advance of trouble in these areas. We see the problem of children who cause and suffer crime as linked by a common factor, namely the need for better supervision. We have proposals which could potentially save huge sums to the public sector by cutting traffic crime. We hope to discuss these matters with you in the autumn.

7. Conclusions from the above and from the year's work.

i. While we have good stories on crime prevention, neighbourhood watch and some smaller items of good news (less hooliganism, fewer burglaries, our work for victims of crime) we should not attempt to explain away statistics and not dwell too much on our partial successes in law and order.

ii. Instead we should look to the future and do four things:

- re-dedicate ourselves to upholding law (ie get our sense of commitment across):

- win points by trumpeting our astonishing decision to hire more metropolitan police over the next three years, even committing the next Government! (As yet we have given our decision little publicity).

- expand our radical new punishment of property forfeiture to cover fraud and serous property crime. We should point out that forfeiture will help pay for more police and at the same time we can draw a fresh line against violent crime.

- set some attaintble targts of more police on the streets and fewer behind desks.

iii. As Labour has carried law and order into the political lists we should expose their approach to this vital subject and unseat them with their own attitude to the topic.

Hartley Booth.

HARTLEY BOOTH

From: THE PRIVATE SECRETARY

HOME OFFICE
QUEEN ANNE'S GATE
LONDON SWIH 9AT

5 August 1986

Dear Hartley,

COMPUTERISED FACIAL RECOGNITION

Thank you for your letter of 25 July.

The Home Office Scientific Research and Development Branch (SRDB) are carrying out a number of research projects in this area. A system for searching a library of facial images against the descriptive features that witnesses recall has been developed and has successfully completed laboratory trials. An operational version is under development and trials will be conducted with Lancashire Constabulary early in 1987. Work is also being undertaken on electronically generated facial likenesses from witness descriptions. And SRDB monitors developments in the computer industry which will increase the cost effectiveness of systems of this kind for the police.

You may be interested to know that at a recent seminar attended by representatives from West Germany and Italy as well as researchers from British Universities, it was acknowledged that the UK is currently leading the world in this area of research and development.

Yours,

S W BOYS SMITH

Hartley Booth, Esq

Chan. file

10 DOWNING STREET
LONDON SW1A 2AA

Stephen Boys Smith Esq
Principal Private Secretary
Home Office
50 Queen Anne's Gate
LONDON
SW1

25 July 1986

Dear Stephen,

Following your helpful letter of 24 July, setting out the progress being made to improve evidence gathering techniques in the event of a riot, one matter remains.

In Autumn 1984, during the NUM strike, it was reported that some work had been done on the computer science of putting photographic identification into computers. We were told that the FBI had developed a useful device. Is any work being carried out here to surmount the difficulties of mechanically matching photographs with photographs stored in a computer memory of, for example, convicted persons? We would be grateful for any information you have.

Yours sincerely

Hartley

HARTLEY BOOTH

Prime Minister (2)
MEA 31/7

PRIME MINISTER 30 July 1986

A GREEN PIECE
SUMMER ENVIRONMENT ROUND-UP

Litter

Following the volcanic launch of this initiative on 14 July there will be silence until the end of the year when we can expect some good announcements. A first rate Executive Vice Chairman has been appointed together with a secretariat. Business sponsorship, particularly from the Halifax Building Society, is hopeful. DoE will be looking to expand this initiative from £0.75m this year to £1.5m in 1987 and £2.5m in 1988.

Sanctions: What the Green Lobby Should Know

If economic sanctions are applied to South Africa, Botswana's farmers will make every effort to extend their herds of cattle. This will put pressure on Botswana's sparse and precious ecology. Damage to habitat and wildlife are likely to be catastrophic.

Politics: 30 Seats Said to be at Risk because of Green Issues

Partly to justify their own case a group of like-minded British political commentators are hatching some research shortly in which they say they can demonstrate that 30 Southern Conservative-held seats are vulnerable to particular local green pressure. We have looked at the evidence. It ranges from Folkestone and Dover (worries about the effect of the Channel Tunnel) to Taunton (whipped up over Hinkley Point and nuclear energy). We are profoundly sceptical about all this but believe that local

anxieties cannot be dismissed. There is enough in the wind for us to redouble our efforts to maintain a posture that the 'countryside is safe with us'. Would you like a passage prepared on this for an autumn speech? Yes pl

The Prudential being Prudent

The Pru, with 85,000 acres and more than 100 farms, are finding it sensible to experiment with environmentally sensitive farming! They suggest that farmers' income is safe with fewer chemical pesticides and the farm owners' capital is enhanced by not rooting up hedges. At last an identity of countryside interests appears possible!

The EEC

This year. During your Presidency we will lead the Council on the environment on 24 November. We hope to introduce the fourth action programme. Our interests at this Council will cover car and lorry exhaust emissions, motor cycle noise, polluted water discharge and lead-free paint! We also want to persuade the Greeks and Danes to lift their reserve on last year's directive on catalytic converters.

Next year is the EEC year of the environment. The suggestion we put to you in a similar paper this time last year has been taken up. We proposed that greenery be turned to national profit. So a centre piece of UK contribution for the EC year is an opportunity for UK manufacturers of anti-pollution equipment and machinery to sell their wares. This will be called The International Pollution Abatement Technology Fair!

Acid Rain

There is a positive hive of activity preparing for your trip to Norway. The scientists are producing a paper shortly.

He wrote to Peter Walker only two weeks ago confirming that the report should be out in during September or early October.
DCV
31/7.

Nuclear Waste

I have had an unscheduled meeting with Sir Frank Layfield (I was formerly a member of his Chambers). He is now on course to produce his report on Sizewell in 1987. He is going into immense detail in his report and tells me he is currently considering the molecular physics of metals. He looked very tired and I hope he is fit!

In the meantime, as expected, moderate environmentalists, even the CPRE, are stirring up trouble at Elstow, Killingholme, Fulbeck and Bradwell, although Kenneth Baker's announcement that the enquiries will only concern low-level waste has to some extend defused the worst anger.

Lead-Free Petrol: The Environment Story of the Year

Following the Chancellor's announcement of differential tax on lead-free petrol, William Waldegrave announced on 23 June that we had successfully led the EC to reach agreement on a directive which means there will be widespread availability of unleaded petrol throughout Europe by October 1989. In addition to this Ford UK are leading Europe with the first second-generation lean-burn engine, which is fitted to their new Escort model. For the future we are working on two directives to reduce vehicle emissions. You should be aware that in the autumn there may be an internal disagreement between Departments as to whether or not Britain should implement the Luxembourg directive on catalytic converters.

Hartley Booth.

HARTLEY BOOTH

cc BLUP

17 July 1986

PRIME MINISTER

FRIDAY, 18 JULY

I would like to introduce to you two new members of the Unit - Norman Blackwell from McKinsey and Peter Stredder from DTI.

I enclose brief CVs and examples of their work over the past few years, as a possible basis for discussion.

BG.

BRIAN GRIFFITHS

NORMAN BLACKWELL

Background:

BA in Chemistry (Cambridge) - 1st Class Honours

MBA/PhD in Business and Economics (University if Pennsylvania)

2 years at Plessey in Corporate Strategy Unit (1976-78)

8 years as Management Consultant (Partner at McKinsey & Co)

Examples of Client Work at McKinseys:

Privatisation/Deregulation at British Telecom - Managing a change in organisational culture

Corporate Development for a Japanese client (Yamaha) - Differences in approach

Industrial restructuring to achieve major productivity improvements (Berger Paints)

PETER STREDDER

Background:

BA in Mathematics (Cambridge) - 1st Class Honours

PhD at Warwick

7 years in Department of Trade and Industry

3 years in Treasury

Treasury:

Housing policy - Public expenditure control, encouraging private provision for rent

Urban policy - Public expenditure control, clearer objectives for, and better targetting of expenditure

Local Government Finance; other DoE Programmes; Employment initiatives; Social Security

DTI:

Transfer of Government's residual responsibilities for Concorde to private sector

Sir Keith Joseph's Private Office (covering nationalised industries and regional policy)

Short secondment to British Steel

CC(83)4

10 DOWNING STREET

Prime Minister

John Wybrew

is coming with Brian tomorrow. The note below offers an agenda. You might also like to look at John's other investing note, about NFC.

DLR
10/1

cc B/up

PRIME MINISTER 10 July 1986

ENERGY AND TRANSPORT POLICIES - DISCUSSION NOTES

Gas Privatisation satisfactorily on course for £8 billion proceeds and take-up by 4-5 million small shareholders. Regulatory framework standing up well to scrutiny.

Coal Since the strike, British Coal has not wasted the opportunity to close uneconomic capacity and increase productivity (up 25% in a year and projected to reach 50% by 1989/90). Performance exceeding expectations. UDM established. Scargill discredited and without support.

Timing of institutional changes? Handling in Manifesto?

Electricity/Nuclear Case for safely harnessing nuclear power is winnable as long-term objective. But public reaction since Chernobyl threatens nuclear contribution to task of keeping lights on in 1990s. Late 1990s already tight with large number of existing power stations approaching retirement in a bunch. Good case to advance already planned new coal capacity - not least to avoid crash programme of power station construction detrimental to supplying industries.

Oil Two interpretations of oil market; one assumes confusion and irreconcilable divisions in OPEC, implying a volatile market with downward pressure on oil prices predominant in initial period, followed by another oil price shock; the other

assumes that the Saudis and their allies are pursuing a strategy aimed at recapturing the oil market and steadily expanding OPEC's share based on moderate pricing - say, $20 a barrel real.

Need to change North Sea tax régime?

Railways Better management yielding steady but not spectacular improvements. New Chairman's objectives call for more of the same. Real nut to crack for a manpower-intensive industry remains the continued giving away of productivity gains in higher unit earnings; this can be achieved - eg LRT and now local bus operators.

How hard to push bus substitution for massively-subsidised branch lines? Manifesto?

Roads Traffic growth exceeding expectations. Inventory of economically-sound projects growing. With public expenditure under severe strain, private sector construction and funding of Dartford Crossing is an important test of whether risk-bearing private sector projects can play a significant part in the development of the infrastructure.

Buses Deregulation of local bus services looking increasingly like a winner. Prospect of competition and advent of popular minibus services breaking the stranglehold of union-imposed restrictive practices. Firm evidence now coming through of

subsidy savings of at least 50% for same level of local bus services.

Aviation Airports - a notable achievement for this Government. The world is nearer to liberalised commercial air services and the UK airline industry is well placed to benefit.

How to lead the process of liberalisation from the front without damaging the interests of our airline industry? Timing of BA privatisation - a related question.

Channel Tunnel After initial wave of enthusiasm, Eurotunnel Group now going through a sobering reappraisal of assumptions and income forecasts. City not so bullish. Must stand back and let them sort it out.

Shipping/Ports Carefully targeted measures to enhance the competitiveness of UK ships preferable to any form of general subsidy. Specific gaps in merchant shipping support for defence best covered by competitively tendered back-up arrangements. The Dock Labour Scheme is slowly becoming less of a problem and less of a threat to national security. A good case to let sleeping dogs lie.

JOHN WYBREW

PRIME MINISTER

F

A FAREWELL REPORT

This is an account of some of the policies I have worked on during the very happy three years I have spent in your service:

Index-linked mortgages

I originally suggested this idea to John Hoskyns, when he was head of the Policy Unit. He asked for a detailed paper on it and, when Ferdy Mount invited me to join the unit, he asked me to develop the idea as my first task. After some lengthy discussions with DoE and Treasury officials (who had been saying for a decade that index-linked, low-start mortgages were a mathematical impossibility), it was agreed that such mortgages were possible.

The country's two biggest building societies (Halifax and Nationwide) are now offering indexed mortgages for the first time. The advantage of such mortgages is that, though the borrower pays just as much in total as the borrower on a conventional mortgage, the monthly payments are fixed in <u>real</u> terms rather than <u>money</u> terms, which makes the initial payments, expensively front-loaded by inflation on a conventional mortgage, very much less on an indexed one.

This allows poorer people the chance to buy their homes - and the principle could, in future, be extended in such a way as to allow even those on basic social security to buy their council houses, a radical but practicable and potentially popular policy.

Private rented sector

The original proposals for deregulation of private rents were on a very modest scale. I therefore suggested that full deregulation should be adopted as policy. Civil servants at DoE, however, said that full deregulation would increase public spending by putting up the cost of housing benefit as rents rose. After almost 18 months of argument, I enlisted the help of Sir Alan Walters in Washington, who examined my own calculations (which showed considerable savings, not costs) and those of DoE. He said that my calculations were correct, and the policy was accordingly submitted to the Cabinet.

The delay caused by the DoE's wrong figures proved fatal, however: the Cabinet, despite your best endeavours, feared adverse electoral consequences from deregulation and decided to defer it to the manifesto. Yet the policy remains universally popular in the Press, which strongly condemned the Cabinet's failure of will, and with the parliamentary Party, which voted almost unanimously in favour of a ten-minute-rule bill sponsored by Francis Maude, which failed by the unprecedentedly small margin of only one vote, despite the abstention of Ministers and Whips.

Please make sure that rent deregulation gets into the manifesto in accordance with the Cabinet's decision: the major reason for deregulation is that it would do more to reduce homelessness, and at less cost, than any other measure. There has been very strong support for deregulation at the last three party conferences, so this is a policy behind which the whole Party could unite.

Private-sector home improvement

The cost of home improvement grants to private-sector home-owners has risen very sharply since 1979. The green paper on home improvement offered an opportunity to save unnecessary spending and I therefore wrote a section proposing that, for those on higher incomes, grants should be replaced by loans repayable in whole or in part on the basis of a share in the equity of the property taken by the lending local authority at the time of the improvements.

This idea could save between £200m and £500m a year on the public cost of private home improvements, and would prevent the exploitation of the grant system which has made many millionaires at the taxpayers' expense. Despite objections by officials, and by others who disliked the idea of losing their free money from the State, the proposal was included in the green paper and could readily be implemented.

Public-sector home improvement

Last year's DoE report on the state of Britain's council houses suggested that £20bn needed spending on the stock in the next few years to keep it in condition. The implication was that public spending on renovation of the council stock, which had already risen slightly in real terms since 1979, should be increased.

However, the report contained no financial analysis to demonstrate what the optimum rate of public-sector investment in renovation should be, if the aim was to continue the steady

improvement in the overall state of the stock since the War. Then, half of Britain's homes were unfit. Now, only one-eighth are. Furthermore, the £20bn estimate for desirable repairs is no surprise, given that the probable total value of the entire stock at today's prices is around £120bn.

I therefore suggested that outside consultants should do work on identifying the right rate of investment in public-sector renovation. Preliminary inquiries suggested that even the then existing level of spending on renovation was too high rather than too low. The Minister of Housing supported this initiative, but the civil service did not and it was prevented from proceeding.

However, I briefed the "Star Chamber" on the considerations set out above and, accordingly, they reduced the DoE's request for extra funding by almost £2bn over the next three years, or £100 per taxpayer.

Building societies

In my initial discussions with the building societies about index-linked mortgages, I learned that they felt the time had come for an extension of their role. The Government responded to this desire with a white paper, which I helped to draft, and eventually with legislation. The building societies' "big bang" is now well under way.

Water privatisation

The Water Directorate at DoE at first opposed privatisation, but, on the insistence of the then Minister, Ian Gow, I was given a

seat on the official committee examining the prospects for privatisation. At first, only the Treasury and the Policy Unit regarded privatisation as both desirable and possible: now the water authorities are on target for privatisation beginning before the end of this Parliament. I shall be spending some time next weekend with Roy Watts, the enthusiastic chairman of the Thames Water Authority, to discuss potential Lords opposition and to enlist his help in dispelling it.

Homelessness

I have recently been studying homelessness, and hope to let you have a short report on it, with supporting figures, by the end of this week. The chief conclusion is that spending more public money on the homeless is not the answer (though DoE are likely to bid for extra cash for homelessness this year). There are many other measures, most of which involve no extra spending, which should be taken first.

Deregulation of private renting (see above) is the most important single measure that would reduce homelessness. It is opposed by Left-wing pressure-groups such as Shelter, but is supported by many who work for the homeless rather than campaigning for political causes.

There are 26,000 homeless families in London, and 26,000 empty council houses. In a properly-managed council stock, there should be no empty houses. So councils who have held on to derelict property for six months or more should be forced to sell them.

The land register, which in Scotland is open to the public so that potential purchasers of derelict or unused property or land can find out who owns it, is confidential in England, for no good reason. It should be made open to the public without delay.

Taxation and welfare

The interaction between the present cumbersome, inefficient and harmful systems of personal taxation and personal welfare is a shirkers' charter which must be radically (but sensibly) changed. At present the poverty and unemployment traps coincide in such a way that a family man on a low wage has no incentive to earn more (he could lose up to £1.09 for every extra £1.00 he earns) and hence no incentive to work at all, because he would be better off on the dole. This factor accounts for a goodly percentage of unemployment.

Unfortunately, the proposed reforms of the social security system do not help at all. True, they reduce the marginal tax-rate for low earners from £1.09 in the pound to 82p in the pound, but only at the heavy cost of pulling hundreds of thousands more people into the poverty and unemployment traps.

When I was sick two years ago, I took the computer home and put the DHSS tax-benefit model on to it. I then carried out an intensive study of the effects of changing taxes and benefits individually. I came to the at first surprising conclusion that paying everyone the equivalent of basic social security (on a much simplified system) and, in compensation, abolishing tax reliefs of all kinds, would be less of a shirkers' charter than

the present system. Unfortunately the Treasury refused to discuss any ideas like these with the DHSS as part of the benefit reviews, to the disappointment of ministers and officials, but the Employment Policy Unit is now doing some work on feasibility. A radical reform of this kind, which could, as a spin-off, eradicate primary poverty in Britain for the first time, might be a good manifesto commitment, and the present reforms could be presented as a first step.

Naval ship design

As part of our general brief to warn you of potential trouble-spots ahead, I looked at the vexed question of short/fat ships and have reported to you on it. Action has now been taken to start a review of the new design, but there is still a potentially embarrassing court-case outstanding.

* * *

It has been an honour and a pleasure to work for you, and I shall continue to support you through the columns of TODAY, as far as I am allowed to. I wish you every success for the next general election, though, as the attached figures show, present opinion polls suggest there would now be a tiny overall majority for Labour. But there is still time to recover our fortunes, and I hope you will succeed in doing it.

CHRISTOPHER MONCKTON
25 June, 1986.

PRIME MINISTER

LABOUR REMAINS THE ENEMY

Labour could now win a General Election with an outright majority of two seats overall, if voting went in accordance with the average of the last four published opinion polls:

MORI	22 May - 27 May	31.0%	36.0%	30.0%
HARRIS	12 Jun - 13 Jun	31.0%	40.0%	25.0%
GALLUP	12 Jun - 16 Jun	34.0%	39.0%	24.5%
MARPLAN	12 Jun - 16 Jun	33.0%	39.0%	26.0%
AVERAGE	**22 May - 16 Jun**	**32.3%**	**38.5%**	**26.4%**

The computer suggests that, on these figures, the Conservatives would have 264 seats (397 in 1983); Labour 326 seats (209); and "Alliance" 39 seats (23).

Among the 133 seats which we could lose are Bath, Brighton Kemptown, Cambridge, Cheltenham, Chester, Croydon North-West, Dover, Dulwich, Hereford, Kensington, Lincoln, Medway, Norwich, Oxford East, Peterborough, Putney, Southport, Stirling and York.

We should not, therefore, be complacent. Labour remains the chief danger. We should be very lucky indeed if either another Falklands happened or the Labour Party did something stupid enough to drive the voters away from it.

The attached printout shows which seats would change hands compared with 1983, with estimated percentages of total vote (and 1983 percentages) for Conservatives (C), Labour (L) and SDP/Liberal "Alliance" (S). The party winning the seat is indicated (with the 1983 holder of the seat in brackets). This is our list of marginal seats.

CHRISTOPHER MONCKTON

25 JUNE, 1986.

ANGES FOR CON 32.3% (43.6%), LAB 38.5% (28.3%), SDP 26.4% (26.1%).

Aberdeen South	3	28.1	(38.9)	40.4	(29.9)	26.5	(26.2)	L (C)
Amber Valley	8	30.4	(41.7)	46.4	(35.3)	21.5	(21.3)	L (C)
Argyll and Bute	10	29.2	(38.6)	17.1	(9.3)	29.2	(27.5)	S (C)
Ayr	16	31.9	(42.8)	37.1	(26.8)	26.1	(25.6)	L (C)
Barrow and Furness	23	32.2	(43.6)	45.9	(34.7)	21.9	(21.7)	L (C)
Basildon	24	27.6	(38.7)	46.6	(35.6)	25.7	(25.7)	L (C)
Bath	27	36.6	(47.1)	24.0	(15.2)	37.7	(36.0)	S (C)
Batley and Spen	28	28.3	(39.6)	49.2	(38.0)	21.6	(21.6)	L (C)
Birmingham Hall Grn	45	37.7	(49.1)	38.0	(27.3)	24.3	(23.6)	L (C)
Birmingham Northfld	48	31.2	(42.7)	48.9	(37.5)	19.1	(19.0)	L (C)
Birmingham Selly Oak	50	33.4	(44.9)	45.6	(34.4)	21.0	(20.7)	L (C)
Birmingham Yardley	53	31.7	(43.2)	47.6	(36.3)	19.6	(19.5)	L (C)
Bolton North-East	63	31.7	(43.2)	49.3	(37.8)	18.4	(18.3)	L (C)
Bolton West	65	33.7	(45.1)	42.5	(31.5)	23.8	(23.4)	L (C)
Bradford North	72	23.8	(34.3)	41.2	(30.9)	25.6	(25.5)	L (C)
Brentford & Islewrth	80	36.1	(47.4)	40.1	(29.3)	22.7	(22.1)	L (C)
Bridgend	82	27.4	(38.4)	46.2	(35.2)	23.3	(23.2)	L (C)
Brighton Kemptown	86	39.6	(51.2)	40.7	(29.7)	19.2	(18.6)	L (C)
Bristol East	88	29.3	(40.5)	48.1	(36.9)	21.3	(21.3)	L (C)
Bristol North-West	89	32.5	(43.9)	43.6	(32.6)	23.9	(23.6)	L (C)
Burton	97	39.5	(51.1)	40.8	(29.8)	19.6	(19.1)	L (C)
Bury North	98	33.6	(45.5)	51.9	(40.2)	14.4	(14.4)	L (C)
Bury South	99	32.5	(44.0)	47.9	(36.5)	19.7	(19.5)	L (C)
Calder Valley	103	32.6	(43.7)	37.4	(27.0)	30.0	(29.4)	L (C)
Cambridge	104	30.6	(41.5)	38.7	(28.2)	30.2	(29.7)	L (C)
Cannock & Burntwood	108	29.6	(40.9)	48.2	(36.9)	22.2	(22.1)	L (C)
Cardiff Central	110	30.7	(41.4)	34.1	(24.2)	33.3	(32.6)	L (C)
Cardiff West	113	27.0	(38.0)	44.4	(33.6)	25.6	(25.5)	L (C)
Chelmsford	121	37.7	(47.6)	12.1	(5.1)	50.0	(47.0)	S (C)
Cheltenham	123	40.5	(50.6)	15.1	(7.6)	43.6	(41.0)	S (C)
Chester City	126	35.8	(47.1)	38.9	(28.2)	25.3	(24.7)	L (C)
Chorley	132	36.8	(48.3)	41.5	(30.5)	20.7	(20.3)	L (C)
Clwyd South-West	138	23.5	(33.8)	37.5	(27.4)	30.5	(30.2)	L (C)
Conwy	145	31.4	(41.7)	26.1	(17.1)	32.0	(30.8)	S (C)
Corby	147	31.2	(42.6)	47.4	(36.1)	20.4	(20.3)	L (C)
Cornwall North	148	42.6	(52.4)	10.7	(3.9)	46.1	(43.0)	S (C)
Coventry South-West	153	33.6	(45.0)	42.9	(31.9)	23.0	(22.6)	L (C)
Crosby	156	37.0	(47.2)	18.1	(10.2)	44.2	(42.0)	S (C)
Croydon North-West	159	31.5	(42.3)	34.2	(24.2)	32.7	(31.9)	L (C)
Cunninghame North	162	27.7	(38.7)	45.5	(34.6)	18.2	(18.1)	L (C)
Darlington	166	33.0	(44.6)	49.3	(37.8)	17.5	(17.4)	L (C)
Davyhulme	169	34.8	(46.0)	37.3	(26.9)	27.9	(27.2)	L (C)
Delyn	170	30.6	(41.6)	40.0	(29.4)	26.2	(25.8)	L (C)
Derby North	172	32.2	(43.7)	48.2	(36.8)	19.6	(19.4)	L (C)
Derbyshire South	175	32.6	(43.8)	39.9	(29.2)	27.5	(27.0)	L (C)
Dewsbury	180	28.2	(39.4)	46.3	(35.3)	25.4	(25.3)	L (C)
Dover	187	36.8	(48.3)	41.9	(30.8)	20.6	(20.1)	L (C)
Dudley West	189	34.7	(46.2)	42.4	(31.4)	22.9	(22.4)	L (C)
Dulwich	190	29.3	(40.5)	46.8	(35.7)	22.1	(22.0)	L (C)
Ealing North	200	33.7	(45.1)	43.9	(32.8)	21.8	(21.5)	L (C)
Edinburgh Central	210	27.2	(38.0)	41.7	(31.1)	25.9	(25.6)	L (C)
Edinburgh Pentlands	213	28.7	(39.2)	33.7	(23.9)	29.9	(29.3)	L (C)
Edinburgh South	214	26.2	(36.8)	38.9	(28.6)	28.9	(28.6)	L (C)
Edinburgh West	215	27.9	(38.2)	29.5	(20.1)	38.1	(37.1)	S (C)
Edmonton	216	30.9	(42.5)	51.4	(39.8)	16.9	(16.9)	L (C)
Ellesmere P & Neston	217	34.5	(45.9)	43.7	(32.6)	21.9	(21.5)	L (C)

Elmet	218	35.8	(47.3)	42.9	(31.8)	21.4	(20.9)	L	(C)
Eltham	219	36.5	(47.9)	40.1	(29.3)	22.7	(22.1)	L	(C)
Erewash	224	34.4	(45.3)	35.2	(24.9)	22.9	(22.2)	L	(C)
Erith and Crayford	225	26.5	(37.1)	37.5	(27.3)	35.3	(34.9)	L	(C)
Feltham and Heston	233	31.7	(43.4)	51.0	(39.4)	16.0	(15.9)	L	(C)
Fife North-East	235	36.3	(46.1)	13.8	(6.5)	42.7	(40.2)	S	(C)
Fulham	238	34.6	(46.2)	45.3	(34.0)	18.5	(18.2)	L	(C)
Gainsboro & Horncstl	240	40.8	(50.9)	15.3	(7.7)	43.4	(40.8)	S	(C)
Glanford & Scunthorp	245	27.4	(38.5)	48.4	(37.3)	24.2	(24.2)	L	(C)
Glasgow Hillhead	250	14.0	(23.5)	43.4	(33.4)	35.7	(36.2)	L	(S)
Gloucestershire West	258	34.8	(45.8)	34.8	(24.7)	30.3	(29.5)	L	(C)
Gravesham	263	35.8	(47.4)	43.1	(31.9)	20.1	(19.7)	L	(C)
Halifax	272	29.5	(40.9)	48.7	(37.4)	21.8	(21.7)	L	(C)
Hampstead & Highgate	278	30.0	(41.2)	44.6	(33.7)	25.0	(24.8)	L	(C)
Harlow	280	29.9	(41.1)	45.2	(34.2)	24.4	(24.2)	L	(C)
Hayes and Harlington	288	29.4	(40.3)	40.5	(29.9)	29.4	(29.0)	L	(C)
Hazel Grove	289	35.8	(46.1)	20.2	(12.0)	44.0	(41.9)	S	(C)
Hereford	294	38.0	(48.1)	15.1	(7.6)	46.0	(43.4)	S	(C)
High Peak	302	35.3	(46.4)	36.4	(26.0)	28.3	(27.6)	L	(C)
Hornchurch	306	35.8	(47.0)	37.4	(26.8)	25.4	(24.7)	L	(C)
Hornsey & Wood Green	307	31.1	(42.4)	46.2	(35.0)	21.1	(20.9)	L	(C)
Hyndburn	316	30.6	(42.2)	53.9	(42.2)	14.6	(14.6)	L	(C)
Ilford South	318	33.9	(45.4)	45.6	(34.3)	19.7	(19.5)	L	(C)
Keighley	326	31.1	(42.6)	48.4	(37.0)	19.9	(19.8)	L	(C)
Kensington	327	34.7	(46.0)	40.3	(29.5)	22.6	(22.1)	L	(C)
Kingswood	333	29.1	(40.4)	48.4	(37.1)	22.6	(22.5)	L	(C)
Lancashire West	337	34.7	(46.3)	45.0	(33.8)	20.3	(20.0)	L	(C)
Langbaurgh	339	30.6	(41.7)	42.1	(31.4)	27.2	(26.9)	L	(C)
Leeds West	345	17.0	(26.8)	44.3	(34.0)	38.0	(38.4)	L	(S)
Leicester East	346	27.8	(38.9)	48.2	(37.0)	21.1	(21.1)	L	(C)
Leicester South	347	28.9	(40.3)	51.7	(40.3)	17.7	(17.7)	L	(C)
Leicestershire NW	349	33.2	(44.6)	43.6	(32.6)	22.0	(21.7)	L	(C)
Lewisham East	354	29.1	(40.4)	47.0	(35.9)	22.1	(22.0)	L	(C)
Lewisham West	355	32.4	(44.0)	49.9	(38.4)	16.9	(16.8)	L	(C)
Lincoln	357	35.2	(46.4)	38.1	(27.5)	25.7	(25.1)	L	(C)
Littleboro & Sadlwth	360	32.0	(42.8)	35.4	(25.3)	31.8	(31.0)	L	(C)
Luton South	372	30.6	(41.9)	44.2	(33.3)	25.1	(24.9)	L	(C)
Manchester Withingtn	379	28.2	(39.2)	45.1	(34.2)	26.3	(26.2)	L	(C)
Medway	382	37.4	(48.9)	41.1	(30.1)	21.5	(21.0)	L	(C)
Mitcham and Morden	388	31.6	(42.7)	39.3	(28.8)	27.9	(27.4)	L	(C)
Newcastle u Tyne Cen	402	29.6	(40.8)	47.0	(35.8)	22.4	(22.3)	L	(C)
Newport West	410	27.0	(38.0)	47.7	(36.6)	24.2	(24.2)	L	(C)
Norfolk North-West	413	32.9	(43.5)	28.2	(18.9)	38.9	(37.6)	S	(C)
Northampton North	417	35.7	(46.9)	37.5	(26.9)	26.7	(26.0)	L	(C)
Norwich North	420	33.3	(44.7)	43.4	(32.4)	22.9	(22.6)	L	(C)
Norwich South	421	27.7	(38.8)	46.3	(35.3)	24.5	(24.4)	L	(C)
Nottingham East	423	29.2	(40.4)	48.3	(37.1)	19.3	(19.2)	L	(C)
Nottingham North	424	28.2	(39.4)	50.0	(38.7)	19.4	(19.4)	L	(C)
Nottingham South	425	34.3	(45.9)	45.4	(34.1)	20.3	(20.0)	L	(C)
Nuneaton	426	29.5	(40.5)	41.2	(30.6)	28.3	(27.9)	L	(C)
Oxford East	433	28.7	(40.0)	48.5	(37.3)	22.8	(22.7)	L	(C)
Pembroke	438	35.6	(46.9)	40.1	(29.2)	21.2	(20.7)	L	(C)
Pendle	439	32.9	(44.2)	43.3	(32.3)	23.8	(23.5)	L	(C)
Peterborough	442	35.8	(47.1)	39.9	(29.1)	23.2	(22.7)	L	(C)
Pudsey	452	35.1	(45.7)	27.0	(17.8)	37.2	(35.8)	S	(C)
Putney	453	34.8	(46.5)	47.3	(35.9)	16.5	(16.3)	L	(C)
Renfrew W & Invercld	459	22.4	(32.7)	39.2	(29.0)	29.7	(29.5)	L	(C)
Richmond and Barnes	462	36.5	(46.5)	14.4	(7.1)	49.1	(46.4)	S	(C)

Rossendale & Darwen	469	35.5	(47.0)	42.9	(31.8)	21.6	(21.2)	L (C)
Sherwood	495	29.5	(41.0)	51.2	(39.7)	19.3	(19.3)	L (C)
Slough	501	31.5	(42.9)	48.2	(36.9)	18.6	(18.5)	L (C)
Southampton Itchen	504	30.6	(41.5)	37.4	(27.1)	32.0	(31.5)	L (C)
Southampton Test	505	34.0	(45.2)	38.6	(28.1)	27.3	(26.7)	L (C)
Southport	509	40.3	(50.4)	16.0	(8.3)	43.0	(40.5)	S (C)
Stevenage	521	28.8	(39.4)	33.9	(24.0)	36.8	(36.1)	S (C)
Stirling	522	29.2	(40.0)	38.3	(27.9)	24.3	(23.9)	L (C)
Stockport	523	31.1	(42.1)	39.5	(29.0)	28.1	(27.6)	L (C)
Strathkelvin & Bears	530	26.0	(36.4)	35.6	(25.6)	29.2	(28.7)	L (C)
Streatham	531	35.1	(46.5)	42.5	(31.5)	21.6	(21.2)	L (C)
Swindon	548	28.0	(39.2)	47.8	(36.7)	24.2	(24.1)	L (C)
Twickenham	565	40.3	(50.4)	15.0	(7.5)	43.3	(40.8)	S (C)
Tynemouth	567	37.0	(48.6)	42.5	(31.3)	20.5	(20.1)	L (C)
Wallasey	573	34.5	(46.0)	43.6	(32.5)	21.9	(21.6)	L (C)
Warrington South	585	30.9	(41.9)	40.7	(30.0)	27.7	(27.3)	L (C)
Warwickshire North	587	30.5	(41.9)	48.4	(37.1)	21.0	(20.9)	L (C)
Westminster North	598	31.6	(43.2)	50.9	(39.4)	15.8	(15.7)	L (C)
Wiltshire North	602	43.1	(53.0)	12.0	(5.0)	43.6	(40.6)	S (C)
Woolwich	615	15.5	(25.1)	43.5	(33.4)	40.0	(40.5)	L (S)
Wrekin	622	27.8	(39.0)	47.8	(36.7)	24.4	(24.4)	L (C)
York	629	30.1	(41.3)	46.2	(35.1)	23.1	(23.0)	L (C)

SUMMARY FOR CON 32.3% (43.6%), LAB 38.5% (28.3%), SDP 26.4% (26.1%).

PTY:	CONSTITS HELD NOW	1983	GAINS TOTL GAIN	FROM CON	FROM LAB	FROM SDP	LOSSES TOTL LOSS	TO CON	TO LAB	TO SDP	SWINGS TO CON	TO LAB	TO SDP
CON:	264	397	0	0	0	0	133	0	114	19	0.0	10.8	5.8
LAB:	326	209	117	114	0	3	0	0	0	0	0.0	0.0	0.0
SDP:	39	23	19	19	0	0	3	0	3	0	0.0	5.0	0.0

LABOUR OVERALL MAJORITY OF 2 SEATS.

Cf. File DA

MR. BOOTH

IMMEDIATE HOME AND LEGAL ISSUES

The Prime Minister has seen your note of 20 December.

On paragraph 2, as you know, I have now asked DES to provide an urgent report on political indoctrination in schools.

On paragraph 4 of your report, the Prime Minister suggests that you may wish to mention the three names to Lord Young's office but make clear that the names have not been endorsed by the Prime Minister, and that Lord Young should use them as he sees fit.

I shall be glad to go over the note itself with you, if you wish.

(Mark Addison)
24 December 1985

JRW

cf Je VC

MR BOOTH cc Professor Griffiths

PROGRESS CHASING

As you know, I was going to write to the Home Office asking what action the Home Secretary had in mind to take forward the Government's proposals to deal with over-lenient sentencing.

In fact, this was discussed at the Home Secretary's bilateral on 16 December, after the Prime Minister had seen Professor Griffiths' progress note. I do not think any further action is therefore called for at this stage.

(MARK ADDISON)

23 December 1985

Prime Minister

MLA 20/12

PRIME MINISTER 20 December 1985

IMMEDIATE HOME AND LEGAL ISSUES

Christmas round-up:

1. Police: A change of emphasis is needed? Bernard Levin's article flagged at (A) has struck a cord with many people - not all on the Left. He criticises police attitudes and London Conservative MPs have also - most unusually - complained to Kenneth Newman and to Douglas Hurd about police "rotten apples". Leslie Curtis, the Police Federation Chief, confirmed to me that "Government does not help the police by praising all police right or wrong all the time". We will be more credible if we criticise the tiny minority of police of which even the police are ashamed.

Action: Very delicate, but raise in bilateral with Douglas Hurd.

2. Police and the NUT: You may be interested in the reality of the crisis between Left Wing teachers and the police revealed in the attached document (B) and the police response (C).

I am writing to DES to chase them up on political indoctrination. MLA 20/12

Action: Ask DES Ministers to investigate.

3. Drugs Update: Drug pushers are reported to be adopting a new practice of standing outside school gates to give free

drugs to school children until they are hooked. Children then pay from the proceeds of crime. Government could call to parents, teachers and children to be watchful. Generally, the British street price of hard drugs is low and purity is high, reflecting wide availability. Notified addiction is up 30%.

4. Black Enterprise: The "Inner City" group of Ministers rightly call for black leaders to trail-blaze the way for enterprise and initiative. We suggest a few in the appendix (Flag D):

A further reminder came this week of the importance of this exercise. Of the ten cities covered by the Inner City Youth exercise, only two cities with severe problems - Glasgow and Middlesborough - were not classified as likely to produce riots. These two were the only ones chosen with no significant Caribbean population.

Action: Do you agree the black businessmen being approached? I suggest that Hartley might mention these names to Lord Young, but not as having been endorsed by you, for Lord Young to approach as he sees fit. DRN

5. Lawyers: I have visited Scotland and am convinced real savings can be found in the administration of justice in England and Wales by (a) using the new crown prosecutors to decide who should be tried in Crown Court and (b) cutting down on endless committal proceedings with firm time limits. You will receive a full report in January.

6. Broadwater Farm Riot: Kenneth Newman testifies to the usefulness of video cameras. He says arrests have been made as a result of video evidence.

7. Television Violence: Has Winston Churchill the answer? We feel his proposal (a) for a list method to define abuse is impractical, but (b) his aim to remove BBC/ITV criminal exemption from prosecution must be right - no-one should be above the law.

Action: Home Office will report soon.

Hartley Booth.

HARTLEY BOOTH

Bernard Levin: the way we live now

Who will defend us against the bullies in blue?

The Times 17th December 1985

A few years ago, the then Home Secretary said to me, in precisely these words, "The Met's in a mess". With [redacted] remarkable intuition that has carried me to the very pinnacle of my profession, I instantly deduced that he was not talking about the well-known opera house in New York. But if the Home Secretary held that opinion then, he would be a bold man who claimed that the condition of the Metropolitan Police has strikingly improved since. Or so it seems to me, and I imagine that few of my regular readers will believe that I am so extravagant an admirer of Arthur Scargill, Bernie Grant, Ted Knight and the Militant tendency that I would endorse without hesitation their courteously expressed claims that the police force is an evil instrument of class oppression, staffed by brutal thugs only too eager to do the dirty work of their capitalist masters.

When Stephen Waldorf was reduced by police marksmen to the condition of a colander, I held my peace; people who think they are dealing with a dangerous gunman are apt to behave as though they are, and it is too easy for others, afterwards, to insist that they should have got themselves shot dead making certain.

When Mrs Cherry Groce was shot and seriously wounded by a police bullet after police had made a forcible entry into her home in search of her son, who did not live there, because he was wanted for questioning (he has since been tried and acquitted), I raised an eyebrow or two, and began to think it possible that some policemen had been watching more American television programmes than was quite healthy for them. And when Mrs Cynthia Jarrett died in a similar incursion, I was content to wait for the inquest, and did not much care for some of the things that emerged therefrom.

Still have I borne it with a patient shrug; all three incidents could reasonably be ascribed to advanced cases of the jitters among the boys in blue; small consolation for the victims (Mrs Groce may be paralysed for life), and in a trained and disciplined force strictly inexcusable, but there are some very nasty characters behind closed front doors these days, and that which may not be excused can be, by anyone with a little imagination, easily understood.

Now, however, there has been a case in which the behaviour of the police officers concerned was not only inexcusable in any circumstances but raised questions about the condition of the Met and its leadership that go very far beyond the incident itself; indeed, I may as well say plainly what I thought when I read the details, which is that if the Commissioner is not willing to take rapid, ruthless and well-publicised action to root out the kind of behaviour there displayed, which is of a kind that is very unlikely indeed to be a single, self-contained incident, it would be better for all of us if he were to be succeeded as soon as possible by someone who is.

Here are the details. Patrick Wilson, a black man in a wheelchair, was stopped by police who claimed that they suspected him of having illegal drugs concealed about him. Mr Wilson said that in the course of their action they made racially offensive and abusive remarks to him; he therefore went in his car (he cannot walk, but is able to drive) to the office where his girlfriend, Miss Susan Farbridge, worked (and to which he had just taken her when the incident occurred), so that he should not be without witnesses.

When Mr Wilson and Miss Farbridge and the police were all together at her office, she explained about his disability; *both* of them were then arrested and taken to a police station, where they were both strip-searched. In the course of the journey to the police station, PC Roderick Paterson and PC Neil Rossiter assaulted Mr Wilson by dropping him on the floor of the van; he had already been assaulted in his car. In the course of Miss Farbridge's examination, she was "assaulted by search"; she was also forced, when naked, to jump up and down.

Sergeant Raymond Gull and WPC Karen Connell falsely claimed that they believed Miss Farbridge had drugs about her. No drugs were found on either Mr Wilson or Miss Farbridge, but they were falsely charged with other offences: Mr Wilson with careless driving and assaulting a police officer, Miss Farbridge with obstructing a police officer. Both were subsequently acquitted of all charges. They then brought an action for damages against the Metropolitan Police.

By the time the civil case was to be heard, the Met were running scared; they offered Mr Wilson £2,505 to settle out of court. The odd sum is easily explained; if damages are offered and a court awards less than the offer, the plaintiff is obliged to pay all the costs for both sides from the date of the offer. Lawyers estimate what a plaintiff might get, and advise their clients to offer slightly more; here, the Met plainly guessed that Mr Wilson might be awarded £2,500, and the extra fiver, if he did, would ensure that the costs would fall on him.

As it happened, Mr Wilson was awarded a total of £1,750, while Miss Farbridge was awarded £2,000 altogether, and Mr Wilson was ordered to pay the costs, but the judge, in a reconvened hearing, changed his decision; he said that he had not fully taken into account what he called "the disgraceful conduct" of the police, and awarded Mr Wilson his costs after all.

Out of the corner of my eye I can see the *Times* lawyers beginning to bleed from the ears, so I had better pause to explain my confident ascription of wrongdoing to the officers in the case. It was the jury in the civil action (and, by inevitable implication, the magistrate in the prosecutions of Mr Wilson and Miss Farbridge) who concluded that, as the plaintiffs contended, Mr Wilson had been unlawfully arrested, maliciously prosecuted, falsely imprisoned and for good measure assaulted, and that Miss Farbridge had been unlawfully arrested, falsely imprisoned and likewise (and humiliatingly) assaulted.

And it was the judge who declared that the conduct of the police had been "disgraceful" and that they had behaved "oppressively and in abuse of their powers". The names of the officers in question were attached as specified above to the offences described.

And just in case Mr Toby Jessel MP wants to believe that the jury was packed by defence challenges so as to be entirely composed of drug-maddened voodoo-followers with an average of 40 convictions for grievous bodily harm, I must draw attention to the fact that they refused Mr Wilson a verdict on one of the most important of his indictments: they decided that although Mr Wilson had no drugs about him, the police were not lying when they said they thought he had, so that it was proper for them to search him.

I am unable to accept, in a case as scandalous as this, the "rotten apples" theory. Of course there are dishonest policemen and policewomen, as there are dishonest butchers, bakers and candlestick-makers; why, I have even heard of journalists who occasionally say the thing that is not. But what can be the climate in which these officers were trained and assigned, and what must be the tenor of the force of which they are members, if such a catalogue of dishonesty and wickedness becomes visible when the carpet is rolled back?

Mr Wilson said, after the case, that he had often been stopped by the police "just for being a black Rastaman". I would normally discount a good deal of such a claim; after this case, I do not, particularly in the wake of the Groce and Jarret affairs.

If there is in the Met a tendency to believe that the doors of black people's houses can be broken down with more readiness and less excuse than those of white people's, and if *five* officers conspire to commit unlawful arrest, malicious prosecution, false imprisonment and assult on a black man and his white companion, and then lie themselves even deeper into the mire while their superiors, who can see a barn door by daylight, are striving to prevent the case coming to court, then it seems to me that there is something very much deeper and rottener at the heart of the Met than the inevitable incidence of a few bad and dishonest members of it.

'If there is a tendency to believe that the doors of black people's houses can be broken down with more readiness and less excuse than those of white people, there is something very much deeper and rottener at the heart of the Met than the inevitable incidence

These things have been said before. But they have not been said by me. The fact that I am saying them now is important only in one particular: if those whose instinctive as well as logical sympathies have always been engaged on the side of the police are now finding that that is ceasing to be true, it must mean that we feel that there is good reason for our shift. There have been too many incidents, and too many plainly genuine complaints and grievances, for the Met or anyone else to go on repeating that there is nothing more to it than a few officers who have let the force down. It now seems to me more likely that a subterranean stream of poison is running through the force, and that the Wilson-Farbridge scandal may be far less exceptional than it should be.

When Sir Robert Mark became commissioner, he caused surprise by making clear that his greatest priority would be to root out corruption in the force he led. What, asked some, more important than catching burglars, making the streets safer, stopping the heroin-peddlers? Yes, much more important, for a house that is built upon sand cannot stand. It is perhaps time for the present commissioner, or his successor, to undertake, with no less energy, implacability and urgency, to sweep his force clean of a very different, yet perhaps even more pernicious, plague. That Home Secretary was right.

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17/12/85

Issued 1985

POLICE out of SCHOOL

NATIONAL UNION OF TEACHERS

HACKNEY TEACHERS' ASSOCIATION

50p

INTRODUCTION

There is nothing that especially qualifies the police more than any other group in society to teach five a side football, disco-dancing, road safety, law or even not to go with strangers. Althernative non-racist agencies exist in all these areas if schools want outsiders to develop these and other areas of the curriculum. The Police insistence that they be allowed to present to children these parts of the curriculum has an ulterior motive of control and intelligence gathering. Given the proven institutional racism of the Police we should not allow them access to our schools.

Hackney Trades Council, Hackney Council, Hackney Black Peoples' Association and the Colin Roach Support Committee all have a policy of breaking links with the police. We agree we can have no dialogue with the police until they tackle their institutional racism.

Teachers in many Hackney schools have operated our policy for a number of years. It is now time to spread the case for no police in schools and make it part of each school's anti-racist policy. Once the school NUT union group has voted on the policy it should be taken to a full staff meeting, the parents and Governors and, in secondary schools, to the school students for endorsement. In this way whole sections of the community will be sending a clear message to the police that they will not have our consent to come into our schools and that they must become accountable. They must start by tackling racism in the force.

Hackney is an area with a multi-ethnic population, run down, poverty-stricken with very high levels of unemployment especially among black youths.

As teachers trying to overcome these disadvantages and get the best for our pupils and the best from them, it is impossible for us to retain the confidence of black parents and pupils if we are seen to be allowing the police access to our schools and classrooms.

We cannot accept that the police have any legitimate role in our schools. The commitment of the Metropolitan Police to visit every classroom once a year can only be viewed as a cynical PR exercise, while at the same time in the community and on the streets Instant Response squads operate with a heavy hand towards all black people.

As teachers and trade unionists we find ourselves unable to accept the level of racism found throughout the Metropolitan Police. The ILEA and the NUT have made racist discrimination and remarks by any teacher disciplinable, both under the staff code and union rules. Despite Lord Scarman's report, in the wake of the Brixton uprising, recommending that the Metropolitan Police do the same and make racist remarks and behaviour a disciplinable offence the Home Secretary, the Police Federation and Sir Kenneth Newman have rejected this recommendation. Teachers, like all other predominantly white groups in our society, have had to take active steps to combat and outlaw racist behaviour, practices and ideas throughout the curriculum. This process has hardly begun but there is at least a commitment. The Police have shown no such willingness even after the Policy Studies Institute Report clearly documented systematic racist and sexist behaviour and remarks throughout the Metropolitan Police.

NATIONAL UNION OF TEACHERS

HACKNEY TEACHERS' ASSOCIATION

HACKNEY NUT PRESS STATEMENT ON POLICE IN SCHOOLS

After the death of Blair Peach in 1979 the association was so disturbed by the Metropolitan Police cover-up of his murder that we resolved that we did not want the Police in our schools.

As Mr Simons, a local teacher and NUT member of ten years standing and a friend of Blair Peach, pointed out . . .

'Blair has been largely forgotten by the media but his friends and colleagues have not forgotten him. He was a very good teacher and well respected by the East London community. I will not forget that he was murdered by an unnamed policeman who may still be a member of the Police force.'

We were also alarmed at the time at the increasingly para-military nature of the Police and in particular the activities of the Special Patrol Group. There have been strong demands from many unions and the TUC to disband the SPG to no avail.

We oppose the Police promoting their image of themselves to children in schools. Their teaching of road safety is quite unnecessary because Hackney Council employ people to teach road safety. We of course believe that individual policemen often have an important role for small children who are lost or in trouble, and believe that children should continue to see them in this way and be able to talk to them in time of need. But we feel that small children are quite capable of understanding the dual role of the Police: the lifeline and the racist. As many children have experienced the more worrying aspects of Police activity either directly or via elder brothers and sisters*.

The Police in inner city areas like Hackney are racist. If we are to maintain credibility with many of our black pupils and parents then we cannot be seen to be associated with the Police.

This policy was re-affirmed in December 1981 when Hackney Police arrested and assaulted a black mother and two daughters – the Knight family. This was one of many such incidents in Hackney. Others include the wrongful arrest and assault on the White family who got over £50,000 compensation and the wrongful arrest of Newton Rose for murder.

Other incidents affect children directly. These include the landing of a police helicopter in a school playground without warning when they were looking for thieves, or twelve and thirteen year old black children out of school for their lunch break being stopped on a number of occasions and made to stand spreadeagled against the wall, by the SPG, while searched.

Recently some black school girls were arrested on a bus in school time and were not allowed to see their teacher.

Our policy was reaffirmed again after the release of the racist crime figures last March by the Metropolitan Police.

The Scarman report on Brixton called for the Police to outlaw racist practice and behaviour in the police force. This was rejected both by the police and the government.

We say that if the Police will not take on their own racism Hackney teachers should have nothing to do with them.

This is not to say individual police are all racist rather that the way they are organised and operate is racist.

The policy of the HTA is for our members to discuss and adopt democratically in each school. A number of schools NUTs have adopted the policy and effectively stopped the police coming into their schools on all but legal matters.

The policy is one of protest and non-cooperation and raises in sharp focus the racism of the Police.

HACKNEY TEACHERS ASSOCIATION NUT 23rd July 1982.

*Similarly police taking social or community studies in secondary schools is not acceptable.

Reissued 1985.

In 1979 the Hackney branch of the National Union of teachers (HTA) started a policy of non-co-operation with the police. The immediate cause of this was the murder of a teacher, Blair Peach, by the police while he was on an anti-racist demonstration. The teachers also had another reason for not supporting the police – they had become aware of the distrust and suspicion which many black children and their families felt for the police. This was particularly so in Hackney where the local police force has a brutal reputation and where black families have learned to their cost the police will not protect them from racial harassment and attack.

Subsequently, the Metropolitan Police policy of visiting every classroom once a year put increasing strain on the trust between pupils and teachers.

The brutality of the police, which is felt daily by black residents of London, frequently spills over into the schools. In one notorious incident in March 1981 the police responded to a hoax 999 call from a North London School in Archway by arriving with five police cars, a helicopter and a dog van and meting racial abuse and violence on black children. Teachers who tried to stop it were told not to 'interfere' and to mind their own business. Such events have typified police behaviour for years. As if to underline this fact, in October of 1984 this same police station went to the same school because a black child there had been behaving in a disruptive way. A vanload of police arrived in full riot gear to arrest the child. While they were there they made such abusive comments as 'This is what to expect from the animal farm.'

It is obvious that teachers cannot allow such events to occur. Teachers are supposed to take the place of parents when children are in school.

In fact in common law teachers are in 'loco parentis'. If they are to do that job properly, then, under present circumstances, they have to protect children *from* the police, and they have to make sure that any contact which children do have with the police takes place only when absolutely necessary and with full and prior knowledge of the children's parents or guardians.

In our view, following this policy is the only way of ensuring an environment conducive to learning.

This policy of not co-operating with the police in schools therefore came into being because of what teachers learned about the police in Hackney and, most importantly, what they learned about the police from the everyday experience of their pupils. A number of recent studies have lent support to this policy.

For example, the Policy Studies Institute report on the Metropolitan Police dramatically underlines what has been going wrong with the police. They found that 70% of West Indians in vehicles were stopped and searched without sufficient reason, compared with 49% of whites and 29% of Asians. Of those on foot, 66% of West Indians were stopped without reason compared with 32% of whites and 23% of Asians. Terms such as 'monkeys', 'spooks' and 'coons' were widespread both in private conversation and on police radio. The report commented that,'there can be few other groups in which it is normal, automatic and habitual to refer to black people as coons and niggers and so on'. It notes that on the protest march following the Deptford fire racist comments abounded: some described the march as 'hundreds of rampaging niggers'. Another said it had been 'a defeat although I managed to hit a nigger in the head'.

A number of people like to hold the comforting view that although racism is widespread in the force things are different at the top; that a real attempt is being made to clean up the Met. The present leader of the Met, Sir Kenneth Newman, put an end to such illusions when he gave an interview to the American Police Magazine in 1982, a few months before his appointment. 'In the Jamaican,' he informs us,'you have a people who are constitutionally disposed to be anti-authority.', (quoted *Daily Mirror* 30/6/82).

No wonder then that when a researcher investigated attitudes amongst police trainees at the Peel Centre, Hendon, he found racism prevalent. For example, the essays written by trainees were typified by such passages as,'Quite frankly I don't particularly have any liking whatsoever for Wogs, nig nogs and Pakies. They come into Britain take up our homes our jobs and our resources and contribute relatively less to our once glorious country. They are, by nature, unintelligent and can't at all be educated sufficiently to live in a civilised society of the Western world. It is my opinion that they themselves would be better off living in their native lands so send them packing, carpet bags, funky music, curries, all their relatives and stereo transistor radios'.

It is a pity that the lecturer who exposed this, John Fernandez, did not get the support of his national union, NATFHE, and as a result lost his job. If teachers behaved and expressed themselves in the same manner as the police, they would be sacked and expelled from their union. None of this is true of the police who are accountable only to themselves, despite any recent cosmetic changes. Even Lord Scarman's recommendations for an independent complaints procedure were rejected by the Home Office and the Police Fereration. The police remain their own judge and jury – they are not accountable.

The police are a blatantly racist force and this is true, quite literally, from top to bottom.

There is not much sign that anything very much is changing. Last year the senior Inspector for Race Relations for the Metropolitan Police Force had to resign because he made what he referred to as a 'slip of the tongue' and referred to black people at an annual police conference as 'nig nogs'. We know of many local instances of similar behaviour. One Headmaster of a local Primary School was invited two Christmasses ago by the community relations department of the local police force to a Christmas party. He had not been there more than half an hour before he was astounded to hear the community liaison officers getting into the swing of things by cracking a stream of racist jokes. This racism and brutality in the police force is bound to increase as they attempt to enforce the increasingly unpopular policies of the state. For example, every section of the police force nationally has been used to fight the miners and there they have been learning and using increasingly brutal methods. In the same way, the police are becoming increasingly active in the harassment and deportation of large numbers of black people.

In Hackney we have had direct experience of this. A Turkish family, the Hasbudaks, have recently been deported. The family's two children, Senep and Fatih, were born and had only lived in this country. Their parents were served with a deportation order. In the event, the school to which the Hasbudak children went, William Patten, in Hackney, took the side of the Hasbudaks as part of the school and ILEA's anti-racist policy. The campaign was supported by the children, teachers, parents and governors.

The school joined the battle with the Home Office for the family to stay, during which time they went into hiding. The police then harassed the whole school over a long period – surveillance by phone-tapping, interfering with mail, police stake-outs of the school and helicopter observation of the playground. Nursery age children were questioned by the police. Despite the building of a large and influential campaign, the police managed to trick Mr Hasbudak into picking up a phoney package at a post office, captured him, and deported the family. In Turkey the family is without employment and living in destitution.

The Blacks are here and there is nothing we can do about it, I'm not saying I'd want to do anything against them because I have got alot of black friends, but not many of them. Obviously I disagree with the black youths who come here to live and then start fighting in riots and smashing up areas where I live, but to stop them we have to know their reasons for doing this mindless violence, every time there is a cause usually poorer living conditions poorer pay and the usual discriminations which is pretty bad since we're supposed to be living in a civilized society.

I have a Persian brother in-law who has lived here since he was 15 away from any of his family and has always faced alot of prejudice and seen his share I now, through him what it is like to feel hated. I personnelly would like to remove this prejudice from the police force and quickly because I have had first hand experience of police being prejudice.

Another view is that I'd personnelly like to kick the heads in of all the coloureds who are prejudice yet have never met a coloured black and just go along with their mates, and simply use the colour as a way of separating them from us and using them as scape-goats. If it is not their fault fault they are unable easily adapt to our working conditions and that the Britains can't.

The black people in Britain claim that they are British with the help off words eg. I've lived in Britain all my life and so has my mum. This is just an excuse a load of junk in my mind because white people who live in, say Mozambeque are not considered to be part of the country. Blacks are let off to much by this I mean a Police officer not making an arresting a black person may be called Racial Predjudist.

If the blacks were deported back to Africa or wherever they came from there would be less unemployment and therefore more money for the Government to use for creating jobs. My general opinion towards the blacks is very low but has been lowered even still by the trouble, they started, in Toxteth and Brixton. Just putting it bluntly 'kick them out.

in Britain are a pest. They come over here from some tin-pot banana country, were they lived in huts and worked the fields for cultivating rice and bananas, coconuts & tabacco, and take up residance in our already over-crowded island.

They never really seem to work at a legal job (except as doctors) but seem to exist off sponging off the welfare state - to which decent taxpaying white-law abiding citizens like myself contribute to by working hard at work 8 hrs/day - 5 days a week.

Quite frankly I don't particularly have any liking what so ever for wogs, nig nogs and Pakies. They come into Britain take up our homes our jobs and our resources and contribute relatively less to our once glorious country.

They are, by nature, unintelegent and can't at all be educated sufficiently to live in a civilised society of the Western world.

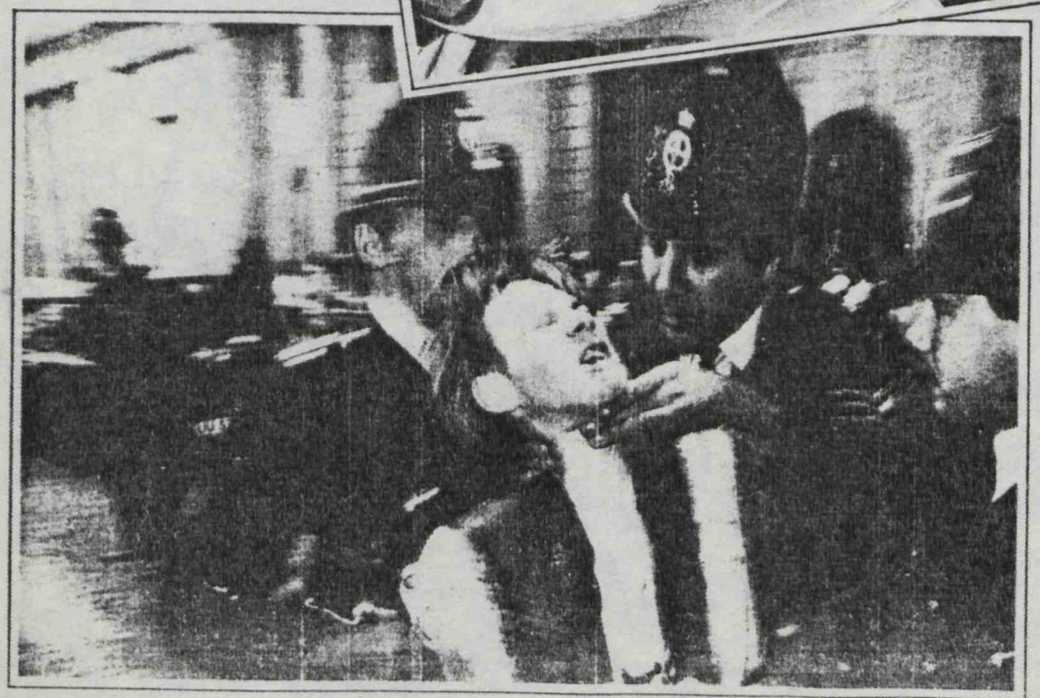
It is my opinion that they themselves would be better off living in there native lands e.g. packing carpet-bags, - &c.

all their relati...

The amount of blacks allowed into this country was too much. They all came over here and took money off the government, they took social security, went out with white women and took the white mans jobs. Some blacks are respectable but the majority cause a lot of trouble. Not perhaps their fault, they live in slum areas one reason why they do perhaps cause trouble. That is probably the only area that they are accepted they receive a lot of hassle from white people because a white man doesn't like a black man keeping him out of a job. The fact is that they are now not a minority but a big rate group of resented people. They are a big enough unit to now fight back at the white onslaught, and consequently they were a big factor in last summers riots. It makes me cringe when I see a black bloke going out with a white woman, what the attraction to a black-male is (blackmail etc.)? I don't know. England is a traditionally white country and that is how it should stay, the blacks must accept that if they are to live in this country they must fall in line under white British dictatorship and not try and run the country themselves from the backstreet ghetto's.

HENDON POLICE ESSAYS

WHICH IS THE REAL FACE OF THE POLICE?



HACKNEY GAZETTE April 30 1985 HAC

Police raid on factory is condemned

A RAID by police and immigration officers on a Richmond Road clothing factory was condemned by angry councillors on Wednesday night.

Hackney Council unanimously passed an emergency motion expressing its concern about blanket raids on factory premises and workplaces, which they say is creating an atmosphere of fear and anxiety among ethnic groups in the borough.

Council leader Hilda Kean has written a letter to Hackney police commander Keith Hunter asking a series of questions about the raid, in which it was alleged that workers were asked questions about their political affiliations.

SCARED

Hackney anti-deportation campaign worker Alok Biswas said: "It is hard to gather detailed information about raids because the police will not talk to us and black people are scared to come forward. These raids threaten the safety of all ethnic groups in the borough — our human rights are threatened."

Hackney Police Commander Keith Hunter confirmed that the raid had taken place, and said that six officers and four immigration officials had been involved.

"The police took no part in questioning the workers, but we have a duty to assist the immigration officers during the operation and to preserve the peace," he said.

Five workers were detained by the police, and two were subsequently charged.

The Commander said: "The raid on Richmond Road was the first large scale combined operation involving the police and immigration officials since 1982."

But Hackney Council Chair Brynley Heaven said: "It is patently absurd to say that these things happen only once in a blue moon. The Hasbudak case last year brought home just how much of this is going on."

And anti-deportation campaign member Dave Owen said: "Turkish and Turkish-Cypriot workers tell me that these raids are very common and usually take place in the Spring."

New Statesman
27 April 1985

New tactic to veil over immigration procedures?

A SERIOUS new departure in immigration policing methods, allegedly involving people being persuaded to leave the country 'voluntarily', appears to have been disclosed by tactics used in a raid this month on a factory in London's Hackney.

Local council leaders and MPs and Hackney Anti-Deportation Campaign (HADC) have already strongly criticised the operation, on 2 April, in which 'between 20 and 30' police and immigration officers descended on the Directmate clothing factory in Richmond Rd ostensibly to arrest two named people who weren't in fact there.

A number of other people, mainly Turkish Cypriots, were taken away. Police say that six people were involved. But according to other workers at the factory it was at least ten.

One of the six who are accounted for says he was questioned about his political affiliations. Another was taken away by the immigration officers — he's thought to have been removed to Cyprus. But there's most concern over four other people who weren't at the factory when it re-opened two weeks later and haven't been seen since the raid.

According to HADC, they left the country 'voluntarily' under pressure from the police. If it's true then the tactic is a serious development in immigration policing methods. As the law stands an immigrant who admits to lying when he entered the country counts as an illegal immigrant and can be summarily removed with no appeal possible.

Given the choice between a confession followed by quick removal, or prosecution followed by deportation (perhaps being locked up in the meantime), many immigrants understandably choose the former. Nationals of some countries are keen to get outside police stations as soon as possible. If immigrants are now being offered 'voluntary' departure with no stateward paperwork, then scrutiny of police and immigration service behaviour will become almost impossible.

Bryan Sedgemoor and Ernie Roberts, MPs for Hackney, are taking the allegations very seriously and are writing to immigration minister David Waddington to ask for a full explanation of the events of 2 April.

Jolyon Jenkins

Last year there were 918 deportations. Every year there are more and more. Most of these cases involve families with children and so the effects of deportations will be felt in the schools.

As a consequence of taking such a stand, teachers themselves have been subjected to police attention. One member of Hackney NUT who had been very active on the Hasbudak campaign went as a delegate on a miners picket at Mansfield. On his way back to the coach, long after any confrontation had finished, he was set upon by a group of policemen dressed in full riot gear who beat him up and left him unconscious on the ground. He missed his coach back to London and when he eventually got back by train, had to spend two days in hospital. This event seemed a bit of a mystery until we realised that police from Stoke Newington were amongst those who had been drafted to the picket. It is difficult not to conclude that they took the opportunity to settle scores with a local teacher who they knew to take the side of deportees.

Let us look in a bit more detail at some of the incidents that have occurred in London schools.

In one school the police got from the school the names and addresses of all the black boys in the first year. They also asked for descriptions. Acting on this information, two plain clothes officers subsequently picked up an eleven year old boy and took him to the police station for questioning. Only later did they contact his mother. The boy was innocent. In our opinion, it is quite out of order that the police should have such direct access to information about children without their parents being aware of it, and it is outrageous that a boy can be picked up by the police in this way without his parents being made aware of it prior to the event.

At an infant school, the headmistress called in the police to deal with four black children between the ages of four and six, because they had money on them which she suspected 'they should not have'. It is a matter of considerable concern that police should have any dealings at all with children that age, and incredible that a Headteacher did not feel able to tackle the problem herself.

A teacher from Hackney Downs School witnessed twelve and thirteen year old boys in their lunch-hour being stopped, spreadeagled and searched, in thier school uniforms, by an SPG squad.

In such cases, the introduction of the police is not only a matter of concern at the time, but also raises the problem of false accusations remaining on both police and school file to blight a student's subsequent career. For example, in Edith Cavell School a boy was accused of the theft of a wallet and the police were involved in the investigation without the child's mother, his only parent, being informed. Later he was exonerated of any blame for the affair. During the course of the investigation the head told his mother that they could not give her any details of the police investigation as *the police had instructed them not to*. After the boy was cleared, his mother spent a long time trying to establish, with the greatest difficulty, that no reference to the disproven allegations existed either on his school record or in any police record. This demeaning situation would never have occurred if the mother had been informed *prior* to the police being called in and if the schools had an open record policy.

At another local school, a year earlier, a member of staff had intervened when some boys from the school were being questioned and frisked just outside the school premises. When the teacher intervened the police became abusive towards him, arrested him, took him down to the station and charged him with assault. He was found innocent in court, but events such as these give white teachers a glimpse of the everyday experience of many of their black students. An experience borne out by the CRE report cataloguing the cases of 46 black people wrongfully arrested in Hackney.

RACIAL HARASSMENT ON HOUSING ESTATES

The final report of the GLC Police Committee panel of enquiry into racial harassment on local authority housing estates states that:

- attacks were not taken seriously
- victims were treated with suspicion
- some staff members may have sympathised with the views, if not the methods used by the attackers
- several new policies aimed at dealing with racial harassment have not been implemented
- the level of harassment against Bengalis in Tower Hamlets is increasing
- monitoring of attacks by staff was negligible
- tenants lacked confidence in the staff, and therefore reported few attacks — for example, the housing department had no records of racial incidents at Shadwell Gardens estate, but the Tenants association has records of 111 incidents between June '81 and February '82, and 110 for the rest of '82
- on many occasions housing officers would refuse to take action because they believed Bengalis were dishonestly trying to get a transfer

"London Housing" No. 35 Dec 1983

POLICY STUDIES INSTITUTE REPORT

The P.S.I. report found that 70% of West Indians in vehicles were stopped and searched without sufficient reason, compared with 49% of Whites and 29% of Asians. Of those on foot 66% of West Indians were stopped without reason compared to 32% of Whites and 23% of Asians.

Terms such as 'monkeys' 'spooks' and 'coons' were widespread both in private conversation and on personal radio. The report says 'there can be few other groups in which it is normal, automatic and habitual to refer to black people as coons, niggers and so on.' It notes that on the protest march following the Deptford fire, for example, racist comments abounded: 'someone described the march as hundreds of rampaging niggers'. Another said it has been 'a defeat although I managed to hit a nigger in the mouth.'

West Indian World 23.11.83 p.2

COLIN ROACH

Colin Roach, the 21 year old black man found dead in Stoke Newington Police Station on 19th January 1983 killed himself, a jury decided in June (Majority verdict 8 to 2). The verdict was dismissed by the Roach family and their supporters.

After the inquest the jury wrote to the Home Secretary, Leon Britton, criticising the police handling of the case, and in particular the treatment of Roach's parents after their son's death. The jurors said they were 'deeply distressed' by police behaviour.

By early May 1,000 people had been arrested as a result of demonstrations organised by the Roach Family Support Committee, including James Roach (Colin's father) who was arrested in March but acquitted in May.

Race and Immigration No. 158. August 1983.

Members of the National Union of Journalists complained at police behaviour towards photographers on the marches.

They allege obstruction, harassment, and assualt by the police.

'The Journalist' February 1983.

P.S.I. REPORT

The Policy Studies Institute Research states that one third of all stops made by police were illegal because there was no 'reasonable suspicion' for stopping 'suspects'.

About 1.5 million stops are made each year, but only about 1 in 12 leads to the detection of an offence.

West Indian youth figure high in the those-to-be-stopped group.

The P.S.I. found that racial prejudice was pervasive and that the Met was pre-occupied with ethnic differences. Racist language was even used in radio messages.

Labour Herald 25.11.83 pp. 8 & 9

These cases, and many similar ones, raise issues of grave concern to parents and teachers; and to the black community in particular because they are most often the victims of police malpractice and racism. We can pinpoint some particular matters for concern:

1 Despite the ILEA Guidelines, parents are not always informed when the police are called in or given access to school files.
2 The lack of information available to parents about those occasions when the police are *routinely* in schools. This now extends to disco dancing, five a side football, the showing of police films and free lectures on 'child development' and 'animal appreciation'!
3 The freedom with which police enter school premises – staff rarely know when or why they are there and, unfortunately, few staff feel free to challenge their presence.
4 The intimidating atmosphere that police can produce in a school, both for children and staff. One example is police getting in touch with the parents of children who expressed hostile attitudes during a police presentation in school.

Given the present situtation in Hackney, with police behaving in an openly racist fashion, teachers who do not challenge their presence in school are put in the position of being seen by the students as colluding with the police. This inevitably causes distrust and confusion which is damaging to education.

So far we have argued that the police should be kept out of schools because they are racist and accountable to no-one but themselves. **The HTA is not opposed to police as such – it is opposed to the type of police force that is steadily emerging.** However, the police and their supporters have argued for some time that they have an important educational role to play in our schools. They claim that they are well-placed to educate children in those aspects of social life where the law is involved – matters that range from crime across to social problems such as child-battering.

This claim has only been made recently. Until a few years ago nobody thought it necessary to have a regular police presence in the schools to teach about the law any more than they thought it necessary to have doctors involved in the school curriculum to teach about hygeine.

So, what do the police actually *do* when they come into school to play a formal educational role? Recently the Hillingdon Legal Resource Centre commissioned an intensive research project into the activities of the Hillingdon Police Juvenile Bureau in several schools in Hillingdon. Divison X in Hillingdon has three police officers involved in school liaison work. The research project investigated their activities in three schools working with 295 fourteen to sixteen year olds.

The police programme involved showing the children films or slides which dealt with topics ranging from general police duties across to specific questions such as shoplifting and child assault. These films or slides would then be used as a basis for discussion with the pupils about the topics concerned. On one occasion the children were invited out into the playground to inspect a police car, but the main focus of the activity was in the classroom.

The first question the researchers wanted to ask was 'What did the children learn from the police visits?' The answer, so far as knowledge of the law is concerned, is – **absolutely nothing.**' The researchers distributed detailed questionnaires to the children who had been visited and to a large number of children who had not. What they found out was that in both cases there was a very low level of knowledge and those who had been visited knew just as little as those who had not.

'The sample as a whole did not know much about the law as measured by the test. Those pupils exposed to the programme did not seem to know a great deal more about the law than those with no exposure'.

Most teachers do attempt to develop an understanding of the individual and their relationships to their civil liberties and the law.

The evidence of the Hillingdon Research findings indicate that the police are not the best people to do this.

First of all, the police are not disinterested parties. They are the prosecution in the vast majority of cases that come to court and, despite more cosmetic changes in Police and Criminal Evidence Act, will continue to be so. This is bound to influence their views on sentences. The researchers noticed that the police officers on the one hand wanted to promote a lenient view of the law and talked about giving first-time offenders a reasonable chance and so on, but at the same time complained constantly about the lightness of sentences handed out in the courts. In a country that is the top of the league of European countries for the size of its prison population and the severity of its sentencing that is a very partisan view indeed. And in fact, the police are the last people to be able to take an all-round view on such a question.

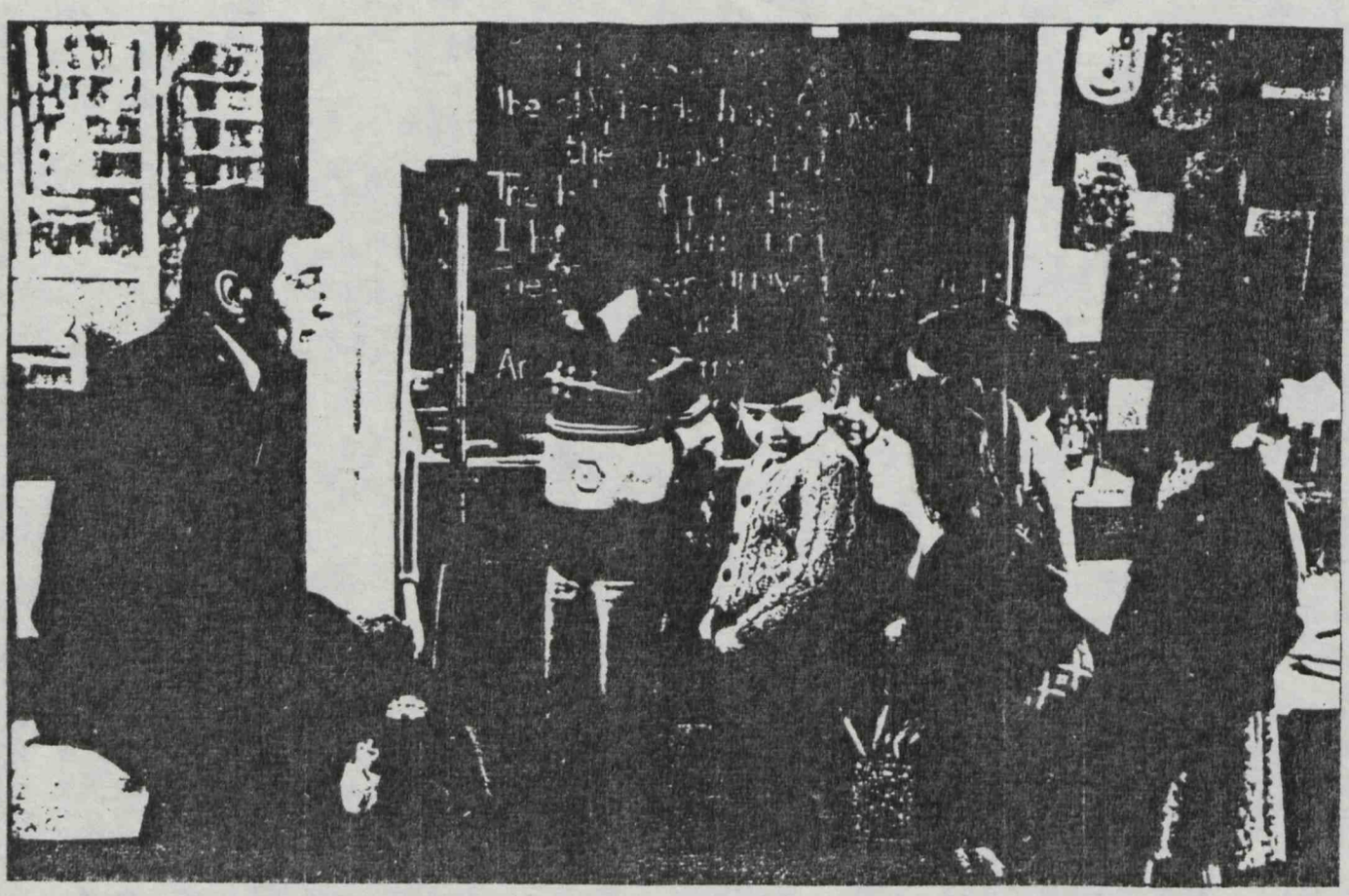
Secondly, police officers have no special expertise on the cases of the crimes and offences they deal with. One vivid part of the Hillingdon report describes police officers giving their views on baby-battering, which they strongly connected with single parent families and dirty neighbourhoods. In their description they referred to a part of town where they claimed the council had a special squad whose job it was to clean out filthy council houses. This caused considerable hostility on the part of a pupil who came from that part of town. They appeared to promote the idea that baby-batterers were immoral slum-dwellers to be treated with contempt. The causes of baby-battering are complex and an important part of teaching on the subject should presumably be directed at offering help to students who might find themselves in stressful situations with young children in future lives and who would need help.

As the researchers noted, 'the police exhibited a level of emotional reaction that would make it very difficult for any teenagers who might subsequently become child-abusing parents to face up to the problem effectively'.

So, as far as education is concerned, the report's findings were that the police were ineffective teachers, and suggested a number of reasons as to why this might be the case.

However, the researchers did find that there was one significant effect. The police visits did increase the student's respect for the police as an institution and strengthened their views on 'law and order'. The children who had been visited thought the police force should be strengthened and supported and that laws and penalties should be made tougher. This was a quite definite effect, whatever one may think of the validity of those opinions. However, the researchers found out that this effect was *completely cancelled out* by the behaviour of the police outside the school. No less than 52 of the students had been stopped and searched by the police in the streets and the majority of them had found the police threatening and rude. This is most instructive. Hillingdon is a fairly settled suburb in the stockbrokers' belt with a low rate of unemployment (just 6.1%) and social stress and a mainly white population. By and large the attitudes of all the teenagers interviewed (those who had not been visited by the police in school as well as those who had) were favourable to the police, and the schools were open and friendly to the police. But even there, any good the police did for their image was outweighed by their behaviour on the street. There could not be a neater and clearer demonstration of the rationale behind our policy on the police – the best thing the police can do to improve their image and increase respect for law and order is to change their own behaviour.

These Hillingdon findings are confirmed by the PSI report which pointed out the consistent stereotyping evidenced by police towards black people, women, homosexuals and trade unionists. They are the *least* suitable outside agency to be in regular contact with young people.



MULTI-AGENCY POLICING

The police policy towards schools and schoolchildren is part of a wider approach known as multi-agency policing. Multi-agency policing involves the incorporation of various social and welfare agencies into the policing process, supposedly to fight crime, but in reality to gather information on the community, whether it be by setting up neighbourhood watch schemes, consultation committees, or by police entering schools, youth clubs and tenants associations. Over the past year we have witnessed Hackney police undertake a massive public relations exercise to facilitate this approach. Juvenile Liaison Schemes are being set up all over London. The schemes will operate on panels and include representatives from the probation service, the youth service, education and welfare, and the police. The idea is that the police will present information to the panels, who will then decide whether to prosecute youths under 17 years old. This might sound fine on the face of it. But it needs to be stressed that the panels will bring more young people than ever into contact with the criminal justice system, *on the basis of police evidence*, and that they provide the opportunity for the cross-classifying of information on young people by all the various institutions involved. And that information is likely to end up stored on a police computer.

Young people are increasingly coming to be seen as a problem, to be controlled and managed by the police, and the wider state apparatus; *they are being criminalised.* Recently, an article appeared in the *Hackney Gazette* blaming a mini-crime wave on the break up of schools for half term. Shop-keepers were warned by police to be on their guard against pickpockets; local residents were told burglaries and muggings were up. It was left to Hackney Schools Support Centre to point out that schools hadn't broken up for half term – it was absurd to blame children for increased crime. They came to the conclusion that 'local school children deserve an explanation and apology'.

Not surprisingly, no police apology was forthcoming. It has become commonplace to associate young people, especially young black people, with crime, to stereotype them as criminals and delinquents, and to blame all sorts of evil upon them. Horror stories of muggings and rape (largely carried out by black youth), vandalism and drug addiction (the afflictions of the white working class) regularly appear in the press. But when do we hear of, say, structural unemployment, racist policing, lack of facilities and life opportunities – the real problems facing the youth that led them to rebel against the system in 1981. In fact, multi-agency policing was fully put into practice as a response to the '81 uprisings and in the knowledge that the protest of black and inner city youth needed to be controlled and quelled.

SCHOOL AUTHORITIES AND POLICE

So far we have shown that the police abuse their powers of access to schools and threaten the civil liberties of children in doing so. We have also shown that there is *no educational value at all* to be had from a police presence in schools. So, in the light of this, what is the attitude of the authorities, both in the Department of Education and Science, and in the Inner London Education Authority, to the question of police in schools?

At the national level, the schools inspectorate carried out a survey of policing in schools and published their findings in a report called 'Police Liaison with the Education Service'. They compiled their report by writing to all the police forces in England and nearly all the 97 Local Education Authorities. *They made no inspection of police activities in schools at all*, but simply based their report on the opinions of the police and the Local Education Authorities. This is astonishing for a body with a team of inspectors at its disposal and which normally bases its reports on minute examination of what goes on in schools. The report points out that 'Every police force in England has some links with the education service', and it is in favour of these links. However, the report makes no attempt to distinguish between the educative and policing tasks of the police – we saw how this same problem came up in the Hillingdon Report – and the Inspectors are not in the slightest concerned about the potential difficulties; for example, they say at one point: 'Police forces generally attach considerable importance to the advantages to be gained through unofficial contact with schools. Home-beat officers "drop in" at school during break-time for a chat with pupils or teachers . . . Most schools welcome and encourage this informal contact and may ask home-beat officers or juvenile bureau officers to have an unofficial "word" with pupils or their parents, about whom they feel anxiety in relation to criminal activity.'

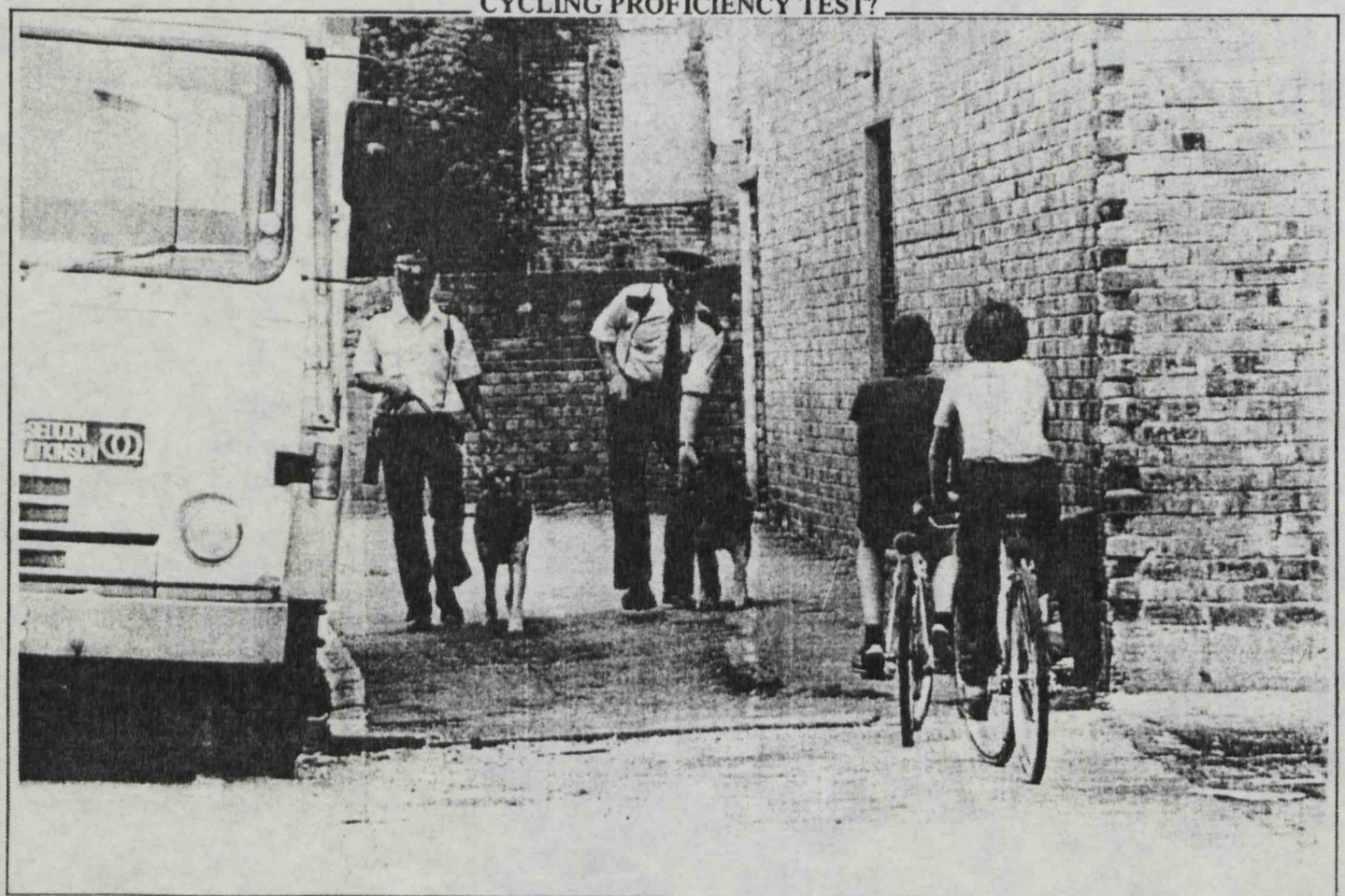
In the light of what we have noted before about the racism of the police and their irregular methods of questioning minors, the attitude of the schools inspectorate is stupid and uninformed.

However, this report has clearly influenced the Inner London Education Authority.

The Department of Education and Science produced a policy document in April 1983 which expressed whole hearted support for all kinds of co-operation with the police and which explicitly said that schools should hand over to the police any information on children they might require. At that time the ILEA supported the policy and instructed their Heads to co-operate with the police. This year the ILEA had produced an anti-racist policy. They have produced extensive documents in support of their policy and asked all schools to actively implement it. However, in their policy, *they have nothing to say about the police.* And yet, as we have shown and many others agree, the police themselves are racist and are one of the main instruments of racial oppression of black people. Yet the ILEA is able to ignore them in its anti-racist policy documents.

There have been some developments. A working party of ILEA Officers, Headteachers and Police (the CRE were originally involved but they withdrew) have met to re-consider policy. The ILEA have produced a new policy document which instructs schools *not* to divulge pupils' personal records to the police without a court order. However, the ILEA have yet to take a stand on the well-known racist nature of the police or against their access to schools for 'educational' purposes.

CYCLING PROFICIENCY TEST?



1985.

THE PRESENT SITUATION IN HACKNEY

There is something of a stalemate between the police and schools in Hackney. The police, in line with their neighbourhood policing policy, want to get into the schools, and the NUT have a policy of keeping them out. The police use every possible opportunity to make their presence felt in the schools and, it has to be admitted, wherever the NUT are not actively enforcing their policy, the police take the opportunity to come into the schools. It is therefore very important that teachers and parents continue the campaign and make sure it is implemented.

In early 1984, the police tried a new tactic in Hackney. They realised that if the police could not get into the schools then they would have to get the schools to come to them. They organised two open days at Hackney Police station in May. The various branches of the Hackney police force mounted displays: Mounted Branch, Dog Section, River Police, CID/Fingerprints branches, Traffic Patrol and so on. They also laid on displays by the 'Police Cadet Adventure Training Unit', the First Aid section and organised a game for visiting school children to 'play Sherlock Holmes' in a specially constructed 'Serious Crime' scene.

A series of displays organised in this way is obviously likely to be attractive to some young people as it highlights the adventurous 'crimebusting' aspect of police work. At such a display the police will gloss over the fact that they only have a 12% clean up rate for crime in Hackney. Nor will they mention the work of the Immigration Unit, the Special Control Group, the Intelligence Gathering Unit and all the other branches which exist to make life a misery for the people of Hackney.

Prior to these open displays, the Headteachers of local schools were asked along to Stoke Newington Police Station to discuss how to arrange the event. The Hackney Teachers Association arranged a picket outside the police station to try to persuade the Headteachers not to attend the meeting. In the event only seven Headteachers responded to the police invitation and only four were prepared to cross the picket line. So the meeting was not a success. This shows us that where we organise we can stop these activities.

It is vital for us to get our message home – we are *not* against policing: we *are* against drunken policing, racist policing and corrupt policing. At the time of writing this pamphlet, the Hackney newspapers have been full of praise for a young constable who injured his back after falling through the roof of a local mortuary chasing a suspect. Just the heroic cops and robbers stuff that Hackney Police Station wants us to applaud. But what is the reality? A letter from T.Hurley of the Hackney Police Monitoring Group to the *Hackney Gazette* describes the incident:

'... At approximately 9pm many Hackney residents will have witnessed a helicopter flying over their rooftops, spinning round in circles and making a hell of a noise. The mortuary near the Lower Clapton Road was surrounded by police. Some people on their way home, expressed misgivings as to the nature of this operation.

Eventually the police presence around the mortuary seemed to ease, but at approximately 11pm their presence escalated yet again. A youth appeared on the rooftop. Many people around the scene felt disturbed at the attitude the police now adopted. *They began to throw stones.* [Our emphasis.] At this stage, to our knowledge, no attempt was made to reason with the boy – or to ask him to come down. Then PC Mark Fridham and the other officers decided to risk life and limb by climbing onto the roof, which could not, if they had reflected, bear their weight. When PC Pridham fell, other officers got visibly aggressive and were heard to shout. One eye-witness, deeply disturbed by the racist remarks being made, made a complaint there and then.

Was this massive operation, all at the ratepayers' expense, justified in the fight against crime? What horrendous crime had this boy committed to justify it? Many observers would verify that when the youth was taken from the roof he was too petrified to speak – hardly the behaviour of a hardened criminal ...'

The police are currently organising a series of disco-dance contests involving pupils from different schools in Hackney and getting reports of these printed in the local paper. However, as long as the police continue to behave in the ways we have illustrated in this pamphlet we will refuse to co-operate with them, and this includes opposing all their cosmetic exercises.

'X' is a sixteen-year old black person who has spent all his life in Hackney, and he is unimpressed with any claim to the effect that the local Police Force is not racist.

His first confrontation with the Hackney Police occurred when he was eleven. He had left his home to return to school when he was stopped and questioned by two Police Officers. They wanted to know where he had been, what he had been doing, and where he was going. He remembers their sarcastic and patronising manner: 'as if they are putting me in the wrong'. It is an approach that 'X' has come to expect, as he has been stopped and searched approximately fifteen times in the five years since the first incident.

Quite understandably, the first experience frightened him! It led him to become very wary of the Police, and his experiences have told him that his ordinary behaviour - for example, walking and standing - could be seen by the Police as questionable and suspicious. This is not the case with white people who do not face the same risk of being stopped and searched simply for being on a street.

I have worked with and spoken to countless young blacks in Hackney who have experienced the same problem as 'X' in their dealings with the local Police. The incidents do not have to be extreme to make the young black people feel that they are being treated unfairly by the Police; that they are being attacked by an openly hostile organisation. Therefore there seems to be obvious justification in the accusation that the Hackney Police Force is racist. It declares itself to be so every time it harrasses somebody like 'X', and there are plenty of young people in the local schools like him.

By a Hackney Teacher

DATE: 10th October 1984

TIME: Morning - before break

PLACE: George Orwell School, Holland Walk site (Archway)

Incident involving black 5th year pupil.

He was agitated when he came in in the morning from home. Went into assembly, something upset him, he started throwing cha s around - one at the windown which broke the glass. Then he went up to the top floor of the building where he was pacing up and down.

Head says ambulance man called police. 1 police car and 1 police van arrived - more than six with riot shields. Pupil arrested and taken to hospital - not charged. (Assumed he was on LSD - don't know where assumption came from but doctors found no trace of drugs).

Mother had been 'phoned and was on her way but didn't wait for her to talk to him.

Witnesses say:

1 witness "not out of control - he was calming down"

2nd " "more than 5 police appeared on corridor some with riot shields"

Just before arrest witnesses saw pupil "put hands up" and heard him say "Don't hit me, I don't want trouble".

During arrest 1 eye witness saw "policeman kick and punch him".

Another (staff witness) "police twisted arm so hard" that witness said to police "do you have to twist it so hard".

Also "6 or 7 big policemen, not the right way to handle a schoolboy"

Attitude of police: staff witness overheard police say "what do you expect from the Animal Farm"

"This is what happens when you take drugs"

Justification of police for riot shields: cause less harm to person involved and to policeman!

METROPOLITAN POLICE

CITY ROAD POLICE STATION
4 & 6 SHEPHERDESS WALK, LONDON, N1 7LF
Telephone 01—488 5212 (Switchboard)
01—488 (Direct)

Your ref. :

Our ref. : TW/GL

16th October 1985

Dear

Police and Hackney Schools

You will be aware of the disturbing document issued by the Hackney Teachers' Association of the National Union of Teachers. As the Police Community Liaison Officer for the Borough of Hackney and responsible for police involvement in Hackney's Schools I feel obliged to comment on the spurious allegations contained in that document.

I will not attempt to cover every point made in the document but will confine myself to a general statement and one or two specific points. The document highlights occasional examples of individual police officers insensitive actions, exaggerates them out of all proportion and makes sweeping generalisations which are entirely without foundation. I refute totally the allegation that the Police Force is racist. In any organisation the size of the Metropolitan Police there will be occasional examples of misconduct. None of us are perfect and mistakes will occur in the most disciplined of organisations.

We are not, however, complacent and continue to strive for better performance. Our recruitment training, operations and supervision have all been examined in an effort to improve our performance and we will continue to strive to give a better service to the public.

The allegation that police "gather intelligence in schools" is, I know of particular concern to some teachers and parents. It is, of course, totally untrue. If one examines the question logically what intelligence could be gathered in the classroom? The police objective is to prevent crime, not much occurs in the presence of a police officer.

All visits by police to schools are made at the request of teachers and invariably teaching staff are present during police involvement with school children on school premises. The only complaint we receive from the 95% of London's Schools that we visit regularly is an occasional one of the inexpertise of the Constable as a teacher. This we are attempting to remedy by sending our officers on I.L.E.A. training courses.

There is a disturbing element in our midst at this moment who appear to be attempting to undermine the society in which we live. Scurrilous attacks on police and other agencies are becoming the norm in some areas. I wish to assure you, your teaching staff and parents that our motives in talking to children in schools are purely and simply to make the children aware of the role of police in society and make them aware of some of the physical dangers that surround them such as child molesters.

I and my staff would be most pleased to discuss this or any other policing matter with you at any time. I assure you of our best attention at all times.

Yours sincerely

Terence WALTER
Chief Inspector
Community Liaison Officer
'G' District

APPENDIX

CLOSED UNDER THE
FREEDOM OF INFORMATION
ACT 2000

CONFIDENTIAL FILING

Please BF "Clean Up Britain" point at the end of January.

MEA

20.12.85

PROFESSOR GRIFFITHS

PROGRESS CHASING

As you know, the Prime Minister has seen the note submitted under cover of yours dated 5 December, and she has made a number of comments upon it. Nigel Wicks, as you can see from the attached, has suggested that we liaise about the appropriate follow-up.

Most of this seems to fall to my side of the house. I propose that we take the following action:

1. Political indoctrination. A letter to Keith Joseph, under my signature, asking for a progress report within a week, and in particular asking when he proposes to make an announcement.

2. Grant-aided primary schools. I should write to DES asking for a progress report, and in particular asking when they expect to put a paper to H.

3. Sentencing. I should write to Home Office, copied to Lord Chancellor's Department, asking for a note on the Home Secretary's intentions, and informing him of the Prime Minister's concern that the matter should not be lost sight of.

4. Planning/disposal of unused urban land. The Sainsbury Group meeting has now taken place. No further action for now.

5. "Clean up Britain". Hartley Booth to keep in touch with the Department of the Environment on their work in this area. Seek a formal report at end of January.

I do not think there is any further outstanding action to be taken. I should be grateful to know whether you, Oliver Letwin and Hartley Booth are content with this approach.

19 December, 1985.

JD3AGT

Mark Addison

5 December 1985

PRIME MINISTER

I attach a Progress-Chasing note, which we will produce on a monthly basis, if you so wish.

BG.

BRIAN GRIFFITHS

This is a useful checklist of what is going on, would repeat on a monthly basis.

M

PH Griffiths.

The PM clearly found this N.L.W. helpful. Perhaps you could 5.12 liaise with the Pte Office about what follow up actn needs to be taken

N.L.W 6.12

5 December 1985

PRIME MINISTER

PROGRESS-CHASING

Department/ Subject	State of Play	Action
DES		
Grant-Aided Primary Schools	KJ discussed with colleagues; should bring to PM within 1 or 2 months	Ask Keith Joseph for a paper by the next Inner Cities meeting
Privatisation of Business Schools	Consultation exercise completed; KJ to decide on action within 1 month (Cranfield, Henley & Oxford have expressed interest)	
HOME OFFICE	K.J. promised action in 3-4 weeks (Thatcherite Party Conference)	- Ask K.J. what announcement he is proposing to make and why it has been so delayed.
Police	Want more men and are bidding in February with details	
Crime Prevention	PM Seminar arranged for 8 Jan.	
Drugs	Programme continuing	
LORD CHANCELLOR		
Family Courts	Very slow research	Ask L. Chancellor what action he can take.
ENVIRONMENT	Ian getting more and more complaints about Rate Reform	
Rate Reform	E(LF) proceeding; Green Paper draft to come forward before Christmas	
Housing	Housing Planning Bill on target. Patten hoping to report on policy issues before Christmas	

LBYAAB

Department/ Subject	State of Play	Action
Town Planning, disposal of surplus land	Sainsbury Group meeting 10 Dec.	Press them for radical and specific proposals
Urban Trouble	10 priority pilot cities being chosen. PM to chair Meeting of Ministers. PU preparing visits.	
EMPLOYMENT		
New Job Measures	Initial meeting held with PM; pilot projects now being mounted	
Deregulation	MISC 121 yet to meet	Press DY to write giving content of prop. White Paper for discussion at bilateral
Teachers' Pay	Inquiry gathering support, but this will solve nothing	
TREASURY		
TSRB	Treasury paper submitted, colleagues disagree. Mtg. arranged	
Civil Service Pay	Megaw unlikely to achieve majority Consider unilateral implementation	
Keith Report	Delayed to 1987 Budget. Taxpayers' Charter agreed	
Personal Taxation/ Budget	Discuss personal tax & budget with Chancellor after Christmas	
CITY ISSUES		
Regulation	Bills & White Papers proceeding	

LBYAAB

Department/ Subject	State of Play	Action
Fraud	Roskill investigating, DTI to report	
DHSS	If resources are too stretched more must be found	— DS 5-a to consider this review.
Benefit Reviews	**Draft White Paper circulated**	
FPS Green Paper	Long overdue. Draft due before Christmas	
NHS Management/VFM	Efficiency Unit VFM Seminar 9 Dec.	
ENERGY		
Coal	**Corporate Plan now slipped to Feb. Officials have produced complacent report on lessons from strike. Meetings arranged.**	
Gas	**Privatisation legislation introduced to Parliament in Dec. Walker thinking of dropping the liberalisation of gas exports and imports**	
TRANSPORT		
BR	New Corporate Plan just received. No radical changes for next 2 years, but new objectives needed	
Buses	NBC privatisation and implementation of deregulation lie immediately ahead	

LBYAAB

Department/ Subject	State of Play	Action
Channel Fixed Link	Officials complete evaluation by mid December. Govts. select scheme by end January.	
Shipping	White Paper on shipping policy being drafted. Publication poss.	
DEFENCE		
Naval Dockyards: Commercial Management	Bill now ready to be presented. Operational details still to be decided, eg proportion of work reserved for dockyards	
Procurement Issues	MOD negotiating revised contract with GEC on Nimrod AEW. MOD investigating Plessey's Ptarmigan contract costings	Ask for progress reports
Defence R&D	MISC 110 recommended reductions. MISC 119 considering	
SDI	MOD to finalise MOU. MISC 117 to consider priorities for SDI Participation Office	
AGRICULTURE		
CAP	Commission's "perspectives" paper to be discussed at special Agric. Ministers Council on 19 Dec. Officials working on measures which might accompany a policy of price restraint	Consider whether meeting needed prior to Agricultural Ministers' meeting

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Department/ Subject	State of Play	Action
Milk Marketing Board	Touche Ross to report shortly on Dairy Crest; E(CP) to consider	
DTI		
Tin	ITC still concerting its position. Meeting may be needed when DTI option paper ready	
Multifibre Agreement	Possible discussion in December. Foreign Affairs Council Bilaterals in New Year	
BL	**Disposal talks motoring**	
BSC	Chairman now agreed. Work on peripheral privatisations next yr.	
Intellectual Property	DTI to respond on blank tape levy and privatising Patent Office	
OTHER PRIVATISATIONS		
British Shipbuilders	OK provided MOD do not discriminate on their procurement policies	
Rolls Royce	Target 1987, RR would like autumn 1986	
Girobank	Report supporting privatisation sent to Ministers	

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Department/ Subject	State of Play	Action
British Airports Authority	On schedule for flotation from Autumn 1986	
British Airways	Now planned second quarter 1986	
Water	**White Paper in draft for legislation 1986/87**	
Shorts	E(A) could not decide. Reconsider once N.Ireland issue abates	
Harland & Wolff	Corporate Plan due for E(A) shortly	

LBYAAB

For MEA

PA

1 August 1985

PRIME MINISTER

GREEN BELTS AND CONCRETE JUNGLES

If you visit the centre of London - Southwark, Tower Hamlets, Lambeth, Hackney - the talk is about the need for jobs and rebuilding. Go out to South Hampshire, South Essex, Mid Berkshire, and there the talk is all about stopping the bulldozers, protecting the green fields, arresting the progress of development. In parts of the South East, every field is under a builder's option, and many of them are the subject of endless wrangles between local council and DoE over planning permission. In the centre of London, and in Liverpool and Manchester and Tyneside and Teeside, much of the land is decaying.

It's a crazy world where half the population of the country is crying out for less development and is happy about the relatively low levels of unemployment in their area; and where the other half is clamouring for more activity and more development, and yet none ever seems to come their way. And at the centre of this awful conundrum lies our planning system.

Planning Problems

The reason so many of our green fields are being bulldozed lies in the DoE. South Eastern Conservative councils often respond to the wishes of their local electorates and turn down planning applications on field after field. But when they get through to the DoE, the decision often goes against the local residents, and the permission is granted. But because there is delay and difficulty in getting the permission, land values in the South East remain enormously high as those tracts of land with precious planning permission are bid up by developers desperate for somewhere to ply their trade.

But journey back to those cities, and there's a different kind of problem. The local councils are again blocking development - but not necessarily with the wishes of the broad mass of their population. There the people want more jobs and more life in their cities; many of them don't want to live in areas surrounded by derelict sites and half decaying buildings, and would be thrilled if the developer's bulldozer moved in and built houses of human scale at prices they could afford to buy. They would be even more thrilled to see conservation and rehabilitation of empty and decaying buildings already there, and freeholders would enjoy the resurgence of values that would follow. For what the worst

of our inner cities need more than anything else is a blood transfusion of commercial prosperity - in short, plain honest cash.

Scale of Dereliction

Let's just look at the magnitude of the problem. Between 1991 and 2001, the South East regional plan envisages 460,000 new houses being dumped on the region. Many of those new homes built on, let's say, 46,000 acres of farmland and pleasant landscape, will be bitterly resisted by local communities as far apart as East Anglia, Surrey and South Hampshire. Meanwhile, 110,000 acres of disused publicly-owned land lies on the DoE registers - much of it in our city centres, much of it suitable for re-use.

In the Midlands, the Federation of Civil Engineering Contractors have identified derelict land equal in area to the size of the whole of the city of Chester. London Docklands is itself 5,500 acres in scope, and you can more than double that if you add up the amount of derelict land in London that is not within the Docklands control. Huge tracts of Liverpool, Teeside and Tyneside are in a similar condition.

A Tale of Two Cities

It is bizarre indeed to see the argument about the development of a new town in Essex, the effective construction of a new Greater Reading throughout Berkshire, the argument about the urbanisation of South Hampshire proceeding at the same time as people puzzle over the decline of London. Of course if you let London run down you're going to have to build several large conurbations in the countryside of Essex, Berkshire, Hampshire, Surrey, to replace those displaced people and houses. But why not instead concentrate your efforts on rejuvenating what was the greatest city in the world, and which still has the land area available? This would both answer your critics from the Left who say you do not care about the fabric of our cities, and your supporters worried about their green fields.

How to do it

And there are ways to do this by adapting our existing planning process with the deregulation exercise. There should be a clear distinction between land which lies within a serviced urban area, and has in the past been used for industrial and commercial purposes; and land which lies in our rural shires, which has always been agricultural. It should be much easier to get planning permission on the former, and there should be a process of appeal which is

reasonable and speedy; and the DoE should make the presumption in favour of development in those areas that have been urban for many decades. There should be a clear statement of their intention to do this.

The rural shires do not wish to become the new Ealings and Hampsteads and Ruislips of London. Old market towns do not wish to be destroyed by the doubling or trebling of their populations; whilst the people of London and of Manchester and of the Midlands would be delighted to see their cities rebuilt, growing strong and tall with prosperity pumping again through their construction industry.

The DoE should use the powers it already has to compulsorily acquire land owned by local authorities and nationalised corporations, in order to auction it off - if necessary at cheap prices - to get that land back into use. The land market can be made to work again by increasing land supply in cities and granting building permission. And it needs to hold auctions selling 5,000 acres a time - enough for 50,000-150,000 homes. It could consider extending the Development Corporation principle to other smaller parts of rundown inner cities, and it should become altogether meaner about granting permissions over the rural acres.

We have to be reminded that as a nation we can recreate cities. We can breathe new life into them. We can defend our rural countryside. And in the process, we can build

enough homes for people who want to buy them, and spawn new jobs in the areas of greatest unemployment and misery. There is no need to spend so much public money on the Urban Programme - give the private sector its head by giving it access to cheap publicly-owned land. To do otherwise, to carry on building over the South East and bemoaning the decline of other areas, is to fly in the face of what the public wants, to increase the difficulties of the areas that are already under the greatest stress, and to receive still more letters from Conservative MPs driven by local feeling to stand out against further development.

Conclusion

Why not ask David Young and Patrick Jenkin to develop a policy initiative along these lines to strengthen David's deregulation proposals and Patrick's launch of city policy this autumn?

It should include:

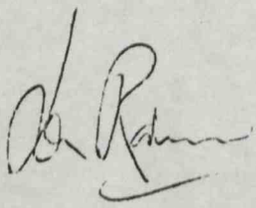
a. A statement of intent to allow development on appeal in city areas on derelict sites.

b. Massive sales of publicly-owned land in city areas, lowering its price.

c. Tougher attitudes to permission on South East greenfield sites.

d. Support for those seeking to renovate/change use on existing decaying buildings.

e. Small areas of vacant land to be covered by LDDC in London to speed the process.



JOHN REDWOOD

[I, of course, have a political interest in the problems of over-development, as Wokingham is second only to Milton Keynes for speed of growth.]

PRIME MINISTER

1 August 1985

PROGRESS CHASING

Education	Direct-Grant Schools/ middle way	Scheme for primary schools with Lord Whitelaw's Group
		Village Schools paper at DES
	White Ppr.on Standards and Governors	Issued
	HE Review	Consultations on Green Paper
	Young People White Ppr	Negotiations with employers nearly complete
Employment	Trade Union Reform	E(A) September proposals
Home Office	Public Order Review	Legislation 1985-86
*	Crime Rate	Rising fast; discuss Friday
	Warnock Report	Ban on commercial surrogacy imposed
	Drugs	Campaign going well
	Soccer Hooliganism	Going ahead
	Human Rights	Nothing to do
DTI	* BL	GM talks 1 year old Response September
	Deregulation	White Paper needs follow-up
	British Steel	Need a new Corporate Plan
	City Regulation	White Paper awaiting responses
*	Shorts/Rolls Royce	Push for privatisation
*	Girobank	Work on privatisation needs pushing
	British Shipbuilders	Corporate Plan agreed
DoE	Rate-Capping	Victory
	Liverpool	No need to do anything
	Abolition	Needs supervision of results
	Local Govt Finance	Review September
	Water Authorities	Privatisation report to Ministers August
	Urban Programme Action Teams	Formed
	Council House Sales	Campaign September - sales declining
	Poor People's Right to Buy	Ian Gow working on proposals

LBTAAH

Doe (cont.)		Pollution	Clean Air Act for 1987
		Planning	Meeting in September with Sainsbury
		Contracting-out Paper	Bill in preparation
Transport		National Bus Policy	Trouble over pensions & degree of disaggregation
		BAA Privatisation	Proceeding
		Roads	Small increase in programme likely. Improved management needed
		British Airways	Sale likely spring 1986
		British Waterways Board	Privatisation needs pursuing. BWB to produce a Plan
		LT	Needs a Corporate Plan - promised for Autumn
Agriculture		Implement'n of New EC Structures & Regulation	Announced new grant structure
		ADAS	Bell Report to be implemented
MOD		Levene appointed	Savings expected
		Dockyards	Bill being drafted
	*	Nimrod/Foxhunter Radar	Trouble brewing - Govt. to explain the problems
Treasury		Public Expenditure	September negotiations with departments
		Small Business & Inland Revenue	Meeting September
	*	JMB	Getting worse. Action needed
		Tax Green Paper	Draft September
DHSS		Welfare Reviews	Consultation ends Sept.
		Health	Programme of action to follow PM meeting
		FPS	Green Paper draft delayed
Energy		BNOC	Abolition proceeding
		Gas	Ensure there is enough competition
		Coal	* Colliery Review procedure to be established; EFL problems. Need restructuring of industry

JOHN REDWOOD

* Needs follow up. Underlined items have been pubished.

LBTAAH

1. JR
2 CP

28 June 1985

PRIME MINISTER (2)

I have been reading a piece of research on class-based voting patterns. (Class Dealignment Revisited, paper presented to University of Southampton Seminar, 3 April 1984 - not for citation without author's written permission.) Although I don't like the style of analysis, it is better than conventional ABC groupings. Based on work in the 1983 Election and preceding Elections, it shows that Conservative support is at its strongest in a class they call the "petit bourgeoisie", distinguished by the fact that its participants all work for themselves. They have very varying income ranges, and on average are towards the lower end of the remuneration averages.

The second best class for Conservative support is the highest paid class, where people are in managerial positions, with command over others, and making decisions.

The Alliance's strongest area lies in this same top class of income earners on the professional and cultural side: they are a Party of university professors, teachers, doctors, etc.

As you would expect, the bulk of Labour's support is skilled manual and semi and unskilled manual categories.

The two classes where there is most movement between the Parties are a broad general class of junior non-manual employees - everyone from secretaries to clerks - and in the foreman and blue collar managerial category.

Party activitists in the Conservative Party were heavily concentrated in the Class I - well-paid, managerial personnel; and in Class IV - the self-employed and independents.

Alliance Party members were very heavily concentrated in the high-earning, cultural and caring professions, where they outstripped us in the proportions of their Party membership support.

The message of it all seems to be that if you wish to solidify Conservative bedrock support and get more activists happy and working, then you need a range of policies geared primarily to the self-employed independents and to the high-earning professionals in managerial positions.

In order to build a broader alliance to win landslide Election victories, you need to arrest the decline in our support in the high-earning, Alliance-tending, caring professions; and/or make sure that the vote of the foreman class and the large other non-manual category remain strongly oriented towards us.

JOHN REDWOOD

1. JR
2 CF

28 June 1985

PRIME MINISTER (2)

AT 2/1C

DEPARTMENTAL MANOEUVRES

Shifting departments about can be a dangerous pastime. It takes time and involves expense remodelling offices, moving filing cabinets, and changing around personnel. It gives people excuses for not getting on with the job while they are busy reorganising.

What of the current ideas David has proposed?

1. Combined Education and Training Ministry

In favour: Might allow Education to learn from the better parts of MSC programmes. Co-ordinates two important parts of a similar programme.

Against: A prominent item in the Liberal/SDP Alliance Manifesto at the last Election. MSC culture may be swallowed by strong DES culture. Leaves Department of Employment with little to do, but abolition of Employment presentationally very difficult, given the high level of unemployment at the moment. Would be resented by the current Department of Employment.

2. Giving Science to DTI, and putting Regional Policy into Department of Employment

The pure scientists and the universities would dislike a divorce of the scientific budget from the educational one. So probably would the Research Councils.

Giving Regional Policy to Department of Employment would highlight the jobs orientation of Regional Policy, and bring it closer to the cheaper Department of Employment Schemes. But without some quid pro quo for DTI, it would be difficult to achieve on its own.

3. Splitting Health and Welfare, and amalgamating Welfare with Department of Employment

Splitting Health and Welfare makes a great deal of sense. At the moment, the Department is far too big, its budget is enormous, and an individual Secretary of State finds it very difficult to handle. Against splitting it, you would be creating another spending Minister in the Cabinet.

Linking Welfare to Employment would bring the Cabinet back to size, and would not be as politically damaging as simply abolishing the Department of Employment itself. It would take some time to shake down the

But creates ol Ministry of the Dole which is entirely -ve.

merger, and there would be benefits if Unemployment and Social Security Benefit Offices could be merged.

Conclusion

Of all the David Young ideas, we think the best is to give Health a separate voice in the Cabinet as a large spending Ministry, and seeing if some compromise can be worked out between Employment and Benefits. But shuffling Departments around is no substitute for having the right people in the jobs that matter.

JOHN REDWOOD

SECRET

28 May 1985

PRIME MINISTER

c Mr Sherbourne

I attach a list of major announcements in the next 3 years, as requested. Possible good news items are starred.

Treasury

* Budgets in 1986, 1987, 1988.

Green Paper (July 1985) on Tax Reform, including proposals on married man's tax allowance.

Lord Keith's proposals on income tax reform for Finance Bill 1986.

Department of Employment

Monthly unemployment figures - they need to turn down, otherwise the news will remain very bad.

* Continuing expansion of main training and Community Programme schemes. Possible new scheme to improve incentives.

Results of Wages Councils consultation, leading to possible abolition in 1986/87, or substantial modification.

SECRET

Public Sector Pay - continuing tensions in the next 3 years' pay rounds as a sense of injustice grows.

Department of Trade and Industry

* Privatisation of Rolls Royce - ?1987.

Continuing bad news on BL funding and profitability throughout the period.

Further difficulties for British Steel: further painful rationalisation to be decided this year. More losses.

* British Shipbuilders - shows how to do it: successful privatisation of all but commercial yards.

Girobank - privatisation 1986: make sure rural Post Offices are not harmed.

Department of Energy

* Gas privatisation, 1987.

Continuing cash outflow for NCB, and possible difficulties with unions in, say, 1987.

Sizewell decision 1986, and danger from non-nuclear lobby.

Department of the Environment

Final tally of the costs and benefits of Met. abolition - possibility of rate increases and no apparent expenditure reductions by 1986/87.

The results of the current local government finance studies - possibly the most important of all the items save unemployment.

What kind of answer we produce this year to the conservation lobby.

Private rented sector and home improvement loan policy - highly contentious. Likely in 1985/86 Legislative Programme.

DHSS

More rumblings about alleged health cuts.

Presentation of the Fowler Welfare Reviews, June 1985; followed by legislation 1985/86; and final implementation 1986/87.

Ministry of Agriculture

Cereal farmers likely to join milk producers disliking new tougher price régime.

Endless wrangles over the CAP.

Department of Transport

Announcement of airports policy, summer 1985, with consequences 1985/86.

* Privatisation of National Bus Company - arguments 1985/86 over the shape and implementation of this strategy. Trouble likely in Lords on the Bill, 1985.

British Rail - continuing cash difficulties likely.

* Channel Link - 1986 selection of winner.

Home Office

Continuing problem with drugs and rising crime rate.

Ministry of Defence

Another Defence Review likely as part of public expenditure exercise, leading to defence lobby attacks.

Department of Education

Follow up of Schools White Paper and of HE Green Paper.

Continuing problem of how to handle decline in secondary school and then HE pupil numbers.

Conclusion

The 3 most sensitive, in order of importance, are:

1. Whether unemployment is falling.

2. What happens to local government.

3. What kind of personal tax reforms are in the air.

We are working on 1. 2. is under review. 3. needs careful vetting of Nigel's Green Paper and his proposals on the Keith income tax report.

JOHN REDWOOD

~~LTR~~
c. CF

cc/81

(2)

PRIME MINISTER

19 April 1985

1987

By 1987, the Government will have had 8 years in office. Some people will be bored with the Government's steady consistent strategy. The Opposition will be out to argue that 8 years of Conservative cutting and dereliction is enough. They will be saying it is time for a change, that you cannot trust this Government with the welfare state, and that Tory policies do not work.

The Labour Opposition will be out to portray the Government as cutting and uncaring; presiding over the demise of British industry in our cities; negligent in its stewardship of public assets; hostile to all public sector services and public sector employees; and insensitive to the needs of the unemployed. "Eight years of Tory wasteland and wrecking", "benefit cuts for the poor, tax cuts for rich", and the triumph of ideology over education and health programmes will be the key themes.

What approach to the Opposition should the Government take?

The best approach towards the Alliance, given the current state of the polls, is to ignore them. The Alliance vote only rises rapidly when they have opportunities for publicity, as in by-elections, by the Government turning on

the Alliance, or in a General Election campaign itself. Nonetheless, Central Office should be ready with a strategy to deal with the Alliance if its vote begins to pick up. The best strategy is probably the one being pursued in the current county council elections, with the emphasis being on splitting the Alliance into the Left-wing, radical, Green, somewhat zany Liberal faction; and the more Right-wing "Tories in disguise" SDP faction. Accentuating the split also serves to highlight the disagreements over crucial policies like nuclear weapons and trade union reform.

The **Labour** Opposition is already beginning to build up a series of hostages to fortune. We have seen recently the following policies espoused by senior Labour spokesmen:

- 98% tax for higher earners and investors.

- The abolition of mortgage interest relief.

- Taxing or controlling people's pension investments.

- Taking back into public ownership some privatised companies, taking away people's gains on their shareholdings.

- Stopping all immigration controls.

- Unilateral nuclear disarmament, coupled with an expensive increase in conventional weapons.

- Scrapping independent schools.

- Additional spending and taxation well in excess of £10,000 million per annum, ie 10p on income tax.

What can the Government offer instead?

By 1987, this recovery will be past its best. But with careful management, and with maintained pressure on public spending for the balance of this year, coupled with only gentle decreases in interest rates, we should be able to keep real personal disposable income moving ahead during 1987 - which is crucial to any chance of success at a General Election. We may also be able to indulge a little by offering tax cuts and spending increases on desirable programmes, financed by much bigger sales of assets than are currently in the Public Expenditure White Paper. The sudden burst of enthusiasm for privatisation will help, as it will reduce the apparent public spending totals in 1986/87 and 1987/88.

The type of theme the Government might want to get across in 1987 includes the Government's belief in moving towards a classless society, based on every earner an owner and on true industrial partnership with employee shareholders' and

other people's involvement through their savings and pension funds. It is one based on the traditional values of the family and individual responsibility, coupled with the belief in the work ethic.

The Government has to communicate a sense that, having been through the troublesome years of the early 1980s - correcting the excesses of the 1970s, bringing down inflation and creating a more rational trade union framework - there are now spoils to be shared, benefits to be gained, and a vision to be implemented. Everyone should have "a slice of the action".

There should be a reluctance to throw it all away or blow it now, following many years of careful husbandry of state resources, and better management from government. We need to communicate both a sense that the tough line was important to correct the overblown state of the British economy and society in the late 1970s, and that the "suffering" has been worthwhile and can lead on to a better future. We can then build both consistency and hope into the message. You can trust this Government with the welfare state, and the welfare state will be better for the visions government has of improving care and the delivery of public services, augmented by private self-help and responsibility.

Jobs

Many people will attack the Government for presiding over a massive increase of unemployment. The only answer is to show that the total is coming down, and has been coming down steadily.

This year's Budget made an attempt to improve the chances of that happening. But it did not go as far as it could to covert a possibility into a probability. We could plan an additional 100,000 places on the Community Programme for a modest cost. Our deregulation Enterprise Package could encompass a more liberal definition of self-employment, and a drive to positive encouragement of more self-employed people. Both these could have an impact on the unemployment totals by 1987, and the Community Programme places could be phased in such a way that the reduction in the unemployed totals appeared to be a steady month-by-month process in the run-up to an Election.

The main thrust of the strategy for job-creation through a more mobile housing market (private rented sector) and the work on trade unions, labour practices and remuneration structures (Wages Councils, ballots, essential servcies) should also be taken further, as is envisaged in the current Cabinet Committee timetable.

The Opposition will have some of its 1983 difficulties: it does not have an alternative policy which is credible. But the crude reflationist arguments of 1983 may well have been watered down to a more precise costed programme by the time of the next Election; and although this will have very little intellectual validity (and many spending promises will run alongside it uneasily) it may seem more appealing than the strategy of 1983.

Wider Wealth Ownership

Hand in hand with the attack in unemployment, we have to show both vision and some practical achievement on the way to breaking down class barriers and converting earners into owners. We need a clearer policy on private pensions, in the wake of the abolition of SERPS, to associate people with their capital assets. We need further impetus behind the tax relief share option schemes. Substantial employee shareholdings in major privatisations to be undertaken before the end of this Parliament are also important.

Enterprise and Privatisation

We must develop ways of illustrating that enterprise can be fun, can succeed, and is the way forward. Ideas like an Enterprise Month, a design exhibition, and the association of Cabinet Ministers with successful new business are important. The Local Enterprise Agencies can be the focus

of some of our activity and an answer to the local authority guild-type Socialism which Labour will be plugging. Your idea of a Job Centre publicity campaign for enterprise and opportunities would be important.

We will be attacked as being responsible for the desecration of British industry, for wasting our North Sea oil assets, for investment peaking too early in the Parliament, and for running down Regional Grants. The Opposition will try and occupy some of our enterprise territory, with Kinnock already stressing the importance of wealth-creation, and his Party inclined to associate themselves with innovation, new technology and investment.

To offset this, we have to demonstrate the way in which businesses freed from the public sector have prospered; the importance of individual ownership; and the success of enterprise in rebuilding our position in international markets.

We will have a reasonable story to tell on privatisation. If we can add Gas, 3 or 4 Water Authorities, parts of BL and BSC, British Airways, the British Airports Authority, the National Bus subsidiaries, Royal Ordnance Factories, the rest of British Aerospace, Post Office Girobank, perhaps Shorts, BREL and Rolls Royce, we will have done well. The important thing will be to show the benefits in terms of performance from these and the privatisations already

achieved during the life of this Parliament, and to build in a substantial number of shareholders happy with progress.

A Government for the People: a Consumer Government

The Government should be able to demonstrate considerable success in improving the position of the customer, both through competition in the private sector and through a greater attention to standards of service in the public sector. Cheaper cars, cheaper conveyancing, more choice in spectacles, a more competitive City closer to the customer - these are significant achievements. You should think of chairing an E(CP) meeting yourself to give more impetus to this work. But we need to be sure that our record on public services, particularly health and education, is one not merely based on cold statements about amounts of money spent, but one based upon people's perceptions of the quality and kind of service they receive at the school, in the hospital, or the dentist's waiting room.

We will be vulnerable to the argument that the Government does not care about the quality of public services under its tutelage. There will be a particular assault on the health budget, with the fake argument both of uncaring policies and massive cuts; and on education, with the educational lobby resisting the changes Keith envisages. This could well be made worse by alleged grievances over public sector pay.

Education is an area where we ought to be picking up votes, but where we are still losing them heavily. The belief in standards, discipline, results and value for money are not in themselves unpopular. But the lack of success in delivery, coupled with the effective lobbying of the educational establishment, will leave us in bad shape by 1987 unless a more vigorous grip is taken of the problem than we currently enjoy. I doubt if we can make real progress unless we are prepared to have on the stocks different types of school actually extending parental choice, along the lines of your Middle Way ideas.

Housing and Infrastructure

The good story of a rising proportion of home-owners will continue, but we will have to defend our new system of home improvement finance, and any changes in the private rented housing marketplace.

We should seek to project an image of a government keen to see a better standard of housing for all, largely by harnessing private capital to the great task of urban renewal and reconstruction. To do so successfully, we need a bigger base of success founded on the sale of public sector land to bring down the costs of housebuilding land; more vigorous homesteading policies; success in renovating some old blocks of council flats; and evidence that our

Urban Programme money is now being spent well, with a well-managed programme of urban renewal.

We need to project our image on capital spending rather better, as outlined in the recent note. We also have to consider whether some elements of the capital programme like the road programme need strengthening, as well as presenting better.

We can win the defence argument again as the only Party that believes in an independent nuclear deterrent, the policy in general supported by a strong majority of the British people. We will need to win again the argument that Trident is the right version of this deterrent.

We can hold our own on crime, although we will need to strengthen our policies towards it, as the figures have been rising alarmingly.

But above all, we can attempt to capture some new high ground in the debate by showing that the Government has not lost its vigour or its zest for reform; and by showing how, following years of careful husbandry, there is now more scope for better public services in those areas where government maintains its stake, for a cleaner and better provided public infrastructure, and for a much more diversified pattern of wealth and power throughout our

society as a result of privatisations, tax changes and pensions reform.

The Annex sets out the policy actions that would have to be taken to make sure we get to 1987 in good shape to argue these points. It is also important that 1985 sees a successful public expenditure round which both keeps control of the totals - to leave us scope for some reductions in taxes and increase in spending in the last 2 years of the Government's life - whilst not falling foul of the political ineptitude of the 1984 round, where increasing charges (prescriptions, water, gas prices and parental grants) were seen by the electorate as surrogate increases.

JOHN REDWOOD

ANNEX

Policy Recommendations

Jobs:

- Plan another expansion of Community Programme.
- Reactivate Passport for a Job through deregulation initiative.
- Call for new trade union legislation covering ballots and essential services.
- Abolish Wages Councils.

Wider Wealth Ownership:

- Ensure large employee shares in BAA, Water Authorities, Gas and Bus sales.
- Enforce disclosure of pension worth, and introduce more choice.

Enterprise and Privatisation:

- Ask David Young to develop an Enterprise Year or Month, with displays of British achievement and competition for new businesses.

- Aim to sell Gas, BAA, 3 Water Authorities, National Bus subsidiaries, Girobank, Shorts, Rolls Royce, parts of BSC and BL.

A Customer's Government:

- Chair an E(CP), asking for a paper on future work.
- Once MISC 111 is out of the way, turn attention to the Health Service and the plight of the patient.
- Ask Keith in for a discussion about progress and obstacles in the way of new types of school.

Housing:

- Review coming forward soon.

Local Authorities:

- E(LF) May.

8 March 1985

MR TURNBULL

ANNOUNCEMENTS FOLLOWING THE BUDGET

We have an opportunity to use the 2½ months following the Budget to regain the initiative on the central points of our economic strategy, on the issues of jobs, deregulation and new business.

We would suggest that:

a. Tom King's Employment White Paper be issued within 2 weeks of the Budget, that Treasury be asked to draft some comments on the link between wages and jobs, but that the Treasury should not redraft the whole document or seek to delay it further. If anything, it should be brought nearer to the Budget to strengthen its central message on jobs. Nigel needs it more than he thinks.

b. Treasury worries concerning the integration of tax and benefits should be listened to carefully, and the Treasury be put in the driving seat for any work that may be done on changes to the tax system.

c. If possible, housing and the work in E(CP) be brought in to the schedule of announcements, as the free

movement of people around the country looking for work is an important part of the policy, as is the breaking up of cartels and monopolies and allowing new entrants into the marketplace.

d. Whilst accepting that the Welfare Reviews have slipped, there should still be a fairly tight timetable for coming to decisions on them, both because the consultation papers they launch are part of the total argument on jobs and the labour market; and because some of the changes which will be essential to the public expenditure exercise need to be incorporated in legislation in 1985/86.

e. There is a strong case for a separate document on 14-18 year olds and the expanded YTS. David Young has worked hard on this subject, and needs something to show for it. There are many details - concerning the employer contribution, the range of projects, the financing and negotiations of the enlarged scheme - that are properly part of such a document and cannot be encompassed in Tom King's more general Employment White Paper. We would urge you to leave this in the Programme.

f. Keith Joseph still has a separate piece of work in his Schools White Paper which will carry forward DES policy and is, in its own right, the cause of major debate.

This group of announcements gives all the principal Ministers something to say, whilst preserving the framework of a Government united in purpose, keen to win the main arguments. We would still suggest that a press conference of all the leading Ministers, chaired by the Prime Minister, would be a desirable feature to fit into the timetable, as it would give it added authority and stress the unity of the Programme.

JOHN REDWOOD

BF 11/3 (to annexedes)

CONFIDENTIAL

Tim — I hope to have a word with Hartley in a week or so — any comments beforehand on these notes? MBA 6/3

MR ADDISON

6 March 1985

MUTUAL CURRENT ISSUES

On all of the following matters I have minuted or am concerned, and would be grateful for a sight of the papers and liaison. My particular areas of interest are the Environment/Countryside/Pollution, Town and Country Planning, legal Topics in General/Law & Order/Home Office issues and Lord Chancellor's Department.

1. The Sainsbury Group report: a report from DoE is due in the next few days.

2. Simplification of Planning Law: in addition to the Sainsbury Group work, there is considerable general work in this area.

3. Public Order White Paper: this is due out shortly. Nothing more needed at the moment.

4. Drugs abuse campaign: the Ministerial Group, chaired by David Mellor, will be producing new material from time to time.

5. Law and order generally: new depressing statistics should be out soon. I am hoping to minute the PM shortly and discuss various issues with her in the next three weeks or so.

CONFIDENTIAL

6. Teachers with criminal convictions: work is being done in the DES and the Home Office.

7. The Heritage Register: the DoE - William Waldegrave's area - and a number of other Ministries are considering this proposal.

8. Acid Rain: this, and a number of other specific environmental questions, including a proposal for Clean Air Act and uniting environmental inspectors, will come up in the next few months. Considerable work is being done in this area.

9. Animals Legislation: the PM has been minuted on this and now appears happy that this should go ahead. However, if anything else crops up, consideration ought to be given to it. I hope the PM can be protected from being involved in this one.

10. Extradition Green Paper: this paper is now out. The PM has been minuted and is aware nothing more is needed at the moment.

11. Lord Chancellor's Civil Justice Review: this is now trundling along and should not need anything, but you should be aware of its existence!

12. Warnock and all connected/surrogacy: the Policy Unit has not minuted on this one because it can reach no agreement.

13. Freedom of Information: likely to pop up again soon.

I hope this is some use. I look forward to our discussions next week.

HARTLEY BOOTH

28 January 1985

PRIME MINISTER (2) AT 28/1.

VESTED INTERESTS AND THE EVENING STANDARD ARTICLE

We may think that drug companies are rapacious; that solicitors cause delay and unnecessary cost when conveying your house; that doctors are the worst kind of restrictive trade union; that the pension investment managers are out to keep themselves warm wrapped up in generous tax reliefs and protected from the needs of scheme members; that Metropolitan County Councillors wish to travel on an everlasting grant gravy train; and the university lecturers are prepared to distort the truth in order to demand more.

However, whilst it is this Government's job to stand up for the customer, the taxpayer, the patient and the student, it will not do so if it succeeds in uniting a large number of vested interests in vocal opposition to its policies.

Sometimes reform has gone well, sometimes it's been blocked before it's even begun.

The City

By letting the City come to its own conclusions about the shape of its future, and by withdrawing the restrictive practices case against it, the Government acted wisely.

Immediately a great debate broke out between brokers and jobbers, bankers and managers, merchant banks and discount houses, all jockeying for position. The work of breaking up the cartel came from inside, and in all the hullabaloo, few people bothered to blame the Government. The result is good reform at no political cost.

The Metropolitan Councils

The abolition of the Mets is entirely the other way. The Government is the leading force behind the proposals; it requires difficult legislation; and it has serried ranks of opponents. Conservatives gang up with Labour; the Councils use public monies to run an expensive advertising campaign; and the Government has failed to create enough winners to argue for the changes.

The Pharmaceutical Companies

The prize of cheaper pharmaceuticals for all is an important and achievable one: the drug companies' advertising is already shrill and may not be as effective as the Mets, but it is a warning sign. We must build alliances with patient groups and publicise how the money saved on pills is spent on new equipment or better treatments.

The Standard's Grievances

Abolition of 100% capital allowances - will help create jobs.

Water charges - it is difficult to see how you cut inflation by putting prices up! This story will run and run. That's why we've always argued for higher utility profits via greater efficiency instead.

VAT - on books and newspapers has never been a runner.

The Standard tells you to cut taxes (3 cheers) but fails to say how to cut spending to pay for this.

Conclusion

There are many vested interests that stand in the way of jobs, greater prosperity and tax cuts. Many of these are our own supporters. The Party is split: some do not wish to see any vested interests changed or attacked; others would go full tilt at the lot of them at the same time.

It requires considerable political skill to pull off well, but it can be done. And the skill seems to rest on:

a. creating a climate in which the profession itself begins to want to change;

b. encouraging justifiable uncertainty within the profession over the adequacy of its standards, methods and service;

c. identifying winners from the changes (as with the early leavers from pension funds, which allowed you to protect members of occupational schemes) who will argue for the policy.

JOHN REDWOOD

THE STANDARD

An open letter to Mrs Thatcher

A jubilant Mrs Thatcher arriving at No 10 in 1979. And (right) keeping up her Standards recently.

Right idea, Maggie, wrong targets

Dear Prime Minister,

The congratulations will soon be showering in on your tenth anniversary as leader of the Conservative Party, and we are happy to join in them. In those years you have achieved much—more than even your supporters might have hoped—in revolutionising the attitudes and priorities of Britain.

It has taken great pluck and astonishing stamina. But if you want another ten years to continue and complete the work, perhaps now is the time to take stock, and take warning.

Your favourite prayer, you once said, includes this plea: "Thou knowest Lord, that I want a few friends at the end." One has to say that at the moment you are going a strange way about it.

Just consider some of the people who voted for you in droves in 1979 and again in 1983: parents, pensioners, ratepayers, shopkeepers, doctors, churchmen, executives, middle managers, top managers. Too many of those groups have been damaged, angered or alarmed by what your Government is doing.

Small shopkeepers (and you know all about *them*) have been knocked for six by the decision to close hundreds of corner Post Offices. They see their enterprise count for nothing; and pensioners and mothers with young children have to walk further and queue longer to collect their allowances, making two nonsenses for the price of one.

Businesses have seen their 100 per cent capital allowances (which encourage them to invest in new plant and equipment) whittled away by the Chancellor. The limited depreciation allowances which the Government has brought forward instead fail to fill the gap. The victims are new investment —and new jobs.

Increasing distress

Someone needs to tell you that decisions like these are wrong, wrong and wrong again; because the victims come from what might be called the Thatcher army.

That army is not, as you well know, recruited merely from the well-off, south-east middle classes. It includes millions of ordinary trades union members; self-reliant and hard-working Asian immigrants; the British Telecom workers (to say nothing of all the others) who scrambled to buy BT shares; everyone who has bought a council house.

The Thatcher army cares. They are increasingly distressed at the queues of the unemployed and the attitude of Ministers which, so far as they can see, amounts to hardly more than a shrug of the shoulders and another plaster-patch training scheme. Above all, they are bewildered when your Government seems to penalise their own thrift, effort and enterprise.

Of course, these are difficult times, for jobs and much else. And, given the task you set yourself, you were always in for a fight.

From the moment you took over, you had to move mountains of inertia, apathy and ingrained bad habits. You had to change the sloppy consensus thinking of the Fifties and Sixties that seemed to say that, if Britain was to go down the plughole, at least we would do so like gentlemen.

You have done more than anyone to cure that deathwish. But if you want to complete the job it is more important than ever to keep your army marching along with you, and to catch and cure any signs that your Government is flagging or has lost its way.

You once promised, for instance, to abolish the rates. That was brave, yet instead, ten years on, your ministers are bogged down in the mire of rate-capping. You promised to do away with the Greater London Council — yet the botched cure from Mr Patrick Jenkin looks worse than the disease.

You promised genuine cuts in tax, at all levels, to leave people more freedom to spend or save what they please. Yet, so far, whatever your Chancellors have given with one hand they have more than taken with the other.

Some of the tax problems are buried in Tory history. It was Mr Anthony Barber, in the dying days of the Heath Government who introduced Development Gains Tax, opening the door to Labour's Development Land Tax which soon followed and which did so much to penalise the building industry and the growth of a modern industrial Britain.

But it is entirely your own responsibility that Mr Lawson, and Sir Geoffrey Howe before him, have raked in billions in backdoor tax by raising the charges for gas, electricity—and now water.

The attempt to force the Thames Water Authority to drop 'normal business principles and force up costs to households and industry to scrape up a few extra millions for the Chancellor is a classic example of what your Government should not be doing.

It is unfair because it is a tax on the most basic of essentials (no British Government in history has tried to tax water) and it is unintelligent because it feeds inflation and reduces demand, to the dire harm of your economic strategy.

Above all, it is dishonest. For what is the use of the Chancellor putting more money in people's pockets come the next budget, when it is instantly gobbled up by higher bills?

Breach of faith

The next targets on the list threaten, yet again, to be among your own army, those people who have worked hard and who now fear greatly for their pensions.

Mr Lawson clearly has a greedy eye on the investment income reaped by occupational pension funds; and on the lump sum made available, tax free, to give people a boost at the start of their retirement. Taxing either, even with a decade's warning, would be ill-advised. Taxing either any earlier, after the Government has done so much to woo people into private pensions, would be an intolerable breach of faith.

The Chancellor is also, of course, threatening to load VAT on books and newspapers, and here we are not ashamed to plead our own cause. Such a move would be a tax on knowledge, and whether that knowledge happens to be sandwiched between advertisements and bingo (not in this newspaper, as it happens) makes not an atom of difference.

The £360 million or so such a tax would raise is Whitehall chicken feed, but that burden, coupled with the sizeable costs of collection, would be enough to sink large sections of the publishing industry. The impact would go much wider than the Tory Press Labour loves to deride. And it would go wider than cash profit and loss, into the intangible heritage we all share in the printed word.

A majority of 140 in the Commons makes it only too easy to be complacent and shrug off the Opposition, the occasional mutiny from unhappy Tories, or criticisms from outside. That is all the more true when the Labour alternative, from Mr Neil Kinnock down, is still a feeble non-event. But even if Labour does not pull itself together, there is another choice—the Alliance — lurking in the wings.

After ten years, Prime Minister, you are still within reach of your revolution. There have been some real successes, not least the squeeze on inflation, even though at five per cent there is still some way to go. Many people in Whitehall, industry and beyond, have been coaxed to look at themselves, their occupation and their efficiency with new eyes. So don't lose heart, don't lose direction — and just remember that favourite prayer.

Yours sincerely,

THE STANDARD

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FROM
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10% of all net profits will be donated to Save the Children Ethiopia Fund.

This Valentine's Day give your loved one a real surprise —send a card from Hongkong or Paris! No, you don't have to be a millionaire! Valentine International will send your personal valentine card to anywhere in the U.K. from your choice of these two exciting and romantic cities. All you need to do is ensure that Valentine International has your card by February 5th and they do the rest. For just £1·99 it'll be the most puzzling valentine you've ever sent! So keep them guessing this Valentine's Day with Valentine International.

FOR FURTHER DETAILS CALL
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We are a leading manufacturer of non-ferrous metal products and a member of an International Organisation who require a person to assist in our busy & expanding Special Products Department.

This interesting position would suit a bright young person with relevant engineering/office experience and technical drawing ability. The applicant should be educated to GCE 'O' or 'A' or ONC/HNC level standard. Salary will be commensurate with knowledge & experience.

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requires

A STOCKROOM ASSISTANT

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required for general reception and security duties. Applicants must have had some reception/security experience, and previous service in the HM Forces desirable.

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Applications to the Secretary, Charing Cross and Westminster Medical School, The Reynolds Building, St. Dunstan's Road, London, W6 8RP. Tel.: 01-748 2040.

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Expanding Office Cleaning Company part of a nationwide operation, requires an experienced person to take responsibility for all aspects of client liaison & servicing.

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The total package offered including car, will be around £10,000.

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For further details please telephone : Mrs Helen Briant, 839 3422

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Up to £140 pw

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We offer good rates of pay, attractive company benefits, including subsidised staff restaurant. Interested?

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FULLY EXPERIENCED

Night Contracts Cleaning Manager

To cover the London area. Must be fully conversant in all aspects of the cleaning industry and must have experience in supervising contracts in hotels, commercial office blocks, banks, etc, and be willing to accept shared responsibility for 365 days per year. This hard and demanding post will carry an attractive salary plus company car for the right applicant.

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H. D. Symons Ltd seek to fill a vacancy for a Night Shift Supervisor in their coated fabrics factory. The successful applicant will show responsibility, authority and ambition. Knowledge of resins and solvents and management will be an advantage but full training in the company's manufacturing processes will be given. Salary negotiable. Write giving full details of experience to : **F. Brown, Works Manager, H. D. Symons, Sugarhouse Lane, Stratford, E15.**

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Small, expanding pvc company requires young, able manager, aged 25-30, with organisational and leadership qualities. Salary and bonus negotiable.

Apply to Managing Director, Metro Loose Leaf Ltd. 16c Kings Yard, Carpenters Rd, Stratford, E15.

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CASH PAID WEEKLY
CITY & WEST END
Some company bikes available.

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This fast-expanding retail chain, which has stores throughout Central London, is looking for fit and healthy people to accompany and help their drivers on deliveries between 6.30-10.30 am. You should be able to provide excellent references and ideally have security experience. The salary is excellent and there is a good range of benefits including free uniform. For an application form, please telephone Melissa Green at PA Advertising on 01-235 6060, Ext 246.

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We are looking for sales-orientated people who are confident and ambitious. Willing to work 9-5 pm. Possibility of earning £500 + per month. No exp necessary, full training provided. Must be available to start as soon as possible. Call 251 4475.

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Earn more £5 now, for less hours! We need a bright, chatty person to handle our telephone sales enquiries. Based at our luxury Hampstead offices. Hours 11 - 4 pm! Good basic and commission! Immed start. Tel Yvonne on 794 1146 NOW!

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A BRIGHT prospect for high earnings for attractive hostesses in busy night club. Directors Lodge, Masons Yard, off Duke St, St James's. Tel 01-930 2540.

ADORABLE and gorgeous girls take home hundreds of pounds a week, just as dining and dancing partners only. No previous experience necessary. Phone Denise for lunchtime work and Maureen for evenings. Tel. 930 4950/1648. The Gaslight of St. James's, 4 Duke of York St, SW1, has a busy warm and friendly atmosphere that you'll love to work in.

AIRLINE requires keen reliable & fit person for distribution dept. Various duties including some heavy lifting. Apply in writing to Personnel Manager, Swissair, Swiss Centre, 10 Wardour Street, London W1V 4BJ.

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ATTRACTIVE Hostesses with good personality required for top West End night club. Ring 493 9317 day, 629 3947 eves.

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ATTRACTIVE girls get paid for wining and dining. Crazy but ture. We need young women to do just that. Come and see us anytime between 9.30 pm and 2.00 am. The Burlesque, 14 Bruton Place, W1.

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CLEANING Supervisor required, must be experienced 6 am-11 am, Monday-Friday, Blackfriars area. Tel 407 5884, to arrange interview.

CLEANING MANAGER experienced for shopping centre Ealing area. Good salary and prospects. Tel. 01-407 5884.

DEALER Manager required for South England. For catering equipment. Good salary. Ring (0484) 49021.

DENTAL Secretary/Receptionist for West End private practice. Excellent equipment word processor, etc. Telephone 629 7061.

DESPATCH riders reqd. Top rates. Special scheme for beginners. Ian, 629 2929.

DESPATCH RIDERS urgently required. Top rates, bonus scheme. Tel Express 403 3636.

DESPATCH riders, non stop work + excellent money. 403 5353.

DESP RIDERS, circuit/contract, free radios, 388 4141

DESPATCH Riders own bikes £200 pw. 836 5734.

DESPATCH Owner - Riders Guaranteed £200. 482 5090

DESPATCH Riders for small firm. Learners welcome. Own bike with top box. Any model 960 1527.

DESPATCH ALL SIZE BIKES. BEGINNERS OK. CASH WEEKLY. TEL: 351 6868.

DESPATCH Riders URGENT Imm start. Busy W/E r/c, no instal. All bikes. Cash wkly. 4 free weeks. 450 3252 (10 am-5 pm).

DESPATCH Owner Riders part time. 482 5090.

DESP RIDERS. Contracts £133 + o/t. Any bikes 543 3511.

DIESEL Plant Fitter, salary/hrs neg, 237 2661/2.

DIESEL FITTER wanted must be exp, wages negotiable. Telephone 993 3053.

DISPATCH RIDERS, OWN BIKE £300 PW. 289 2121.

DRIVERS WITH LATE 4-DR SAL/EST CARS REQ FOR W/END CIRCUIT WORK AT TOP RATES. RENT-FREE, SPECIAL SCHEME FOR BEGINNERS. PHONE 723 3466.

DRIVER OWNERS West One need 8 day and 9 night Drivers immediately. Free weeks, free radios, free shift. Phone David 631 1686

DRIVER (experienced) for supermarket fruit and veg lorry (not HGV). Early start £150 pw. Clean licence. 245 6003.

DRIVER OWNERS REQD. JOIN THE FRIENDLIEST CIRCUIT IN LONDON. 2 FREE WEEKS, ACCOUNTS SETTLED WEEKLY, NON-STOP CASH & ACCOUNT WORK. BEGINNERS WELCOME. CALL JASON 883 0088.

DRIVERS busy North London & West End circuit requires a number of owner drivers with 4-door saloons and estate cars; also small vans. Over £100 pw on account and you pay no circuit fee; also bike riders required, payout in cash. Beginners welcome. Ring John, 272 8989.

DRIVER OWNERS. NOVA LONDON BUSIEST COMPANY NEEDS 4-DOOR SALOONS & ESTATES 4YR MAX FOR COLLAR & TIE WORK. EARN £350 + PW. 3 FREE WEEKS, NO PUBS OR CLUBS. BEGINNERS WELCOME. 340 3533/5533.

DRIVER OWNERS. TIME FOR A CHANGE. ADDISON LEE STARTED THE NO CIRCUIT FEE SCHEME NOW WE ADD TO THAT OUR NEW BONUS SCHEME EARN £200 AND GET A £20 BONUS. CAN YOU AFFORD TO WORK FOR ANYBODY ELSE? JOIN LONDON'S NUMBER ONE MINI CAB / DESPATCH COMPANY TODAY. PHONE 720 2161.

DRIVER OWNERS, make the move. 300 other people already have, and join Delta now! Top rates, free circuit fees offered to those with late model 4-door saloons/estates. 961 0666.

DRIVERS with own 4-door cars for busy circuit, free radio fitting, top rates, accounts and cash, minimum £150 pw clear guaranteed. beginners welcome. 262 4444.

DRIVER / OWNERS 4 door saloons/estates. 1981 or newer. No cash needed to join one of London's leading car hire companies. 2 wks rent free + free radio installation. Join a very busy 24-hour circuit on a free shift basis. Beginners (m/f) welcome. 828 4422.

DRIVER OWNERS. 4 dr sal est. High cash earnings. Beginners trained. 794 0002

DRIVER Owner s/vans & m/bike. Urgent. 267 6095.

DRIVERS obtain a truck or coach licence. See Classification 5.

DRIVER self-employed reqd for small mini cab firm. Should be over 40, hard-working stable person only, with clean licence and own phone. Tel 328 4425.

DRIVER OWNERS late saloons reqd by a Mayfair car service. Collar and tie work. Good earnings. 493 4065.

DRIVER OWNERS with small vans, cars or bikes for parcel deliv, SW1. Plenty of work. 834 8888.

DRIVER owners 100% cash work wld urgently. 439 2502.

DRIVERS for company cars, urgent. Very high earnings. Days or nights. 402 1922.

DRIVER/OWNERS, saloon & estate cars urgently reqd, very busy office, days & nights. Small vans also needed. Company cars are available. Tel 387 9696.

DRIVER OWNERS, urgent! Town, country. Cash! 351 5133.

DRIVER/Owners urgent late mod. 90% cash plus VIP work Start immed 724 1412

DRIVER OWNER cash circuit Hampstead area. 01-431 3320

DRIVER OWNERS. 2/4 door cars& small vans. No hire & rewards. Ins 794 5544.

DRIVER OWNERS. Superior work, collar-and-tie drivers only. High earnings. 262 7281.

DRIVERS. LATE TWO OR FOUR DOOR SALOONS. ESTATES. URGENTLY REQUIRED. THREE FREE WEEKS. GUARANTEED HIGH EARNINGS. 60P PER MILE CASH AND ACCT. PAID WEEKLY. LOTS OF LONG DISTANCE PARCEL WORK. FREE SHIFT AND PART TIME SCHEME. TRAINING FOR BEGINNERS. 458 5555; 631 4433; 328 5555; 349 3651; 883 0028; 900 0234.

DRIVERS earn £400 pw + with Express, England's leading mini cab co. Open shift + rent free scheme. Expd drivers only. 403 3636

DRIVERS with own small or large vans required for busy despatch company. Non-stop cash & account work. Immediate start. Ring Jason, 883 7305.

DRIVING instructor or expd trainee SW18 and SW11. Tel 228 1825 after 12.30

ESCORT vans reqd, owner/drivers. Oxford St. 629 2929.

EXPERIENCED Handy Person required for day to day maintenance, block 375 flats, W6. 40-hr week. Wage according to experience. Also vacancy for Porters. Ref essential. Apply Mr Ashwood 748 8383

FIRE ALARM Electricians required. Permanent positions. Ring 739 5944.

FLORIST, exp, for West End hotel. Driving an advantage. 409 0864.

FURNITURE MAKER wanted by company designing modern, high quality "one-off" pieces. 3 years making experience preferable. Telephone 481 0652.

GOLDEN OPPORTUNITY. Securimarked Car Marking Systems require agents to engrave car windows in their area. Earnings are between £200-£500 per week. Full or part-time. No experience is needed as full product knowledge will be given. If you are ambitious and you want to get ahead in a money-making market, send SAE in the first instance to Securimarked. Ref ESL 8 Bordersley Chambers, 164 High Street, Bordersley, Birmingham.

HAIR STYLIST, top pay for expert all round work. Ladies' City salon. 253 0464

HAIR stylists exp. Ladies salon. Victoria. 370 3665

HAIRDRESSING juniors reqd to learn all aspects of hairdressing. 631 1423/388 3001/636 3007.

HOFFMAN PRESSER/Operator, SE London: £150 pw + for skilled person. 231 2400 or 360 1967 eves.

HOFFMAN PRESSER reqd, expd, for unit dry cleaners, SW4. Tel 622 7235.

HGV DRIVERS I & II reqd. Tipping exp. 247 3404.

HGV DRIVERS required, Class II tipper lorries. 391 2143.

JEWELLERY Polishers, expd people only. EC1. 253 1817.

LONG-Distance Drivers Up to £200 pw. HGV 1 required. Tel 805 0829.

MASSEUSES required, Dalston area. 249 5562.

MECHANIC, 25+, experienced. Start now. 607 5798

MECHANIC, fully skilled for Alfa-Romeo specialists. Salary negotiable. Good prospects. Park Royal area. Tel 578 1633.

MESSENGER aged 30/40, good refs + exp of internal/external essen for city based solicitors: c £5500. Ring Linda on 583 0055, Court Assoc (Rec Cons).

MOTORBIKE Courier required for despatch; company based at the Angel. Must be completely experienced. Over 25. New 650 bike. Good wages & commission. Phone 278 3659 9-4 pm.

continued Page 12, Column 1

Prime Minister ①
While recognising the financial constraints, Policy Unit want to keep the idea of an expansion of CP alive. Agree they continue to work with D'Emp, with aim of producing a paper for final decision in EA?

PRIME MINISTER

15 January 1985

AT 15/1

Communicate to O.L ← Yes

File AT 16/1

THE COMMUNITY PROGRAMME

Once the present problems about exchange and interest rates are over, unemployment will reassert itself as the number one issue.

The extension of the Community Programme remains a vital part of the Government's strategy:

1. It is a sure and cheap way of reducing the unemployment count by 250,000.

2. It helps the labour market by attacking excessive wage rates. The present Programme officially pays the 'rate for the job'. But the planned rule changes will start to exert downward pressure on some private sector wage levels. It can become one of the few effective ways of pricing people back into jobs and strengthening competition.

3. It improves discipline and morale among the long-term unemployed. The Community Programme often succeeds in finding employment for the hardest cases. This may be the only way to avoid the creation of a pool of permanent unempoloyed. People can be offered the option of work if they want it.

4. It would be a move in the direction of 'workfare'. Providing a large number of Community Programme places for the long-term unemployed (at near benefit rates) would make it easier to introduce American-style supplementary benefit reductions, just as the extension of YTS makes it politically possible to remove supplementary benefit for 16 to 18 year olds.

The costs of extending the Community Programme are heavily offset by reductions in social security payments. The net public expenditure consequence of extending the Programme by 250,000 places would be as follows:

1985/6	Under £50 million
1986/7	£200 million - £300 million
1987/8	£350 million - £450 million

The first year costs are low enough to be absorbed within the budget. As Norman Tebbit says, it would have to be for the following PES round to find compensating savings to match the larger expenditure in the following years. (As a comparison, BL is asking for an increase of £450 million in Varley-Marshall assurances over the same three years.)

Tom King could announce (1) the modest first year increase, and (2) the all important changes in the rules of the scheme which will put downward pressure on pay. He could add the extra quarter of a million places as a target subject to PES constraints.

In the past you expressed interest in these ideas. Are you content for us to work them up with Department of Employment, so that you can make a final decision in E(A)?

Oliver Letwin.

OLIVER LETWIN

JOHN REDWOOD

NBPM

MT 14/1

14 January 1985

THE PLIGHT OF THE POUND

Four things are needed to rally the pound:

1. Government spending and borrowing has to be seen to be under control. It isn't, so cuts are needed. Interest rate rises make the public expenditure position worse.

2. Private sector borrowing has to advance more slowly. Interest rate rises help, but are uncertain in the timing of their effects. At first, people may just borrow more to pay the higher interest.

3. Total borrowing has to be properly funded. Inadequate interest rate rises make this more difficult, undermining confidence and so putting off buyers. Once started, this process of interest rate increases, ie worry about the pound, forces quite a big increase in rates before funding can be restarted.

4. Currency speculators have to fear some retaliation. Yes, policy should be based on not wasting reserves or using them to bolster an unsustainable level for the pound. But keep the bears guessing. Occasionally, rumour a bear squeeze, even spend a little organising

one. But always do it for profit, and never throw more good money after bad if it starts to go wrong.

What can be done now?

Currency speculation from here to Hong Kong has been given the green light to make money by going short of sterling by the uncertainty communicated over the weekend. It is therefore difficult to recover the position.

Now interest rates have gone up:

a. announce an intention to use the reserves to squeeze the currency bears hard, and spend a little money and see if it works;

b. introduce new gilt taplets to recommence funding at the higher levels of rates.

JOHN REDWOOD

R.R.

11 January 1985

PRIME MINISTER (2) Some interesting points AT 11/1

The Policy Unit held a one-day private seminar yesterday. I set out beneath the main arguments of the leading participants, which may be of interest.

Jobs and the Economy

Professor Brian Griffiths argued that the number of jobs reflects the level of real wages. 1 per cent off real wages would increase employment by as much as 1 per cent in the service industries, and by a little less than 1 per cent in manufacturing.

He argued that real wages are so high because of a lack of competition in both the product and labour markets. Simply increasing demand without curbing the wage problem would not help, and he opposed wages policies which have failed before.

He felt that a strong competition policy could be bolstered by a more vigorous wider ownership policy, which in turn is helped by privatisation. He himself would also favour tax changes, as he feels that too much wealth is aggregated in institutional hands. He would raise the minimum salary level for employers' National Insurance Contributions, abolish Wages Councils and privatise the business schools.

He pointed out that there was a relatively low linkage between poverty and low pay, as poverty is now heavily concentrated in households with families: Child Tax Allowances and Family Income Supplement were the correct ways to combat poverty. Policy Unit members had considerable sympathy with his line of argument.

Sam Brittan argued in favour of the Professor Layard inflation tax proposals. Most of the others present, including **Brian Griffiths** and **Roger Nightingale** (the Chief Economist at Hoare Govett) attacked these proposals on the grounds that the inflation tax is incomes policy in another guise. It would ossify real wage adjustments in the economy, as it is difficult to distinguish the inflationary element from the necessary real change in relative wage levels; it would be extremely cumbersome administratively; and, as Sam Brittan only wished to see it in place for one year, the re-entry problem would be considerable as companies could simply delay their pay settlement for a month or two.

Sam Brittan was on more attractive ground when he argued in favour of a massive shift in capital ownership as a quid pro quo for further reductions in monopoly labour bargaining power. He offered three models:

1. The Peter Jay worker co-operatives functioning in competitive markets.

2. Much more widespread profit-sharing, so that more individual remuneration comes from a share in corporate revenues.

3. His own favoured idea of giving all citizens a stake in public enterprises by offering free shares.

He would back up the massive distribution of public capital to citizens with further removal of exemption of trade unions from certain kinds of contract law; and made a strong attack upon the concept of responsible trade unions - he said they are still monopolists at heart.

The seminar was attracted by a much more vigorous approach to wider capital ownership. Sam Brittan's idea of a free distribution of equity could be a good way of dealing quickly with the many loss-making enterprises that remain within the public sector.

Roger Nightingale argued that new business formation had been going much better for the last 10 years, coincident with the development of the North Sea, and the large injection of capital into the system that this had provided. He favoured the wholesale restructing of large companies that was going on, argued that the fiscal incentives to new small enterprise were, if anything, too generous, and painted a bullish picture of the economy. His only criticism was that money growth was now too easy.

In a discussion about how capital markets could be made more approachable for everyman, **Tim Melville-Ross** (General Manager of the Nationwide Building Society) and **Roger Nightingale** agreed that a package could be worked out giving people access to share trading through building society counters. Hoare Govett have a scheme and will now discuss it with Nationwide.

Housing and inner city problems

Tim Melville-Ross said that the Nationwide were looking at schemes to buy out whole council estates - the Right to Bulk Buy. They would then put money into renovating them, sell those to the tenants who wished to buy, and run the rest as their estate, collecting the rents. They would prefer that the tenancies be governed by the Assured Tenancy Scheme; but they are prepared to consider doing it now, without any such change of tenancy status, and to work within existing rent controls.

There was general agreement on the need to free-up the private rented sector market, and Hoare Govett became interested in the idea of providing equity finance for Nationwide building and purchasing schemes.

Lionel Read QC argued the case for relaxation of planning controls. He characterised the system as being good at stopping people but very bad at encouraging positive action.

E.R.

His wish to encourage a climate in which development can flourish included a policy of decontrolling more inner city areas and Special Development Zones, as well as seeing if certain types of development can be taken outside the ambit of planning controls. The development orders need simplifying, and the Secretary of State should use his appeal powers more generously.

Stan Bailey (Chief Constable of Northumbria) painted a picture of high unemployment and high crime within the Tyne and Wear area. In the inner cities, the risk rate he said is now one in ten that you will be burgled, compared with one in fifty in the rural areas. In 1980, in his area 49 per cent of the detected crime was committed by unemployed people. Over the age of 23-25, people rarely become first-time offenders. He filed a paper concerning a number of schemes in his area involving YTS, policing difficult-to-let estates, improving security lighting and fencing, fitting new locks on homes, and a major increase in the Neighbourhood Watch activities.

JOHN REDWOOD

COVERING SECRET

cc. Mr. Turnbull

Mr. Redwood

As you will see from the attached copy, the Prime Minister read your note on Government Policy with care. She would like to discuss it with you at one of your regular meetings.

DB

31 December, 1984.

2

10 DOWNING STREET

Prime Minister

I agree with some of what John Redwood says. But the major reason for the backbench troubles of recent times is not presentation: it is that the Government has had to make difficult choices which some have found uncomfortable.

PRIME MINISTER 20 December 1984

OF WHIPS, REBELS AND POLICIES

We have seen more sporadic back-bench revolts.

Local Authority Capital Spending

This proved as contentious as we all feared.

When Michael Alison and Oliver Letwin went over to the House prior to the debate to see if they could assist, it became quite clear that Conservative back-benchers had not been briefed by DoE on what the Government was trying to do. They briefed Sir William Clark, who then made an excellent speech in defence of Patrick's case. Peter Rees was told Treasury assistance was not needed, but went over to brief behind the scenes anyway.

The DoE speech lacked both clarity and force, in contrast to that of Nick Edwardes who made a spirited defence of a similar policy in the case of Wales, and received a better press in consequence.

The Civil Aviation Bill

Once the Stansted report had been released, with the Inspector arguing the case for an expanded Heathrow as well

as Stansted, it became difficult to hold the line on the Bill.

The choice of committee members meant that the committee did not have an in-built majority in favour of limiting movements at Heathrow, despite the earlier vote in the House in favour of such a policy.

We discussed this issue both with Nick Ridley's advisers and with the Lord President and Lord Privy Seal. There was widespread agreement that the Bill could probably not carry the committee, and there was some agreement that the time to withdraw it in order to bring it back after the Stansted debate was immediately following the publication of the Inspector's report, when there was a good excuse for a temporary withdrawal. Yet nothing happened.

Conclusions

Each rebellion is different from the last, and there is still no common focus or organised dissent against the Government.

However, on each occasion that we have a back-bench revolt, there are some common problems which could be solved:

1. The lead Minister concerned has often failed to produce a clear and forthright speech likely to win over waverers in the Chamber.

2. Junior Ministers and PPSs have failed to prepare the way for the Ministerial statement by talking to back-benchers and explaining the problems and the purpose of the policy. When back-benchers have been briefed, the response is so much better; and they do deserve the common courtesy of being treated as colleagues, and having some of the difficulties explained to them in advance.

3. When a Committee is chosen for a contentious Bill, members should be sounded out on their views.

These points could be remedied quite easily. You could raise them at one of your meetings with the Chief Whip and Lord President.

Policy Unit members talk to individual back-benchers with an interest in particular subjects on a regular basis, so that we know the cross-currents. We plan to see groups of back-benchers at CRD lunches to discuss the background to policies.

JOHN REDWOOD

SECRET

14 December 1984

PRIME MINISTER (2) To consider our Christmas AT 17/12 Will discuss with John

GOVERNMENT POLICY

My previous note on jobs covered the importance of bringing together the welfare reviews, the jobs exercise, and the Budget, to recapture the main ground on jobs within our central economic strategy.

This note looks in a little more detail at a range of other departmental programmes, and tries to highlight the strengths and weaknesses of current policy development.

Department of Health and Social Security

The Health Service

Now that Victor Paige has been appointed, David Willetts and I will be following up with him and the DHSS on how the new Griffiths system of management can be implemented. Attention needs to be directed to making better use of NHS premises, with some additional private sector facilities; to bring the waiting list down; to better communications with patients; and with better measurement for patient care and standards. We need a renewed drive on contracting-out of ancillary services, and to consider more use of private sector spare capacity for NHS patients who are waiting too

SECRET

long for NHS facilities. A genuine partnership between public and private sectors can be built in health, and much will rest on the success of Victor Paige in encouraging the General Managers of the Regions and Districts to move in this direction.

We are still awaiting an enlivened and revised Green Paper on the Family Practitioner Service.

Your Seminar in January may provide some focus to speed up the necessary improvements in both our health policy and its presentation. (The January meeting is about the FPS. A meeting with Mr Fowler and Mr Paige on the NHS is in mind, but not yet arranged, for February).

Pensions Policy and Wider Wealth Ownership

The £130 billion of pension assets could be released to their members. This does not mean the end of occupational pension schemes: merely spelling out to individuals what their own stake is worth, so that they can take it with them when they move on, and they can be made aware of the importance of their shareholdings. Norman Fowler has gone some way with his disclosure provisions, his uprating provisions for pensions for those retired, and his portable pensions suggestions. But he could go a little further and unitise all existing occupational pension funds, so that each member knew the worth of his holding. This will come through for collective decision in February.

Department of the Environment

DoE will continue to fight through the abolition proposals and tackle the rate-capping revolt. We have minuted you extensively on both these subjects recently. The local government reviews will lead to policy issues on finance and abuses. The Audit Commission materials should be pursued vigorously.

In housing policy, we are now making progress. We have put forward proposals to Ian Gow for a rejuvenated private rented sector which does not increase Housing Benefit cost; for the sale and redevelopment of large tower blocks of flats (in conjunction with David Young); for wider application of homesteading; for the sale of empty properties; and for the release of more house building land. These should be coming through to H Committee (probably watered down) in January, and David Young has enlisted behind them.

In planning, the Sainsbury Group should now be meeting in DoE, and you have asked for a report by the end of March. We are stressing the importance of speeded up and improved planning procedures, so that land is available for development in the right places. We have raised questions about unreasonable restrictions on development in structure plans.

In **environmental policy**, your meetings arrived at a sensible policy last summer. But there has been a disappointing lack of salesmanship, and we are in danger of having to move to a more generous policy on pollution control if something is not done about it soon. Hartley Booth is going round to talk to William Waldegrave soon.

Department of Employment

Aside from the main jobs menu, Department of Employment should now be thinking about the problem of **strikes** in **essential services** and the one or two imperfections in the picketing and balloting provisions which have already emerged in the 1984 legislation. The question is whether or not there will be a 1986 Employment Act.

I'd emphasise dock strike but have set it on one side while we could strike is on.

The moves to encourage **moderate trade unionism** are fine. I still think we must avoid beer and sandwiches at No.10: this would be seen as retreat rather than victory.

Transport

BA privatisation is in the balance: we must redouble our efforts to see that it happens. The obstacles can be overcome.

Bus policy has been sensibly thought out, but is in danger of failing from want of selling. We are talking to a range

of people who might assist in putting over the way in which the new bus policy can lower fares and improve services.

Civil aviation policy in general is in a mess. The Heathrow Bill is rightly under some pressures, as it appears to force development at Stansted. Once Parliament has had its debate, you could chair a meeting of the relevant Ministers to come to conclusions on how airport capacity in the South East is to be provided, and how regional airports can be developed more rapidly - the one popular thing in the whole area. This can also be taken in conjunction with BAA privatisation, where Transport has failed to deliver the paper promised for the latter part of this year.

Home Office

The first thing in the New Year will be the review of the **Public Order legislation.** There is the general subject of better detection and enforcement of the law.

The question of the **BBC licence fee** and the way towards advertising will also have to be taken fairly early. More work needs doing on controlling **drug abuse**, and you might ask for a progress report in February or March.

Department of Trade and Industry

Good progress is being made on **British Shipbuilders**, and **British Telecom** was a great success. We now need to quicken the pace on **BL** and **British Steel**. Early in the New Year, there ought to be a meeting concerning the **British Steel Corporate Plan** and the future direction of the Corporation.

In **competition policy**, we need to follow up the decisions on **cars** to see that we do indeed get cheaper cars and on **solicitors**; and we need to tackle some of the **food marketing boards**.

Agriculture

Having tackled **milk over-production**, we have to go on to try to lower **wheat prices**. We are making progress in bringing under control the enormous subsidies and range of free services provided to farmers, especially ADAS.

Defence

Now that Peter Levene has been appointed, good targets should be set for him to achieve savings. We have to explain to people that we are trying to keep the volume of defence up whilst lowering its cost. Some of the savings should come to the Treasury as our spending commitments run out.

There is need for care on **Trident**, where some back-bench protest is gathering. Peter Levene should make it a priority to ensure the cost is under control, whilst preserving intact the importance of a new nuclear deterrent. Three months have been lost in setting the terms of reference of the R&D review. £2 billion is at stake, and we are trying to resolve the impasse.

Decisions will be needed on **naval dockyard management** and the **European Fighter Aircraft.**

Education

The **Higher Education Green Paper** has to be discussed, the **White Paper on Schools** carried through (a Schools Act may be needed), and the **student grants issue settled.** **Teachers' pay** and assessment is also under review.

Energy

This has been by far and away the most disappointing area of policy in the last 18 months.

In the aftermath of the **coal strike**, we will have to consider what action is needed to produce a more viable and competitive industry. We need in particular to pursue the question of **open-cast** activity.

Gas policy has been reaffirmed, and the problem will be one of delivery. **BNOC** should be abolished, and North Sea blocks handled by competitive auction.

Treasury

Budget reforms need to simplify our taxation system to deliver administrative savings.

ECGD needs to be brought under new management and better control.

The **Nationalised Industries Bill** needs to be reintroduced with more adroitness to give us the powers for disposal of assets. Otherwise we will need a series of specific Bills covering individual industries. The Nationalised Industries Chairmen's Group should not be allowed too many easy victories.

JOHN REDWOOD

ANNEX

1985/86 LEGISLATIVE PROGRAMME

The following might be needed to implement the Manifesto commitments and general policies set out in our paper on Government Policy:

1. An Employment Act (covering essential services and loopholes in the existing laws on balloting).

2. Nationalised Industries Act (giving powers of disposal of assets).

3. BAA Act (the privatisation legislation).

4. Planning Act (reducing the importance of structure plans, setting timetables for replying to planning applications, dealing with disruptive elements at major planning inquiries and speeding up major public inquiries).

5. Housing Act (covering the private rented sector, homesteading etc) - could be linked to 4.

6. An Energy Act (abolishing BNOC, taking privatisation powers where necessary for the other energy nationalised industries).

7. DHSS Act to implement the Reviews.

8. Statutory Right to Tender Act.

9. Education Act.

Mr Turnbull

Over to you.

DNB
6/7.2

10 DOWNING STREET

Prime Minister (4)

I suspect this may under-estimate the political risks involved in very public targets.

But would you like to discuss with John Redwood at one of your regular meetings?

Yes pls. DNB
6/2

4 December 1984

PRIME MINISTER

MANAGEMENT AND GOVERNMENT

It did Harold Macmillan no harm to set out a numerical target of building 300,000 homes and hitting it.

Nor should your Ministers be frightened of similar clear and simple targets they can hit and can sell to the public. Some are things you will achieve anyway: hospital waiting (1) lists will come down as double counting and dead men are removed from the register. Teacher/pupil ratios will improve, as no-one plans to sack enough to cancel out (2) falling student numbers. Some are things where you can take a little risk to galvanise people, as you did with single-figure inflation, or civil service manpower, and it worked triumphantly. Some are things where you may only want an internal target.

A good manager and a good politician need each other, but they should not have the same skills. The politician must be able to distinguish the clarity of simple and firm management discipline from the complexities of much modern management jargon and doublespeak. We need to reach a world where politicians can be arbiters on broad policy, and salesmen for those policies, confident that there is the management in Whitehall to back them up and to deliver.

Management and efficiency are not optional extras you can bolt on or take off. If you cannot quantify an objective, you should be suspicious of it. If you only wish to quantify it and to use management jargon to describe it, then you are dead as a politician. You can be clean without wearing a white coat.

Good management begins with clear objectives, targets, timetables, the timely flow of simple and precise information, and minutes of meetings which record decisions. Once politicians seek numbers, civil servants will come to see them as important. Only by spelling out precisely from the top what policies are expected to deliver will you succeed in spreading the message of better management through Whitehall.

Ways of strengthening the FMI

Your seminars with Robin Ibbs and the departmental heads are important in showing them that you mean business. But if the FMI is to work, more than the occasional seminar is needed. Why not incorporate as a regular feature, in Cabinet or Cabinet Committee meetings, the following:

1. A clear timetable for all work (as at present) but with the Cabinet Office given the task of chasing it up and making sure it is delivered on time: work is all too

often allowed to slip, despite Cabinet Committee remits at the moment.

2. Ask each Department to produce a page or two of key objectives and basic numbers on how they are meeting those objectives. These could be read through and your attention drawn to any problems which require explanation in regular Cabinet Committee; or where praise should be awarded for a job well done.

A good management system is a pyramid or a cascade. At the top, those in most senior positions see only the broad picture and lay down the broad strategy. As you move down the system, that general policy is broken down into ever-smaller compartments, with each person charged with his individual task, and measured to see how he is getting on. Things should always be looked at over a run of years, and small or short-term variances not given undue weight. But persistent failure to deliver should be penalised. Departments should not be allowed to get away with the idea that it is an additional burden: it should be an integral part of management.

I attach at Annex A examples of two levels of reporting, with a very rough scheme of how it might work. These are not the answer: the proper figures and charts would have to be decided on by the relevant departments.

Conclusions

Good management starts at home and at the top. Some common basis of fact, going to all Cabinet Committee and Cabinet members on the broadest items, is a first step. Departments can then be made responsible for the implementation of agreed policies. The information can also be used to sell successes.

When appointing people to senior posts, their record at FMI-style management (ie real management) should be attached to the sheet recommending them for promotion.

A project when established should always include ways for measuring the output. This then serves to monitor the project through its life against the original aim.

The good manager who does not agree with a particular plan should always be expected to put forward an alternative way of achieving the desired object, rather than merely erecting obstacles.

Shouldn't the National Audit Office points in their reports on various departments be followed up?

Why not ask Robert at your next meeting to set up a regular information report to Cabinet on main policies, starting in

E.R.

one month's time; and to take on responsibility for making the Cabinet diary something departments adhere to? The Efficiency Unit could help with this task.

JOHN REDWOOD

ANNEX A

At the level of Cabinet or Cabinet Committee, a couple of pages could set out some of the broadest aims of the Government. These would include:

1. Jobs. The unemployment and jobs figures coupled with brief details of the major programmes and strategies in place to deal with it, their cost and how they are working.

2. The Medium-Term Financial Strategy and inflation. The main figures on borrowing, the Retail Price Index, and the level of public spending should be incorporated there, with any variations from plan. (This is already the best example in government of the use of targets, timetables and good management information.)

3. Education. The policy of higher standards should be monitored in some way: eg examination successes.

4. Privatisation. A regular monthly item should report on any slippage from the agreed timetables for all those businesses agreed by E(A) as candidates for privatisation.

5. Law and order. The crime figures should appear on the list, along with details of major initiatives to combat the ever-rising incidence of crime.

6. The key figures on output and patient treatment in the Health Service should be recorded.

7. In housing policy, the proportion which is owner-occupied, and the number of council house sales should be charted.

8. In the welfare field, trends in the total welfare budget, along with figures of a typical benefit recipient's income.

9. The central overhead: staff numbers, costs and progress in controlling them.

10. Deregulation: how many pages of regulation and law added, and how many scrapped?

A typical Department: Education and Science

See Annex B attached.

ANNEX B

DES: KEY OBJECTIVES AND PERFORMANCE (SCHOOLS ONLY)

Objective	Measurement	Data Collection Period
Ensure that 5-16 year olds attend school	1. Truancy returns 2. Unannounced HMI dip-stick tests	Monthly averages ? 5 Schools/month
Ensure that 80% of pupils months reach CSE level before leaving school	3. GCSE returns by LEA, with each school specified	Annual (within 3 months of year end)
Improve exam results achieved by LEAs in relation to their socio-economic profiles [ie each LEA would score points = socio-economic ranking x exam successes]	4. Socio-economic profile for each LEA (with simple points system to facilitate inter-LEA comparisons) 5. GCSE returns (as 3 above) 6. A-Level returns by LEA with each school specified 7. CPVE returns	Annual (within 3 months of year end)
Ensure that LEAs offer pupils the best possible chances of entering employment/further education [ie each LEA would score points = employment record of school leavers x average unemployment rate for the LEA]	8. Entry figures for FHE by LEA (with each school specified) 9. Entry figures to YTS by LEA (with each school specified) 10. Post-YTS employment figures by LEA (with each YTS sponsoring agent specified 11. Post-school non-YTS employment figures by LEA (with schools specified) 12. Unemployment average rates by LEA, to enable comparisons to be made between LEAs	Annual (with 3 months of year end)

JMQAAP

Keep unit costs as low as possible in relation to educational standards [ie each LEA would score points = spending per pupil x exam successes x truancy ranking x socio-economic ranking x employment scores]	13. Truancy returns (as 1 above) 14. Exam scores (as 3, 6 and 7 above) 15. Socio-economic profiles (as 4 above) 16. Post-school activity record (as 8, 9, 10 and 11 above) 17. Unemployment rate (as 12 above)	Annual
	18. Total expenditure on schools by LEA, (capital + current + depreciation on assets) with each school specified, under headings for Primary, Secondary and 6th Form, and with costs attributed to cost-centres.	6 - monthly
	19. Total pupil numbers by LEA, with each school specified	6 - monthly

2

MR TURNBULL Prime Minister. 16 November 1984

JOBS, PAY, UNIONS AND THE OWNERSHIP OF CAPITAL

This is a lively set of articles by Sam Brittan, containing a lot of good sense. I particularly recommend the articles entitled:

- Home Truths on Union Power (page 7)

- Bad Reasons for Pay Worries (page 9)

- Scabs of the World Unite (page 10)

- The Case for Capital Ownership for All (page 11)

They all reflect his fundamental belief in free markets and free trade. Most of our ills can be attributed to departing from these principles rather than trendy ideas that it is all due to the baby boom or high tech or the wrong fiscal stance.

Three main themes stand out in his articles.

The lump of labour fallacy

This is the fallacy that there is a fixed amount of work to be done, and if there are too many people of working age

unemployment will result. It is economics without prices. Every member of the population will want to consume goods, and provided we price our labour correctly, we can all find jobs making them. Of course, if the labour market doesn't work, then the economy cannot respond to an external shock - be it demographic or a big increase in energy prices. This might increase unemployment, apparently through no fault of our own, but if the labour market operated properly these shocks could be absorbed without losing jobs.

The "be more competitive" fallacy

This is a clever, if rather fine, point. Sam Brittan is drawing a distinction between coming top of the class and being well-educated. His argument is that economic success is often seen as a matter of beating foreigners. But in fact we can all get richer together. If your labour practices are out of date, or your goods are shoddy, then you will be "uncompetitive" in the sense of being poor; but, provided the labour market is flexible, you will still have full employment. And if you improve your goods, you get richer without impoverishing anyone else. The unemployment only comes if the labour market doesn't work.

Wider capital ownership

He is worried that technological development might have reached the stage where the return to capital is increasing

and the return to labour is falling. That means that owners of capital will get a bigger return, and people who sell their labour will get a smaller return. If workers don't reduce the price of their labour (absolutely or as a share of GDP) unemployment will rise. But if their income solely derives from their wages, they may be reluctant to see them reduced.

He wants to encourage wider share ownership so we all tolerate getting less money from our work as we get more from our ownership of capital. This is absolutely in line with the Prime Minister's commitment to privatisation and wider share ownership, but Sam Brittan would give away the shares in nationalised industries rather than sell them. It sounds attractive. Indeed, generous share distributions to employees and aggressive selling of nationalised industries are obviously sensible. But if the Treasury is not getting any money from privatisation receipts then taxes are higher than they otherwise would be. Higher taxes mean that people have less money to spend on, amongst other things, shares. So it is almost a zero-sum game. The difference is that if people have more money of their own to spend, they choose their own shares. If they are distributed free, there is no choice - at least first time round.

David Willetts

DAVID WILLETTS

31 October 1984

PRIME MINISTER

(2) Some of these parts can be made in the speech AT 31/10

JOBS AND THE ECONOMY

The political task is to explain joblessness in the midst of a boom, as Nigel has discovered.

This paper rebuts several erroneous arguments in circulation about how to stimulate the economy and generate more jobs. It may be useful for the CBI meeting, and speeches.

1. An increase in capital investment would reflate the economy into prosperity

Total investment in the economy is what matters. This has been rising steadily since the bottom of the recession in 1981. Total investment (GDFCF) was up 6.7 per cent in 1982; 4.2 per cent in 1983; and the Treasury estimate (pessimistically) 6.5 per cent for 1984 - all real terms increases. The average of the 10 years from 1973 was negative. (Source: Simon & Coates, Stockbrokers, Economics Analyst, October, p.7.)

Total real investment in the economy in 1984 should match the peak reached in 1973, which was never reached again in the ensuing decade. It should pass it next year. 1985 should see further growth in capital spending, reflecting the buoyant profits in private industry, and the many

interesting investment opportunities now open to British companies. (Source: Annual Abstract 1984, CSO p.260; Simon and Coates; and Treasury Forecast, adapted 1984.)

Investment is only worth undertaking if it helps you deliver goods and services that customers want, and if it makes a profit. Some of the public sector schemes that have been proposed would never be paying propositions - eg a very expensive bridge over the Channel, which needed Government guarantees, and could become Concorde-like in its cost overruns.

Government capital investment is one of the dearest ways of buying jobs. Treasury figures suggest that it costs between £40,000 and £50,000 a job created in the construction industry for things like sewer renewal. If you simply took the people on to the public sector pay roll direct, the cost would be one-fifth - or £8-10,000. And if you find the people work by one or other of the Special Employment Measures, the cost falls to somewhere between £2,000 and £5,000 per job. **In other words, you can have ten times as many jobs for the same amount of money spent if you switch from capital investment in the public sector to Special Employment Measures.**

Capital investment is only a worthwhile under-taking if it meets a clear need or makes a profit: and that's what the Government is doing.

2. **Hard-faced monetarism is squeezing the economy too much, reducing demand and placing too much stress on curbing inflation**

At the end of the first quarter of 1979, the total stock of £M_3 stood at £50,940 million. By the end of the first quarter of 1984, some 5 years later, the stock of £M_3 stood at £103,620 million - more than 100 per cent up! It grew explosively between April 1979 and April 1982, and has still been rising in both real and nominal terms since.

		£M_3	
End 1st Quarter	1979	50,940	
	1980	58,200	+14%
	1981	68,510	+18%
	1982	85,810	+25%
	1983	97,260	+13%
	1984	103,620	+7%

(Financial Statistics, July 1984, p.103)

It is vital to get across that this Government took time to slow money growth, and then slowed it quite gently. The situation is totally different from that between 1929 and 1931, when real money supply, and the nominal money supply, fell sharply, so depressing economic activity. Under the MTFS, the deceleration of money growth will carry on through the life of this Parliament: 6-10 per cent for £M_3 in 1984/85; 5-9 per cent in 1985/86; 4-8 per cent in 1986/87; and 3-7 per cent in 1987/88: all of these figures imply

growth in real money supply. The MTFS is now delivering more real growth and less inflation than the policies pursued in the mid-1970s. The recession of 1980/81 took place against the background of roaring money growth and inflation.

3. There is not enough growth in the economy.

GDP:	1980 Prices	Gain/Loss on previous year	Gain on 1978
1978	228.27	-	-
1979	232.95	+2.0%	+2.0
1980	227.50	-2.3%	-0.3
1981	225.29	-1.0%	-1.3
1982	230.28	+2.2%	+0.9
1983	238.45	+3.5%	+4.5%
*1984	?244.00	?+2.5%	?+6.9%

* Rough forecast

(International Financial Statistics 1984, p.591, and estimate for 1984)

There are technological and institutional limits on how fast an economy can grow. The UK economy traditionally grew at around 2.5 per cent per annum until the 1970s, when the rate of growth fell. Since the second quarter of 1981, this Government has succeeded in creating the background for a resumption of reasonable growth. The table above sets out the pattern of recovery from the recession, and shows that

since 1978 the economy has now registered a reasonable real level of advance. This should continue in 1985.

The UK economy has been growing faster than its old trend rate. Only new attitudes can sustain the momentum.

4. <u>Companies do not have the right conditions to expand, to make profits and create new jobs</u>

Companies have rarely been in a better position than they currently enjoy in the last 20 years. Profits are showing another year of strong growth, following big rises from mid-1982. Unit wage costs have been brought under better control. The current level of sterling against the dollar gives anybody exporting or doing business in the States a very favourable opportunity for making their business grow. Companies now have lots of cash.

The abolition of the National Insurance Surcharge, the phasing out of capital allowances in order to deliver substantially lower Corporation Tax, and the Government's massive investment in training, all help to create the right atmosphere for jobs to be generated.

Money Gross Trading Profits (excluding stock profit):

1979	27,710		1982	38,941	+16.3%
1980	30,699	+10.8%	1983	E.46,500	E.+19.5%
1981	33,471	+9.0%	1984	E.53,000	E.+18.0%

(Annual Abstract, p.251, 1979-82; Simon and Coates (estimated), p.17 1983&4).

Productivity has been rising strongly:

% change	Whole economy	Output per employee mfg.
1982	3.2	5.5
1983	3.1	6.7
1984	2.0	2.7
1985	2.5	2.0

This, if combined with commonsense on wages, aids competitiveness. (Simon and Coates)

5. <u>An increase in public borrowing would bring the jobs we need</u>

Over the first 5 years of Conservative Government, the Government borrowed some £50 billion (Red Books). The Medium-Term Financial Strategy sets out a modest reduction in borrowing year by year.

The Treasury and other economic models indicate that any substantial increase in Government borrowing would raise interest rates; and raising interest rates destroys more jobs in interest rate sensitive sectors like housing, than are created through the first-round effects of the additional expenditure.

6. More subsidies to industries and companies would prevent redundancies.

This policy was tried at BL and BSC over the last 10 years. The results prove the opposite is true. At BSC, over £3 billion was spent, and 72 per cent of the workforce lost their jobs (1971-84). In the private steel and metals sector (with little subsidy, competing against subsidised competition) 27 per cent lost their jobs.

At BL, £2.5 billion later (1971-84) 53 per cent lost their jobs. In the rest of the motor assembly and component industry, only 35 per cent lost their jobs. [Source Peter Warry/Department of Employment.]

Isn't it staggering that last year we had a record year for car sales, yet after all the public investment, output of our motor assembly industry was less than two-thirds its level of 1973, the best year of the 1970s.

[1,791,699 cars registered in 1983 (RY/SMMT) compared with 1,650,000 in 1973.

In 1973, 1,200,000 were British built, and in 1983 only 900,000.]

JOHN REDWOOD

The National Archives

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PRIME MINISTER

A1

THE FIRST FIFTEEN MONTHS

I attach the paper which David Young promised you at your meeting with him and Keith on 16 May. He will be giving the only other copy to Keith.

The priorities he suggests seem very sensible, although, as he says, having been out at the MSC for more than a year, in one or two cases he has not taken full account of what we are already doing or planning to do. Here is a brief summary of his proposals.

1.1 The Civil Service. Little more to be gained from across-the-board cuts. We must cut functions.

1.2 Local Government. Restricting rate increases won't be enough. We ought to make some local authority fringe activities ultra vires. All direct labour work should be put out to tender.

1.3 The Nationalised Industries. We need an orderly programme to split up each industry by region or function and then sell them off piece by piece. We can turn many of these functions into Companies Act companies without legislation, as McGregor has done to British Steel. Legislation can come at the end, not the beginning, of the programme. David says that E(DL) at present acts as a rubber stamp for Ministerial agreement. It needs a small permanent secretariat to follow through the disposals programme and report to the Chairman. You should be that Chairman.

2.1 Taxation. We must stop the Inland Revenue frustrating the purposes of our tax allowances for business start-up, residential allowance and so on. The House of Lords has already effectively ended Rossminster-type cases in the Ramsay case. I think you need a Tax Effectiveness Group, consisting of the Small Business Minister, David Young himself, an experienced accountant in practice, as well as Treasury Ministers and Inland Revenue representatives to make sure in advance that our enterprise schemes really work. The Group should report jointly to you and the Chancellor.

2.2 Investment Income Surcharge. In our first Budget last time, we took the radical steps on earned income that were needed. This time, we should use our first Budget to do the same on investment income.

3. Barriers to Mobility. We must have a radical change on regional policy, relating aid to jobs and not to capital investment. The official work being done for MISC 14 will never produce the right answer. You must take personal charge of a small Ministerial task force to produce the right answer.

3.1 Employment Restrictions. We must remove the barriers to employment set up by the Employment Protection Act.

3.2 Skills Training. David has always wanted to split the MSC into half, giving the Job Centres and the Community Programme back to the Department of Employment; with the rest being transformed into a National Training Commission (NTC) which would report to Education, as well as to Industry and Employment. This NTC could take charge of the funding of colleges of further education while leaving their ownership with the LEAs. I think this a brilliant way to make sure that FE does provide courses relevant to future needs.

David also wants to offer a training voucher scheme. This sounds rather promising and does not have the political difficulties posed by vouchers for schools, and should certainly be further examined.

3.3 Moving People. Like the rest of us, David is trying to find a way to encourage the building of housing for rent without abolishing rent control. He thinks liberalising the residential building allowance may well be the answer. I am sure that capital allowances are the key to many of the obstacles to a high rate of housebuilding. For example, Laurie Barratt has estimated that if capital allowances were extended to shared ownership in the private sector, then the industry would be building an extra 50,000 homes a year. Without capital allowances, it is simply not worth their while. When John Stanley brought this idea to the Family Policy Group, Geoffrey said the objection was one of tax philosophy. However, in talks with Nick Ridley later, the Treasury line had changed. They now say that giving capital allowances

would simply cost too much. I am sure that this question needs to be tackled very early in order that private housebuilders should see at least 4 years ahead of them in which they will not be interrupted by political spite.

FERDINAND MOUNT

The First Fifteen Months.

INTRODUCTION

In writing this paper I have tried to refrain from generalities. The field is too wide and I am conscious that I have been out of the mainstream for over a year. It may be that some of the suggestions made are already being undertaken. For that I apologise but nevertheless I do believe that all the specific steps suggested are capable of being brought into effect with immediate advantage. What is I hope agreed is that the priorities of the last year of a first term are not the priorities of a first year of a second term.

But some generalities have to be made.

The first term has above all else changed attitudes. What we now have to do is to change the real world.

- The public sector is still too large.

- Taxation remains too enervating for enterprise.

- Barriers to mobility are still with us.

Some of the steps suggested will require **legislation** whilst others will require **preparation** - but they **all** have be identified and taken in good time.

Where legislation is required then the time for decision is all too short. Whatever is not in the first Queens speech will not be enacted until the end of the second session, and we will then have but eighteen months before the next election appears on the horizon and the fear of policy reversal is with us. Not only do some controversial Bills require the moral force of a recent election victory but so do major policy changes. The first hundred days will lay the foundation of the second term.

Therefore this paper is concerned to identify a number of objectives needed to be achieved within the first session.

1. THE PUBLIC SECTOR.

There are three seperate areas within the Public Sector where I believe that there is scope for immediate action - in the Civil Service, in Local Authorities and in the Nationalised Industries and Utilities.

1.1 The Civil Service.

During the lifetime of the last Parliament we made substantial reductions in the size of the Civil Service and within the last few months we undertook an exercise for a further 5% or 10% cut. I do not believe that there is very much more to be gained from this type of review for all the savings in terms of efficiency have probably been made. There is little doubt that many Departments, where they have accepted reductions, have now adopted a policy of "equal misery" which in the end turns out to be misery for all and not good man management.

So what we must do is to cut **FUNCTIONS.** We should go back to Departments and ask what functions could be cut and only then what the manpower savings would be.

There are also a number of activities that could be carried on outside the service. A good, although small, example is the Enterprise Allowance where we went to the banks to run the scheme for us and now they will be making the payments direct to the applicants at a considerable saving both in money and manpower.

But in the end if we are to achieve smaller (and thus cheaper) government then we must be prepared to undertake less.

1.2 Local Government.

In a similar manner we should consider legislation to regulate the kind of activities that local government is allowed to undertake. It may not be sufficent to merely restrict rate increases in the short term - perhaps we would lower the burden of rates quicker if we were to make a number of fringe activities Ultra Vires. This would apply no matter how we modify the present rating system. The problem lies in the expenditure rather than in the collection.

If we are to legislate then we should consider the advantages of giving statutory encouragement to the commercialisation of Local Authority activities. The early successes of private refuse collection should be built upon. We could ensure that Local Authorities had to go to competitive tender for many activities and let their own departments compete on an equal basis. This would expose the Direct Labour Organisations to open competition and only if they win a tender would they be entitled to the work. But tenders must be returnable to an independant assessor to ensure fair play. If nothing else it would expose the real costs of many of their services.

1.3 The Nationalised Industries and Utilities.

Apart from our existing commitment to the disposal of British Telecoms we have a Manifesto commitment that Rolls Royce, BA, parts of BSC, British Shipbuilders and BL will become private sector companies. Some may make it but this depends on trade conditions as much as political will. We also have a commitment to seek "other means of increasing competition in, and attracting private capital into, the gas and electricity industries."

At the present time we have:-

1. The residual holdings of the first round of Privatisation e.g. Cable and Wireless, British Aerospace etc. After the election the market will be prepared to take the balance of our shares.

2. The Nationalised Industries e.g. BSC, BL, BA, British Shipbuilders and British Telecoms. Despite our commitment there is still some way to go before disposal. **Parts** of all of these industries are saleable now and as a first step we should adopt Companies Act status for subsidiaries, and then apply pressure for some to be sold as soon as possible.

3. The Utility Sector. So far we have not made much progress with the Utilities in general and CEGB in particular. There is little point in disposing of the Grid but there would be considerable advantage of disposing of the generating stations

and thus introduce competition in power generation. If we put together and then sell **individual coal pits and adjoining power stations** we could solve more than one problem at a time.

The organisation of British Gas lends itself to that of a Holding company with subsidiaries. If we were to sell off but one of the regional companies in the next two years we would have changed the attitudes of all. When I last saw them they were seperate in all but name.

Action

What is required is an orderly plan to divide each industry by region or function, and then progress towards disposal. Even if sales were not imminent we would achieve better management of the whole sector, and better management is as least as important as disposal. Legislation is required for British Telecoms (which will still be so large that it is difficult to see what advantage the private sector monolopy would have) and for the Utilities but many disposals of parts of Nationalised Industries could take place without any further action.

This programme must apply to both the balance of our existing holdings and to achieving new disposals. Gilt sales would be affected but it would still be better to sell assets than to incur debts.

The Committee responsible for overseeing the whole programme of

disposals is E(DL) but in practice this has acted merely to obtain the agreement of colleagues. What is required is a small permanent secretariat who will report to the Chairman **and follow through** to coordinate departments and ensure that the programme is maintained.

2. TAXATION.

If we are to reduce taxation substantially then a massive reduction in Government expenditure will have to take place. This cannot be done quickly and is therefore outside the scope of this paper. Nevertheless there are a number of important changes that we should introduce in the first few weeks of our return. These may be at the margin, but taken together will have an important effect on the growth of the economy in the medium term.

2.1 Safety First.

It has long been a main strand of the Governments programme that the future of employment and the expansion in the economy depended upon the birth and growth of new enterprises and to this end many schemes were introduced. However between their introduction in Budget statements and their enactment in Finance Acts the current philosophy of the Inland Revenue prevailed. This can best be described as "safety first" and their proper obsession with Tax Avoidance ensured that all these provisions were ringed with so many protections that they became of little

utility. Furthermore the practise of giving practitioners clearance for projects in advance fell into abeyance with the result that professional advisers became reluctant to recomend using these novel schemes.

During 1982 the House of Lords in the **Ramsay** case effectively ended all schemes of Tax avoidance. Transactions now entered into for the purpose of avoiding tax could be voided retrospectively and the tax avoidance industry ceased overnight. We can now afford to simplify the legislation.

The principle of using tax allowances for many of these small business schemes was to create 'new' financial institutions, i.e. the high taxpayer, acting as risktakers in areas where the other institutions simply would not go. We should promote the principle of allowing transparent trusts, partnerships, as well as the North American concept of Joint Ventures for tax purposes. Again the Revenue might well approve such a concept but without safeguards professional advisers will not let their clients proceed without clearance in advance.

The test as to whether the ring fence was drawn too tight is simple - has the allowance been used. On this basis the Residential Allowance needs redrafting as does the Business Start Up scheme. The Workshop Building Allowance should be the model for the former, and the latter should be simplified.

In the last Budget the Workshop Allowance was extended to include alterations to existing buildings and will thus help to renovate

some of the older buildings which had not reached the end of their life but only of their use.

The same principle could be adopted for the Residential Allowance for the **Inner City Areas only** but here instead of using the still unproven device of Assured Tenancies designate whole areas to be free of rent control where such renovation work is carried out. This could help to reintroduce houses and flats free of rent control and help not only with mobility of labour but restore the Inner City Areas with private funds.

Action

It is not sufficent to leave the drafting of these provisions either to the Revenue or to the supervision of Treasury Ministers who are always hard pressed. There is much expertise both within the Department of Industry and in the outside world (with the professional Accountants and Lawyers) that could and should be used. A **Practise Group** combining all these parties should sit between the Budget statement and the passing of the Act to advise on the actual drafting and the issues involved.

We should then review the Business Start Up Scheme, the Small Workshop and Residential Building Allowances in particular and the other measures in general and simplify the provisions in the next Finance Bill. At the same time we should ensure that the practise of the Revenue giving clearance **in advance** to professional advisors be restored.

2.2 Investment Surcharge.

Since the introduction of the Investment Surcharge we have seen a gradual shift of investment and shareholdings in Public Companies from individuals to the Institutions. Can we wonder when we have applied a penal rate to investors and left the Institutions (in the main Life Funds and Insurance Companies) tax free. If we are to see a return of the individual as an investor, and without this we run the risk of creating the corporate state, albeit unwittingly, then we must put this right. Abolishing the Investment Surcharge will at least help to restore the balance, whilst making all dividends free of any further tax will give a positive inducement to people to invest their savings in Industry and Commerce either through the stock market or in new companies rather than leaving them with a Bank or a Building Society. We must restore the concept of people investing for income for their retirement. Again this is another policy change that can only be introduced immediately following an election victory.

3. BARRIERS TO MOBILITY

There has been little that successive governments have been able to do since the war by regional policy alone to bring jobs that last to the people - **we will have to succeed in bringing people to jobs.** If this policy is to work then we will have to free up

the labour market all over the country but in the last analysis we will have to be prepared to encourage people to move. This has implications over many fields, housing, pensions and town planning and should be considered as a cohesive policy - and that means a number of departments working together.

Regional policy itself has patently failed - we only have to go to Merseyside for proof. For many years the policy has been directed at plant and buildings and not at people. If it were abolished and part, and only part, of the money were spent on retraining people in the new occupations (often in the service sector) then we would begin to make progress in the Assisted Areas.

We did agree, early in 1980, that we would make no change in Regional policy during the lifetime of that Parliament. We should now take a good look at our policy as a matter of urgency. We must help to raise the job potential of the old areas.

Barriers to Mobility take many forms. As well as inhibitions on new employment there are skill barriers and accomodation barriers which prevent people moving from the old industries to the new occupations. They all have to be dealt with, together and quickly, if we are to give them enough time to take effect. I am afraid that legislation is involved and to be given enough time to take effect would have to be included in the first Queens speech.

These barriers can be catagorised as follows:-

3.1 Employment Restrictions.

Although we have removed the effects of Employment legislation from firms employing less than 20 people, they still remain for larger firms. The one response that we do get from large firms who have survived the last few years is their reluctance to re-engage any of the workforce that they have shed often at great expense. A large part of this reluctance is the knowlege that it will be both difficult and expensive to dismiss such staff should the occasion warrant. If we were to remove the protection of the Employment Protection Act in respect of all new employees for a period of five years then we will make it easier for these companies to take on new staff and at the same time not remove the protection from the existing workforce.

If we are to succeed in our endevours to encourage the larger firms to take entrepreneural positions then we must make it easier for them to do so.

3.2 Skills Training.

We must give an even higher profile to the need for **adults** as well as young people to acquire new skills and thus move from low to high technology, and from manufacturing to the service sectors.

We do have plans for the division of the MSC into two nearly equal groups, that part dealing with the Jobcentres and the Community Programme going back to DE, with the balance being transformed into a multipartite National Training Commission. This step again could only take place immediately following an election - particularly as it is foreshadowed in the Manifesto - but that in itself is not enough. We have to deal with adult retraining.

One of the advantages that a National Training Commission would have is that it could report back to DES as well as DoI or DE. We spend at the present time about one billion a year in the Colleges of Further Education and the programme is funded through the Rate Support Grant. We could leave the ownership of the CFE with the LEA but direct the payment through the National Training Commission. The political objections to central Government control of education would not apply to Further Education and we could begin to ensure that courses relevant to future needs are provided.

At the present time we (through the MSC) spend about two hundred million on training the unemployed (TOPS) and very little on training the employed. Traditionally we have regarded the large employers as the responsible bodies for training but in the future it will be the smaller employer who will be taking on those with new skills and small firms do not have either the tradition nor the accomodation to carry out training on their own account . The way out is to encourage individuals to look to their own training needs and this requires a different approach.

We must look towards the use of part time and evening classes, and ensure that sufficent choice is available to all.

As a result of the MSC Review of Adult Training Strategy (which is due to report in July), we could introduce both vouchers, or credits, and a loan scheme.

This loan scheme need not be publicly funded in full. We could create a National Training Loan Fund of say 100m. p.a. and have the entire amount put up by the major banks. Our role would be to subsidise interest (say 5% p.a. being payable by the trainee) and to guarantee both capital and interest. The three to five year loan could have an upper limit of a thousand pounds and if we were to match this with a fifty percent grant we could help 100,000 people a year obtain part time training for a cost of less than 70m. - although the interest cost over the full term will bring this close to 100m. Nevertheless this compares well with the present cost of TOPS (some 200m. for 55,000 full time trainees) and furthermore this would also enable us to obtain valuable experience in the workings of a loan and voucher scheme for later use in the field of general education.

Whatever we do do, we have to make it easier for adults to cross skill barriers. Private Sector employers like BOC and Bell and Howell are now keen to come into the adult training market but without a voucher scheme it will be very difficult to find room for them and at the same time introduce a long overdue reality into the FE's.

3.3 Moving People.

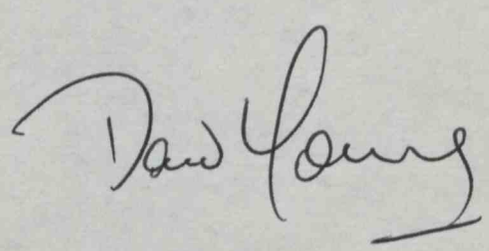
Even if we do provide the inhabitants of the older industrial areas with the new skills and the job opportunities there is no guarantee, and very little likelihood, that they will be able to take advantage of them if the jobs are elsewhere in the country. The great growth in home ownership in recent years has only hindered the ease with which individuals can move, since the old private landlord has been replaced by municipal ownership. Even this is of little use since most local authorities manage to organise both long waiting lists and empty properties at the same time. One of the first casulties of the anti profit consensus this century was the private landlord and we have done little to reverse this trend. This is a policy change of considerable magnitude, but without it the process of change will be severly inhibited.

But even so I doubt if we can simply abolish rent control, and even if we did I am not too sure that we will see a return of the institutions to building residential accomodation to let. However if we were to liberalise the Residential Building Allowance and it was widely used and seen to produce a reasonable and safe return, then they would soon follow since the experience of the past has shown that they are great followers and never leaders.

Mobility of people lies at the root of our attempt to reverse the present pattern of unemployment. Without it all the fine words will have litte effect - the new jobs will only arise where they

will and that is not likely to be in the Liverpools or the Newcastles of the North.

There are still many barriers to mobility of labour and unless we manage to solve these problems we will **not** be able to reduce the very high levels of unemployment in the older industrial areas. It may well be that that is what we will be judged upon at the time of the next election.



June 1983

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Prime Minister (2)

Relevant to your next discussion with the Chancellor. MES 1/3

MR. SCHOLAR

HELMUT SCHMIDT'S PRESCRIPTION

There is much in Schmidt's argument that is correct, relevant and indeed powerful. Although there is nothing new, he puts the old arguments quite cogently. On the other hand, there are quite a few things that are just plain wrong. Occasionally the analysis comes unstuck, and some of the policy proposals leave us hanging in the air wondering whether our feet will ever touch the ground.

Real Interest Rates

This is particularly true with respect to his "most important need is to get real interest rates down". But it's certainly not clear that real interest rates, even on long term bonds, are extraordinarily high. In Britain, for example, index gilt yields about 2½%. And he says "in the present situation a long term real interest rate of 2% would be appropriate". Well we've near enough got it in Britain. And in the United States I am far from convinced that real interest rates are extraordinarily high. With treasuries yielding a little over 10%, who can be sure that the average rate of inflation over the next seven years or so is not going to be 7% or 8%?

Schmidt, of course, argues that the Federal deficit should go down. So do we all. That will reduce inflationary expectation. It is certain to reduce nominal interest trates, but not necessarily real interest rates.

Budget Deficits and Expansion

Schmidt puts forward the steady money growth policy as appropriate for all countries. But he argues some countries which have small budget deficits should be encouraged to expand by having larger deficits. (These are Japan, Britain and West Germany together with some other smaller countries.) This seems to be a version of the old convoy theory. Yet he does not seem to have taken into account the fact that a budget deficit is not a basis for sustained expansion. Record, indeed massive budget deficits, have been achieved in countries which have run rapidly into a most deep depression; examples are the United States, Canada and Italy. In fact the countries that are in the worse mess have the largest budget deficits; why should Britain, Japan and West Germany, together with

/Switzerland

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Switzerland and Austria, be called upon to join them in this mess? Also Schmidt does not reconcile his belief that higher deficits will induce higher real interest rates with the proposition that budget deficits expand income. Does that therefore mean that higher real interest rates are expansionary? This is a yawning gap in the logic of his argument.

A New Monetary System

Schmidt by implication, if not explicitly, clearly argues that the world needs greater exchange rate stability, but with more flexibility than Bretton Woods, on lines similar to those which prevail in the EMS. The monetary authorities should intervene, not to offset fundamental shifts in the exchange rate, but to counter the behaviour of the "flocks of sheep", ie foreign exchange dealers.

Although Schmidt would clearly like to see an EMS developed for all the OECD countries, I think realistically he knows that this will never come about. There is indeed considerable opposition from the Bundesbank, who regard the EMS as largely a failure. The only hope is, as he says, that the Americans will change their minds and take a leadership role here. I doubt very much if we shall see any attempt by the United States to set up an OECD or BIS wide form of EMS. (I return to this below.)

Protection

In my view this is by far the best part of Schmidt's prescription. If the Williamsburg Summit could agree to the minimum requirement as a "formal binding undertaking by the seven major industrial states not to impose any additional restrictions on trade in the next two years", that would be a great step forward. But Schmidt is realistic here and points out that there are severe divisions within the Community.

North/South

The argument in this section is particularly deficient, and it has a Brandt-like quality. He seems to regard Government official aid as a pre-requisite for development, in spite of the obvious evidence against such a proposition. He also wishes to stabilise developing countries' export earnings, in spite of the appalling performance of expropriation by the many export boards that litter the Third World.

/Finally,

Finally, he supposes that the greatest obstacle to economic health of the South remains population growth, again in spite of the arguments showing that in many, indeed most, developing countries there is a problem of under, not over, population. P.T. Bauer has "convincingly shown that the earth's resources can cope with .... population explosion".

A Policy for Schmidt, Brandt et al

We can readily embrace much of Schmidt's prescription including the need for the US Federal deficit to be reduced, the prescription of steady money growth policies for all countries, the spirit of the anti-protectionist resolution, and other more detailed policies. However, it is not clear how far we can or should go in implementing these elements of the Schmidt prescription. We can ourselves determine our steady monetary growth. But we can do little to change the Federal deficit in the United States.

There are some aspects which I believe we should definitely reject. First and foremost is the new version of the old convoy theory, namely that countries such as Britain which have solved their budget deficit problem should thereby promptly slip back again into substantial budget deficit. This is clearly absurd and obviously inconsistent with Schmidt's view that budget deficits cause high real interest rates which inhibit expansion.

Similarly, we should have no truck with his vague and unsubstantiated notions about development. Only Governments and politicians in the South, together with the aid establishment in the North, will profit from an expansion of official aid.

Similarly, we should not support Schmidt's proposals for the Americans to provide the lead for a world EMS. But what we can do is to suggest that all countries adopt a policy of steady monetary growth combined with a trend reduction in budget deficits. This will then provide the convergence which has so eluded those countries in the EMS arrangement. The United States might well be induced to join a world MTFS.

It is possible to develop this international version of the MTFS to enable expansions of particular currencies, such as the Deutschemark, when there is some exogenous expansion of demand for it, at the

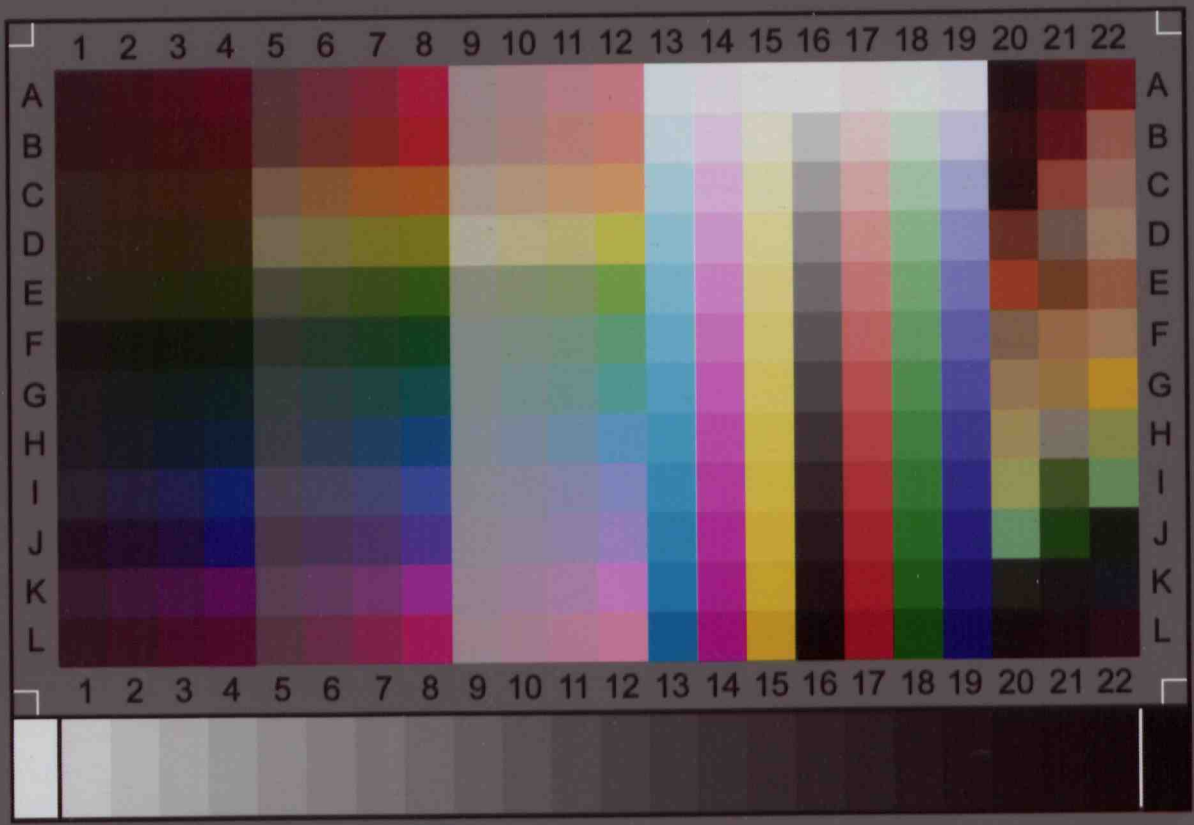
/expense

expense, let us say, of the French franc. Then one could set up a rule that would enable the Deutschemark supply to expand and the French franc supply to contract, all in an institutional international MTFS arrangement. Aggregate world money would be under a broad control.

These ideas of an international MTFS are, of course, nebulous at this stage. But they would provide a positive initiative and a way of going forward with a programme of convergence on the low inflation rates that we are managing to see now in the major Western countries. Until a degree of convergence and stability is achieved it is useless to imagine that we can, by intervention or by domestic monetary policies, peg exchange rates in any way.

In May 1983 the United States may well be in the process of, or at least contemplating, the reduction in monetary growth that is necessary to remove the excess expansion of the last eight months. A world MTFS initiative may be associated with a reassertion of monetary stability in the United States.

ALAN WALTERS
1 March 1983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